

No.

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IN THE  
**Supreme Court of the United States**

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SAN DIEGO COUNTY CREDIT UNION,  
*Petitioner,*

v.

CITIZENS EQUITY FIRST CREDIT UNION,  
*Respondent.*

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On Petition for Writ of Certiorari to the  
United States Court of Appeals  
for the Ninth Circuit

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**PETITION FOR WRIT OF CERTIORARI**

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## QUESTIONS PRESENTED

### Question 1:

In trademark disputes, the alleged infringing party often seeks declarations that the mark of the opposing party (i) is not infringed and (ii) is invalid. The question then arises whether a finding of non-infringement moots the claim for invalidity. The Ninth Circuit here answered that question yes, holding that once Petitioner San Diego County Credit Union obtained a declaration of non-infringement it lost any personal stake it had in invalidating the mark it allegedly infringed. The Ninth Circuit's decision creates a clear circuit split, as it directly conflicts with a well-established line of authority from the Federal Circuit. In the directly analogous patent context, the Federal Circuit has interpreted this Court's decision in *Cardinal Chemical Co. v. Morton International, Inc.*, 508 U.S. 83 (1993) to hold that a finding of non-infringement by itself does not moot a request for a declaratory judgment of invalidity. Therefore, the question presented is:

Whether a district court's finding that a trademark has not been infringed by itself moots any request for a declaration that the trademark is invalid unless the party seeking the declaration presents additional evidence demonstrating that the invalidity claim is not moot.

**Question 2:**

When a trademark dispute involves marks registered with the United States Patent and Trademark Office, one party may seek to cancel the other party's mark. 15 U.S.C. § 1119 explicitly provides district courts authority to order cancellation "[i]n any action involving a registered mark . . . ." The question presented is:

Where jurisdiction for a cancellation counterclaim has been established under 15 U.S.C. § 1119, whether a court's disposal of the non-infringement claims involving the registered mark on summary judgment divests the court of jurisdiction to decide the cancellation counterclaim (i) pending before the court in the same summary judgment motion or (ii) at trial.

## **PARTIES TO THE PROCEEDING**

Petitioner San Diego County Credit Union was the Plaintiff-Appellee/Cross-Appellant in the Ninth Circuit.

Respondent Citizens Equity First Credit Union was the Defendant-Appellant/Cross-Appellee in the Ninth Circuit.

## **CORPORATE DISCLOSURE STATEMENT**

Petitioner San Diego County Credit Union is not publicly traded, has no parent corporation, and no publicly held companies own 10% or more of its stock.

## **RELATED PROCEEDINGS**

*San Diego County Credit Union v. Citizens Equity First Credit Union*, Case No. 3:18-cv-00967-GPC-MSB, U.S. District Court for the Southern District of California. Judgment entered May 25, 2021.

*San Diego County Credit Union v. Citizens Equity First Credit Union*, Case Nos. 21-55642 (Lead), 21-55662, 21-56095, and 21-56389, U.S. Court of Appeals for the Ninth Circuit. Judgment entered April 21, 2023.

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San Diego County Credit Union (“SDCCU”) respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit.

## INTRODUCTION

This petition presents two significant issues regarding subject matter jurisdiction in trademark disputes seeking declaratory relief.

First, consistent with this Court’s and the Federal Circuit’s precedent, a district court’s declaration that a party does not infringe a trademark should not, in and of itself, divest the court of jurisdiction to also decide whether that trademark is valid. The Ninth Circuit’s decision to the contrary recognized that SDCCU had established Article III subject matter jurisdiction at the outset of the case and through summary judgment because SDCCU had a reasonable apprehension of being sued for trademark infringement by respondent Citizens Equity First Credit Union (“CEFCU”). Therefore, the district court properly refused to dismiss SDCCU’s claims seeking a declaration of non-infringement and seeking to invalidate CEFCU’s asserted common-law mark. The Ninth Circuit further held, *sua sponte*, that once SDCCU obtained summary judgment of non-infringement, SDCCU lost any personal stake in invalidating CEFCU’s common-law mark. Thus, the Ninth Circuit reversed the district court’s judgment of invalidity—which was entered after a full trial—



faulting SDCCU for not affirmatively presenting additional evidence demonstrating the invalidity claim was *not* moot.

The Ninth Circuit’s decision directly conflicts with Federal Circuit cases in the directly analogous patent context, which interpret this Court’s decision in *Cardinal Chemical Co. v. Morton International, Inc.*, 508 US. 83 (1993) to hold that “[a] finding of non-infringement . . . does not by itself moot a request for declaratory judgment of invalidity.” *Synchronoss Techs., Inc. v. Dropbox, Inc.*, 987 F.3d 1358, 1365 (Fed. Cir. 2021). Moreover, the Ninth Circuit’s conclusion that it was SDCCU’s burden to present evidence establishing an ongoing controversy conflicts with this Court’s precedent and the law of other circuits, pursuant to which the party asserting mootness (here, CEFCU) bears the heavy burden to establish mootness. *Cardinal Chemical*, 508 US. at 98; *Dey Pharma, LP v. Sunovion Pharm., Inc.*, 677 F.3d 1158, 1165-66 (Fed. Cir. 2012).

Second, a district court’s decision resolving a party’s claims involving a registered trademark should not divest the court of jurisdiction to decide a cancellation claim under 15 U.S.C. section 1119. That statute provides district courts authority to order cancellation of a trademark registration “[i]n any action involving a registered mark . . . .” This case involved a registered trademark, but when the district court granted SDCCU summary judgment of non-infringement of CEFCU’s registered mark, the

court simultaneously dismissed CEFCU's cancellation counterclaim on the ground that the court no longer had jurisdiction under Section 1119. The district court remarkably took the position that its ruling of non-infringement divested the court even of jurisdiction to rule on the cancellation counterclaim pending before it in the same summary judgment motion. The Ninth Circuit affirmed, but in doing so did not wrestle with the language of the statute or the implications of its holding. In fact, the Ninth Circuit's narrow interpretation of the scope of authority provided by Section 1119 conflicts with the Fifth Circuit's decision in *Amazing Spaces, Inc. v. Metro Mini Storage*, 608 F.3d 225 (5th Cir. 2010). It is also contrary to the plain meaning of the term "action" as interpreted in other jurisdiction-giving statutes, including the supplemental and diversity jurisdiction statutes, both of which allow jurisdiction to continue even after the basis for asserting jurisdiction in the first instance—a federal claim or diversity—has been eliminated from the case.

This issue is important because, among other things, district courts routinely consider infringement and cancellation claims together. Yet the Ninth Circuit decision here effectively holds that the order in which the district court decides those claims determines whether the court maintains jurisdiction. That holding is not only contrary to the statute's language and common sense, but will impose unnecessary costs on parties who litigate infringement and cancellation claims for years only

to have the district court deprive itself of jurisdiction by deciding infringement first.

This Court should, therefore, grant review of both the questions presented.

### **OPINIONS BELOW**

The Ninth Circuit's opinion is reported at 65 F.4th 1012 and reproduced at App.1a–44a.

The district court's decisions relevant to the questions presented are:

(i) The April 15, 2021, Order was transcribed on the record and is not reported, but is reproduced at App.45a–50a;

(ii) The September 29, 2020 Order (which was unsealed on August 17, 2021) is not reported, but is available at 2020 WL 5797827, and is reproduced at App.51a–78a;

(iii) The February 5, 2019, Order is reported at 360 F.Supp.3d 1039, and is reproduced at App.79a–107a;

(iv) The October 2, 2018, Order is reported at 344 F.Supp.3d 1147, and is reproduced at App.108a–142a.

## **JURISDICTION**

The Ninth Circuit issued its initial Opinion on February 10, 2023. App.1a. The Ninth Circuit denied Petitioner’s petition for rehearing and rehearing en banc and issued an amended Opinion on April 21, 2023. App.1a–2a.

This court has jurisdiction under 28 U.S.C. 1254(1).

## **STATUTORY PROVISION INVOLVED**

### **15 U.S.C. § 1119. Power of court over registration**

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

## **STATEMENT OF THE CASE**

SDCCU and CEFCU are both large credit unions. App.4a. SDCCU is based in Southern California, where 95 percent of its customers are located. App.5a. It owns the trademark for “IT’S NOT BIG BANK BANKING. IT’S BETTER.” (the “SDCCU

mark”), which it uses to market its services throughout Southern California. App.5a.

CEFCU owns the trademark registration for “CEFCU. NOT A BANK. BETTER.” (the “CEFCU mark”) and also asserts rights in the tagline “NOT A BANK. BETTER.” as a common-law mark (CEFCU’s “purported common-law mark”). App.4a. CEFCU is based in Illinois. Beginning in 2008, however, when it purchased and rebranded a California credit union under the CEFCU name, CEFCU has established substantial operations in California with branches in Northern California. App.4a. And CEFCU markets extensively in California (App.6a, App.41a, App.48a–49a), including purchasing the naming rights to San Jose State University’s football stadium, which is now called “CEFCU Stadium.”

In May 2017, CEFCU petitioned the Trademark Trial and Appeal Board (“TTAB”) to cancel the SDCCU mark. App.5a. CEFCU’s cancellation petition alleged that the parties provide “identical” services to “identical” types of customers and that SDCCU’s mark “so resembles” the CEFCU mark “as to be likely, when used in connection with the serves of [SDCCU], to cause confusion, or to cause mistake, or to deceive within the meaning of the Trademark Act . . . .” App.5a. CEFCU later moved to amend its petition to add an additional ground for cancelling the SDCCU mark based on likelihood of confusion with CEFCU’s purported common-law mark. App.6a.

CEFCU's cancellation petition effectively alleged the elements of a cause of action for trademark infringement, putting SDCCU on notice of a potential infringement claim. Moreover, during discovery in the TTAB proceedings, SDCCU uncovered further information that made it apprehend being sued by CEFCU. For example, SDCCU learned that CEFCU's concern about potential confusion with SDCCU's mark originated when CEFCU's California-based assistant vice president (who was responsible for marketing and community relations in California) saw SDCCU's mark on a billboard advertisement in San Diego. App.5a–6a, App.8a. CEFCU's marketing director testified that CEFCU filed the cancellation petition because she “became aware that SDCCU's billboard was in the marketplace [in San Diego]. As a marketing professional [she] had concerns with the content of the advertisement,” which supposedly was “very similar” to CEFCU's purported common-law mark. App.5a–6a.

CEFCU's then-vice president of marketing, who was designated as its Rule 30(b)(6) witness, was even more direct. She testified that SDCCU's use of its mark constituted “trademark infringement.” Although she was not aware of any current confusion in the marketplace, she believed it was “just a question of time.” That is because CEFCU had only been marketing in California for a limited number of years, but now had “members throughout California, and many of them are in Southern California.” CEFCU was, therefore, seeking to build its brand

awareness outside the radius of its Northern California branches. App.6a.

Apprehending a lawsuit against it, SDCCU filed this lawsuit seeking, among other things, declaratory judgments that SDCCU did not infringe CEFCU's registered and common-law marks, and that CEFCU's common-law mark is invalid. The TTAB subsequently suspended CEFCU's cancellation action pending the outcome of the district court declaratory judgment proceedings. App.6a–7a.

Before answering the complaint, CEFCU moved to dismiss for lack of Article III subject matter jurisdiction.<sup>1</sup> App.8a. CEFCU argued there was no “actual controversy” because CEFCU had not threatened any trademark infringement action, and, therefore, SDCCU could not have reasonably apprehended an infringement lawsuit. App.8a, App.117a. CEFCU attached hundreds of pages of jurisdictional evidence to its motions. App.7a–8a. After considering CEFCU's arguments and evidence, the district court denied CEFCU's motion. App.8a, App.117a–126a. The court recognized that not only did CEFCU's “petition for cancellation allege[] the elements of a cause of action for trademark

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<sup>1</sup> CEFCU also moved to dismiss for lack of personal jurisdiction, which motion was denied. App.7a–8a. We do not detail the evidence or findings related to that motion as it is not relevant to this petition.

infringement,” it also argued for cancellation based on SDCCU’s claimed right to use the SDCCU mark. App.120a–122a. The district court further emphasized that discovery from the TTAB proceedings evidencing CEFCU’s expansion into the California market and belief that SDCCU’s use of its mark infringed CEFCU’s marks instilled in SDCCU a reasonable apprehension that it would be sued for trademark infringement. App.121a–123a. Thus, the court held that a case or controversy existed and that it, therefore, had Article III jurisdiction over the case. App.126a.

Having failed to obtain dismissal of SDCCU’s declaratory judgment claims, CEFCU answered and filed a counterclaim seeking to cancel SDCCU’s trademark under Section 1119. App.8a–9a. CEFCU’s answer specifically denied SDCCU’s allegations of non-infringement. App.8a.

During discovery, CEFCU’s 30(b)(6) witness in the district court case testified that CEFCU did not object to SDCCU’s use of its mark “to date,” but she would “not speculate” whether CEFCU would object in the future. App.9a. This, along with the absence of any evidence of infringement prompted SDCCU to ask CEFCU to stipulate that SDCCU’s current use of its mark did not infringe the CEFCU mark or purported common-law mark. CEFCU refused to do so and refused to otherwise provide any reassurances



that it would not sue SDCCU for infringement.<sup>2</sup> App.9a, App.28a.

SDCCU then moved for summary judgment on (i) its two claims seeking declaratory relief of non-infringement of CEFCU's registered and common-law marks, and (ii) CEFCU's counterclaim seeking to cancel SDCCU's mark. App.52a. Regarding the first two causes of action, CEFCU did not oppose SDCCU's motion on the merits, but again argued the district court lacked Article III subject matter jurisdiction. App.58a.

Because the district court had already found it had subject matter jurisdiction at the pleading stage, the court viewed CEFCU's argument as asserting that the declaratory relief claims had become moot. App.9a–10a, App.58a–61a. Relying on this Court's decision in *Already, LLC v. Nike, Inc.*, 568 U.S. 85 (2013), the district court determined CEFCU had not met its “burden to demonstrate that circumstances have changed since the initiation of this lawsuit to moot the claims.” App.10a, App.64a. The Court noted CEFCU refused to stipulate to non-infringement, answered the second amended complaint by denying

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<sup>2</sup> CEFCU would later claim that it simply did not want to waive its jurisdictional defenses in this litigation, but that characterization was not evident in the record. App.28a. And from SDCCU's perspective, CEFCU's continued unwillingness to agree to non-infringement increased SDCCU's apprehension of a lawsuit. App.28a–29a.

SDCCU's allegations of non-infringement, and filed a counterclaim seeking to cancel SDCCU's mark. App.61a–64a. Thus, there remained an actual controversy the court had jurisdiction to resolve.

On the merits, the district court granted SDCCU's motion for summary judgment on the non-infringement declaratory relief claims. App.64a–65a. Despite that SDCCU had also moved for summary judgment on CEFCU's counterclaim in the same motion, the district court refused to rule on that counterclaim. Rather, the court *sua sponte* dismissed that counterclaim without prejudice, concluding that the action no longer “involv[ed] a registered mark” within the meaning of Section 1119. App.10a, App.65a–77a. In other words, the district court held that its finding of non-infringement divested the court of jurisdiction to even consider the counterclaim that was pending for disposition in the very same summary judgment motion as the non-infringement claims. *Ibid.*

After SDCCU voluntarily dismissed its third cause of action seeking a declaration that CEFCU's registered mark was invalid, SDCCU's only remaining claim sought a declaration that CEFCU's common-law mark was invalid. App.10a. Before trial, CEFCU repeatedly raised its assertion that the court lacked subject matter jurisdiction, but it did not present any new evidence or circumstances that would have mooted SDCCU's reasonable apprehension of a lawsuit. The trial court, therefore,

rejected CEFCU's jurisdiction arguments, and after a bench trial, declared CEFCU's common-law mark invalid. App.10a; App.45a–50a.

CEFCU appealed the judgment on a number of grounds, including repeating its insistence that the trial court did not have subject matter jurisdiction at the outset of the case, at the time of summary judgment, or when it held the bench trial. App.12a. SDCCU also appealed the district court's order *sua sponte* dismissing CEFCU's counterclaim. App.41a.

The Ninth Circuit affirmed in part and reversed in part. The Panel affirmed the summary judgment of non-infringement, concluding the district court had subject matter jurisdiction to decide those claims. App.18a–29a. The court held that because the district court had already properly determined as a factual matter at the pleading stage that SDCCU reasonably apprehended an infringement lawsuit, CEFCU bore the burden of proving that the case was moot at the summary judgment phase. App.27a–28a. The court further concluded that CEFCU had not met that burden: “CEFCU’s evidence in this case was insufficient to moot the case because it did not remove SDCCU’s reasonable apprehension of suit as a matter of law.” App.28a. The court explained that CEFCU had not only failed to provide any promise not to sue for infringement, it had affirmatively refused SDCCU’s request for a stipulation of non-infringement. App.28a. The evidence showed that CEFCU was growing in California, and it was only a

matter of time before actual confusion occurred. Thus, the court recognized that CEFCU's "restrained testimony" that CEFCU did not currently plan to sue, but that CEFCU would "not speculate with regard to the future," only "served to reaffirm SDCCU's reasonable apprehension about whether it could be subject to legal action for the current use of its mark in Southern California." App.29a.

The Ninth Circuit, however, reversed the judgment finding CEFCU's common-law mark invalid. App.29a–34a. Despite its finding that SDCCU had a reasonable apprehension that CEFCU would file an infringement lawsuit prior to summary judgment, and despite that CEFCU had presented no additional evidence to show mootness, the Ninth Circuit now faulted SDCCU for not affirmatively presenting any evidence "that an ongoing threat of liability is causing SDCCU to engage in any 'self-avoidance' of harm, or is 'chilling' SDCCU's use of its mark." App.31a (citation omitted). Thus, the court concluded that "once SDCCU obtained an adjudication stating that the use of its mark does not infringe CEFCU's common-law mark, SDCCU lost any personal stake it once had in invalidating CEFCU's common-law mark." App.34a.

The Ninth Circuit also affirmed the district court's dismissal of CEFCU's cancellation counterclaim. App.41a–44a. The court narrowly interpreted the language in Section 1119 granting courts jurisdiction to cancel trademark registrations

“[i]n any action involving a registered mark . . . .” According to the Ninth Circuit, even though “the action” here involved a registered mark both at the outset and at the time the court ruled on SDCCU’s summary judgment motions, once the district court granted summary judgment on those claims involving a registered mark (the non-infringement claims), the district court lost jurisdiction. App.44a. Remarkably, the Ninth Circuit affirmed the district court’s decision that it lacked jurisdiction to even rule on SDCCU’s request for summary judgment on the counterclaim, which was made in a single summary judgment motion along with SDCCU’s request for summary judgment on the infringement claims. App.65a, App.78a.

## **REASONS FOR GRANTING THE PETITION**

### **I.**

#### **Review Should Be Granted to Decide Whether A Finding of Non-infringement Alone May Moot An Otherwise Valid Invalidity Claim**

In holding that the district court erred in adjudicating SDCCU’s invalidity claim, the Ninth Circuit concluded that “once SDCCU obtained an adjudication stating that the use of its mark does not infringe CEFCU’s common-law mark, SDCCU lost any personal stake it once had in invalidating CEFCU’s common-law mark.” App.34a. The court did not cite any evidence beyond the adjudication of the

infringement claim that would render the invalidity claim moot, but relied on the absence of any evidence from SDCCU of an ongoing controversy. App.31a. Thus, while contending it did not apply a “hard-and-fast rule,” the court effectively held that a non-infringement finding necessarily divests the court of subject matter jurisdiction over an invalidity claim in the absence of additional evidence of an ongoing case or controversy. App.29a–34a.

As explained below, that decision is directly contrary to decisions of the Federal Circuit in the directly analogous patent context. The Federal Circuit’s rule rests on this Court’s decision in *Cardinal Chemical*, which the Ninth Circuit here waved off as “inapposite.” But the Federal Circuit’s application of *Cardinal Chemical* is correct, and the Ninth Circuit’s decision here is not only contrary to the principles articulated in that case, but it also improperly flips the burden of proof where a plaintiff has already established jurisdiction and the defendant seeks to dismiss on mootness grounds.

This Court should, therefore, grant this petition and establish uniformity on this important question of law.

**A. The Ninth Circuit’s decision conflicts with decisions of the Federal Circuit**

As the Ninth Circuit’s decision recognized, courts regularly look to patent cases to guide their analysis in trademark cases. App.29a. That’s particularly true

in cases involving declaratory relief “[b]ecause declaratory judgment actions involving trademarks are analogous to those involving patents . . . .” *Windsurfing Int’l Inc. v. AMF Inc.*, 828 F.2d 755, 757 (Fed. Cir. 1987); *see also Nike, Inc. v. Already, LLC*, 663 F.3d 89, 96 (2d Cir. 2011), *aff’d*, 568 U.S. 85 (2013) (holding that “declaratory judgment actions involving patents” are “sufficiently analogous to those involving trademarks that principles applicable to declaratory judgment actions involving patents are generally applicable with respect to trademarks” (internal quotation marks omitted)).

The Ninth Circuit’s decision here, however, directly conflicts with the Federal Circuit’s decisions in patent cases. The Federal Circuit has consistently held that “[a] finding of non-infringement . . . does not by itself moot a request for declaratory judgment of invalidity.” *Synchronoss*, 987 F.3d at 1365; *see also, e.g., Gen. Elec. Co. v. Nintendo Co.*, 179 F.3d 1350, 1356 (Fed. Cir. 1999) (affirming district court’s finding of non-infringement, but reversing judgment of invalidity). The Federal Circuit recognizes that “the Declaratory Judgment Act permits the court to decline to exercise jurisdiction as a matter of discretion,” but a mere determination of non-infringement will not “moot” a claim of invalidity “such that there is no Article III case or controversy.” *SSI Techs. LLC v. Dongguan Zhengyang Elec. Mech., Ltd.*, 59 F.4th 1328, 1338 (Fed. Cir. 2023). Thus, “a district court ‘faced with an invalidity counterclaim challenging a patent that it concludes was not

infringed may either hear the claim or dismiss it without prejudice.” *Ibid.* (quoting *Liquid Dynamics Corp. v. Vaughan Co.*, 355 F.3d 1361, 1371 (Fed. Cir. 2004)); see also *Flexuspine, Inc. v. Globus Medical, Inc.*, 879 F.3d 1369, 1376 (Fed. Cir. 2018).

Where, however, a district court erroneously concludes it lacks Article III jurisdiction to decide an invalidity claim merely because it found no infringement, the Federal Circuit has reversed. In *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340 (Fed. Cir. 2005), for example, the district court held that it had no jurisdiction to resolve Solo Cup’s counterclaim seeking a declaration of unenforceability of Fort James’s patent because the jury had already found that Solo Cup did not infringe that patent and Fort James Corp thereafter covenanted not to sue for infringement of the patent. *Id.* at 1344-45. The Federal Circuit reversed. The court held that Fort James’s covenant not to sue “had no effect” because the jury already found there was no infringement. *Id.* at 1348. The court framed the remaining jurisdiction question as “whether the court retained jurisdiction to hear Solo Cup’s declaratory judgment counterclaim after the jury determined that Solo Cup’s products do not infringe Fort James’s patents.” *Ibid.* The court answered that question “yes,” holding that the jury’s finding of non-infringement “did not moot Solo Cup’s counterclaim for unenforceability nor did it act to divest the district court of jurisdiction to hear that unlitigated counterclaim.” *Ibid.*; see also *Fin Control Sys. Pty.*



*Ltd. v. OAM, Inc.*, 265 F.3d 1311, 1321 (Fed. Cir. 2001) (affirming district court’s grant of summary judgment on claim for a declaration of non-infringement, but remanding “for further proceedings to adjudicate the validity issues remaining in the case”).

There can be no doubt that the Ninth Circuit’s decision here establishes precedent that drastically departs from the jurisdictional principles applied in the Federal Circuit. Because a large number of both patent and trademark cases involve claims for (i) infringement or for declaration of non-infringement, and (ii) a claim or counterclaim asserting that the patent or trademark in question is invalid, this Court should grant review to bring uniformity to this important jurisdictional question.

**B. Review is also warranted because the Ninth Circuit’s decision is clearly incorrect under this Court’s precedent**

This Court should also grant review because the Ninth Circuit’s decision misunderstood and misapplied this Court’s precedent.

**1. The Ninth Circuit’s decision is contrary to the principles articulated in *Cardinal Chemical***

The Federal Circuit’s rule is based on this Court’s decision in *Cardinal Chemical*, which the Federal Circuit cites for the proposition that “[a] finding of

non-infringement . . . does not by itself moot a request for declaratory judgment of invalidity.” *Synchronoss*, 987 F.3d at 1365 (citing *Cardinal Chemical*, 508 U.S. at 98). In *Cardinal Chemical*, this Court overruled the Federal Circuit’s “practice of routinely vacating declaratory judgments regarding patent validity following a determination of noninfringement . . . .” 508 U.S. at 89. This Court held that “[t]he Federal Circuit’s decision to rely on one of two possible alternative grounds (noninfringement rather than invalidity) did not strip it of *power* to decide the second question . . . .” *Id.* at 98 (emphasis in original). More pointedly, this Court held that “[t]he case did not become moot when that court affirmed the finding of noninfringement.” *Ibid.*

The Ninth Circuit’s opinion here dismisses *Cardinal Chemical* in a footnote as “inapposite” because it considered only an appellate court’s jurisdiction to rule on an otherwise valid district court judgment of both noninfringement and invalidity and did not consider the jurisdiction of the district court in the first instance. App.32a. As the *Cardinal Chemical* decision itself points out, however, this Court has “approved of the District Court’s decision to consider the question of validity even though it had found that a patent had not been infringed.” 508 U.S. at 100 (citing *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327 (1945)). And in *Sinclair*, this Court disapproved the “tendency among the lower federal courts in infringement suits to dispose of them where possible on the ground of

non-infringement without going into the question of validity of the patent.” 325 U.S. at 330. As this Court explained, “[i]t has come to be recognized . . . that of the two questions, validity has the greater public importance,” and described “the better practice” of “inquiring fully into the validity of this patent.” *Ibid.*

Neither *Cardinal Chemical* nor *Sinclair* even remotely suggested the possibility that, as the Ninth Circuit held, merely deciding the infringement issue will moot an invalidity claim. And the Ninth Circuit’s holding relegates the issue of greater public importance—validity—to secondary status behind non-infringement.

The Ninth Circuit also attempted to distinguish *Cardinal Chemical* on the ground that the plaintiff there had asserted an “actual[] . . . charge[]” of infringement; whereas here, the court’s jurisdiction for both the non-infringement and invalidity claims was based on SDCCU’s reasonable apprehension of an infringement suit. App.32a. But that’s a distinction without a difference. An explicit infringement charge is sufficient to establish jurisdiction for a declaratory judgment of invalidity, *Fort James*, 412 F.3d at 1348 (citing *Cardinal Chemical*, 508 U.S. at 95), but so too is a reasonable apprehension of an infringement charge. *Societe de Conditionnement en Aluminium v. Hunter Eng’g Co.*, 655 F.2d 938, 944-45 (9th Cir. 1981); *Chesebrough-Pond’s, Inc. v. Faberge, Inc.*, 666 F.2d 393, 396 (9th Cir. 1982). The point in *Cardinal Chemical* was that

even after making (or affirming) a finding of non-infringement, courts should still decide pending validity claims. There is nothing in that decision to suggest this Court's holding was limited to cases involving an actual charge of infringement and should not also apply to claims, such as those here, where a party properly seeks declaratory relief because it fears such a charge.

In short, the Federal Circuit's rule that a mere finding of non-infringement does not "moot" a claim of invalidity "such that there is no Article III case or controversy," *SSI Tech.*, 59 F.4th at 1338, adheres to this Court's decisions, while the Ninth Circuit's approach does not. Review is warranted to correct the Ninth Circuit's approach and establish consistency in the law.

## **2. The Ninth Circuit's decision misapplies the burden of proof**

The Ninth Circuit's decision also departs from this Court's precedent in its application of the burden of proof. As this Court has held, "while the initial burden of establishing the trial court's jurisdiction rests on the party invoking that jurisdiction, once that burden has been met courts are entitled to presume, absent further information, that jurisdiction continues." *Cardinal Chem.*, 508 U.S. at 98. Thus, "the party arguing that a case has become moot bears the burden of bringing forth such further information of mootness. The heavy burden of

persuading the court that a case is moot lies with the party asserting mootness.” *Dey Pharma*, 677 F.3d at 1165-66 (cleaned up); *see also Already*, 568 U.S. at 92.

Here, the Ninth Circuit affirmed that SDCCU had met its initial burden of establishing jurisdiction, but thereafter the court neither presumed that jurisdiction continued nor placed the burden on CEFCU to present evidence establishing mootness. Rather, by holding that the mere finding of non-infringement mooted the invalidity claim, the Ninth Circuit’s decision flipped the proper burden of proof. The Ninth Circuit *faulted SDCCU* for not presenting evidence that the case *was not moot* after the non-infringement finding. The court did not cite evidence from CEFCU demonstrating mootness, and CEFCU never presented such evidence. Rather, the court concluded that the “record is devoid of any evidence that an ongoing threat of liability is causing SDCCU to engage in any ‘self-avoidance’ of harm or is ‘chilling’ SDCCU’s use of its mark.” App.31a (citation omitted). In effect, the court held that unless SDCCU presented affirmative evidence that it was still under threat from CEFCU’s mark—i.e., evidence that the invalidity claim was not moot—the non-infringement finding necessarily mooted the invalidity claim. App.34a.

That decision improperly puts the burden of demonstrating “no mootness” on the party bringing the invalidity claim. In *Cardinal Chemical*, this

Court rejected a similar argument that the party claiming invalidity had to reveal how the patent in question was chilling its future plans. 508 U.S. at 99-100. Instead, the Court held that absent some affirmative evidence showing mootness, the infringement claim itself established an ongoing controversy over validity even after being resolved by the court:

A company once charged with infringement must remain concerned about the risk of similar charges if it develops and markets similar products in the future. Given that the burden of demonstrating that changed circumstances provide a basis for vacating the judgment of patent invalidity rests on the party that seeks such action, there is no reason why a successful litigant should have any duty to disclose its future plans to justify retention of the value of the judgment is has obtained.

*Ibid.*

The circumstances here illustrate this Court's point. Although SDCCU was not obligated to disclose its future plans for use of its mark, the record establishes SDCCU's geographic growth, which started in San Diego county, expanded northward, and now includes members in all 50 states. The

record also establishes CEFCU's rapid expansion and increased marketing in California, including into Southern California where SDCCU primarily operates. App.4a, App.6a, App.23a–24a. There is no reason to think continued expansion of either party will cease. Yet CEFCU's alleged common-law trademark rights are territorial in nature. App.33a. As a result, CEFCU can be expected to argue the district court's now-affirmed summary judgment ruling of non-infringement may not afford SDCCU protection from an infringement suit after the likely, if not inevitable, further collision of SDCCU's and CEFCU's respective territories. Indeed, the record still reflects CEFCU's belief that while there is no current confusion in the marketplace, it is “just a question of time.” App.6a, App.23a–24a. And CEFCU still has not provided any assurances that it will not sue SDCCU for infringement of its common-law mark, and has explicitly refused to stipulate that SDCCU's mark did not infringe. App.28a. Thus, the Ninth Circuit's recognition that SDCCU increased the use of its mark within its current territory, App.31a–32a, does not alleviate the chilling effect CEFCU's mark will have as SDCCU expands beyond that territory.

Moreover, even after the district court entered its finding of non-infringement on summary judgment, CEFCU made clear it would appeal that non-infringement order. The fact that the non-infringement finding was not final undermines the Ninth Circuit's holding that SDCCU lost any

personal stake in invalidating CEFCU's common-law mark. As long as CEFCU continued to contest the order of non-infringement on appeal, SDCCU had every reason to apprehend that CEFCU would reassert claims of infringement. SDCCU, therefore, had a very real personal stake in continuing to litigate its invalidity claim. *Cf. Cardinal Chemical*, 508 U.S. at 97 & n.19 (recognizing that "the Federal Circuit's determination that the patents were not infringed is subject to review in this Court," which counseled in favor of deciding invalidity and infringement together).

In short, despite the summary judgment order on non-infringement, SDCCU necessarily "remain[s] concerned about the risk of similar charges" of infringement as it uses its accused mark, expands into new territories, and launches new marketing campaigns that reach SDCCU members who reside in CEFCU territories. *Cardinal Chemical*, 508 U.S. at 99-100. SDCCU should not be forced to choose between (i) the risk of being sued for trademark infringement in the future and (ii) growing its footprint in California or sending marketing materials to its members in Northern California or Illinois. Being put to such a choice itself establishes the "self-avoidance" of harm or "chilling" effect that is sufficient to maintain jurisdiction over an invalidity claim following a non-infringement judgment. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 130 (2007); *Chesebrough*, 666 F.2d at 397. The Ninth Circuit's holding that SDCCU was required to show



something more is inconsistent with this Court's holdings and with the presumption that once established, jurisdiction continues unless the party asserting mootness actually establishes such—*e.g.*, with a covenant not to sue or other assurance that would have alleviated SDCCU's apprehension that CEFCU would continue to assert its common-law mark against SDCCU. *Already*, 568 U.S. at 92, 94-95.

**C. The Ninth Circuit's rule will impose unnecessary costs**

It is worth noting that the Ninth Circuit's holding that a finding of non-infringement moots a claim for invalidity will impose unnecessary costs. When a party accused of infringing a trademark or patent, or a party reasonably fearing an infringement charge, establishes jurisdiction at the outset of a case, it proceeds with the expectation that jurisdiction will exist unless and until the accusing party does something to alleviate the threat of the infringement claim. Thus, as here, the parties proceed with discovery and work to prepare to litigate all claims, including infringement and invalidity. Parties should not have to pursue litigation in such a manner under the risk that the district court could moot one of the claims simply by deciding the other.

Moreover, parties facing such a risk may reasonably forgo summary judgment proceedings altogether and ask the court to resolve both infringement and invalidity issues in a single trial.

This Court has, however, encouraged the use of summary judgment motions to resolve claims without a full trial. *See, e.g., Collins v. Associated Pathologists, Ltd.*, 844 F.2d 473, 475 (7th Cir. 1988) (recognizing “the recent trilogy of cases in which the Supreme Court made clear that, contrary to the emphasis of some prior precedent, the use of summary judgment is not only permitted but encouraged in certain circumstances”); *Celotex Corp. v. Catrett*, 477 U.S. 317 (1986); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242 (1986); *Matsushita Electric Industrial Co. v. Zenith Radio Corp.*, 475 U.S. 574 (1986). Summary judgment motions not only resolve meritless claims early in the litigation, but they serve to encourage settlements. *See Burton v. Nilkanth Pizza Inc.*, 20 F.4th 428, 433 (8th Cir. 2021) (“[E]ven without a ruling, a summary judgment motion may encourage settlement.”). By contrast, prolonging litigation where there are no material facts in dispute as to at least some claims only increases costs, encourages unnecessary litigation expense, and promotes the inefficient use of court resources.

Finally, where, as here, the party threatening an infringement charge makes clear it will appeal any non-infringement finding, the allegedly infringing party has a continuing interest in its invalidity claim sufficient to satisfy Article III. The Ninth Circuit’s decision holding otherwise means the party who prevailed in obtaining a non-infringement finding faces not only the possibility of a reversal, but the possibility of needing to retry or reassert its

invalidity claims years later after an appeal. Article III jurisdiction is not so fragile, and a party who establishes jurisdiction at the outset of a case should not be forced to risk such unnecessary litigation costs.

## II.

### **Review Should Be Granted of the Ninth Circuit’s Decision Narrowly Interpreting the Scope of Section 1119**

Section 1119 gives courts authority to cancel a trademark registration “[i]n any action involving a registered mark . . . .” At the outset of this litigation, there was no question that Section 1119 provided the district court jurisdiction over CEFCU’s cancellation counterclaim because SDCCU’s non-infringement claims “involved a registered mark.” Nonetheless, the Ninth Circuit affirmed the district court’s order dismissing that counterclaim after granting SDCCU’s summary judgment motion on non-infringement. App.41a–44a. Remarkably, the affirmed district court order concluded that, having first granted summary judgment on the infringement claim, the court was divested of jurisdiction to decide the cancellation claim before it *in the same motion*. App.65a, App.78a. In that respect, the affirmed district court order sets the bizarre precedent that the rulings in a court’s decision do not become effective when the decision is signed or filed, but

rather in the order the rulings are read in the court's decision.

This Court should grant review because the Ninth Circuit's narrow interpretation of Section 1119 conflicts with the Fifth Circuit's decision in *Amazing Spaces*, is contrary to the statute's plain language, and threatens to undermine the jurisdiction Congress intended to provide by that statute.

**A. The Ninth Circuit's interpretation of Section 1119 conflicts with Fifth Circuit precedent on an important issue**

The Ninth Circuit's decision conflicts with the Fifth Circuit's decision in *Amazing Spaces*. There, *Amazing Spaces* sued Metro for, among other things, infringing its federally registered "star" mark, and Metro counterclaimed under Section 1119 for cancellation of that mark. The district court granted Metro summary judgment on the infringement claims, but then denied the cancellation counterclaim as moot. 608 F.3d at 232-33. On appeal, the Fifth Circuit affirmed the summary judgment order regarding the infringement claims, but held the cancellation claim under Section 1119 was not moot. *Id.* at 250. Despite affirming entry of judgment on the only claim involving a registered mark, the Fifth Circuit instructed that "on remand, the district court is free to consider Metro's argument relating to cancellation of the Star Symbols' registration in the first instance." *Id.* at 252. Although the Fifth Circuit

did not expressly consider the jurisdiction issue, it would have been required to do so if there was any question regarding jurisdiction. *Fort Bend Cnty., Texas v. Davis*, 139 S. Ct. 1843, 1849 (2019) (“Unlike most arguments, challenges to subject-matter jurisdiction may be raised by the defendant at any point in the litigation, and courts must consider them *sua sponte*.” (internal quotation marks omitted)); *Howery v. Allstate Ins. Co.*, 243 F.3d 912, 919 (5th Cir. 2001) (“[F]ederal courts must address jurisdictional questions whenever they are raised and must consider jurisdiction *sua sponte* if not raised by the parties.”).<sup>3</sup>

The question regarding Section 1119’s proper scope has not only resulted in conflicting decisions, but it also implicates a wide-range of cases. District courts routinely consider infringement and cancellation claims together at summary judgment or trial.<sup>4</sup> It makes sense to do so, particularly where, as

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<sup>3</sup> Prior to the Ninth Circuit’s decision here, the District of Oregon reached a similar result as that of the Fifth Circuit. In *Adidas Am., Inc. v. Calmese*, the district court granted summary judgment of non-infringement, but proceeded to try the cancellation claim on the merits. 2010 WL 486 1444, at \*1 (D. Or. Nov. 19, 2010). In an unpublished decision, the Ninth Circuit affirmed both the non-infringement finding and the district court’s later consideration of the cancellation claim without suggesting the district court acted outside its jurisdiction. 489 F. App’x 177 (9th Cir. 2012).

<sup>4</sup> See, e.g., *Secular Organizations for Sobriety v. Ullrich*, 213 F.3d 1125, 1131-32 (9th Cir. 2000) (holding district court should

here, the party seeking cancellation continues to threaten its cancellation claim in another forum (the TTAB) despite the non-infringement finding. *Cf. Secular Organizations for Sobriety v. Ullrich*, 213 F.3d 1125, 1131-32 (9th Cir. 2000) (“the resolution of the cancellation claim in [counterclaimant’s] favor would have granted it rights and remedies not otherwise provided by” the non-infringement judgment).

The proper scope of Section 1119 is, therefore, an important question that merits this Court’s review.

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have decided both infringement and cancellation claim after trial); *Papercutter, Inc. v. Fay’s Drug Co.*, 900 F.2d 558, 559-60, 565 (2d Cir. 1990) (affirming district court’s non-infringement finding, but holding that mark should be cancelled); *Hi-Tech Pharms., Inc. v. Mod. Sports Nutrition, LLC*, 2022 WL 17742008, at \*4 (N.D. Tex. Nov. 14, 2022), report and recommendation adopted sub nom. *Hi-Tech Pharms., Inc. v. USPLabs, LLC*, 2022 WL 17741705 (N.D. Tex. Dec. 16, 2022) (granting summary judgment of non-infringement, but ruling on cancellation claim); *Park L. Firm v. Park L. Offs., P.C.*, 2020 WL 3213797, at \*6 (C.D. Cal. Mar. 23, 2020) (granting summary judgment of non-infringement, but denying summary judgment on cancellation claim); *T.R.P. Co., Inc. v. Similasan AG*, 2020 WL 1940564, at \*6 (D. Nev. Apr. 22, 2020) (granting summary judgment on cancellation claim first, and also granting summary judgment of non-infringement.); *Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F.Supp.3d 245, 286 (S.D.N.Y. 2016), *aff’d*, 699 F. App’x 93 (2d Cir. 2017) (after bench trial, granting judgment of non-infringement and granting, in same order, cancellation claim).

**B. The Ninth Circuit’s narrow interpretation of Section 1119 improperly circumscribes the district court’s jurisdiction**

**1. The Ninth Circuit’s decision is contrary to the plain statutory language**

Section 1119 allows district courts to cancel trademarks in “any actions involving a registered mark . . . .” Courts have interpreted the term “action” to broadly refer to a formal judicial proceeding. *Peterson v. Cont’l Cas. Co.*, 282 F.3d 112, 119 (2d Cir. 2002) (“Used in a statute, the term ‘action’ traditionally connotes a formal adversarial proceeding under the jurisdiction of a court of law.”); *Jackson v. Blitt & Gaines, P.C.*, 833 F.3d 860, 863 (7th Cir. 2016) (“an action in legal practice means all formal judicial proceedings.”); *Resol. Tr. Corp. v. Love*, 36 F.3d 972, 976 (10th Cir. 1994) (“The word ‘action’ in its usual legal sense means a suit brought in a court or a formal complaint within the jurisdiction of a court of law.” (internal quotation marks omitted)); *S.E.C. v. McCarthy*, 322 F.3d 650, 656–57 (9th Cir. 2003) (“An ‘action’ is defined as a civil or criminal judicial proceeding . . . .” (internal quotation marks omitted)). Black’s Law Dictionary defines “action” as “a civil or criminal judicial proceeding,” which is “defined to be any judicial proceeding, which, if conducted to a determination, will result in a judgment or decree. *The action is said*

*to terminate at judgment.*” ACTION, Black’s Law Dictionary (11th ed. 2019) (internal quotation marks omitted; emphasis added).

Thus, in its legal sense, the “action” involving a registered mark does not conclude until final judgment on all claims. *See, e.g., Gerlach, Inc. v. Gerlach Maschinenbau GmbH*, 619 F. Supp. 3d 811, 814 (N.D. Ohio 2022) (“[N]othing in the text of Section 1119 . . . divest[s] a federal court of jurisdiction following a grant of summary judgment on other claims that provided the basis for jurisdiction.”).

The Ninth Circuit’s interpretation of Section 1119 is not only contrary to the statute’s plain language, it is inconsistent with the well-established interpretation given to the supplemental jurisdiction statute containing similar language. The supplemental jurisdiction statute provides jurisdiction over state law claims “in any civil action of which the district courts have original jurisdiction . . . .” 28 U.S.C. § 1367(a). Courts consistently hold that after the district court decides the federal claims that gave the court original jurisdiction, the court may continue to exercise jurisdiction over any state law claims. *See, e.g., Arbaugh v. Y&H Corp.*, 546 U.S. 500, 514 (2006) (“[W]hen a court grants a motion to dismiss for failure to state a federal claim, the court generally retains discretion to exercise supplemental jurisdiction, pursuant to 28 U.S.C. § 1367, over pendent state-law claims.”); *Tritchler v. Cty. of Lake*,



358 F.3d 1150, 1153 (9th Cir. 2004); *Saksenasingh v. Sec’y of Educ.*, 126 F.3d 347, 351 (D.C. Cir. 1997).

That is true even when the federal claims are decided by summary judgment. *See, e.g., Groce v. Eli Lilly & Co.*, 193 F.3d 496, 500 (7th Cir. 1999) (“our case law makes clear” that district court does not lose supplemental subject matter jurisdiction after granting summary judgment on federal claim); *Doddy v. Oxy USA, Inc.*, 101 F.3d 448, 456 (5th Cir. 1996); *Aydin Corp. v. Loral Corp.*, 718 F.2d 897, 903-04 (9th Cir. 1983). In other words, even after judgment has been entered on the federal claims, the case remains a “civil action of which the district courts have original jurisdiction” for purposes of supplemental jurisdiction.

Similarly, the diversity jurisdiction statute gives district court’s “original jurisdiction of all civil actions where the matter in controversy exceeds the sum or value of \$75,000” and the diversity requirements are met at the outset of the case. 28 U.S.C. § 1332(a). As this Court has made clear, “diversity of citizenship is assessed at the time the action is filed. We have consistently held that if jurisdiction exists at the time an action is commenced, such jurisdiction may not be divested by subsequent events.” *Freeport-McMoRan, Inc. v. K N Energy, Inc.*, 498 U.S. 426, 428 (1991); *see also, e.g., Wichita Railroad & Light Co. v. Public Util. Comm’n of Kansas*, 260 U.S. 48, 54 (1922) (“Jurisdiction once acquired ... is not divested by a subsequent change in the citizenship of the parties.”).

There is no reason to interpret Section 1119 more narrowly to disallow jurisdiction over a cancellation claim after the claim involving the registered mark is resolved by summary judgment. Rather, the plain language of the phrase “action involving a registered mark” in Section 1119 should be given the same meaning as “action” in other statutes that allow continuing jurisdiction even after the facts or claims establishing jurisdiction in the first instance are no longer present.

**2. The Ninth Circuit’s decision threatens to render Section 1119’s grant of jurisdiction illusory whenever a court finds non-infringement**

The Ninth Circuit’s interpretation of Section 1119 holds that the district court lacked jurisdiction even to decide cancellation claims that were presented in the same motion with the claims involving the registered mark. At a time when all claims remained in the case, SDCCU filed a single summary judgment motion on (i) its claims for non-infringement of CEFCU’s marks and (ii) CEFCU’s counterclaim for cancellation of SDCCU’s mark. That motion put each of those claims at issue in a single summary judgment proceeding arguing that *all* such claims had been litigated such that no issue of material fact remained in dispute, and *all* such claims were ready for summary judgment on the papers. Yet, after granting SDCCU summary judgment on the non-

infringement claims, the district court concluded (in the same order) that it no longer had discretion to consider the cancellation counterclaim because it lacked jurisdiction under Section 1119. App.65a–78a.

The Ninth Circuit affirmed, concluding that because SDCCU did not seek to reinstitute the non-infringement claims, there is no independent jurisdiction for the cancellation claims. App.44a. But the Ninth Circuit does not explain why the district court did not, at minimum, have jurisdiction to resolve the cancellation claim at the same time it resolved the infringement claims. When the district court ruled on summary judgment, the infringement claims indisputably were part of the action. Had the district court’s decision ruled on the cancellation counterclaim before the infringement claim, no one could complain.

The implication of the Ninth Circuit’s decision is that the sequence in which a district court rules—within a single court order—on separate claims properly before it in a single summary judgment motion can divest it of jurisdiction. The Ninth Circuit’s position is nonsensical and will have impacts far beyond this case. That same logic necessarily means that, because subject matter jurisdiction can be raised at any time, the court would not have jurisdiction to decide cancellation if it first finds no infringement even at the end of a full trial on both claims.

The order in which the district court's decision rules on independent claims in a single summary judgment motion or a single trial should not dictate the court's jurisdiction to decide all claims. The Panel's decision to the contrary will render Section 1119 illusory whenever the court finds non-infringement. It will also necessarily cause parties and courts to waste considerable resources, as they litigate independent cancellation claims through summary judgment and trial, only to have the district court undermine its own jurisdiction by the order in which it decides those claims. Section 1119 does not dictate such an absurd outcome.

**CONCLUSION**

The petition for a writ of certiorari should be granted.

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**APPENDIX A — ORDER AND AMENDED  
OPINION OF THE UNITED STATES COURT OF  
APPEALS FOR THE NINTH CIRCUIT, FILED  
APRIL 21, 2023**

UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT

Nos. 21-55642, 21-55662, 21-56095, 21-56389  
D.C. No. 3:18-cv-00967-GPC-MSB

SAN DIEGO COUNTY CREDIT UNION,

*Plaintiff-Appellee/Cross-Appellant,*

v.

CITIZENS EQUITY FIRST CREDIT UNION,

*Defendant-Appellant/Cross-Appellee.*

Appeal from the United States District Court for the  
Southern District of California. Gonzalo P. Curiel,  
District Judge, Presiding.

December 9, 2022, Argued and Submitted,  
Pasadena, California;  
Filed February 10, 2023  
Amended April 21, 2023

Before: Carlos T. Bea, Sandra S. Ikuta,  
and Morgan Christen, Circuit Judges.

Order;  
Opinion by Judge Bea.



*Appendix A***ORDER**

The Opinion filed on February 10, 2023, and published at 60 F.4th 481 (9th Cir. 2023), is amended by the opinion filed concurrently with this order.

The panel unanimously voted to deny the petition for panel rehearing. Judges Ikuta and Christen voted to deny the petition for rehearing en banc and Judge Bea so recommends. The full court has been advised of the petition for rehearing en banc and no judge has requested a vote on whether to rehear the matter en banc. Fed. R. App. P. 35. Accordingly, Plaintiff-Appellee/Cross-Appellant San Diego County Credit Union (“SDCCU”)’s petition for panel rehearing and petition for rehearing en banc filed February 24, 2023, are **DENIED**. SDCCU’s motion for leave to file a reply brief filed April 10, 2023, is **DENIED** as moot.

No further petitions for rehearing or rehearing en banc will be considered.

It is so **ORDERED**.

*Appendix A***OPINION**

BEA, Circuit Judge:

After a party obtains declaratory relief which decrees that it is not infringing a trademark, does it retain Article III standing to invalidate that mark? That is the central question presented in these appeals, and we answer it: No.

Defendant-appellant and cross-appellee Citizens Equity First Credit Union (CEFCU) began this dispute by petitioning the Trademark Trial and Appeal Board (TTAB) to cancel a trademark registration belonging to plaintiff-appellee and cross-appellant San Diego County Credit Union (SDCCU). CEFCU claimed that SDCCU's registration covered a mark that is confusingly similar to both CEFCU's registered mark and its alleged common-law mark. SDCCU procured a stay to the TTAB proceedings by filing the instant declaratory judgment action. SDCCU persuaded the district court that, during the course of the TTAB proceedings, it had become apprehensive that CEFCU would sue SDCCU for trademark infringement. SDCCU sought declaratory relief to establish it was not infringing either of CEFCU's marks *and* to establish that those marks are invalid. The district court granted SDCCU's motion for summary judgment on non-infringement. After a bench trial, the district court *also* held that CEFCU's common-law mark is invalid and awarded SDCCU attorneys' fees.

We hold that SDCCU had no personal stake in seeking to invalidate CEFCU's common-law mark because the

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district court had already granted summary judgment in favor of SDCCU, which established that SDCCU was not infringing that mark. Hence, there was no longer any reasonable basis for SDCCU to apprehend a trademark infringement suit from CEFCU. After it granted summary judgment in favor of SDCCU, the district court was not resolving an actual “case” or “controversy” regarding the validity of CEFCU’s common-law mark; thus, it lacked Article III jurisdiction to proceed to trial on that issue. We therefore vacate its judgment and its award of attorneys’ fees. Of the remaining issues that are not obviated by our holding on Article III jurisdiction, we affirm. Thus, we affirm in part, vacate in part, and remand.

## I.

This is a trademark dispute between two credit unions with largely geographically remote membership counties.

CEFCU’s principal place of business is in Peoria, Illinois. In 2008, it acquired Valley Credit Union located in the Bay Area of Northern California. Although CEFCU has members residing in all 50 states, it generally requires that its members have ties to Illinois or the following California counties: Alameda, Contra Costa, or Santa Clara. In 2011, CEFCU registered its trademark, “CEFCU. NOT A BANK. BETTER.,” with the United States Patent and Trademark Office. CEFCU also claims to own a common-law trademark that is nearly identical to its registered mark, but omits its house mark. Its claimed common-law mark is “NOT A BANK. BETTER.”

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SDCCU's principal place of business is in San Diego, California. Each of SDCCU's locations are located in San Diego, Riverside, or Orange County. SDCCU focuses its marketing on these counties and over 95 percent of its members are resident Californians. In 2014, SDCCU obtained a registration for "IT'S NOT BIG BANK BANKING. IT'S BETTER."

CEFCU petitioned the TTAB to cancel SDCCU's registration in 2017, alleging that CEFCU had used its registered mark in commerce prior to SDCCU's registration. CEFCU alleged the parties provide "identical" services to "identical" types of customers and use their respective marks in "identical . . . online advertising media." It claimed that SDCCU's mark "so resembles" CEFCU's registered mark "as to be likely, when used in connection with the services of [SDCCU], to cause confusion, or to cause mistake, or to deceive within the meaning of [the] Trademark Act §2 (d), 15 U.S.C. § 1052(d)." Finally, CEFCU alleged it "believes it will be damaged by continued registration of [SDCCU's mark] because such registration gives false color to [SDCCU]'s right to use [SDCCU's mark] and encourages [SDCCU]'s misleading and deceptive use of [SDCCU's mark] in derogation of [CEFCU]'s prior and superior rights in [CEFCU]'s registered mark."

In the TTAB proceedings, SDCCU deposed Jennifer Flexer, CEFCU's marketing director, and Susan Portscheller, a former vice president of CEFCU. Flexer testified that CEFCU petitioned to cancel SDCCU's registration because she "became aware that SDCCU's

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billboard was in the marketplace [in San Diego]. As a marketing professional [she] had concerns with the content of the advertisement” because it seemed “very similar” to CEFCU’s common-law mark. Portscheller testified as CEFCU’s corporate designee. *See* Fed. R. Civ. P. 30(b) (6) (allowing for depositions of corporate entities through a designee); 37 C.F.R. § 2.116(a) (making the federal rules of civil procedure generally applicable in TTAB proceedings). Portscheller testified that CEFCU sought to build awareness of its brand in a five-mile radius of its Bay Area branches and seeks to “build awareness outside that radius in California.” She further testified that CEFCU has “members throughout California, and many of them are in Southern California.” Although she was not aware of any actual customer confusion, she believed it was “just a question of time” because CEFCU had only just begun marketing in California. She thought that SDCCU’s mark constituted “trademark infringement.”

CEFCU moved to amend its TTAB petition, alleging an additional reason that SDCCU’s registration should be cancelled—CEFCU’s prior use of its common-law mark.

While the motion to amend the TTAB petition was pending, SDCCU filed the instant suit in the United States District Court for the Southern District of California. Counts one through four of SDCCU’s complaint sought declaratory relief under the Declaratory Judgment Act<sup>1</sup> stating that: (1) SDCCU is not infringing CEFCU’s registered mark; (2) SDCCU is not infringing CEFCU’s

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1. *See* 28 U.S.C. § 2201.

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common-law mark; (3) CEFCU's registered mark is invalid; and (4) CEFCU's common-law mark is invalid. Count five alleged that CEFCU falsely or fraudulently registered its trademark. *See* 15 U.S.C. § 1120. At SDCCU's request, the TTAB stayed the cancellation proceedings pending resolution of this case.

Before answering the complaint, CEFCU filed two motions to dismiss.<sup>2</sup>

First, it moved to dismiss for lack of personal jurisdiction. In support, CEFCU filed more than 200 pages of exhibits, including the cancellation petition pleadings, documents produced during discovery, deposition transcripts, a consumer survey, and CEFCU's motion to amend its cancellation petition. SDCCU submitted 15 exhibits in opposition. In its order, the district court acknowledged that it was resolving the motion "on written materials rather than an evidentiary hearing" and, consequently, required SDCCU to make only "a prima facie showing of jurisdictional facts to withstand the motion to dismiss." *San Diego Cnty. Credit Union v. Citizens Equity First Credit Union*, 325 F. Supp. 3d 1088, 1095 (S.D. Cal. 2018). Applying the prima facie standard, the district court held that specific personal jurisdiction existed in California over CEFCU because: (1) CEFCU purchased Valley Credit Union in the Bay Area and marketed its services there using its trademarks; (2) CEFCU challenged the registration of SDCCU's mark,

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2. CEFCU filed a third pre-answer motion, and it filed many other motions throughout the proceedings below. We discuss only those relevant to our analysis.

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which was used solely in California, and because SDCCU alleged that CEFCU's initiation of the cancellation proceedings was prompted by Flexer's observation of SDCCU's billboard in San Diego; and (3) CEFCU's acts would "likely cause harm to SDCCU in California." *Id.* at 1101. Based on this analysis, the district court found specific personal jurisdiction had been proven and thus denied CEFCU's motion.

CEFCU then moved to dismiss the first four counts for lack of Article III subject matter jurisdiction. CEFCU acknowledged it was making a "factual attack on jurisdiction," and asked the district court to consider the hundreds of documents it had submitted in its prior motion to dismiss for lack of personal jurisdiction. Based on these documents, CEFCU argued that Article III jurisdiction did not exist because SDCCU could not have reasonably apprehended a trademark infringement lawsuit. Applying *Chesebrough-Pond's, Inc. v. Faberge, Inc.* ("*Chesebrough*"), 666 F.2d 393 (9th Cir. 1982), the district court held that a case or controversy existed because CEFCU's petition in the TTAB alleged "the elements of a cause of action for trademark infringement," which reasonably put SDCCU in fear of an infringement suit. *San Diego Cnty. Credit Union v. Citizens Equity First Credit Union*, 344 F. Supp. 3d 1147, 1155 (S.D. Cal. 2018). The district court denied CEFCU's motion.

Its motions to dismiss for lack of personal and subject matter jurisdiction denied, CEFCU answered the complaint. It generally denied the allegations of SDCCU's complaint, including that it had any intent to sue

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for infringement. CEFCU also asserted a counterclaim which mirrored the claim it originally asserted in the TTAB—cancellation of SDCCU’s registration.

New depositions were taken. This time, Flexer was CEFCU’s corporate designee. *See* Fed. R. Civ. P. 30(b) (6). The thrust of her testimony was that CEFCU did not intend to sue SDCCU for trademark infringement. She clarified that CEFCU did not take issue with SDCCU’s use of its mark “to date,” but that she would “not speculate with regard to the future.” If future harm resulted from SDCCU’s use of its mark, she “would seek counsel at that time.”

In view of the lack of evidence regarding infringement, SDCCU requested that CEFCU stipulate that SDCCU had not infringed CEFCU’s marks. But CEFCU declined.

The district court then granted CEFCU’s motion for summary judgment on SDCCU’s fraudulent registration claim (count five). At the same time, it granted SDCCU’s unopposed motion for summary judgment on its non-infringement claims. The district court understood that CEFCU did “not dispute that SDCCU’s use of its mark does not infringe CEFCU’s [m]arks.” *San Diego Cty. Credit Union v. Citizens Equity First Credit Union*, No. 18CV967, 2020 U.S. Dist. LEXIS 179341, 2020 WL 5797827, at \*3 (S.D. Cal. Sept. 29, 2020). Instead, CEFCU had sought dismissal of SDCCU’s claims, contending that SDCCU could not reasonably apprehend an infringement suit on the current record. In rejecting CEFCU’s argument, the district court relied on its earlier rulings



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and reasoned that, although CEFCU had not presented its argument “as a mootness argument, in essence, CEFCU is arguing that the declaratory relief claims have become moot.” Citing *Already, LLC v. Nike, Inc.*, 568 U.S. 85, 133 S. Ct. 721, 184 L. Ed. 2d 553 (2013), the district court determined that CEFCU did not meet its “burden to demonstrate that circumstances have changed since the initiation of this lawsuit to moot the claims.” *San Diego Cnty. Credit Union*, 2020 U.S. Dist. LEXIS 179341, 2020 WL 5797827 at \*3-5.

CEFCU did not raise its personal jurisdiction defense at the summary judgment phase. It did not seek an interlocutory appeal of the order which granted SDCCU summary judgment. Nor does it, in this appeal, challenge this order on the merits.

Having resolved counts one, two, and five, the district court *sua sponte* dismissed without prejudice CEFCU’s counterclaim seeking cancellation of SDCCU’s registration because the district court action no longer “involve[ed] a registered mark” under the meaning of 15 U.S.C. § 1119. The parties agreed to dismiss count three. The only issue that remained after the summary judgment phase was count four—SDCCU’s count seeking declaratory relief to invalidate CEFCU’s common-law mark.

CEFCU again moved to dismiss for lack of personal and subject matter jurisdiction, both of which motions the district court denied. After holding a bench trial, the district court determined that CEFCU’s common-law mark is invalid, entered a final judgment, and granted SDCCU’s motion for attorneys’ fees.

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## II.

The parties raise a bevy of issues on appeal. To assist in our explanation and analysis of those issues, it is helpful to establish some short-hand terminology.

We will refer to counts one and two of SDCCU's complaint—which sought declaratory relief that SDCCU is not infringing CEFCU's registered mark or common-law mark—as SDCCU's “non-infringement claims.” And we will refer to count four, which sought a declaration that CEFCU's common-law mark is invalid, as SDCCU's “invalidity claim.”

With that terminology in mind, we turn to the four issues that we decide in this appeal. First, we conclude that the district court lacked Article III jurisdiction to invalidate CEFCU's common-law mark following its grant of summary judgment in favor of SDCCU on its non-infringement claims. Second, we vacate the district court's award of attorneys' fees because its decision to grant that award was based, in part, on the merits of the invalidity claim over which it lacked Article III jurisdiction. Third, we hold that the district court correctly exercised personal jurisdiction over CEFCU regarding SDCCU's non-infringement claims. Fourth, we affirm the district court's dismissal of CEFCU's counterclaim.<sup>3</sup>

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3. CEFCU raises numerous issues regarding the trial. Our holding on Article III jurisdiction obviates review those issues.

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## A.

CEFCU disputes the existence of a case or controversy sufficient to satisfy Article III at the pleading, summary judgment, and trial phases of the proceedings below. The existence of a case or controversy is a question of law we review de novo. *Ridgeway v. Walmart Inc.*, 946 F.3d 1066, 1075 (9th Cir. 2020).

The judicial power granted to us by the Constitution is limited to resolving actual cases or controversies. *E.g., Spokeo, Inc. v. Robins*, 578 U.S. 330, 337, 136 S. Ct. 1540, 194 L. Ed. 2d 635 (2016); U.S. Const. Art. III, § 2. That limitation is “not relaxed in the declaratory judgment context.” *Gator.com Corp. v. L.L. Bean, Inc.*, 398 F.3d 1125, 1129 (9th Cir. 2005) (en banc). The Declaratory Judgment Act does not confer jurisdiction. 28 U.S.C. §§ 2201-02; *Allen v. Milas*, 896 F.3d 1094, 1099 (9th Cir. 2018). The party seeking declaratory relief must demonstrate the three elements that comprise the “irreducible constitutional minimum of standing”: (1) an “injury in fact” that is “concrete and particularized” and “actual or imminent, not conjectural or hypothetical” that is (2) “causal[ly] connect[ed]” and “fairly traceable” to “the conduct complained of” and “not the result of the independent action of some third party not before the court” and (3) “likely as opposed to merely speculative,” such that “the injury will be redressed by a favorable decision.” *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560-61, 112 S. Ct. 2130, 119 L. Ed. 2d 351 (1992) (cleaned up). To have such standing, the plaintiff must have a “personal stake,” *Gator.com Corp.*, 398 F.3d at 1130, in the outcome

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of “each claim . . . and for each form of relief that is sought,” *Davis v. FEC*, 554 U.S. 724, 734, 128 S. Ct. 2759, 171 L. Ed. 2d 737 (2008) (cleaned up), which “exist[s] not only at the time the complaint is filed, but through all stages of the litigation.” *Already*, 568 U.S. at 90-91 (quotations omitted). These are the principles that primarily animate the parties’ dispute before us.

But before analyzing the parties’ arguments regarding Article III jurisdiction, we first summarize our precedent applying these principles to declaratory judgment actions in the trademark infringement context and confirm our precedent’s ongoing vitality in light of two intervening Supreme Court cases, *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 S. Ct. 764, 166 L. Ed. 2d 604 (2007), and *Clapper v. Amnesty Int’l USA*, 568 U.S. 398, 133 S. Ct. 1138, 185 L. Ed. 2d 264 (2013).

We have applied what the parties label the “reasonable apprehension” test to determine whether a controversy exists in a declaratory judgment action regarding trademark infringement. *See Societe de Conditionnement en Aluminium v. Hunter Engineering Co.*, 655 F.2d 938, 944-45 (9th Cir. 1981); *Chesebrough*, 666 F.2d 393. Under our precedent, a plaintiff has standing to seek declaratory relief of non-infringement if he demonstrates “a real and reasonable apprehension that he will be subject to liability” if he continues with his course of conduct. *Societe*, 655 F.2d at 944-45; *Chesebrough*, 666 F.2d at 396. Such an apprehension can exist even absent an explicit threat to sue. *Chesebrough*, 666 F.2d 393; *Rhoades v. Avon Products, Inc.*, 504 F.3d 1151, 1158 (9th Cir. 2007).

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Below, the district court expressed some hesitation regarding the validity of our precedent after *MedImmune*. See *San Diego Cnty. Credit Union*, 344 F. Supp. 3d at 1154 n.3. In *MedImmune*, the plaintiff manufactured a drug called Synagis. 549 U.S. at 121. Plaintiff and defendant were parties to a license that covered one of defendant's then-pending patents. *Id.* After the application for that patent was granted, defendant sent plaintiff a letter claiming that Synagis was covered by the newly-granted patent and that plaintiff should begin paying royalties. *Id.* at 121-22. Plaintiff believed the letter was a threat to sue, paid the royalties "under protest," and filed an action seeking declaratory relief that no infringement was occurring and no royalties were due. *Id.* at 122. Defendant argued, and both lower courts agreed, that there was no case or controversy because plaintiff's decision to pay the royalties "obliterate[d] any reasonable apprehension" that plaintiff would be sued for infringement. *Id.* (citation omitted).

In reversing, the Supreme Court explained that "[t]he plaintiff's own action (or inaction) in failing to violate the law eliminates the imminent threat of prosecution, but nonetheless does not eliminate Article III jurisdiction." *Id.* at 128-30. "The dilemma posed by that coercion—putting the challenger to the choice between abandoning his rights or risking prosecution—is a dilemma that . . . was the very purpose of the Declaratory Judgment Act to ameliorate." *Id.* (internal quotation marks omitted). Notably, the Supreme Court rejected the Federal Circuit's articulation of the reasonable apprehension test. *Id.* at 132 n.11. Instead, it applied language from *Maryland Casualty Co.*

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*v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273, 61 S. Ct. 510, 85 L. Ed. 826 (1941), to determine the standing dispute before it. *Id.* at 127.<sup>4</sup>

We conclude that our precedent is consistent with *MedImmune*. Although *MedImmune* may have abrogated the *Federal Circuit*'s version of the reasonable apprehension test, see *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380 (Fed. Cir. 2007), it did not abrogate *our* version. As we explained in *Rhoades*, the Federal Circuit's version of the reasonable apprehension test created a "burden [that was] heavier than what we require[d]" because the Federal Circuit required "an explicit threat." 504 F.3d at 1157 n.4. By contrast, the *Maryland Casualty* standard applied in *MedImmune*, 549 U.S. at 127, is precisely what we relied upon in framing *our* version of the reasonable apprehension test. *Societe*, 655 F.2d at 942.

Indeed, *MedImmune* simply reaffirms two principles we had already articulated. First, it confirms that "concrete threats" of a trademark infringement suit "are not required" to create a live controversy for purposes of providing standing in a declaratory relief action. *Rhoades*, 504 F.3d at 1158. Second, *MedImmune* underscores the importance of our examination of "the likely impact on competition" created by a defendant's actions, along with

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4. Namely, *MedImmune* reiterated: "Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." 549 U.S. at 127 (quoting *Maryland Cas.*, 312 U.S. at 273).

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“the risks imposed upon the plaintiff.” *Chesebrough*, 666 F.2d at 396. Even without expressly threatening to sue, a defendant can harm a plaintiff by engaging in conduct that compels the plaintiff to “chill[]” its use of its mark. *Id.* at 397. Whether or not we call this latter harm a “reasonable apprehension of suit” is beside the point.<sup>5</sup> The point is that *Societe*, *Chesebrough*, and *Rhoades* are consistent with *MedImmune*.

We also conclude that our precedent survived *Clapper*. CEFCU argues otherwise. It contends that our precedent is outdated because it uses the “pre-*Clapper* phrase, ‘reasonable apprehension.’” “Post-*Clapper*,” CEFCU argues, “future legal liability must be ‘certainly impending.’” To begin with, CEFCU should have raised

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5. The Federal Circuit explained that *MedImmune* “did not completely do away with the relevance of a reasonable apprehension of suit.” *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1336 (Fed. Cir. 2008). According to *Prasco*, “proving a reasonable apprehension of suit is one of multiple ways that a declaratory judgment plaintiff can satisfy the more general all-the-circumstances test to establish that an action presents a justiciable Article III controversy.” *Id.*

We agree in substance. We agree that a reasonable apprehension of infringement liability remains the primary focus of the inquiry after *MedImmune*. But in our view, a plaintiff who thinks himself forced to engage in or refrain from engaging in certain conduct to avoid being sued simply *evinces* a reasonable apprehension of suit in a manner different from what the Federal Circuit had previously recognized. Take the plaintiff in *MedImmune*, for example. By paying the royalties under protest, the plaintiff voluntarily refrained from fulfilling a condition precedent to the defendant’s purported ability to file an infringement lawsuit. The plaintiff’s fear of infringement liability remained the basis for jurisdiction even in that example.

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this argument in its opening brief, not in a *footnote* to its *reply* brief. See *Christian Legal Soc. Chapter of Univ. of California v. Wu*, 626 F.3d 483, 485 (9th Cir. 2010).

Regardless, *Clapper* does not require plaintiffs, for purposes of establishing standing, “to demonstrate that it is literally certain that the harms they identify will come about.” 568 U.S. at 412 n. 5. Rather, *Clapper* recognized that standing may exist when there is a “substantial risk” that the harm will occur,” *id.*, and subsequent Supreme Court cases have followed suit. See *Susan B. Anthony List v. Driehaus*, 573 U.S. 149, 158, 134 S. Ct. 2334, 189 L. Ed. 2d 246 (2014) (“An allegation of future injury may suffice if the threatened injury is certainly impending, *or* there is a substantial risk that the harm will occur.” (emphasis added) (cleaned up)). We have also used similar language and long held that a threatened injury may constitute an injury in fact where there is “a credible threat of harm” in the future. See *Krottner v. Starbucks Corp.*, 628 F.3d 1139, 1143 (9th Cir. 2010). This language is perfectly consistent with our “reasonable apprehension” standard.

Moreover, *Clapper* emphasized the separation-of-powers considerations inherent in a national security case. 568 U.S. at 407-08. It applied an “especially rigorous” analysis to avoid judicial usurpation of the powers of the political branches. *Id.* at 408. We reject CEFCU’s unexplained insistence that we transform the “certainly impending” language in *Clapper* into a “precise test” by which we must analyze the existence of Article III jurisdiction in any and all cases, regardless of their contexts. See *Babbitt v. United Farm Workers Nat.*



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*Union*, 442 U.S. 289, 297, 99 S. Ct. 2301, 60 L. Ed. 2d 895 (1979). In the context of declaratory judgment actions regarding trademark infringement, we will continue to apply the principles articulated in *Societe, Chesebrough*, and *Rhoades*.

Having clarified the applicable standard, we now turn to the question whether subject matter jurisdiction existed at the pleading, summary-judgment, and trial stages of the proceedings below.

## 1.

CEFCU argues that SDCCU did not reasonably apprehend an infringement suit at the pleading stage because of the parties' geographic separation. CEFCU characterizes its TTAB petition as challenging only SDCCU's claim of right to use its mark "nationwide." SDCCU responds that the TTAB "petition alone was sufficient for SDCCU to infer a threat of an infringement action" because it alleged a likelihood of confusion. SDCCU also argues that CEFCU's conduct during the cancellation proceedings reaffirmed the reasonableness of its apprehension.

We conclude that a justiciable controversy existed at the pleading stage, but not solely because of the allegations in CEFCU's TTAB petition. SDCCU makes much ado about the fact that CEFCU alleged a likelihood of confusion resulting from SDCCU's "*use*" of its mark. In urging us to focus on CEFCU's use of the word "use" in its TTAB petition, SDCCU reads far too broadly our decision in *Chesebrough*.

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In that case, plaintiff Chesebrough applied for registration of its “Match” mark. *Chesebrough*, 666 F.2d at 394-95. While Chesebrough’s application was pending, Faberge—which owned a registration for its “Macho” mark in the same industry—sent Chesebrough a letter “stating that it believed the two marks to be ‘confusingly similar’ and that unless Chesebrough withdrew its application, Faberge would file opposition thereto.” *Id.* at 395. Chesebrough refused to withdraw and Faberge filed opposition. *Id.* Three years later, Chesebrough sought declaratory relief of non-infringement in federal court. *Id.* The district court found a live controversy and granted summary judgment in favor of Chesebrough, holding that there was no likelihood of confusion between the parties’ marks. *Id.*

We affirmed. In assessing the reasonableness of plaintiff’s apprehension, we explained that the court in *Societe* “focused upon the position and perceptions of the plaintiff, declining to identify specific acts or intentions of the defendant that would automatically constitute a threat of litigation” in determining the circumstances in which a “trademark or patent dispute ripened into an actual controversy.” *Id.* We explained, “[t]he acts of the defendant [are] instead to be examined in view of their likely impact on competition and the risks imposed upon the plaintiff.” *Id.* Despite our admonition that “simple opposition proceeding[s]” generally do not create a reasonable apprehension of suit, and despite our recognition that likelihood of confusion is “relevant to both registration and infringement proceedings,” we held in *Chesebrough* that Faberge’s letter created a reasonable

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apprehension of suit because it alleged a likelihood of confusion and thereby “stat[ed] a prima facie case for trademark infringement.” *Id.* at 396-97. We identified two additional facts that “bolster[ed]” the reasonableness of Chesebrough’s apprehension. *Id.* at 397. First, after Chesebrough filed its complaint, Faberge asserted an infringement counterclaim. *Id.* Second, Chesebrough’s use of its mark had been “chill[ed]” by the opposition proceedings. *Id.*<sup>6</sup>

In arguing that CEFCEU’s TTAB petition created a live controversy, SDCCU interprets *Chesebrough* as holding that the mere allegation of a likelihood of confusion—regardless of context—can create a justiciable controversy. 666 F.2d at 396-97. That broad reading of *Chesebrough* is inconsistent with *Chesebrough*’s own limiting principle that “a simple opposition proceeding in the Patent and Trademark Office generally will not raise a real and reasonable apprehension of suit,” *id.* at 396, because alleging a likelihood of confusion is “[b]y far the most common ground of [a] petition to cancel.” J. Thomas McCarthy, 3 McCarthy on Trademarks and Unfair Competition § 20:7 (5th ed. 2019) [hereinafter *McCarthy*].

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6. The opinion does not explain how, exactly, Chesebrough proved to the district court that Faberge’s actions had caused Chesebrough to “chill[ed]” the use of its mark out of a fear of infringement liability. But because the district court analyzed jurisdiction at the summary judgment phase, *Chesebrough*, 666 F.2d at 395, we assume that Chesebrough submitted some form of evidence to that effect.

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If, as SDCCU contends, the most common ground for a cancellation petition creates a justiciable controversy, then little weight can be given to *Chesebrough*'s only limiting principle. Diminishing that limiting principle would impair the "[t]he traditional rule," which "is that if the only basis for a Declaratory Judgment is the threat or actual filing of an opposition or cancellation proceeding against plaintiff's trademark registration in the Patent and Trademark Office, then this is not, by itself, sufficient to create an 'actual controversy' over trademark infringement." 6 *McCarthy* § 32:52. Accepting SDCCU's position would allow litigants to "file suit in federal court solely for cancellation of a registration," a result that "undercut[s] and short-circuit[s] the power of the Trademark Board to consider such cases." 6 *McCarthy* § 32:54.

*Chesebrough* itself rejects such a result. We emphasized that jurisdiction does not depend on whether a party used magic words in a TTAB petition—we "declin[ed] to identify specific acts or intentions of the defendant that would automatically constitute a threat of litigation." *Chesebrough*, 666 F.2d at 396; *see also Rhoades*, 504 F.3d at 1157. Instead, the reasonable apprehension test is "oriented to the reasonable perceptions of the plaintiff," *Chesebrough*, 666 F.2d at 396, based on "all the circumstances" known to it. *Societe*, 655 F.2d at 942 (quoting *Maryland Cas.*, 312 U.S. at 273); *MedImmune*, 549 U.S. at 127 (same). In short, we must look to the context in which the allegation was made.

CEFCU argues that the relevant context here includes the "geographic separation" between the areas in which

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the parties use their marks. This geographic separation is significant—SDCCU’s northernmost credit union branch is in Orange County, while CEFCU’s southernmost membership county is Santa Clara. That leaves Los Angeles, Ventura, Santa Barbara, San Luis Obispo, and Monterey counties to separate the parties’ territories. That geographic separation would have colored SDCCU’s understanding of CEFCU’s likelihood-of-confusion allegation at that time. SDCCU should have understood CEFCU’s likelihood-of-confusion allegation merely as a necessary basis to support CEFCU’s cancellation petition—statutory standing. 15 U.S.C. § 1064; *see also infra* note 7. A reasonable person in SDCCU’s position would have known that an infringement suit was unlikely. *Compare Giant Food, Inc. v. Nation’s Foodservice, Inc.*, 710 F.2d 1565, 1568-69 (Fed. Cir. 1983) (noting that “geographical distance between the present locations of the respective businesses of the two parties has little relevance in” a cancellation petition alleging a likelihood of confusion) *with Fairway Foods, Inc. v. Fairway Markets, Inc.*, 227 F.2d 193, 196 (9th Cir. 1955) (holding that liability for trademark infringement could not lie because the geographically remote use of the parties’ marks foreclosed plaintiff’s ability to prove a likelihood of confusion). Based on this context, we hold, consistent with the limiting principle in *Chesebrough*, that CEFCU’s TTAB petition—on its own—was insufficient to create a live controversy. But the analysis does not end there.

During discovery in the TTAB proceedings, SDCCU uncovered information that gave it a reasonable

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apprehension of being sued by CEFCU.<sup>7</sup> CEFCU’s Rule 30(b)(6) designee, Portscheller, told SDCCU’s attorney that she believed SDCCU’s mark constituted “trademark infringement” of CEFCU’s marks, and that she believed

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7. SDCCU misquotes documents from the TTAB proceedings to argue that CEFCU attempted to prove “*damages* to CEFCU by reason of” SDCCU’s use of its mark. (emphasis added). The portion of the record quoted by SDCCU consists of an attorney declaration explaining CEFCU’s submission of “[d]ocuments evidencing the potential for *damage* to CEFCU by reason of” SDCCU’s use of the SDCCU mark. (emphasis added). The distinction between “damages” and “damage” is important. *See* Antonin Scalia & Bryan A. Garner, *READING LAW: THE INTERPRETATION OF LEGAL TEXTS* 44 (2012) (“The word *damage* (harm to property) is quite distinct in meaning from *damages* (money awarded to a victorious litigant).”). Allegations of “damages” certainly could lead a party to apprehend *monetary* damages resulting from infringement, much like the damages sought by the defendant in *Rhoades*, 504 F.3d at 1158.

But any such apprehension was unreasonable in the context of the then-ongoing cancellation proceedings. CEFCU was required to plead and prove—as a matter of statutory standing—that it was “likely to be damaged” by SDCCU’s registration. 3 *McCarthy* at § 20.41 (“To successfully prosecute a petition for cancellation, petitioner must plead and prove . . . that it has standing to petition to cancel in that it is *likely to be damaged* by the registration.” (emphasis added)); 15 U.S.C. § 1064 (“A petition to cancel a registration of a mark . . . may . . . be filed . . . *by any person who believes that he is or will be damaged* . . . by the registration of a mark.” (emphasis added)). It would make no sense that CEFCU was trying to prove monetary damages in the TTAB proceedings—the TTAB cannot award such damages. *Rhoades*, 504 F.3d at 1158; *id.* at 1158 n.6 (“The powers of the TTAB are limited to determining and deciding the respective rights of trademark registration.” (cleaned up)). CEFCU’s attempt to prove “potential for damage” in the TTAB action should not have put SDCCU in reasonable apprehension of an infringement suit.

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actual customer confusion was only a “question of time” because CEFCU was attempting to increase brand awareness outside of the Bay Area and, indeed, already had “many [members] in Southern California.” In addition, Flexer testified that CEFCU initiated cancellation proceedings based on her observation of SDCCU’s mark in San Diego, which she believed was “very similar” to CEFCU’s marks.

This testimony is relevant because a senior registrant can enjoin a junior user of an infringing mark if it is likely that the senior registrant will expand into the junior user’s market. *Dawn Donut Co. v. Hart’s Food Stores, Inc.*, 267 F.2d 358, 364 (2d Cir. 1959); *see also Lodestar Anstalt v. Bacardi & Co. Ltd.*, 31 F.4th 1228, 1250-51 (9th Cir. 2022) (citing *Dawn Donut* with approval). CEFCU’s employee’s testimony that it was just a matter of time before actual confusion occurred in California, combined with CEFCU’s overall growth in California and existing members in Southern California, provided new context to CEFCU’s likelihood-of-confusion allegation. This new context reasonably put SDCCU in apprehension that CEFCU would sue for infringement of its registered and common-law marks. Thus, a live controversy existed at the pleading stage.

## 2.

CEFCU next argues that the district court erred in concluding that it possessed ongoing Article III jurisdiction at the summary judgment phase. CEFCU contends that SDCCU was required to re-prove the

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existence of a live controversy at the summary judgment phase. We disagree.

CEFCU made the strategic decision to assert a factual jurisdictional attack in its motion to dismiss. “Rule 12(b)(1) jurisdictional attacks can be either facial or factual.” *White v. Lee*, 227 F.3d 1214, 1242 (9th Cir. 2000). A factual attack on jurisdiction is also called a “speaking motion.” *Thornhill Pub. Co. v. Gen. Tel. & Elecs. Corp.*, 594 F.2d 730, 733 (9th Cir. 1979).

Where the jurisdictional issue is separable from the merits of the case, the judge may consider the evidence presented with respect to the jurisdictional issue and rule on that issue, resolving factual disputes if necessary. . . . The standards applicable to a Rule 12(b)(1) speaking motion differ greatly from the standards for ruling on a motion for summary judgment. Faced with a factual attack on subject matter jurisdiction, the trial court may proceed as it never could under Rule 12(b)(6) or Fed. R. Civ. P. 56. 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. Moreover, the plaintiff will have the burden of proof that jurisdiction does in fact exist.

*Id.* (cleaned up). If the factual basis for jurisdiction is disputed, “[t]he plaintiff bears the burden of proving



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by a preponderance of the evidence that each of the requirements for subject-matter jurisdiction has been met.” *Leite v. Crane Co.*, 749 F.3d 1117, 1121 (9th Cir. 2014).

The district court understood CEFCU was “mounting a factual attack on subject matter jurisdiction” in its motion to dismiss. *San Diego Cnty. Credit Union*, 344 F. Supp. 3d at 1153. The district court did not expressly hold that SDCCU proved subject matter jurisdiction by a preponderance of the evidence; however, it examined hundreds of pages of documents outside the complaint, including the cancellation petition, CEFCU’s proposed amendment to its cancellation petition, discovery disclosures, deposition transcripts, as well as attorney and witness affidavits laying foundation for those documents. This evidence was sufficient to meet SDCCU’s burden under the preponderance of the evidence standard because, as we have explained, it was “more likely than not” that SDCCU reasonably apprehended an infringement suit from CEFCU. *Guglielmino v. McKee Foods Corp.*, 506 F.3d 696, 699 (9th Cir. 2007). Because SDCCU established a justiciable controversy by a preponderance of the evidence at the pleading stage, the district court did not need to consider additional evidence at the summary judgment stage—the district court had already “resolv[ed] factual disputes” in a manner that “it never could under Rule 12(b)(6) or Fed. R. Civ. P. 56.” *Thornhill Pub. Co.*, 594 F.2d at 733.

The district court appeared to recognize these principles by relying upon *Already, LLC v. Nike, Inc.*, 568 U.S. 85, 133 S. Ct. 721, 184 L. Ed. 2d 553 (2013), to apply

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a mootness analysis at the summary judgment phase. *See Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 98, 113 S. Ct. 1967, 124 L. Ed. 2d 1 (1993) (“[W]hile the initial burden of establishing the trial court’s jurisdiction rests on the party invoking that jurisdiction, once that burden has been met courts are entitled to presume, absent further information, that jurisdiction continues.”). In *Already*, Nike sued Already for infringing its “Air Force 1” mark. 568 U.S. at 88. Already counterclaimed that the mark was invalid. *Id.* Nike later issued a “Covenant Not to Sue,” in which Nike promised not to sue Already for infringement related to its existing designs. *Id.* at 88-89. Nike moved to dismiss its claims with prejudice, and moved to dismiss Already’s counterclaim without prejudice. *Id.* Finding no live controversy, the district court granted the motion and the Second Circuit affirmed. *Id.* at 89-90.

The Supreme Court affirmed. It explained that a case becomes moot “when the issues presented are no longer ‘live[,]’ the parties lack a legally cognizable interest in the outcome,” or “the dispute is no longer embedded in any actual controversy about the plaintiffs’ particular legal rights.” *Id.* at 91 (citations and internal quotation marks omitted). Because the case in *Already* was alleged to have become moot due to the Nike’s voluntary cessation of wrongdoing, the Supreme Court placed the burden on Nike “to show that it could not reasonably be expected to resume its enforcement efforts against Already.” *Id.* at 92 (citation and internal quotation marks omitted). Nike met that burden because it had made and delivered an “unconditional and irrevocable” covenant not to sue. *Id.* at 93.

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Based on the principles articulated in *Already*, we agree with the district court that CEFCU bore the burden of proving that the case was moot at the summary judgment phase. Nike put *Already* in fear of infringement liability by suing for infringement; Nike therefore bore the burden of dispelling that fear. And CEFCU's conduct in the TTAB proceedings similarly sparked SDCCU's fear of infringement liability. *Already* therefore places the burden on CEFCU to dispel SDCCU's fear. But *Already* does not hold that the *only* method by which CEFCU can do so is through a binding promise not to sue. To be sure, if a defendant provided similar evidence that eliminated, as a matter of law, a declaratory-judgment plaintiff's reasonable apprehension of an infringement action, such evidence would be sufficient to moot the case. We need not decide what that evidence might be; we merely conclude that CEFCU's evidence in this case was insufficient to moot the case because it did not remove SDCCU's reasonable apprehension of suit as a matter of law.

Not only did CEFCU fail to provide a binding promise that it would not sue for infringement (as Nike did in *Already*), but CEFCU affirmatively refused SDCCU's stipulation that SDCCU was not infringing CEFCU's marks. CEFCU now claims it was merely unwilling to waive its jurisdictional defenses, but that limited characterization of its objection is not apparent from the record. And although CEFCU submitted Flexer's deposition testimony suggesting that CEFCU did not plan to sue SDCCU for trademark infringement, it provided no assurances to that effect. Moreover, Flexer's testimony was conspicuously couched in present-tense language. She

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did not dispute SDCCU's use of its mark "to date," and pointedly would "not speculate with regard to the future." Given Portscheller's previous testimony suggesting CEFCU was growing in California and that it was only a matter of time before actual confusion occurred, Flexer's restrained testimony served to reaffirm SDCCU's reasonable apprehension about whether it could be subject to legal action for the current use of its mark in Southern California. The district court therefore possessed Article III jurisdiction at the summary judgment phase, and we affirm its entry of judgment in favor of SDCCU on SDCCU's non-infringement claims.

## 3.

Finally, we come to the question presented at the beginning of this opinion: whether the district court possessed Article III jurisdiction to proceed to trial on SDCCU's invalidity claim. We conclude it did not.

In the patent context, it is "usually" an error to reach the issue of validity "in the face of a finding of non-infringement." *Lockwood v. Langendorf United Bakeries, Inc.*, 324 F.2d 82, 91 (9th Cir. 1963). "To do so . . . would be to decide a hypothetical case." *Id.*; see also *Altwater v. Freeman*, 319 U.S. 359, 363, 63 S. Ct. 1115, 87 L. Ed. 1450, 1943 Dec. Comm'r Pat. 833 (1943) ("To hold a patent valid if it is not infringed is to decide a hypothetical case."). This premise makes equal sense in the trademark context.<sup>8</sup> But

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8. We regularly borrow on principles from patent cases to guide our analyses in trademark cases. See, e.g., *SunEarth, Inc. v. Sun Earth Solar Power Co.*, 839 F.3d 1179, 1180 (9th Cir. 2016)

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it is not a hard-and-fast rule, *cf. Cardinal Chem. Co.*, 508 U.S. at 89-90 (rejecting “[t]he Federal Circuit’s current practice of routinely vacating declaratory judgments regarding patent validity following [an appellate] determination of noninfringement”), nor do we adopt it as such. As always, the question is whether, based on “all the circumstances,” there remains “a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune*, 549 U.S. at 127 (quoting *Maryland Cas.*, 312 U.S. at 273); *see also Bayer v. Neiman Marcus Grp., Inc.*, 861 F.3d 853, 867-68 (9th Cir. 2017) (applying *MedImmune* to determine mootness of claims seeking declaratory relief). In other words, we must determine whether the grant of summary judgment in favor of SDCCU on its non-infringement claims presented a “change[] in the circumstances that prevailed at the beginning of the litigation” which forecloses the possibility of SDCCU obtaining “meaningful relief” by pursuing its invalidity claim. *See Gator.com Corp.*, 398 F.3d at 1129.

In *Altwater*, plaintiffs alleged that defendants infringed patents covered by their license. 319 U.S. at 360. Defendants asserted a counterclaim, seeking a declaration that the patents were invalid. *Id.* at 360-61. The district court held that defendants did not infringe *and* that the patents were invalid. *Id.* at 362. The Eighth Circuit reversed in part, holding “that when the District Court found . . . no infringement, the other issues [including

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(“We interpret the fee-shifting provisions in the Patent Act and the Lanham Act in tandem.” (internal citation omitted)).

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patent invalidity] became moot and there was no longer a justiciable controversy between the parties.” *Id.* The Supreme Court reversed. It rejected plaintiffs’ argument that, “so long as [defendants] continue to pay royalties, there is only an academic, not a real controversy, between the parties” regarding the invalidity counterclaim. *Id.* at 364. A real controversy continued to exist because defendants continued to manufacture and sell items that were alleged to fall under the patents, and plaintiffs continued to demand royalties. *Id.* at 365.

The facts in *Altwater* mirrored those in *MedImmune*. See 549 U.S. at 130 (comparing the two). And, as we previously mentioned, *MedImmune* reaffirmed *Altwater*’s reasoning that a controversy may be established upon proof of “plaintiff’s self-avoidance of imminent injury [that] is coerced by threatened enforcement action of a private party.” *Id.* at 130 (emphasis deleted). The lesson from these cases is that federal courts lack Article III jurisdiction to review questions of trademark validity unless the plaintiff faces a threat of infringement liability or otherwise suffers a justiciable injury that is fairly traceable to the trademark’s validity.

Here, in contrast to the justiciable injuries found in *Altwater* or *MedImmune*, the record is devoid of any evidence that an ongoing threat of liability is causing SDCCU to engage in any “self-avoidance” of harm, *MedImmune*, 549 U.S. at 130, or is “chilling” SDCCU’s use of its mark. *Chesebrough*, 666 F.2d at 397. Much to the contrary: SDCCU at one point amended its complaint to allege that it had *increased* the use of its mark in

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direct response to CEFCU’s cancellation petition. As the Supreme Court did in *Already*, we conclude that this case is distinguishable from *Altvater* because “the whole point is that [SDCCU] is free to [market its services] without any fear of a trademark claim.” 568 U.S. at 96.<sup>9</sup>

At oral argument, counsel for SDCCU argued that SDCCU retained standing to pursue its invalidity claim even after it obtained summary judgment on its non-infringement claims because the still-pending cancellation proceedings might be affected by a finding regarding the validity of CEFCU’s common-law mark. But counsel did not explain why a potential impact on the cancellation proceedings could satisfy the requirements of Article III standing. To the contrary, we have held that a “simple

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9. *Cardinal Chemical* is also inapposite. There, the Federal Circuit applied its practice of routinely vacating a district court’s finding of patent invalidity as “moot” whenever it affirmed a finding that there was no patent infringement. 508 U.S. at 88–90. The Supreme Court overruled this practice, explaining that, if the district court had jurisdiction to consider an invalidity claim, then so too did the Federal Circuit. *Id.* at 98–99. But here, the district court itself lacked jurisdiction to hear SDCCU’s invalidity counterclaim, which is an issue that *Cardinal Chemical* expressly declined to address. *Id.* at 95; see also *Already*, 568 U.S. at 95 (distinguishing *Cardinal Chemical* on this basis). Moreover, CEFCU did not assert an “actual[] . . . charge[]” of trademark infringement against SDCCU, see *Cardinal Chemical*, 508 U.S. at 96, so the only jurisdictional basis for SDCCU’s invalidity claim was its reasonable apprehension of an infringement suit, see *Chesebrough*, 666 F.2d at 396. That apprehension was negated by the district court’s grant of summary judgment on SDCCU’s non-infringement claim.

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opposition proceeding in the Patent and Trademark Office generally will not raise a real and reasonable apprehension of suit,” and so is insufficient to show injury-in-fact. *See Chesebrough*, 666 F.2d at 396. Accepting SDCCU’s argument would mean that any time a party seeks to cancel a registration due to prior use of a common-law mark, a controversy is created such that the registrant may circumvent the TTAB’s jurisdiction. We reject that premise.

Moreover, we note that a future conflict over CEFCU’s common-law trademark rights is extremely unlikely as a matter of law. Unlike the ability of a senior *registrant* to enjoin a junior user of an infringing mark when it is likely that the *registrant* will move into the junior user’s territory, *see Dawn Donut*, 267 F.2d at 364, the rights of a *common-law trademark owner* are generally limited to the territory in which he has already used that trademark. *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 436 (9th Cir. 2017) (“[C]ommon-law trademark rights extend only to the territory where a mark is known and recognized, so a later user may sometimes acquire rights in pockets geographically remote from the first user’s territory.”) *abrogation on other grounds recognized by Harbor Breeze Corp. v. Newport Landing Sportfishing, Inc.*, 28 F.4th 35, 38 (9th Cir. 2022). Aside from Portscheller’s testimony regarding the presence of CEFCU members in Southern California, the record provides no suggestion that CEFCU developed common-law trademark rights there. And given the district court’s grant of summary judgment on non-infringement, Portscheller’s testimony can no longer give rise to a reasonable apprehension of suit.



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In sum, once SDCCU obtained an adjudication stating that the use of its mark does not infringe CEFCU's common-law mark, SDCCU lost any personal stake it once had in invalidating CEFCU's common-law mark. We recognize the significant resources that the parties and the district court have already invested in holding a bench trial on this issue. But "sunk costs to the judiciary does not license courts to retain jurisdiction over cases in which one or both of the parties plainly lacks a continuing interest." *Gator.com Corp.*, 398 F.3d at 1132 (alterations accepted). Although we must "eschew undue formalism" in analyzing mootness, we "must nevertheless operate within the well-defined contours of Article III." *Id.* Those constitutional contours require us to vacate the district court's judgment as to the invalidity of CEFCU's common-law trademark, "NOT A BANK. BETTER."

## B.

The second issue for review is whether the district court erred in awarding attorneys' fees to SDCCU under 15 U.S.C. § 1117(a). Under that statute, a "prevailing party" may be awarded attorneys' fees "in exceptional cases." 15 U.S.C. § 1117(a). CEFCU challenges this award on numerous grounds.<sup>10</sup>

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10. We reject CEFCU's near-frivolous argument that a party must prove "infringement" to be entitled to attorneys' fees under § 1117(a). The first sentence of § 1117(a) discusses the measure of damages to be awarded upon proof of trademark infringement. Six sentences later, the statute states: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." Obviously, a defendant in an infringement case—or, as in this case,

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Our conclusion that the district court lacked jurisdiction to proceed to trial on SDCCU’s invalidity claim does not, by itself, preclude jurisdiction to award attorneys’ fees. *See, e.g., K.C. ex rel. Erica C. v. Torlakson*, 762 F.3d 963, 968 (9th Cir. 2014) (collecting cases); *see also Zucker v. Occidental Petroleum Corp.*, 192 F.3d 1323, 1329 (9th Cir.1999) (“No Article III case or controversy is needed with regard to attorneys’ fees . . . because they are but an ancillary matter over which the district court retains equitable jurisdiction even when the underlying case is moot.”). When the district court grants a fee award that is “collateral to the merits,” it does not risk “adjudicating the merits of a ‘case or controversy’ over which it lacks jurisdiction.” *Willy v. Coastal Corp.*, 503 U.S. 131, 138, 112 S. Ct. 1076, 117 L. Ed. 2d 280 (1992).

Here, the district court’s decision to award attorneys’ fees under § 1117(a) was partly based on the merits of the invalidity claim over which it lacked jurisdiction. We therefore vacate that award.

The district court concluded that SDCCU was the prevailing party because of the non-infringement relief it obtained on summary judgment *and* because of its victory in invalidating CEFCU’s common-law mark at

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a plaintiff in a declaratory judgment action seeking a declaration of non-infringement—can be the “prevailing party” and can therefore be entitled to reasonable attorneys’ fees, without proof that infringement occurred. *See, e.g., Gracie v. Gracie*, 217 F.3d 1060, 1071 (9th Cir. 2000) (“The above standard for exceptional circumstances applies to prevailing defendants as well as prevailing plaintiffs under the Lanham Act”). CEFCU cites no authority to the contrary.

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trial. Although the question whether SDCCU remains a prevailing party even absent its trial victory is a legal question subject to de novo review,<sup>11</sup> we leave that

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11. SDCCU urges us to adopt the district court’s prevailing-party determination under an abuse of discretion standard. SDCCU recognizes that we have previously reviewed prevailing party determination under § 1117(a) de novo, *Asociacion de Trabajadores de Lake Forest v. City of Lake Forest*, 624 F.3d 1083, 1089 (9th Cir. 2010), but SDCCU claims that our precedent was abrogated by *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 134 S. Ct. 1749, 188 L. Ed. 2d 816 (2014), and *Highmark Inc. v. Allcare Health Management System, Inc.*, 572 U.S. 559, 134 S. Ct. 1744, 188 L. Ed. 2d 829 (2014). We disagree.

*Octane Fitness* and *Highmark* addressed only the exceptional-case requirement. 572 U.S. at 554; 572 U.S. at 563. And *Highmark* made clear that it is “the exceptional-case determination” that must “be reviewed only for abuse of discretion.” 572 U.S. at 563. It did nothing to disturb the premise that “questions of law are reviewable de novo.” *Id.* (citation and internal quotation marks omitted). A prevailing party determination is a question of law because “[t]he term ‘prevailing party,’ . . . is a term of art that courts must interpret consistently throughout the United States Code.” *Klamath Siskiyou Wildlands Ctr. v. U.S. Bureau of Land Mgmt.*, 589 F.3d 1027, 1030 (9th Cir. 2009); see also *Buckhannon Bd. & Care Home, Inc. v. W. Virginia Dep’t of Health & Hum. Res.*, 532 U.S. 598, 603 n.4, 121 S. Ct. 1835, 149 L. Ed. 2d 855 (2001) (“We have interpreted these fee-shifting provisions consistently and so approach the nearly identical provisions at issue here.” (internal citation omitted)).

Notably, the Eighth Circuit held that *Highmark* did not displace de novo review for prevailing party determinations. *E. Iowa Plastics, Inc. v. PI, Inc.*, 832 F.3d 899, 906 n.5 (8th Cir. 2016). In two separate opinions disposing of the same case, the Second Circuit applied de novo review to a prevailing party determination in one opinion, *Manhattan Rev. LLC v. Yun*, 919 F.3d 149, 152 (2d Cir. 2019) (“Whether a litigant qualifies as a ‘prevailing party’ constitutes a

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question for the district court to consider in the first instance because of its “familiarity with the progress of the litigation through the pleading, discovery,” and trial stages. *Maher v. Gagne*, 448 U.S. 122, 130, 100 S. Ct. 2570, 65 L. Ed. 2d 653 (1980).

The district court should also revisit its exceptional-case determination. In making that determination, the district court relied in part upon conduct that occurred at trial. Although we conclude that the district court lacked subject matter jurisdiction to proceed to trial on SDCCU’s invalidity claim, our conclusion “does not automatically wipe out all proceedings had in the district court at a time when the district court operated under the misapprehension that it had jurisdiction.” *Willy*, 503 U.S. at 137. Thus, the district court is not precluded from considering CEFCU’s litigation conduct leading up to and during the trial. But because an exceptional-case determination lies within the discretion of the district

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question of law warranting de novo review.”), and applied *Highmark*’s abuse of discretion standard to the exceptional-case determination in the other. *Manhattan Rev. LLC v. Yun*, 765 F. App’x 574, 577 (2d Cir. 2019) (unpublished). And although the Federal Circuit did not expressly say it was applying de novo review to its prevailing party determination in *Ranieri v. Microsoft Corp.*, it seemed to apply a de novo standard. 887 F.3d 1298, 1303 (Fed. Cir. 2018). There, the Federal Circuit analyzed several Supreme Court cases “address[ing] the issue of what constitutes a ‘prevailing party,’” and, in doing so, determined that appellees were prevailing parties without deferring to the district court’s conclusion. *Id.* at 1303-07. We join our sister circuits in holding that *Highmark* does not demand review of a prevailing-party determination under an abuse of discretion standard.

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court, *see Highmark*, 572 U.S. at 563; *SunEarth*, 839 F.3d at 1181, we express no view on this issue and remand to the district court for consideration in the first instance.

## C.

The third issue is whether CEFCU is subject to personal jurisdiction in California. We review the existence of personal jurisdiction de novo. *Ayla, LLC v. Alya Skin Pty. Ltd.*, 11 F.4th 972, 978 (9th Cir. 2021).<sup>12</sup>

A defendant is subject to specific personal jurisdiction in the forum state if: (1) the defendant performed an act or consummated a transaction by which it purposely directed its activity toward the forum state; (2) the claims arose out of defendant's forum-related activities; and (3) the exercise of personal jurisdiction is reasonable. *Id.* at 979. Analysis of the first prong—"purposeful availment

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12. The parties dispute the correct evidentiary standard to apply to CEFCU's personal jurisdiction defense. The two evidentiary standards that could apply are the prima facie and preponderance of the evidence standards. *See, e.g.*, 4 Wright, Miller, & Steinman, *Federal Practice and Procedure* § 1067.6 at 581-645 (4th ed. 2015). CEFCU urges us to reverse the judgment because SDCCU made out only a prima facie showing of personal jurisdiction, *see Data Disc, Inc. v. Sys. Tech. Assocs., Inc.*, 557 F.2d 1280, 1285 n.2 (9th Cir. 1977), while SDCCU responds that meeting said prima facie standard was sufficient because CEFCU failed to preserve its personal jurisdiction defense. *See Peterson v. Highland Music, Inc.*, 140 F.3d 1313, 1316-17 (9th Cir. 1998). We need not resolve this issue because, even applying the preponderance of the evidence standard, we conclude that CEFCU is subject to personal jurisdiction in California based on the very documents that CEFCU filed with its motion to dismiss.

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or direction”—turns on the nature of the underlying claims. *Id.* “Trademark infringement is treated as tort-like for personal jurisdiction purposes, and so we focus on purposeful direction.” *Id.* SDCCU bears the burden of proving the first two prongs. *Id.* Once those are established, the burden shifts to CEFCU to prove that the exercise of personal jurisdiction is unreasonable. *Id.*

Analysis of this three-prong test leads to the conclusion that CEFCU is subject to personal jurisdiction in California regarding SDCCU’s non-infringement claims.<sup>13</sup>

First, CEFCU purposefully directed its activity toward California by using its trademarks there and by operating several branches in the Bay Area.<sup>14</sup> CEFCU

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13. Where—as here—“a plaintiff relies on specific jurisdiction, he must establish that jurisdiction is proper for ‘each claim asserted against a defendant.’” *Picot v. Weston*, 780 F.3d 1206, 1211 (9th Cir. 2015) (citation omitted); *see also, Ayla*, 11 F.4th at 983 (drawing a distinction between contract and tort claims in specific personal jurisdiction analysis); *Fiore v. Walden*, 688 F.3d 558, 593 (9th Cir. 2012) (Ikuta, J., dissenting) (“We analyze personal jurisdiction on a claim-by-claim basis.”), *reversed*, 571 U.S. 277, 134 S. Ct. 1115, 188 L. Ed. 2d 12 (2014). Here, the only claims that must be reviewed for personal jurisdiction are SDCCU’s non-infringement claims against CEFCU. Aside from SDCCU’s invalidity claim—which we have already explained must be vacated for lack of Article III jurisdiction—SDCCU’s non-infringement claims are the only claims upon which an adverse judgment was entered against CEFCU.

14. *See, e.g., Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316, 1322 (9th Cir. 1998) (“Because the [in-forum plaintiffs] used their trademarks in Indiana, any infringement of those marks would create

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further directed its activity toward California when it filed its cancellation petition with the TTAB and alleged that the registration for SDCCU's trademark (used solely in California) must be cancelled because of CEFCU's prior use of its marks (used in Illinois *and California*). Thus, the first prong is met.

Second, SDCCU's non-infringement claims arose out of CEFCU's use of its trademarks in California because those are the very same trademarks that CEFCU used to attack SDCCU's trademark registration in the TTAB proceedings. Moreover, CEFCU's conduct in those proceedings put SDCCU in a reasonable apprehension that it would be sued for use of its marks in California. *Cf. Bancroft & Masters, Inc. v. Augusta Nat. Inc.*, 223 F.3d 1082, 1084, 1087-89 (9th Cir. 2000) (holding that California had personal jurisdiction over declaratory judgment defendant because of defendant's challenge to plaintiff's registration for its domain name, which challenge was filed with an agency located in Virginia but affected the plaintiff's ability to use the domain name in California), *overruled in part on other grounds by Yahoo! Inc. v. La Ligue Contre Le Racisme Et L'Antisemitisme*, 433 F.3d 1199 (9th Cir. 2006). In addition, Flexer testified that CEFCU filed its TTAB cancellation petition because of her observation of SDCCU's billboard in San Diego. As

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an injury which would be felt mainly in Indiana, and this, coupled with the [out-of-state] defendant's 'entry' into the state by the television broadcasts, was sufficient for the exercise of personal jurisdiction." (describing and citing with approval *Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club Ltd. Partnership*, 34 F.3d 410 (7th Cir. 1994))).

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in *Bancroft*, then, CEFCU’s cancellation petition was “expressly aimed at California because it individually targeted [SDCCU], a California corporation doing business almost exclusively in California” and “the effects of the [petition] were primarily felt, as [CEFCU] knew they would be, in California.” *Id.* at 1088. Thus, the first two prongs of our test for specific personal jurisdiction are met.

Regarding the third prong, CEFCU does not explain why the exercise of personal jurisdiction in California is unreasonable. Nor could it. CEFCU operates, uses its trademarks, and serves its credit union members in California. Under these circumstances, there is nothing unreasonable about litigating a trademark infringement case in California. Thus, we conclude that SDCCU established by a preponderance of the evidence that CEFCU is subject to personal jurisdiction in California regarding SDCCU’s non-infringement claims.

## D.

The fourth issue is whether the district court erred in dismissing without prejudice CEFCU’s counterclaim for lack of statutory subject matter jurisdiction. CEFCU’s counterclaim mirrored the relief it had originally sought before the TTAB; that is, it sought to cancel SDCCU’s trademark registration. SDCCU argues that the district court misinterpreted 15 U.S.C. § 1119 to conclude that it lacked statutory subject matter jurisdiction over CEFCU’s counterclaim. CEFCU responds that SDCCU lacks standing to appeal this dismissal because it is favorable to SDCCU.



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True, the general rule is that litigants have no standing to appeal favorable decisions. *E.g., United States v. Good Samaritan Church*, 29 F.3d 487, 488 (9th Cir. 1994). But one exception to the general rule states that a defendant has standing to appeal dismissal of a complaint *without* prejudice when he sought to have it dismissed *with* prejudice. *Farmer v. McDaniel*, 98 F.3d 1548, 1549 (9th Cir. 1996), *abrogated on other grounds by Slack v. McDaniel*, 529 U.S. 473, 120 S. Ct. 1595, 146 L. Ed. 2d 542 (2000); *H.R. Techs., Inc. v. Astechologies, Inc.*, 275 F.3d 1378, 1383 (Fed. Cir. 2002) (applying *Farmer* to conclude that a defendant in a patent infringement case has standing to appeal a without-prejudice dismissal after moving to dismiss with prejudice). SDCCU’s appeal falls within this exception. SDCCU moved for summary judgment on CEFCU’s counterclaim. By appealing the district court’s dismissal of that claim without prejudice, SDCCU is “appeal[ing] from a judgment in its favor [because] the judgment is not as favorable as [SDCCU] sought,” *H.R. Techs.*, 275 F.3d at 1380, and now will be required to go back to the TTAB to relitigate that issue. *Cf. Farmer*, 98 F.3d at 1549. That is a sufficient grievance to maintain standing to appeal.

The district court *sua sponte* dismissed the counterclaim for lack of statutory subject matter jurisdiction after granting summary judgment on the first, second, and fifth counts. As a result of those counts being resolved, it concluded that this case no longer “involve[ed] a registered mark” under 15 U.S.C. § 1119. That statute reads:

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In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.

15 U.S.C. § 1119.

SDCCU argues that “action” refers to the entire case and that this “action” still “involv[es] a registered mark” because the parties’ claims originally involved their registered marks. Thus, SDCCU contends, the district court possessed ongoing statutory subject matter jurisdiction over CEFCU’s counterclaim. We disagree.

In *Airs Aromatics, LLC v. Opinion Victoria’s Secret Stores Brand Management, Inc.*, the plaintiff sought: (1) a declaration that defendant breached a consent-to-use agreement; and (2) cancellation of defendant’s trademark registrations based on a likelihood of confusion with plaintiff’s marks. 744 F.3d 595, 598 (9th Cir. 2014). The district court dismissed both claims, but the plaintiff appealed only the dismissal of his cancellation claim. *Id.* We held that § 1119 would not “provide an independent basis for subject-matter jurisdiction on remand standing alone.” *Id.* We held that § 1119 provides cancellation only as relief to a party who has proved infringement because § 1119 is “remedial, not jurisdictional.” *Id.* at 598 (quoting *Nike, Inc. v. Already, LLC*, 663 F.3d 89, 99 (2d Cir. 2011), *aff’d*, 568 U.S. 85, 133 S. Ct. 721, 184 L. Ed. 2d 553 (2013)). Because the plaintiff did not appeal “the dismissal of the

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only claims it bought that could support jurisdiction” under § 1119, we affirmed.

That same syllogism dictates the outcome here. CEFCU’s cancellation counterclaim under § 1119 must have an independent jurisdictional basis. And SDCCU has understandably not appealed from the district court’s judgment on the only claims that could arguably provide such a basis—i.e., SDCCU’s non-infringement claims. Like the plaintiff in *Airs Aromatics*, SDCCU does not ask us to reinstitute those non-infringement claims such that CEFCU could potentially prove infringement and obtain cancellation on remand. We therefore affirm the district court’s dismissal of CEFCU’s counterclaim.

## III.

We vacate the district court’s judgment and remand with instructions for further proceedings not inconsistent with this opinion. On remand, the district court is instructed to dismiss count four of SDCCU’s complaint for lack of Article III jurisdiction, reassess its exceptional-case and prevailing-party determinations and, if necessary, revisit the amount of its fee award.

Pursuant to Federal Rule of Appellate Procedure 39(a) and Ninth Circuit General Order 4.5(e), each party shall bear its own costs on appeal.

**AFFIRMED IN PART, VACATED IN PART, AND REMANDED.**

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**APPENDIX B — TRANSCRIPT EXCERPTS FROM  
THE UNITED STATES DISTRICT COURT FOR  
THE SOUTHERN DISTRICT OF CALIFORNIA,  
FILED APRIL 15, 2021**

[1]

UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF  
CALIFORNIA

Docket  
No. 18-cv-0967-GPC-MSB

March 30, 2021  
8:30 a.m.

San Diego, California

SAN DIEGO COUNTY CREDIT UNION,

*Plaintiff,*

v.

CITIZENS EQUITY FIRST CREDIT UNION,

*Defendant.*

**TRANSCRIPT OF BENCH TRIAL, VOLUME I  
BEFORE THE HONORABLE GONZALO P. CURIEL  
UNITED STATES DISTRICT JUDGE  
(Pages 1 through 280, Inclusive)**

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[3]today.

THE COURT: All right. Good morning to you all. We are ready to proceed with a bench trial in this matter. The Court has a number of preliminary matters to address before we begin. I would like to first address the motions to dismiss that have been filed, and then go into the motions *in limine*, including addressing the question of burden of persuasion. And then, at that point, we will determine whether or not we are ready to proceed or if there are any other questions.

But, first, with respect to the renewed motions to dismiss, first, for lack of any justiciable controversy, this is a matter that has been taken up previously, on October 2nd, 2018; the Court at that time found that the issues before the Court were justiciable under the Declaratory Judgment Act. Specifically, that there was an actual case or controversy because the petition for cancellation alleged elements to support a cause of action for trademark infringement and SDCCU had a real and reasonable apprehension that it would be subject to infringement action.

The Court at that time reviewed the case under the prudential factors under *Brillhart*, and concluded that it would retain jurisdiction over the DJA claims because the TTAB was limited in their review of the case to deciding registration cancellation issues and because this case involves trademark non-infringement and invalidity claims, the declaratory action [4]was preferable over a TTAB addressing their issues that they could review in

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order to address all absence of the controversy between the parties.

The defense, on February the 5th, 2019, raised again the motion to dismiss for lack of subject matter jurisdiction. The Court again incorporated its reasoning from the October 2nd, 2018 order.

Since then, the Court has issued an order on motions for summary judgment. That was on September the 29th, 2020. The argument at this point is that given that there's only one claim left; that is, the fourth cause of action -- that there is no imminent threat for alleged infringement, there is no basis to go forward on the Declaratory Judgment Act petition, and that under prudential considerations, that the Court should decide to dismiss these proceedings, exercise its discretion and dismiss these proceedings.

The Court is at this point prepared to, for a third time, confirm its earlier decisions, finding that there is an actual case or a controversy again for the same reasons, that there are still proceedings before the TTAB for cancellation and that the petition alleged elements to support a cause of action for trademark infringement. SDCCU today, as it did back in 2018, has a real and reasonable apprehension that it will be subject to an infringement action down the line. That appears to be supported and borne out by the fact that there continue to be [5]these cancellation proceedings, which seek to cancel the registered trademark of SDCCU. As I understand it, CEFCU is not willing to promise or to represent that it will not, in the future, sue SDCCU for trademark infringement. Under these circumstances, the

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SDCCU apprehension that they have to being sued is real and reasonable.

With respect to prudential considerations, while the order on the motion for summary judgment did reduce the number of causes of action, it doesn't reduce the apprehension that SDCCU would have in terms of being sued at a later point in time. As to the matters of comity, judicial resources, at this juncture, as to judicial resources, certainly up to this point, a significant amount of judicial resources have been utilized, have been exercised. And one could argue that we don't need to go any further. But at the same time, the argument is more compelling to the Court, which is as much work as has been done here, to the extent that the Court can, in this last day of trial and with some additional work, issue an order that can help reduce the number of remaining issues, that would be the best use of these judicial proceedings; that the Court at this time can apply its institutional knowledge of the case and try and resolve the remaining issues that it has before it.

So, for those reasons, the Court is of the view that the motion to dismiss for lack of subject matter jurisdiction should be denied.

[6]Similarly, with respect to the motion to dismiss for lack of personal jurisdiction, in the Court's view, a decision on the motion for summary judgment has not changed the facts that while the cancellation proceedings have been filed in Virginia, that the acquisition of California-based Valley Credit Union and rebranding it as CEFUCU, increasing the aggressive marketing of CEFUCU's services

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and use of trademark in California all demonstrate that there remain contacts that implicate, affect the plaintiff here in the state of California. And as such, the Court denies, again, the motion to dismiss for lack of personal jurisdiction.

So, with that, and given that these are not new issues; these have been addressed on prior occasions, and we have the need to move on to motions *in limine*, at this time the Court will proceed to the motions *in limine* that are currently pending.

As to defendant's motion *in limine* that is found in ECF 290, that is a motion which asserts that SDCCU has failed to give timely notice of its abandoned theory and is precluded from proceeding with the unpleaded abandoned theory.

The Court is prepared to deny the motion *in limine*. The second amended complaint filed by SDCCU provides the notice of an abandoned claim as required under Rule 8. Specific legal theories need not be pleaded so long as sufficient factual averments show that the plaintiff may be entitled to some

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[23]So, our argument is, one, they never obtained these rights in the first place. The second argument is if they did, if Your Honor found that this sporadic, de minimis use back in 2010 constituted trademark rights in the phrase alone, which we highly dispute, that that



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use -- there was an intentional rebranding that happened in 2011, and it carried on through, what I would say, the present day. And you will not see advertisements, media, where “Not a Bank. Better.” is used by itself for that entire period of time.

The legal consequence of that is that phrase was abandoned, and call it nonuse, call it noncontinuous use, call it whatever you want. But it is simply a legal consequence of the action that they came up with.

And those facts and that theory was sufficiently pled in our complaint, and those are additional facts that have come out in discovery as well.

THE COURT: All right. I am going to maintain the tentative and move on to the next motion *in limine* because we have already spent going on an hour on these first two matters.

The next motion *in limine* is to exclude irrelevant expert testimony, and to preclude expert testimony as to which SDCCU made no Rule 26 disclosures. Specifically, the motion seeks to exclude what is characterized as rebuttal expert testimony of Dr. Nowlis and Dr. Simonson because they do not specifically address Dr. Amir’s conclusion about consumer awareness of “Not

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**APPENDIX C — ORDER OF THE UNITED  
STATES DISTRICT COURT, SOUTHERN  
DISTRICT OF CALIFORNIA,  
FILED SEPTEMBER 29, 2020,  
UNSEALED AUGUST 17, 2021**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

Case No.: 18cv967-GPC(MSB)

SAN DIEGO COUNTY CREDIT UNION,

*Plaintiff,*

v.

CITIZENS EQUITY FIRST CREDIT UNION,

*Defendant.*

September 29, 2020, Decided;  
September 29, 2020, Filed

**ORDER GRANTING PLAINTIFF'S MOTION FOR  
SUMMARY JUDGMENT ON THE FIRST AND  
SECOND CAUSES OF ACTION IN THE SECOND  
AMENDED COMPLAINT AND SUA SPONTE  
DISMISSING COUNTERCLAIM FOR LACK OF  
SUBJECT MATTER JURISDICTION**

**[Dkt. Nos. 149, 158, 161, 241.]**

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Before the Court is Plaintiff's motion for summary judgment on the first and second causes of action for declaratory relief of non-infringement and summary judgment on Defendant's counterclaim for cancellation of trademark registration. (Dkt. No. 161.) Plaintiff filed an opposition and Defendant replied. (Dkt. Nos. 191, 221.) A hearing was held on July 2, 2020. (Dkt. No. 245.) Jesse Salen, Martin Bader and Stephen Korniczky appeared as counsel for Plaintiff and James Dabney, Geoffrey Thorn, Emma Barrata and Stefanie Garibyan appeared as counsel for Defendant. (*Id.*) On August 6, 2020, the Court directed the parties to file a supplemental brief on the Court's continuing jurisdiction over the cancellation counterclaim in the event the Court granted summary judgment on the first, second and fifth causes of action in the second amended complaint. (Dkt. No. 251.) On August 14, 2020, the parties filed their supplemental briefs. (Dkt. Nos. 254, 255.)

After careful consideration of the parties' briefs, supporting documents, the applicable law, and hearing oral arguments, the Court GRANTS Plaintiff's motion for summary judgment on the two claims for declaratory relief for non-infringement of CEFCU Marks as unopposed, SUA SPONTE dismisses the counterclaim for lack of subject matter jurisdiction and DENIES SDCCU's motion for summary judgment on the counterclaim as MOOT.

**Procedural Background**

On May 16, 2018, Plaintiff San Diego County Credit Union ("SDCCU") filed a complaint against Defendant

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Citizens Equity First Credit Union (“CEFCU”) alleging the following causes of action: 1) declaratory judgment of non-infringement of federally registered trademark for “CEFCU. NOT A BANK. BETTER.”; 2) declaratory judgment of non-infringement of common law mark “NOT A BANK. BETTER.”; 3) declaratory judgment for invalidity of federally registered trademark for “CEFCU. NOT A BANK. BETTER.”; 4) declaratory judgment for invalidity of common law mark “NOT A BANK. BETTER.”; 5) false or fraudulent trademark registration under 15 U.S.C. § 1120; and 6) unfair competition under 15 U.S.C. § 1125.<sup>1</sup> (Dkt. No. 1. Compl, ¶¶ 58-98.)

On July 31, 2018, the Court denied Defendant’s motion to dismiss for lack of personal jurisdiction pursuant to Federal Rule of Civil Procedure (“Rule”) 12(b)(2). (Dkt. No. 39.) On October 2, 2018, the Court denied Defendant’s second motion to dismiss for lack of subject matter jurisdiction pursuant to Rule 12(b)(1) on the first four causes of action for declaratory judgment, and granted Defendant’s motion to dismiss for failure to state a claim under Rule 12(b)(6) on the fifth and sixth causes of action with leave to amend. (Dkt. No. 47.) On October 12, 2018, Plaintiff filed a first amended complaint alleging the same six causes of action with additional factual allegations. (Dkt. No. 48, FAC.) On February 5, 2019, the Court denied Defendant’s third motion to dismiss for lack of subject matter jurisdiction, and granted in part and denied in part Defendant’s motion to dismiss for failure to state a claim.

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1. In response to a motion to dismiss, Plaintiff agreed to voluntarily dismiss the seventh and eighth causes of action alleging unfair competition under California law. (Dkt. No. 47 at 4.)

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(Dkt. No. 55.) Specifically, the Court denied dismissal of the fifth cause of action for false/fraudulent registration of trademark under 15 U.S.C. § 1120 but granted dismissal of the attorney’s fees and costs sought under 15 U.S.C. § 1120, and granted dismissal of the sixth cause of action for unfair competition under 15 U.S.C. § 1125. (*Id.*) On April 14, 2020, the Court granted Defendant’s motion for judgment on the pleadings on the fifth cause of action for false or fraudulent trademark registration under 15 U.S.C. § 1120 as barred by the statute of limitations with leave to amend. (Dkt. No. 134.) On April 23, 2020, the operative second amended complaint (“SAC”) was filed alleging the same five causes of action. (Dkt. No. 139.) On May 7, 2020, CEFCU filed its answer and a counterclaim seeking to cancel the SDCCU Mark claiming that it “so resembles CEFCU. NOT A BANK. BETTER. [and NOT A BANK. BETTER] as to be likely, when used in connection with one or more of the services listed in the ’596 Registration, to cause confusion, or to cause mistake, or to deceive within the meaning of 15 U.S.C. § 1052(d).” (Dkt. No. 141, Ans./Counterclaim ¶¶ 29, 30.)

**Factual Background**

SDCCU and CEFCU are both large credit unions. (Dkt. No. 158-12, Salen Decl., Ex. 9.) While SDCCU’s customers are primarily located in Southern California and CEFCU’s customers are primarily located in Peoria, Illinois and Northern California, both have members throughout the United States. (Dkt. No. 196-20, Flexer Decl., Ex. 1 (UNDER SEAL).)

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SDCCU owns U.S. Trademark Registration No. 4,560,596 for “IT’S NOT BIG BANK BANKING. IT’S BETTER” (the “SDCCU Mark”) which issued on July 1, 2014. (Dkt. No. 139-3, SAC, Ex. A.) The SDCCU Mark consists of standard characters without claim to any particular font, style, size or color. (*Id.*)

CEFCU owns U.S. Trademark Registration No. 3,952,993 for CEFCU. NOT A BANK. BETTER” (the “CEFCU Mark”) on May 3, 2011. (Dkt. No. 139-4, SAC, Ex. B.) The CEFCU Mark consists of standard characters without claim to any particular font, style, size or color. (*Id.*) CEFCU also uses the common law mark “NOT A BANK. BETTER”. (Dkt. No. 141, Counterclaim ¶¶ 3, 7.)

On May 17, 2017, CEFCU filed a petition for cancellation<sup>2</sup> of the SDCCU Mark with the U.S. Patent and Trademark Office’s (“USPTO”) Trademark Trial and Appeal Board (“TTAB”) claiming the SDCCU Mark is likely to cause confusion or to cause mistake or to deceive consumers when viewing CEFCU’s Mark. (Dkt. No. 139-6, SAC, Ex. D.) On March 23, 2018, CEFCU filed a motion for leave to amend its cancellation petition to add its alleged common law mark of “NOT A BANK. BETTER” (“CEFCU Common Law Mark”) against SDCCU. (Dkt. No. 139, SAC ¶ 14.) On August 28, 2017, SDCCU filed a first amended counterclaim seeking cancellation of the CEFCU Mark. (Dkt. No. 152-4, Dabney Decl., Ex. 1.) After this case was filed on May 16, 2018, SDCCU moved

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2. *Citizens Equity First Credit Union v. San Diego Cnty. Credit Union*, Cancellation No. 92066165.

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to stay the cancellation proceedings which the USPTO granted on June 8, 2018.<sup>3</sup> (Dkt. No. 29-3, Dabney Decl., Ex. 23 at 202; Ex. 24 at 208.<sup>4</sup>

**Discussion****A. Legal Standard on Motion for Summary Judgment**

Federal Rule of Civil Procedure (“Rule”) 56 empowers the Court to enter summary judgment on factually unsupported claims or defenses, and thereby “secure the just, speedy and inexpensive determination of every action.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 325, 327, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986). Summary judgment is appropriate if the “pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(c). A fact is material when it affects the outcome of the case. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986).

The moving party bears the initial burden of demonstrating the absence of any genuine issues of material fact. *Celotex Corp.*, 477 U.S. at 323. The moving party can satisfy its burden in two ways: (1) by

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3. After the complaint in this case was filed, CEFCU essentially filed the claim it sought in the cancellation proceeding before the TTAB as a compulsory counterclaim in this case.

4. Page numbers are based on the CM/ECF pagination.

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presenting evidence that negates an essential element of the nonmoving party's case or (2) by demonstrating that the nonmoving party failed to make a showing sufficient to establish an element essential to that party's case on which that party will bear the burden of proof at trial. *Id.* at 322-23. Summary judgment is warranted when a party "fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Id.* at 322. In such a case, "there can be 'no genuine issue as to any material fact,' since a complete failure of proof concerning an essential element of the nonmoving party's case necessarily renders all other facts immaterial." *Id.* at 323. If the moving party fails to bear the initial burden, summary judgment must be denied and the court need not consider the nonmoving party's evidence. *Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 159-60, 90 S. Ct. 1598, 26 L. Ed. 2d 142 (1970).

Once the moving party has satisfied this burden, the nonmoving party cannot rest on the mere allegations or denials of his pleading, but must "go beyond the pleadings and by her own affidavits, or by the 'depositions, answers to interrogatories, and admissions on file' designate 'specific facts showing that there is a genuine issue for trial.'" *Celotex*, 477 U.S. at 324. If the non-moving party fails to make a sufficient showing of an element of its case, the moving party is entitled to judgment as a matter of law. *Id.* at 325. "Where the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no 'genuine issue for trial.'" *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587,



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106 S. Ct. 1348, 89 L. Ed. 2d 538 (1986). In making this determination, the court must “view[] the evidence in the light most favorable to the nonmoving party.” *Fontana v. Haskin*, 262 F.3d 871, 876 (9th Cir. 2001). The Court does not engage in credibility determinations, weighing of evidence, or drawing of legitimate inferences from the facts; these functions are for the trier of fact. *Anderson*, 477 U.S. at 255.

**B. First and Second Causes of Action for Declaratory Judgment of Non-Infringement**

Plaintiff moves for summary judgment on its declaratory judgment claims of non-infringement of CEFCU’s registered mark “CEFCU. NOT A BANK. BETTER” and CEFCU’s tagline “NOT A BANK. BETTER” as unopposed because CEFCU does not dispute that SDCCU’s use of its mark does not infringe CEFCU’s Marks. SDCCU further argues that CEFCU has failed to produce any evidence that SDCCU’s current use of its mark is likely to cause consumer confusion with the CEFCU Marks. (Dkt. No. 161-1 at 14-15.)

In response, Defendant does not oppose the motion on the merits but argues that this Court does not have subject matter jurisdiction to consider the declaratory judgment claims as discovery has shown that SDCCU cannot have a real and reasonable fear that it will be subject to an infringement suit. (Dkt. No. 191 at 10-12.)

Under Article III’s case and controversy, it is well established that an “actual controversy” must exist not

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only “at the time the complaint is filed,” but through “all stages” of the litigation. *Already, LLC v. Nike, Inc.* 568 U.S. 85, 90-91, 133 S. Ct. 721, 184 L. Ed. 2d 553 (2013) (quoting *Alvarez v. Smith*, 558 U.S. 87, 92, 130 S. Ct. 576, 175 L. Ed. 2d 447 (2009)). For declaratory relief claims concerning trademark invalidity or non-infringement, the question is whether “the plaintiff has a real and reasonable apprehension” that he will be subject to litigation. *Rhoades v. Avon Prods., Inc.*, 504 F.3d 1151, 1157 (9th Cir. 2007) (quoting *Hal Roach Studios, Inc. v. Richard Feiner & Co., Inc.*, 896 F.2d 1542, 1555-56 (9th Cir. 1990)). “A case becomes moot . . . when the issues presented are no longer ‘live’ or the parties lack a legally cognizable interest in the outcome.” *Already*, 568 U.S. at 91 (internal quotations omitted) (quoting *Murphy v. Hunt*, 455 U.S. 478, 481, 102 S. Ct. 1181, 71 L. Ed. 2d 353 (1982)). “A federal court loses its authority to rule on the legal questions presented in a declaratory action if events following its commencement render it moot.” *Expensify, Inc. v. White*, Case No. 19-cv-01892-PJH, 2019 U.S. Dist. LEXIS 181021, 2019 WL 5295064, at \*3 (N.D. Cal. Oct. 18, 2019) (citing *Arizonans for Official English v. Arizona*, 520 U.S. 43, 67, 117 S. Ct. 1055, 137 L. Ed. 2d 170 (1997) (“An actual controversy must be extant at all stages of review, not merely at the time the complaint is filed.”)). “To determine whether an action has been rendered moot, courts in the Ninth Circuit examine whether changes in the circumstances existing when the action was filed have forestalled any meaningful relief.” *Id.* (citing *West v. Secretary of Dept. of Transp.*, 206 F.3d 920, 925 n.4 (9th Cir. 2000)); *Gator.com Corp. v. L.L. Bean, Inc.*, 398 F.3d 1125, 1129 (9th Cir. 2005) (*en banc*) (same). The party asserting an issue is moot bears a heavy

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burden to show mootness. *Friends of the Earth, Inc. v. Laidlaw Env'tl Servs. (TOC), Inc.*, 528 U.S. 167, 189, 120 S. Ct. 693, 145 L. Ed. 2d 610 (2000); *see also Headwaters, Inc. v. Bureau of Land Mgmt., Medford Dist.*, 893 F.2d 1012, 1015 (9th Cir. 1989).

The parties cite to *Already*, a case involving the voluntary cessation doctrine, to support their positions. A defendant claiming it voluntarily ended its unlawful conduct after litigation is initiated does not moot a case because once the litigation ends, a defendant may resume the unlawful conduct. *Already*, 568 U.S. at 91. Therefore, “a defendant claiming that its voluntary compliance moots a case bears the formidable burden of showing that it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur.” *Id.* (quoting *Friends of the Earth, Inc.*, 528 U.S. at 190). In *Already*, Nike filed a complaint claiming that two of *Already*’s athletic shoes violated Nike’s trademark. *Id.* at 88. In response, *Already* denied the allegations and filed a counterclaim challenging the validity of Nike’s trademark. *Id.* Seven months after the lawsuit was filed, Nike issued a “Covenant Not to Sue” promising not to raise any trademark or unfair competition claims against *Already* or any affiliated entity based on *Already*’s existing footwear designs, or any future *Already* designs that constituted a “colorable imitation” of *Already*’s current products. *Id.* at 88-89. The question before the Court was “whether a covenant not to enforce a trademark against a competitor’s existing products and any future ‘colorable imitations’ moots the competitor’s action to have the trademark declared invalid.” *Id.* at 88. The Supreme Court found that Nike’s

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covenant not to sue was unconditional and irrevocable because beyond simply prohibiting Nike from filing suit, it prohibited Nike from making any claim or any demand, reached beyond *Already* and protected its distributors and customers and covered not just current or previous designs, but any colorable imitations. *Id.* at 93. The Court affirmed the lower court’s rulings that there was no longer a case or controversy due to the broad coverage of the covenant not to sue. *Id.* at 95-96.

Here, at the time the complaint and FAC were filed, the Court, in addressing CEFCU’s motions to dismiss, concluded that SDCCU had Article III standing to pursue the declaratory relief claims. (*See* Dkt. Nos. 47, 55.) Now, at summary judgment, CEFCU argues that the Court lacks jurisdiction over the declaratory relief claims because SDCCU, now after discovery has been completed, cannot show that it has a real and reasonable apprehension that it could be subject to an infringement suit. While not presented as a mootness argument, in essence, CEFCU is arguing that the declaratory relief claims have become moot. Therefore, it bears the heavy burden to show that “it is absolutely clear the allegedly wrongful behavior could not reasonably be expected to recur.” *See Already*, 568 U.S. at 91.

First, CEFCU points to its decision not to allege a claim for alleged trademark infringement cause of action in its counterclaim. Because CEFCU alleges a single compulsory counterclaim for cancellation of the SDCCU Mark, it is the “ultimate demonstration” that SDCCU cannot be “in real and reasonable apprehension

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of suit for infringement” because the only issue involved in cancellation of a mark is whether the SDCCU Mark is registrable and not whether the SDCCU Mark infringed CEFCU’s Mark. (Dkt. No. 191 at 9.) In opposition, SDCCU responds that CEFCU refuses to stipulate to non-infringement despite SDCCU’s request to stipulate. (Dkt. No. 221 at 5-6.) In addition, in its answer, CEFCU expressly denied SDCCU’s allegations concerning non-infringement. (Dkt. No. 141, Ans./Counterclaim ¶¶ 77, 78, 83, 84.) Therefore, CEFCU has not met its “formidable burden” to demonstrate that SDCCU’s claims are moot.

The Court agrees with SDCCU that CEFCU has not demonstrated that circumstances have changed since the initiation of the lawsuit to moot the declaratory relief claims. Alleging a single claim for cancellation of SDCCU’s trademark does not remove the “real and reasonable apprehension” that it may be subject to litigation for infringement in the future. Moreover, CEFCU’s failure to stipulate to non-infringement and its Answer denying SDCCU’s declaratory relief claims do not relieve SDCCU’s “real and reasonable apprehension” that it will be subject to litigation.

Second, CEFCU argues that through discovery, it has made clear to SDCCU that it does not object to SDCCU’s existing use of its mark. CEFCU points to the deposition of Jennifer Flexer, the Assistant Vice President of Market Strategy and Analytics, who testified that CEFCU has not claimed or suffered any harm, financial and nonfinancial, from SDCCU’s use of its mark. (Dkt. No. 196-5, Dabney Decl., Ex. 8, Flexer Depo. at 64:16-68:14 (UNDER

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SEAL).) While Flexer's deposition shows that CEFCU does not claim any harm by SDCCU's use of its marks, the Court notes that Flexer did not respond to questions about future harm. When asked "[a]s you sit here today, are you aware of any belief that CEFCU has that it will suffer harm as a result of the SDCCU's use of the mark 'It's not big bank banking. It's better.?' " she responded, "I will not speculate with regard to the future." (Dkt. No. 196-5, Dabney Decl., Ex. 8, Flexer Depo. at 66:19-23 (UNDER SEAL).) In response to the question "Okay. I'm just asking if CEFCU has considered whether it will in the future suffer harm as a result of SDCCU's use of its mark, 'It's not big bank banking. It's better.?' " she stated "CEFCU has never made any--CEFCU has never made any comment with regard to San Diego County Credit Union's use of the phrase 'It's not big bank banking. It's better.'" (*Id.* at 67:5-12 (UNDER SEAL).) Finally, when asked "[a]part from loss of control of your reputation, does CEFCU believe that it will be harmed in any other ways as a result of SDCCU's potential future use of its mark?" she responded, "CEFCU has never objected to San Diego County Credit Union's use of the term 'It's not big banking. It's better.' As it's been used to date. If we had concerns in the future, we would seek counsel." (*Id.* at 68:6-14 (UNDER SEAL).) Flexer's deposition testimony does not put to rest the possibility that CEFCU will file a trademark infringement suit as to the SDCCU Mark in the future. Therefore, because the issues are still "live", CEFCU has not shown that the declaratory relief claims have become moot. *See Already*, 568 U.S. at 91.

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The Court concludes CEFCU has not met its burden to demonstrate that circumstances have changed since the initiation of this lawsuit to moot the claims or that it is absolutely clear that the allegedly wrongful conduct could not reasonably be expected to recur in the future. *See id.* Therefore, Defendant’s argument that the Court lacks jurisdiction over the declaratory judgment claims is without merit.

Turning to the merits of the first two causes of action for declaratory relief for non-infringement of CEFCU’s Marks, the burden of proving infringement is on the party claiming an intellectual property right is being infringed. *See Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 571 U.S. 191, 194, 134 S. Ct. 843, 187 L. Ed. 2d 703 (2014) (“We hold that, when a licensee seeks a declaratory judgment against a patentee to establish that there is no infringement, the burden of proving infringement remains with the patentee.”). To prevail on its Lanham Act trademark claim, a plaintiff “must prove: (1) that it has a protectible ownership interest in the mark; and (2) that the defendant’s use of the mark is likely to cause consumer confusion.” *Rearden LLC v. Rearden Commerce, Inc.*, 683 F.3d 1190, 1202 (9th Cir. 2012) (citation and quotations omitted).

Here, SDCCU argues that there has been an absence of evidence to support a claim of infringement. *See Celotex Corp.*, 477 U.S. at 322-23 (on summary judgment, the moving party can demonstrate that the nonmoving party failed to make a showing sufficient to establish an element essential to that party’s case on which that party will bear

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the burden of proof at trial). In opposition, CEFCU does not argue or demonstrate that SDCCU's existing use of its mark is likely to cause consumer confusion. In fact, CEFCU affirmatively concedes that the record is devoid of any evidence of actual confusion in the marketplace. (Dkt. No. 191 at 12.) CEFCU further argues that the survey evidence reflects the absence of any actual infringement controversy. (*Id.* at 13.)

Accordingly, because SDCCU's motion for summary judgment on the declaratory judgment claims on the first two causes of action in the SAC is unopposed and in fact, agreed to, the Court GRANTS SDCCU's motion for summary judgment as unopposed.

**C. Counterclaim — Cancellation of Trademark Registration No. 4,560,596 for the SDCCU Mark**

CEFCU's counterclaim alleges one cause of action seeking to cancel the SDCCU Mark.<sup>5</sup> (Dkt. No. 141, Ans./Counterclaim ¶¶ 29, 30.) SDCCU moves for summary judgment on the counterclaim which is fully briefed. (Dkt.

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5. The Court also notes that the cancellation counterclaim invokes 15 U.S.C. § 1052(d). (Dkt. No. 141, Counterclaim ¶¶ 29, 30.) Section 1052(d) does not provide an independent basis for the Court's jurisdiction. *See Pogrebnoy v. Russian Newspaper Dist., Inc.*, 289 F. Supp. 3d 1061, 1071 (C.D. Cal. 2017) (stating that 15 U.S.C. § 1052(d) and 15 U.S.C. § 1064 only apply to cancellation proceedings before the USPTO); *Continental Connector Corp. v. Continental Specialties Corp.*, 413 F. Supp. 1347 (D. Conn. 1976) ("no question that jurisdiction over registration proceedings has been confided by Congress in the Patent and Trademark office, 15 U.S.C. § 1051 *et seq.*").



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Nos. 161, 191, 221.) In this order, the Court is granting SDCCU's motion for summary judgment on the two declaratory judgment claims for non-infringement. In a separate order, the Court is granting CEFCU's motion for summary judgment on the fifth cause of action for false and/or fraudulent registration of trademark under § 1120. Due to the dismissal of these three causes of action that supported jurisdiction over the counterclaim<sup>6</sup>, the Court, sua sponte, raised the issue of the Court's continuing subject matter jurisdiction over the counterclaim at the hearing and the parties filed supplemental briefs on this issue. (Dkt. Nos. 254, 255.)

The remaining causes of action are the third and fourth claims. The third cause of action seeks declaratory judgment of invalidity of CEFCU's registered trademark based on CEFCU's alleged fraud on the PTO by submitting a false declaration, presumably by Susan Portscheller, that it was using the mark in commerce as early as February 5, 2007 and it was not aware of any other then-existing trademarks that would likely cause consumer confusion with the applied for mark. (Dkt. No. 139, SAC ¶ 88.) The third claim seeks declaratory judgment of invalidity as well as an order cancelling the CEFCU's Mark under 15 U.S.C. § 1064.

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6. The Court does not dispute SDCCU's argument, (Dkt. No. 255 at 4), that when the case was filed, it had jurisdiction over the cancellation counterclaim by way of at least the first claim for declaratory judgment of non-infringement of the SDCCU Mark. But the issue now is whether the Court continues to have subject matter jurisdiction if the first as well as the second and fifth claims are dismissed on summary judgment.

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The fourth cause of action seeks declaratory judgment of invalidity of CEFCU's common law mark challenging its exclusive use to use its common law mark because multiple other credit unions were using similar or identical taglines, CEFCU has not continuously used its common law mark in commerce as a stand-alone mark separate from CEFCU, CEFCU was not the first credit union to use the tagline in connection with credit union services, and the tagline is descriptive and not protectable. (Dkt. No. 139, SAC ¶¶ 97-104.) Neither of the two remaining causes of action concern any right or interference to use the SDCCU Mark.

Under the Lanham Act, district courts have the power to cancel registrations, but only in an “action involving a registered mark.” 15 U.S.C. § 1119<sup>7</sup>; *Airs Aromatics, LLC v. Opinion Victoria's Secret Stores Brand Mgmt., Inc.*, 744 F.3d 595, 599 (9th Cir. 2014) (cancellation is not an independent cause of action and “may only be sought if there is already an ongoing action that involves a registered mark.”). “‘Involving’ [as to § 1119] cannot mean the mere presence of a registered trademark, but must be read as involving the right to use the mark and thus the right to maintain the registration.” *Windsurfing Intern. Inc. v. AMF Inc.*, 828 F.2d 755, 758 (Fed. Cir. 1987) (district court was without jurisdiction to cancel trademark where declaratory judgment claim was dismissed for failure to

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7. “In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.” 15 U.S.C. § 1119.

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present a case or controversy). “There must, therefore, be something beyond the mere competitor status of the parties to serve as a basis for the court’s jurisdiction.” *Id.* at 758-59 (citing 2 J. McCarthy, *supra*, § 30:32).

In line with this reasoning, the Ninth Circuit has held that there is no independent basis for federal jurisdiction over a claim for cancellation of a trademark registration; instead, it is a remedy for trademark infringement. *Airs Aromatics LLC*, 744 F.3d at 599 (dismissing appeal of cancellation of trademark registration claim as it did not provide an independent basis for subject-matter jurisdiction on remand); *Nike, Inc. v. Already, LLC*, 663 F.3d 89, 98 (2d Cir. 2011) (“Section 1119 therefore creates a remedy for trademark infringement rather than an independent basis for federal jurisdiction.”). Other circuits have also held that section 1119 “creates a remedy for trademark infringement rather than an independent basis for federal jurisdiction.” *Airs Aromatics*, 744 F.3d at 599 (citing *Nike*, 663 F.3d at 98; *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 873 (3d Cir. 1992) (holding a petition to the USPTO is the “primary means of securing a cancellation” and that § 1119 provides no independent basis for jurisdiction); and *Windsurfing Int’l Inc. v. AMF Inc.*, 828 F.2d 755, 758-59 (Fed. Cir. 1987) (district court was without jurisdiction to cancel trademark where declaratory judgment claim was dismissed for failure to present a case or controversy”)); *see e.g., E. Iowa Plastics, Inc. v. PI, Inc.*, 832 F.3d 899, 904 (8th Cir. 2016) (“Once the district court had determined that [the plaintiff] did not suffer any damages from [the defendant’s] violation of [15 U.S.C. § 1120], there was no

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further basis for [the plaintiff] to have standing to seek cancellation of the [trademark] registrations.”). Because the plain language of § 1119 states that cancellation is available in “any action involving a registered mark”, cancellation is not available as an independent cause of action and “may only be sought if there is already an ongoing action that involves a registered mark.” *Airs Aromatics LLC*, 744 F.3d at 599; *see also Thomas & Betts Corp. v. Panduit Corp.*, 48 F. Supp. 2d 1088, 1093 (N.D. Ill. 1999) (stating that 15 U.S.C. § 1119 is not an independent source of jurisdiction, but rather defines available remedies for actions involving a registered mark); *Copperhead Agricultural Prods., LLC v. KB Ag Corp., LLC*, 2019 U.S. Dist. LEXIS 165440, 2019 WL 4673197, at \*29 (D.S.D. Sept. 25, 2019) (same). “This interpretation also helps preserve the use of actions before the USPTO Trademark Board as the primary vehicle for cancellation.” *Airs Aromatics, LLC*, 744 F.3d at 599 (citing McCarthy on Trademarks and Unfair Competition § 30:110).

In its supplemental brief, SDCCU argues that even if claims 1, 2, and 5 are dismissed on summary judgment, the Court retains jurisdiction over CEFCU’s cancellation counterclaim because courts have retained jurisdiction over a claim even after dismissing infringement related claims. Second, because the third and fourth causes of action for a declaration of invalidity of CEFCU’s Marks will remain pending in the case, these claims provide the Court with jurisdiction over the cancellation claim. Finally, SDCCU argues the Court should decide the counterclaim in the interests of judicial efficiency. (Dkt. No. 255.) CEFCU contends the Court should decline

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to exercise supplemental jurisdiction under 28 U.S.C. § 1367(c)(4)<sup>8</sup> and dismiss its counterclaim for cancellation relief without prejudice.<sup>9</sup> (Dkt. No. 254.)

On SDCCU’s first argument, precedent does not support its assertion that the Court may continue to consider a cancellation claim even after the independent cause of action that supported the cancellation relief is dismissed. “15 U.S.C.[] § 1119, alone does not create grounds for federal jurisdiction.” McCarthy § 30:110, McCarthy on Trademarks and Unfair Competition, Fifth Edition (“courts hold that a plaintiff cannot obtain jurisdiction in the federal courts by relying on [§ 1119] alone.”). A “proper construction of *Airs Aromatics* and the cases on which it relies indicates that cancellation is an available remedy for actions in which there is an independent cause of action involving harm caused by the trademark registration which the party seeks to cancel.” *SmileDirectClub, LLC v. Berkely*, Case No. SACV 18-1236 JVS (KESx), 2018 U.S. Dist. LEXIS 225549, 2018 WL 8131096, at \*9 (C.D. Cal. Oct. 26, 2018) (§ 1119 remedy is not limited to only trademark infringement claim but applies to cause of action for fraudulent

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8. (c) The district courts may decline to exercise supplemental jurisdiction over a claim under subsection (a) if-- . . . (4) in exceptional circumstances, there are other compelling reasons for declining jurisdiction.”

9. The Court questions whether § 1367 applies to this case as supplemental jurisdiction is usually invoked to obtain jurisdiction over state law claims and CEFCU has not provided any legal authority that § 1367 supports supplemental jurisdiction over 15 U.S.C. § 1119 or any other federal statutory provision.

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procurement of trademark registration under § 1120). In *SmileDirectClub, LLC*, the plaintiff alleged causes of action for (1) violation of 15 U.S.C. § 1120; (2) cancellation of the SMILECLUB mark under 15 U.S.C. § 1119; (3) cancellation of the SMILE CLUB mark under 15 U.S.C. § 1119; (4) extortion; (5) attempted extortion; and (6) violation of California's Unfair Competition Law ("UCL"), Cal. Bus. & Prof. Code §§ 17000, *et seq.* 2018 U.S. Dist. LEXIS 225549, [WL] at \*3. The § 1120 claim was based on the SMILECLUB mark, not SMILE CLUB mark. On a motion to dismiss, the court denied dismissal of the § 1120 claim for the SMILECLUB mark and concluded there was an independent cause of action that provided standing for the § 1119 cancellation claim for the SMILECLUB mark. 2018 U.S. Dist. LEXIS 225549, [WL] at \*9. However, the court granted dismissal of the cancellation claim with prejudice for the SMILE CLUB mark because the plaintiff did not state an independent cause of action implicating the SMILE CLUB mark's registration or the PTO's prosecution of that mark. *Id.*; *see Sanchez v. Ghost Mgmt. Grp., LLC*, Case No. SACV 19-00442 AG (KESx), 2019 U.S. Dist. LEXIS 216719, 2019 WL 6736918, at \*3 (C.D. Cal. Oct. 1, 2019) (dismissing cancellation claim when trademark infringement claims were dismissed because cancellation is not available as an independent cause of action, and may only be brought if there is already an ongoing action that involves a registered mark).

In another case, a district court held that the cancellation of a trademark registration must relate to a challenged trademark in the case. *See Pinnacle Adver. & Mktg. Grp., Inc. v. Pinnacle Adver. & Mktg. Grp.*,

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*LLC*, CASE NO. 18-CV-81606-MIDDLEBROOKS, 2019 U.S. Dist. LEXIS 144756, 2019 WL 7376778, at \*3 (S.D. Fla. Sep. 20, 2019) . In ruling on the motion to dismiss the claim for cancellation of registration of U.S. Trademark Registration No. 5,269,641, the Court held there was no independent jurisdiction over the cancellation claim because the trademarks at issue were concerning different registrations, U.S. Trademark Registration No. 5,284,206 and 5,284,223. *Id.* Because the defendant sought to cancel a mark different from the ones at issue in the case, the court lacked independent jurisdiction over the counterclaim. *Id.* “Before a claim for cancellation of mark is permitted, courts have required there to be an ongoing dispute related to the mark which a party seeks to cancel.” *Id.* (citing *E. Iowa Plastics, Inc.*, 832 F.3d at 903; *Airs Aromatics*, 744 F.3d at 599 (“[C]ancellation may only be sought if there is already an ongoing action that involves a registered mark; it does not indicate that a cancellation claim is available as an independent cause of action. Furthermore, each circuit to directly address this statutory language has held that it creates a remedy for trademark infringement rather than an independent basis for federal jurisdiction.” (internal quotations and citation omitted)). In *Ditri*, the Third Circuit held that a “controversy as to the validity of or interference with a registered mark must exist before a district court has jurisdiction to grant the cancellation remedy.” *Ditri*, 954 F.2d at 873-74.

Caselaw demonstrates that this Court cannot maintain jurisdiction over a single claim for cancellation of trademark registration under § 1119. Instead, cancellation

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under 15 U.S.C. § 1119 may be invoked as a remedy only where there is otherwise proper Article III subject matter jurisdiction, or independent cause of action, over some injury claimed concerning the validity or interference of a registered trademark. *See Airs Aromatics*, 744 F.3d at 599; *Universal Sewing Machine Co. v. Standard Sewing Equipment Corp.*, 185 F. Supp. 257, 260 (S.D.N.Y. 1960) (“[Section] 37 [§ 1119] assumes a properly instituted and otherwise jurisdictionally supportable action involving a registered mark.”).

SDCCU cites to an unpublished district court case of *Adidas America v. Calmese*, No. 08cv91-BR, 2010 U.S. Dist. LEXIS 123386, 2010 WL 4861444 (D. Or. Nov. 19, 2010) for support that the court can solely consider a claim for cancellation; however, the district court in *Adidas America* was not confronted with the issue of whether it had jurisdiction over the remaining cancellation claims. In that case, while the district court granted summary judgment on all trademark related claims, it subsequently held a bench trial on the remaining claims for cancellation of the defendant’s trademark. 2010 U.S. Dist. LEXIS 123386, [WL] at \*1. However, court’s decision to rule on the cancellation claim in *Adidas America* is in stark contrast to the numerous precedential and non-precedential cases that have held otherwise. The Court does not find the case persuasive.

SDCCU offers a second argument that the remaining third and fourth causes of action provide the Court with jurisdiction over the cancellation claim because these claims “involve a registered mark that has a *sufficient*



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*nexus* to the dispute from which CEFCU's cancellation claim arises—namely, CEFCU's and SDCCU's registered marks.” (Dkt. No. 255 at 5 (emphasis added).) This argument fares no better than the first. While the independent action involving § 1119 need not concern an infringement action regarding a registered mark, in this case, there is no nexus, overlap or relationship between the remaining two claims and the cancellation counterclaim.

SDCCU cites to two cases to support its argument about the nexus between an independent cause of action and the trademark sought to be cancelled necessary to support jurisdiction under § 1119<sup>10</sup> In *Somera Capital Mgmt., LLC v. Somera Rd., Inc.*, 19 Civ. 8291 (GHW) (GWG), 2020 U.S. Dist. LEXIS 85932, 2020 WL 2506352 (S.D.N.Y. May 15, 2020), the issue was to what extent the court may exercise jurisdiction over a counterclaim that sought to cancel pending trademark applications as abandoned. 2020 U.S. Dist. LEXIS 85932, [WL] at \*5. On a report and recommendation, the Magistrate Judge concluded that it had jurisdiction over the counterclaim because the plaintiff's application that was being challenged in the counterclaim was related to the underlying registered mark of the plaintiff. 2020 U.S. Dist. LEXIS 85932, [WL] at \*5. Where an application relates to a registration that is already properly before the Court under § 1119, the court has jurisdiction to consider it. *Id.* The court concluded that a district court can order cancellation of an application for a mark as long

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10. These two cases relate to cancelling a pending application, and not cancelling a registered mark.

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as it there was a close nexus or it was “directly related” with the underlying issue involving a registered mark. 2020 U.S. Dist. LEXIS 85932, [WL] at \*6 (collecting cases). Similarly, *Bd. of Regents of the Univ. of Tex. Sys. v. Reynolds*, Cause No. 1:18-CV-182-RP-ML, 2019 U.S. Dist. LEXIS 177659, 2019 WL 4980445, at \*4 (W.D. Tex. July 31, 2019), in a report and recommendation, the court held that in “order for the Court to exercise jurisdiction over pending applications, one of the parties must have a registered trademark which has a sufficient nexus with the dispute over the pending applications.” *Id.* (quoting *Amy’s Ice Creams, Inc. v. Amy’s Kitchen, Inc.*, 60 F. Supp. 3d 738, 744-45 (W.D. Tex. 2014) (citing 5 McCarthy on Trademarks and Unfair Competition § 30:113.50 (4th ed.); *Johnny Blastoff, Inc. v. L.A. Rams Football Co.*, No. 97-C-155-C, 1998 U.S. Dist. LEXIS 11919, 1998 WL 766703, at \*1 (W.D. Wis. June 24, 1998), *aff’d*, 188 F.3d 427 (7th Cir. 1999)).

Moreover, in *Continental Connector*, the court denied dismissal of the counterclaim under § 1119 noting that “plaintiff’s infringement claim raises issues concerning the use of various marks by the parties and the likelihood of confusion, issues also central to the defendants’ counterclaim and opposition.” 413 F. Supp. at 1351. Because of the overlap of issues between the cancellation counterclaim and the infringement claims, the court held it had jurisdiction over the cancellation claim. *Id.*

Unlike the facts in *Continental*, *Somera*, and *Reynolds*, in this case, the issues involving cancellation of SDCCU’s trademark and the third and fourth claims

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do not overlap and will not involve the same facts or legal issues. The facts underlying the third cause of action for invalidity of CEFU's registered mark concerns a claim for false or fraudulent trademark application<sup>11</sup> and the fourth cause of action seeking the invalidity of CEFU's common law trademark<sup>12</sup> is based on whether CEFU continuously used its tagline in commerce. In contrast, the cancellation counterclaim alleges that the SDCCU Mark "so resembles [CEFU's Mark and common law mark] as to be likely, when used in connection with one or more of the services listed in the '596 Registration, to cause confusion, or to cause mistake, or to deceive within the meaning of 15 U.S.C. §1052(d)." (Dkt. No. 141, Ans/Counterclaim ¶¶ 29, 30.) SDCCU does not explain how there is a "sufficient nexus" between the third and fourth claims and the cancellation cause of action. Claims involving a false or fraudulent trademark application and the continuous use of a common law mark are factually and legally distinct from whether SDCCU's Mark should be cancelled due to a likelihood of confusion. Therefore, the Court concludes there is no nexus with the third and fourth claims to support jurisdiction over the cancellation counterclaim. Not only does the cancellation claim not relate to an independent challenge to SDCCU's mark, but the cancellation claim does not overlap with the

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11. The Court questions the viability of this claim in light of the Court's ruling granting CEFU's summary judgment on the fifth cause of action for false and/or fraudulent registration under § 1120.

12. It does not appear that the fourth cause of action provides independent jurisdiction for the cancellation counterclaim since it challenges a common law mark and not a registered mark as required under § 1119.

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two remaining claims concerning CEFCU's Marks.<sup>13</sup> Accordingly, because there is no independent cause of action supported by Article III standing to support the cancellation claim, the Court lacks subject matter jurisdiction over the cancellation claim.

As to SDCCU's argument concerning judicial efficiency, while the Court recognizes the time, effort and expense in litigating this case, it has not provided any legal authority that the Court can consider a claim that is not supported by Article III case or controversy due to judicial efficiency or conservation of resources.

Therefore, the Court sua sponte dismisses the counterclaim for lack of subject matter jurisdiction. *See Airs Aromatics*, 744 F.3d 598 (standing alone, trademark cancellation claim does not provide an independent basis for subject-matter jurisdiction); *Marshall Tucker Band, Inc. v. M T Indus., Inc.*, 238 F. Supp. 3d 759, 766 (D.S.C. 2017) ("Given the Court has already dismissed Plaintiffs' federal trademark infringement and trademark dilution claims, which were the only claims providing independent jurisdiction over the action, the Court will dismiss Plaintiffs' federal trademark cancellation claim as well for lack of subject matter jurisdiction."). For this reason, the Court DENIES Plaintiff's motion for summary judgment of the counterclaim as MOOT.

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13. SDCCU's citation to *Denver Urban Homesteading, LLC v. Dervaes Inst.*, No. 14cv9216, 2015 U.S. Dist. LEXIS 176475, 2015 WL 12552043, at \*3 n.4 (C.D. Cal. Nov. 5, 2015) is not persuasive as the Court decided to consider the cancellation claim under the doctrine of primary jurisdiction, not based on subject matter jurisdiction.

*Appendix C***Conclusion**

Based on the reasoning above, the Court GRANTS SDCCU's motion for summary judgment declaring that SDCCU's use of the SDCCU Mark does not infringe the CEFCU Registered Mark and SDCCU's use of the SDCCU Mark does not infringe CEFCU's common law mark for the CEFCU Tagline as unopposed. The Court, sua sponte, DISMISSES the cancellation counterclaim for lack of subject matter jurisdiction. As such, the Court DENIES SDCCU's motion for summary judgment on the counterclaim as MOOT. Relatedly, the Court DENIES CEFCU's motion to exclude the expert testimony of Dr. Stephen M. Nowlis, DENIES SDCCU's motion to exclude expert testimony of Dr. On Amir and OVERRULES SDCCU's objection to Magistrate Judge's order denying its motion to strike rebuttal expert report of Theodore H. Davis, Jr. and Supplemental Expert Report of Dr. On Amir as MOOT.

IT IS SO ORDERED.

**Dated:** September 29, 2020

/s/ Gonzalo P. Curiel  
Hon. Gonzalo P. Curiel  
United States District Judge

**APPENDIX D — ORDER OF THE UNITED  
STATES DISTRICT COURT FOR THE SOUTHERN  
DISTRICT OF CALIFORNIA, FILED  
FEBRUARY 5, 2019**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

Case No.: 18cv967-GPC(RBB)

SAN DIEGO COUNTY CREDIT UNION,

*Plaintiff,*

v.

CITIZENS EQUITY FIRST CREDIT UNION,

*Defendant.*

February 5, 2019, Decided

February 5, 2019, Filed

Hon. Gonzalo P. Curiel, United States District Judge.

**ORDER DENYING DEFENDANT’S MOTION TO  
DISMISS FOR LACK OF SUBJECT MATTER  
JURISDICTION AND GRANTING IN PART AND  
DENYING IN PART DEFENDANT’S MOTION TO  
DISMISS FOR FAILURE TO STATE A CLAIM  
[DKT. NO. 49.]**

Before the Court is Defendant’s motion to dismiss  
for failure to state a claim under Federal Rule of Civil

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Procedure 12(b)(6), and for lack of subject matter jurisdiction under Federal Rule of Civil Procedure 12(b)(1), and motion for discretionary dismissal under Federal Rule of Civil Procedure 57. (Dkt. No. 49.) Plaintiff filed an opposition on November 16, 2018. (Dkt. No. 52.) Defendant replied on December 7, 2018. (Dkt. No. 53.) Pursuant to Civil Local Rule 7.1(d)(1), the Court finds the matter suitable for adjudication without oral argument. Based on the reasoning below, the Court DENIES Defendant's motion to dismiss for lack of subject matter jurisdiction and GRANTS in part and DENIES in part Defendant's motion to dismiss for failure to state a claim.

**PROCEDURAL BACKGROUND**

On May 16, 2018, Plaintiff San Diego County Credit Union ("SDCCU") filed a complaint against Defendant Citizens Equity First Credit Union ("CEFCU") alleging the following causes of action: 1) declaratory judgment of non-infringement of federally registered trademark for "CEFCU. NOT A BANK. BETTER."; 2) declaratory judgment of non-infringement of common law mark "NOT A BANK. BETTER."; 3) declaratory judgment for invalidity of federally registered trademark for "CEFCU. NOT A BANK. BETTER."; 4) declaratory judgment for invalidity of common law mark "NOT A BANK. BETTER."; 5) false or fraudulent trademark registration under 15 U.S.C. § 1120; and 6) unfair competition under 15 U.S.C. § 1125.<sup>1</sup> (Dkt. No. 1. Compl, ¶¶ 58-98.)

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1. Plaintiff agreed to voluntarily dismiss the seventh and eighth causes of action alleging unfair competition under California law. (Dkt. No. 47 at 4.)

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On July 31, 2018, the Court denied Defendant's motion to dismiss for lack of personal jurisdiction pursuant to Federal Rule of Civil Procedure ("Rule") 12(b)(2). (Dkt. Nos. 29, 39.) On October 2, 2018, the Court denied Defendant's motion to dismiss for lack of subject matter jurisdiction pursuant to Rule 12(b)(1) on the first four causes of action for declaratory judgment, and granted Defendant's motion to dismiss for failure to state a claim under Rule 12(b)(6) on the fifth and sixth causes of action with leave to amend. (Dkt. Nos. 40, 47.)

On October 12, 2018, Plaintiff filed a first amended complaint, ("FAC") alleging the same six causes of action with additional factual allegations. (Dkt. No. 48, FAC.) On October 26, 2018, Defendant filed the instant fully briefed motion to dismiss for lack of subject matter jurisdiction on the first four causes of action for declaratory relief as well as discretionary dismissal under Rule 57, and failure to state a claim on the fifth and sixth causes of action under the Lanham Act. (Dkt. Nos. 49, 52, 53.)

**FACTUAL BACKGROUND**

SDCCU owns over 40 federally registered trademarks in connection with its credit union services, including U.S. Trademark Registration No. 4,560,596 for "IT'S NOT BIG BANK BANKING. IT'S BETTER" (the "SDCCU Mark") which issued on July 1, 2014. (Dkt. No. 48, FAC ¶ 25; Dkt. No. 48-2, FAC, Ex. A.) CEFCU owns U.S. Trademark Registration No. 3,952,993 for "CEFCU. NOT A BANK. BETTER" (the "CEFCU Mark") which issued on May 3, 2011. (Dkt. No. 48, FAC ¶ 33; Dkt. No. 48-3, FAC, Ex. B.)



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CEFCU also allegedly uses the common law mark “NOT A BANK. BETTER”. (Dkt. No. 48, FAC ¶ 14.) Prior to filing the trademark application for the CEFCU Mark, CEFCU conducted a trademark search report and, on information and belief, learned that several third-party credit unions already used trademarks similar to the CEFCU Mark such as “NOT A BANK — BETTER!”, “BETTER THAN A BANK”, and “IT’S NOT A BANK” (“Third Party Marks”). (Dkt. No. 48, FAC ¶¶ 3, 34.)

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

In early 2016, a CEFCU employee saw a billboard in San Diego, CA containing the SDCCU Mark used to market credit union services and notified CEFCU managers in March 2016. (*Id.* ¶ 38.) On May 17, 2017, CEFCU filed a petition for cancellation<sup>2</sup> of the ‘596 Trademark Registration No. for the SDCCU Mark with

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2. *Citizens Equity First Credit Union v. San Diego Cnty. Credit Union*, Cancellation No. 92066165.

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the U.S. Patent and Trademark Office’s (“USPTO”) Trademark Trial and Appeal Board (“TTAB”) claiming the SDCCU Mark is likely to cause confusion or to cause mistake or to deceive consumers when viewing CEFCU’s Mark. (*Id.* ¶¶ 5, 40; Dkt. No. 48-5, FAC, Ex. D.) On March 23, 2018, CEFCU filed a motion for leave to amend its cancellation petition to add its alleged common law mark of “NOT A BANK. BETTER” (“CEFCU Common Law Mark”) against SDCCU. (Dkt. No. 48, FAC ¶ 14.)

The FAC alleges that the CEFCU Mark is, in fact, more similar to each of the Third Party Marks than it is to the SDCCU Mark. (*Id.* ¶ 7.) Therefore, if CEFCU believes that the scope of protection for its mark is broad enough to encompass the SDCCU Mark, CEFCU materially misrepresented to the USPTO that the CEFCU Mark was not confusingly similar to any of the Third-Party Marks. (*Id.*) On the other hand, if CEFCU believes that its mark was not confusingly similar to any of the Third-Party Marks, the CEFCU Mark cannot be broad enough to encompass the SDCCU Mark. (*Id.*) In either case, CEFCU’s cancellation action and threat of lawsuit are objectively baseless and brought with the subjective intent to harm SDCCU. (*Id.*) SDCCU asserts it has a reasonable apprehension that CEFCU will file a lawsuit against it alleging trademark infringement. (*Id.* ¶ 47.)

In the amended complaint, Plaintiff adds an allegation that CEFCU uses its Marks with the “circle-R” designation to convey to the public and consumers that the CEFCU Mark and CEFCU Common Law Mark are lawfully registered trademarks with the USPTO, even

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though the CEFCU Mark was falsely and/or fraudulently registered, and the Common Law Mark is not registered with the USPTO. (*Id.* ¶¶ 50, 67, 103.)

Defendant moves to dismiss the first four causes of action for lack of subject matter jurisdiction arguing Plaintiff has not asserted a justiciable claim for alleged infringement under the Declaratory Judgment Act (“DJA”) and discretionary dismissal under Rule 57. (Dkt. No. 40.) Defendant additionally moves to dismiss the fifth and sixth causes of action for failure to state a claim based on the new allegations.

**A. Motion to Dismiss DJA Causes of Action for Lack of Subject Matter Jurisdiction**

In its motion, Defendant seeks dismissal of the first four causes of action for declaratory relief for lack of an actual controversy because the FAC allegations are “fundamentally inconsistent with its prayers for declaratory relief.” (Dkt. No. 49-1 at 17.) Specifically, Defendant claims that SDCCU, in its prior briefing, persuaded the Court that CEFCU had damaged SDCCU’s business by “stifling SDCCU’s ability to freely use and/or expand its use of the SDCCU Mark” but now alleges, in the FAC, that “in response to CEFCU’s use and registration of the CEFCU Mark, SDCCU increased its use of the SDCCU Mark on corresponding marketing materials and relating advertising spend (sic).” (Dkt. No. 48, FAC ¶ 107.) Therefore, the new allegation that SDCCU increased its use of the SDCCU mark is inconsistent with it being in real and reasonable apprehension of suit for infringement.

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Defendant further argues that the Court should use its discretion under Rule 57<sup>3</sup> by considering the *Brillhart*<sup>4</sup> factors and grant dismissal of the DJA claims.

In response, Plaintiff argues that the allegations concerning declaratory relief claims have not been amended, (Dkt. No. 52 at 8), and the law of the case doctrine precludes CEFCU from re-litigating the declaratory relief claims. Moreover, SDCCU argues that its continued use of the SDCCU Mark provides more support for its real and reasonable apprehension of being sued for infringement and not less, citing *Societe de Conditionnement en Aluminium v. Hunter Eng'g Co., Inc.*, 655 F.2d 938, 944 (9th Cir. 1981) (showing of apprehension “need not be substantial” if an allegedly infringing mark is in use). Next, it claims its arguments are not inconsistent, that is, while SDCCU has developed a real and reasonable apprehension of being sued, it also disagrees with the allegations in the petition for cancellation and further

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3. Defendant has not provided any caselaw and the Court is unaware of any authority on whether a party may move for dismissal under Rule 57, which merely states that the Federal Rules of Civil Procedure govern a declaratory judgment action under 28 U.S.C. § 2201. *See* Fed. R. Civ. P. 57. The Advisory Committee Notes also do not provide support. To the extent Defendant argues that dismissal is warranted under the *Brillhart* factors as they are to be considered when the Court determines whether a plaintiff had a real and reasonable apprehension of fear that it will be subject to litigation, the Court will consider Defendant's argument.

4. *Brillhart v. Excess Inc. Co.*, 316 U.S. 491, 62 S. Ct. 1173, 86 L. Ed. 1620 (1942).

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asserts that CEFCU's trademarks are invalid and not-infringed. Third, SDCCU's allegations clarify that CEFCU's fraudulent registration of the CEFCU Mark caused damage to SDCCU by stifling SDCCU's business because it was forced to expend resources to address CEFCU's use of its fraudulently registered mark in the California market instead of using those resources in the regular course of business.

“The law-of-the-case doctrine generally provides that ‘when a court decides upon a rule of law, that decision should continue to govern the same issues in subsequent stages in the same case.’” *Askins v. U.S. Dep’t of Homeland Sec.*, 899 F.3d 1035, 1042 (9th Cir. 2018) (quoting *Musacchio v. United States*, 136 S. Ct. 709, 716, 193 L. Ed. 2d 639 (2016)). But a court may exercise its discretion and decline to apply the law of the case if “(1) the first decision was clearly erroneous; 2) an intervening change in the law has occurred; 3) the evidence on remand is substantially different; 4) other changed circumstances exist; or 5) a manifest injustice would otherwise result.” *Id.* (quoting *United States v. Cuddy*, 147 F.3d 1111, 1114 (9th Cir. 1998)). But when a plaintiff has filed an amended complaint, the law of the case doctrine does not apply because the amended complaint is a new complaint which may include additional facts and claims that are different from the original complaint requiring a new determination by the court. *Id.* at 1043. If “the district court determines the amended complaint is substantially the same as the initial complaint, the district court is free to follow the same reasoning . . . .” *Id.*

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In *Askins*, the Ninth Circuit held that the district court erred by dismissing the first amended complaint based on the law of the case doctrine without addressing the merits of the government's motion to dismiss because the amended complaint included facts and claims that were different from the original complaint. *Id.* at 1043 (“The amended complaint is a new complaint, entitling the plaintiff to judgment on the complaint’s own merits; we do not ask whether the plaintiff is ‘precluded’ or ‘barred’ by the prior ruling.”)

In this case, because Plaintiff filed a FAC, the law of the case doctrine does not apply. *See id.* Nonetheless, Plaintiff argues and the Court notes that the DJA allegations in the FAC and the initial Complaint are the same. In its prior order, the Court conducted a careful and detailed analysis on whether it had subject matter jurisdiction following the Ninth Circuit’s “flexible approach” in determining whether there is an actual case or controversy by assessing whether the plaintiff had reasonable apprehension of an infringement suit, *Rhoades v. Avon Prods., Inc.*, 504 F.3d 1151, 1157-58 (9th Cir. 2007), and then whether the court should exercise its jurisdiction by considering the *Brillhart* factors which balance “concerns of judicial administration, comity, and fairness to the litigants.” (Dkt. No. 47 at 5-14 quoting *Chamberlain v. Allstate Ins., Co.*, 931 F.2d 1361, 1367 (9th Cir. 1991)). The Court concluded that Plaintiff had demonstrated it had a real and reasonable apprehension that it would be subject to an infringement suit and the Court exercised its jurisdiction over the DJA claims after considering the *Brillhart* factors. (Dkt. No. 47 at 13-14.)

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Because the factual allegations in the FAC are the same as the initial complaint, the Court relies on its reasoning in the prior order.

The Court notes that Defendant raises a single new argument that challenges one new fact alleged in the FAC concerning the § 1120 cause of action to be inconsistent with the DJA analysis contending that the allegation is “fundamentally inconsistent with its prayers for declaratory relief.” (Dkt. No. 49-1 at 17.) Specifically, Defendant claims that SDCCU, in its prior briefing, persuaded the Court that CEFCU had damaged SDCCU’s business by “stifling SDCCU’s ability to freely use and/or expand its use of the SDCCU Mark” but now alleges, in the FAC, that “in response to CEFCU’s use and registration of the CEFCU Mark, SDCCU increased its use of the SDCCU Mark on corresponding marketing materials and relating advertising spend (sic).” (Dkt. No. 48, FAC ¶ 107.) Therefore, the new allegation that SDCCU increased its use of the SDCCU mark is inconsistent with it being in real and reasonable apprehension of suit for infringement.

First, the alleged “prayers for declaratory relief” in paragraph 107 relates to the harm SDCCU incurred based on the cause of action for false or fraudulent trademark registration under 15 U.S.C. § 1120, not DJA claims. To the extent it relates to the DJA claims, Plaintiff has not demonstrated, by legal authority that the “prayers for declaratory relief” are considered in addressing whether SDCCU had a real and reasonable apprehension that it would be subject to a suit for infringement for purposes of subject matter jurisdiction. Instead, Ninth Circuit law

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requires that the Court look at whether “the plaintiff has a real and reasonable apprehension that he will be subject to liability if he continues to manufacture his product.” *See Rhoades v. Avon Prods., Inc.*, 504 F.3d 1151, 1157 (9th Cir. 2007). In its ruling, the Court focused on the allegations in the petition for cancellation, the amended petition for cancellation and the initial disclosures and determined they alleged the elements for a cause of action for trademark infringement. (Dkt. No. 47 at 13.) CEFCU has failed to demonstrate a nexus or relationship between SDCCU’s increased use of its Mark and SDCCU’s real and reasonable apprehension of suit for infringement.

Moreover, Defendant argues that under Rule 57, the *Brillhart* factors are to be considered by the Court to address whether a special statutory proceeding requires dismissal of this DJA case, and based on the pending petition for cancellation proceeding, the Court should dismiss these claims. However, the Court already addressed the *Brillhart* factors in its prior order concluding that this declaratory action is preferable over the TTAB action in addressing all issues between the parties and the Court exercised its jurisdiction over the case. (Dkt. No. 47 at 14.) Defendant has not presented any reasons for the Court to alter its prior ruling.

Accordingly, because the facts on the first four causes of action for declaratory judgment have not been amended, the Court relies on its prior analysis and ruling and DENIES Defendant’s motion to dismiss the first four causes of action under the DJA. *See Askins*, 899 F.3d at 1043.



*Appendix D***B. Legal Standard as to Federal Rule of Civil Procedure 12(b)(6)**

Federal Rule of Civil Procedure (“Rule”) 12(b)(6) permits dismissal for “failure to state a claim upon which relief can be granted.” Fed. R. Civ. P. 12(b)(6). Dismissal under Rule 12(b)(6) is appropriate where the complaint lacks a cognizable legal theory or sufficient facts to support a cognizable legal theory. *See Balistreri v. Pacifica Police Dep’t.*, 901 F.2d 696, 699 (9th Cir. 1990). Under Federal Rule of Civil Procedure 8(a)(2), the plaintiff is required only to set forth a “short and plain statement of the claim showing that the pleader is entitled to relief,” and “give the defendant fair notice of what the . . . claim is and the grounds upon which it rests.” *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007).

A complaint may survive a motion to dismiss only if, taking all well-pleaded factual allegations as true, it contains enough facts to “state a claim to relief that is plausible on its face.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678, 129 S. Ct. 1937, 173 L. Ed. 2d 868 (2009) (quoting *Twombly*, 550 U.S. at 570). “A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Id.* “Threadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice.” *Id.* “In sum, for a complaint to survive a motion to dismiss, the non-conclusory factual content, and reasonable inferences from that content, must be plausibly suggestive of a claim

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entitling the plaintiff to relief.” *Moss v. U.S. Secret Serv.*, 572 F.3d 962, 969 (9th Cir. 2009) (quotations omitted). In reviewing a Rule 12(b)(6) motion, the Court accepts as true all facts alleged in the complaint, and draws all reasonable inferences in favor of the plaintiff. *al-Kidd v. Ashcroft*, 580 F.3d 949, 956 (9th Cir. 2009).

**1. Fifth Cause of Action — 15 U.S.C. § 1120**

Defendant moves to dismiss the fifth cause of action for false or fraudulent trademark registration for several reasons. First, it argues SDCCU failed to allege facts to show that CEFCU made any false assertion concerning “use in commerce” in its Application for the ‘993 Registration. Second, SDCCU lacks standing to assert purported third-party rights against the ‘993 Registration and does not even allege any invasion of such rights. Third, the alleged injuries claimed by SDCCU are not a “proximate” result of the ‘993 Registration, and fourth, the litigation defense costs are not cognizable “damages” under 15 U.S.C. § 1120 which was already ruled on by the Court. Plaintiff disagrees with Defendant’s arguments.

Under the Lanham Act,

Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

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15 U.S.C. § 1120.

The FAC alleges that on September 1, 2010, CEFCU filed a declaration from its Vice-President, Susan K. Yoder, with the USPTO during the registration of the CEFCU Mark, asserting that the CEFCU Mark was “used in commerce” or “interstate commerce” as of February 5, 2007 with the intent to deceive the USPTO in order to advance CEFCU’s Mark registration. (Dkt. No. 48, FAC ¶¶ 37, 100.) But prior to June 2011, CEFCU did not direct its advertising using its Mark outside of the Illinois market. (*Id.* ¶ 36.) In addition, Plaintiff alleges that CEFCU falsely stated that its Mark would not likely cause consumer confusion with respect to pre-existing marks of which it was aware including Third Party Marks such as the “IT’S NOT A BANK” mark of Warren Federal Credit Union, “BETTER THAN A BANK” mark of ABNB Federal Credit Union and “NOT A BANK-BETTER!” mark of United 1st Federal Credit Union. (*Id.* ¶¶ 34, 101.) The false assertion was made with the intent to deceive the USPTO so that its Mark would advance to registration. (*Id.* ¶ 101.) CEFCU’s Mark would have not advanced to registration if CEFCU had not declared that the CEFCU Mark would not likely cause consumer confusion concerning pre-existing marks for credit union services. (*Id.*) On information and belief, the false statements in the declaration filed with the USPTO were willful and meant to deceive and constitute fraud. (*Id.* ¶ 102.) The FAC also added an allegation that CEFCU uses the CEFCU Mark with a “circle-R” designation stating to consumers that the CEFCU Mark is a registered trademark even though it was fraudulently and/or falsely registered. (Dkt. No. 48, FAC ¶¶ 103-107.)

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Defendant first argues that Plaintiff's allegation concerning CEFCU's "use in commerce" is a "term of art" as defined under 15 U.S.C. § 1127,<sup>5</sup> which requires that the mark is used in association with *services* that are "rendered in commerce" and SDCCU fails to allege that CEFCU services identified by the CEFCU Mark were not "rendered in commerce" as of February 5, 2007. Moreover, SDCCU's allegation that CEFCU did not direct its advertising using the CEFCU Mark outside the Illinois market prior to June 2011 does not support the conclusion that the CEFCU Mark was not in "use in commerce" prior to 2011. Simply put, Defendant argues that Plaintiff failed to allege facts which support its theory that CEFCU's claimed first "use in commerce" date was false. The Court disagrees.

Based on the facts alleged in the FAC, Plaintiff has sufficiently alleged a false statement in the '993 Registration Application claiming that CEFCU was using its Mark in commerce as of February 5, 2007, when in fact it was not until June 2011 that CEFCU directed its advertising outside the Illinois market. Whether CEFCU in fact was using its Mark in commerce as of February 5, 2007, based on 15 U.S.C. § 1127, is a question of fact not proper on a motion to dismiss.

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5. "The word 'commerce' means all commerce which may lawfully be regulated by Congress. . . . For purposes of this chapter, a mark shall be deemed to be in use in commerce-- . . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services." 15 U.S.C. § 1127.

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Moreover, to the extent Defendant's argument is addressing the merits of Plaintiff's claim, they are improper on a motion to dismiss. On this argument, Defendant seeks judicial notice that CEFCU is a federal regulated credit union and its deposits are insured by the National Credit Union Administration. (Dkt. No. 49-1 at 12.) On a motion to dismiss, the Court only considers the allegations in the FAC and "accepts as true all facts alleged in the complaint, and draws all reasonable inferences in favor of the plaintiff." *See al-Kidd v. Ashcroft*, 580 F.3d 949, 956 (9th Cir. 2009). The Court denies CEFCU's request for judicial notice.

Next, Defendant challenges Plaintiff's allegations that CEFCU falsely stated that its Mark would not likely cause consumer confusion with respect to pre-existing marks of which it was aware when CEFCU applied for the Mark. According to CEFCU, SDCCU cannot rely on the existence of "third party marks" to attack the validity of the CEFCU '993 Registration where there are no allegations that any of the third-party users had any grounds for objecting to the '993 Registration in 2010. (Dkt. No. 49-1 at 13.) Further, Defendant argues that as a matter of law, a third party's prior use of a trademark is not a defense in an infringement action. Plaintiff counters that it is not asserting the third party's prior marks as a defense to an infringement claim but relying on these facts to support the claim that CEFCU fraudulently obtained its registration.

At this stage on a motion to dismiss, the Court concludes that Plaintiff has sufficiently alleged facts to

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support a claim under 15 U.S.C. § 1120. Plaintiff relies on the existence of Third Party Marks similar to CEFCU's prior to the '993 Registration as factual support for an allegation that Defendant made a false statement on its trademark registration application. Plaintiff is not asserting purported third-party rights against the '993 Registration. Thus, allegations concerning the existence of third party marks do not warrant dismissal of the claim.

Third, Defendant argues that the "new" alleged damages are not a "proximate" result of the challenged '993 Registration because of the six year gap in time between the '993 Registration which issued on May 3, 2011 and allegations of injury that began around May 17, 2017, when SDCCU became aware of the CEFCU Mark when the petition for cancellation was filed. Moreover, it argues that CEFCU's first use of its Mark antedates the first use date claimed in SDCCU's '596 Registration so that it had a right to seek cancellation of the '596 Registration irrespective of the '993 Registration. Plaintiff argues it seeks damages based on SDCCU's marketing expenses and diverted employee time which are directly related to "counteracting the effect of CEFCU's fraudulent use and registration of the CEFCU Mark" and courts have held that a lapse in time between the registration issuance and the alleged injury does not bar damages. (Dkt. No. 52 at 23.)

The FAC alleges that CEFCU's fraudulent conduct in obtaining a false registration has damaged SDCCU's business. (Dkt. No. 48, FAC ¶¶ 103-107.) "[I]n response to CEFCU's use and registration of the CEFCU Mark,

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SDCCU has conducted, in whole or in part, many marketing meetings among SDCCU's executives . . . as well as other marketing employees, for the purpose of discussing strategies for countering CEFCU's use and registration of the CEFCU Mark. These meetings consumed employee time that otherwise would have been spent on other matters." (*Id.* ¶ 105.) Moreover, SDCCU has increased its use of its Mark on marketing materials and related marketing spending and incurred expenses that it would not have otherwise incurred but for CEFCU's false and/or fraudulent registration of the CEFCU Mark." (*Id.* ¶ 107.)

First, a gap between an alleged fraudulent registration of a mark and claimed injuries are not automatically barred but a plaintiff must demonstrate the harm is proximately caused by the fraudulent registration. *See MIH Allegro BV v. Fang*, Case No. LA CV 14-6510 JAK (ASx), 2015 U.S. Dist. LEXIS 182179, 2015 WL 12655399, at \*8 (C.D. Cal. Jan. 12, 2015) (§ 1120 requires a "direct causal relationship between the registration itself and any alleged injury" and plaintiff adequately plead injury even though the defendant argued that plaintiff did not use the mark at the time of its registration); *Maker's Mark Distillery, Inc. v. Diageo N. America, Inc.*, No. 3:03cv93-H, 2007 U.S. Dist. LEXIS 90021, 2007 WL 4292392, \*3 (W.D. Ky. Dec. 6, 2007) (not persuaded by decisions that hold that "later enforcement of a fraudulent registration could never be the proximate cause of injury to a party"); *San Juan Prod., Inc. v. San Juan Pools of Kansas, Inc.*, 849 F.2d 468, 473 (10th Cir. 1988) (injury under § 1120 damages must be a proximate result of the false or fraudulent registration).

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Next, Defendant argues that irrespective of the alleged fraudulent registration, it had a right to seek cancellation based on its first use rights over SDCCU's trademark rights; therefore, the damages it seeks for increased marketing expenses and diverted employee time, are not recoverable under § 1120 because they are not proximately caused by the alleged fraudulent registration.

CEFCU's argument requires an inquiry into the merits of SDCCU's alleged non-infringement DJA claims and are not proper on a motion to dismiss. In *Maker's Mark Distillery, Inc.*, a case cited by Plaintiff and similar to the facts in this case, the plaintiff moved to dismiss the counterclaim under § 1120 based on the impossibility that the fraudulent registration that occurred nineteen years ago proximately caused the defendant injuries. 2007 U.S. Dist. LEXIS 90021, 2007 WL 4292392 at \*1. The court denied dismissal of the case as premature because both the plaintiff's registration and its underlying trademark rights were at issue. 2007 U.S. Dist. LEXIS 90021, [WL] at \*4. The court distinguished the Gilbert/Robinson<sup>6</sup> line of cases, where the validity of a § 1120 claim was made after determining that the party had a valid trademark

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6. *Gilbert/Robinson, Inc. v. Carrie Beverage—Missouri, Inc.*, 989 F.2d 985, 991 (8th Cir. 1993), abrogated on other grounds by *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 134 S. Ct. 1377, 188 L. Ed. 2d 392 (2014)) (injury was not proximately caused by fraud on the PTO because even though plaintiff provided uncontradicted evidence of prior use and the defendant proved fraud in the registration process, the plaintiff would still have had the same Lanham cause of action for infringement irrespective of the fraudulent registration).



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separate from its fraudulent trademark registration. *Id.* Similarly, here, Plaintiff challenges not only CEFCU's registration of the CEFCU Mark but also its trademark rights. Therefore, it is premature to make such a ruling on a motion to dismiss. Accordingly, the Court DENIES Defendant's motion to dismiss based on the alleged damages concerning diverted staff time and additional marketing expenses.

Finally, the FAC seeks attorney's fees and costs as damages under § 1120. (Dkt. No. 48, FAC ¶ 120.) However, the Court already ruled and Plaintiff recognizes that attorney's fees and costs are not recoverable as damages under § 1120 and does not oppose Defendant's motion on these damages sought. Accordingly, the Court GRANTS Defendant's motion to dismiss the relief sought for attorney's fees and costs.

In sum, the Court DENIES Defendant's motion to dismiss the 15 U.S.C. § 1120 cause of action and GRANTS the motion solely as to the damages sought for attorney's fees and costs.

**2. Sixth Cause of Action — Unfair Competition,  
15 U.S.C. § 1125**

Defendant moves to dismiss the Lanham Act unfair competition claim because the amended allegations that CEFCU's use of the "R" symbol or ® in association with its own Marks fall outside of 15 U.S.C. § 1125(a)(1)(B). Plaintiff argues that it has stated a claim under Lanham Act's unfair competition provision because CEFCU

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improperly used the circle-R designation in connection with its Marks.

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

(1) Any person who, on or in connection with any goods or services . . . uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--

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

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

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

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15 U.S.C. § 1125(a)(1) (emphasis added). Though not stated in the FAC, it appears that Plaintiff is asserting a false advertising claim under § 1125(a)(1)(B).

A false advertising claim under Section 43(a) of the Lanham Act requires the following elements:

(1) false statement of fact by the defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a lessening of the goodwill associated with its products.

*Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997); *see also Skydive Arizona, Inc. v. Quattrocchi*, 673 F.3d 1105, 1110 (9th Cir. 2012). Two different theories of recovery fall under a false advertising claim. “To demonstrate falsity within the meaning of the Lanham Act, a plaintiff may show that the statement was literally false, either on its face or by necessary implication, or that the statement was literally true but likely to mislead or confuse consumers.” *Southland*, 108 F.3d at 1139; *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 112 (2d Cir. 2010) (“A claim of false advertising may be

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based on at least one of two theories: ‘that the challenged advertisement is literally false, i.e., false on its face,’ or ‘that the advertisement, while not literally false, is nevertheless likely to mislead or confuse consumers.’”). When a statement is literally false, the second and third elements of actual deception and material are presumed. *AECOM Energy & Constr., Inc. v. Ripley*, 348F. Supp. 3d 1038 2018 U.S. Dist. LEXIS 192398, 2018 WL 5906172, at \*11 (C.D. Cal. Nov. 8, 2018). However, under either theory, the “plaintiff must also demonstrate that the false or misleading representation involved an inherent or material quality of the product.” *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 153 n.3 (2d Cir. 2007).

The FAC claims two false representations in advertising. First, it alleges CEFCU uses its service Mark with the circle-R designation stating to consumers and the public that the CEFCU Mark is a registered trademark under the ‘993 Registration despite the allegation the Registration was falsely and/or fraudulently registered. (Dkt. No. 48, FAC ¶¶ 50, 103, 115.) Second, it also claims that CEFCU also uses the “circle-R” symbol with its Common Law Mark which constitutes a false and/or misleading statement to consumers that the CEFCU Common Law Mark is a registered trademark when, in fact, it is not. (*Id.* ¶¶ 66, 67, 116.) The FAC asserts that CEFCU uses its Mark and Common Law Mark with the “circle-R” designation to unfairly compete with SDCCU for consumers who desire to purchase financial services from a credit union instead of a bank. (*Id.* ¶ 117.) Using the “circle-R designation on marketing materials and CEFCU’s website confuses and deceives consumers as to

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CEFCU's purported exclusive right to use the CEFCU Mark and/or Common Law Mark." (*Id.* ¶ 118.)

Defendant argues that the improper use of the ® symbol next to its Marks cannot assert a claim for false advertising claim under § 1125 because it does not relate to the "nature, characteristics, qualities or geographic origin" of CEFCU's services. *See* 15 U.S.C. § 1125. Plaintiff argues that Defendant misapplies the law and that "it is plausible that a literally false statement is being made when a party appends the ® symbol to a mark that is not federally registered." (Dkt. No. 52 at 26.)

Under either theory of literal falsity or misleading/confusing consumers, the plaintiff must also demonstrate that the false or misleading representation involved an inherent or material quality of the product." *Time Warner Cable, Inc.*, 497 F.3d at 153 n.3; *see* 15 U.S.C. § 1125(a)(1) (B) (a false advertising claim must "misrepresents[] the nature, characteristics, qualities, or geographic origin of . . . goods, services . . .").

In support, Defendant cites to a district court case from the Southern District of New York where the court held that on summary judgment, as a matter of law, the Plaintiff's "misuse of the ® symbol is not actionable under § 43(a)(1)(B) of the Lanham Act because the ® symbol, "in no way' related to an 'inherent quality or characteristic' of its vodka." *Classic Liquor Importers, Ltd. v. Spirits Int'l B.V.*, 201 F. Supp. 3d 428, 452 (S.D.N.Y. 2016). There, defendant's counterclaim alleged a false advertising and unfair competition claim for the use of the ® symbol

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on its vodka bottles, falsely indicating that it had a trademark registration in ROYAL or ROYAL ELITE where the trademark application had not yet developed into a registration. Relying on Second Circuit authority, it stated “[f]alsity alone does not make a false advertising claim viable; ‘[u]nder either theory [of falsity], the plaintiff must also demonstrate that the false or misleading representation involved an inherent or material quality of the product.’” *Id.* at (quoting *Apotex Inc. v. Acorda Therapeutics, Inc.*, 823 F.3d 51, 63 (2d Cir. 2016) (quoting *Time Warner Cable, Inc.*, 497 F.3d at 153 n. 3)).

On the other hand, in *Perfect Pearl Co. v. Majestic Pearl & Stone, Inc.*, 887 F. Supp. 2d 519 (S.D.N.Y. 2012), the plaintiff brought a false advertising claim for the defendant’s misuse of the ® symbol and the court granted plaintiff’s request for injunctive relief on this claim. *Id.* at 539-40. The defendant admitted that it continued to use the ® symbol on promotional materials after its trademark registration had lapsed. *Id.* Based on this, the court concluded that the plaintiff had proven that the advertisements were literally false because the defendant used the ® symbol during the time when it was untrue. *Id.* at 540. Unique to the case was that the plaintiff only sought injunctive relief, not monetary damages. *Id.* The court granted summary judgment prohibiting the defendant from misusing the ® symbol in connection with the mark. *Id.* The court noted that in an ordinary case, a plaintiff must also show that the advertising “misrepresented an inherent quality or characteristic of the product” but because the claim was literally false, then the court may enjoin conduct without regard to the advertisement’s impact on the buying public. *Id.* at 539.

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In *Classic Liquor*, the court distinguished *Perfect Pearl* because the plaintiff in *Perfect Pearl* only sought injunctive relief, not damages. Moreover, the district court in *Classic Liquor*, asserted that to read *Perfect Pearl* “to suggest that literally false statements need not pertain to the inherent qualities or characteristics of the good or service in question would be inconsistent with the Second Circuit case law.” *Classic Liquor Importers, Ltd.*, 201 F. Supp. 3d at 452.

In support, Plaintiff cites to cases that rely on *Southern Snow Mfg. Co. v Snow Wizard Holdings, Inc.*, 829 F. Supp. 2d 437 (E.D. La. 2011), where the plaintiff filed a trademark infringement suit challenging the validity of the defendant’s trademarks concerning flavors used on snow cones using the ® symbol. In dicta, the court stated that the “use of the ® symbol makes an affirmative statement that the USPTO has registered the symbol, it is plausible that a literally false statement is being made when a party appends the ® symbol to a mark that is not federally registered. . . So unauthorized use of the ® could perhaps form the basis for making a literally false statement. *Id.* at 453. The Court stated a misuse of the ® symbol “could conceivably encompass a claim that involves an unfair trade practice involving improper use of trademark symbols and the Court is persuaded that it would be legal error to broadly hold otherwise.” *Id.* at 448. However, in the case, the plaintiff’s claims for improper use of the ® symbol were not based on having attached the ® symbols to unregistered marks but that the defendant obtained the registration by fraudulent assertions made to the USPTO during the application process. *Id.* at 453. The court concluded that the plaintiff’s claims would fall under

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15 U.S.C. § 1120 for false or fraudulent registration, and not under § 1125. *Id.* The court held that the ® designation on the flavor name was not a “literally false statement because the term was in fact federally registered.” *Id.* The court did not address whether the ® designation related to an inherent quality of the product.

Here, Plaintiff’s first theory that the use of the ® symbol with the CEFCU Mark presents a false advertising claim because it was fraudulently obtained is foreclosed by the holding in *Southern Snow*. Because the CEFCU Mark is registered, it cannot raise a claim for false advertising but a proper claim would be a claim for false or fraudulent registration of a mark under § 1120. *See Southern Snow*, 829 F. Supp. 2d at 453 (the ® designation on the flavor name was not a “literally false statement because the term was in fact federally registered.”).

Next, the Court dismisses Plaintiff’s second false advertising theory that the use of the ® symbol in connection with the CEFCU Common Law Mark, which it claims is not a registered mark with the USPTO. Plaintiff does not address whether the ® designation relates to a “nature, characteristics, qualities, or geographic origin” of CEFCU’s credit union services. Instead, it argues that the use of the ® symbol with the CEFCU Common Law Mark is literally false and alleges it has stated a claim for false advertising. However, under either of the two theories for false advertising under § 1125(a), a plaintiff must allege that the false advertising relates to the “nature, characteristic qualities, or geographic origin” of the service. *See Time Warner Cable, Inc.*, 497 F.3d at 153 n.3. An ® designation with CEFCU’s Common Law Marks, in this case, does not



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refer to the nature, characteristic, quality or geographic origin of credit union services provided by CEFUCU. *See Classic Liquor Importers, Ltd.*, 201 F. Supp. 3d at 452; *see e.g.*, *Optigen, LLC v. Int'l Genetics, Inc.*, 877 F. Supp. 2d 33, 53 (N.D.N.Y. 2012) (statement where defendant is headquartered does not give rise to a false advertisement claim under the Lanham Act as it does not concern “an inherent or material quality of the product.”); *Agence France Presse v. Morel*, 769 F. Supp. 2d 295, 308 (S.D.N.Y. 2011) (granting motion to dismiss false advertising claim premised on “AFP and Getty’s false statements that they were authorized to distribute the images and that Suero was the author” because these misrepresentation did not concern the “the nature, characteristics, qualities, or geographic origin” of the photographs.”) (citing *Thomas Publ’g Co., LLC v. Tech. Evaluation Ctrs., Inc.*, No. 06 Civ. 14212(RMB), 2007 U.S. Dist. LEXIS 55086, 2007 WL 2193964, at \*3 (S.D.N.Y. July 27, 2007) (“[A] failure to attribute authorship to Plaintiff does not amount to misrepresentation of the nature, characteristics, qualities, or geographic origin of Defendant’s goods.”).

The ruling in *Perfect Pearl Co.*, granting injunctive relief on an unfair competition claim based on the alleged misuse of the ® designation, is particular to the facts of its case and is distinguishable because here, SDCCU seeks damages as well as injunctive relief, and is not persuasive. Moreover, the ruling in *Southern Snow*, where the court only suggested that the unauthorized use of the ® symbol may constitute an unfair competition claim, is also not persuasive as the court’s statements were dicta and did not rule on whether the ® designation relates to the nature, characteristic or quality of the goods being sold.

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Here, Plaintiff has not alleged that the ® symbol used in connection with CEFUCU's Common Law Mark concerns the "the nature, characteristics, qualities, or geographic origin" of CEFUCU's credit union services.

Accordingly, the Court GRANTS Defendant's motion to dismiss the sixth cause of action for a Lanham Act unfair competition claim for failure to state a claim.<sup>7</sup>

**CONCLUSION**

Based on the above, the Court DENIES Defendant's motion to dismiss the first four causes of action seeking declaratory relief, DENIES dismissal of the fifth cause of action for false/fraudulent registration of trademark under 15 U.S.C. § 1120 but GRANTS dismissal of the attorney's fees and costs sought under 15 U.S.C. § 1120, and GRANTS dismissal of the the sixth cause of action for unfair competition under 15 U.S.C. § 1125.

IT IS SO ORDERED.

Dated: February 5, 2019

/s/ Gonzalo P. Curiel  
Hon. Gonzalo P. Curiel  
United States District Judge

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7. The Court already granted dismissal on the other allegations in the sixth cause of action, (Dkt. No. 48, FAC ¶¶ 109-114), that have not been amended concerning alleged misrepresentations made to the USPTO when CEFUCU applied for its trademark registration. (Dkt. No. 47 at 21-26.)

**APPENDIX E — ORDER OF THE  
UNITED STATES DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF CALIFORNIA,  
FILED OCTOBER 2, 2018**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

Case No.: 18cv967-GPC(RBB)

SAN DIEGO COUNTY CREDIT UNION,

*Plaintiff,*

v.

CITIZENS EQUITY FIRST CREDIT UNION,

*Defendant.*

**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.]**

Before the Court is Defendant's motion to dismiss for lack subject matter jurisdiction under Federal Rule of Civil Procedure 12(b)(1) and failure to state a claim under Federal Rule of Civil Procedure 12(b)(6). (Dkt. No. 40.) Plaintiff filed an opposition on August 31, 2018. (Dkt. No. 42.) Defendant filed a reply on September 14, 2018. (Dkt. No. 45.) Pursuant to Civil Local Rule 7.1(d)(1), the Court finds the matter suitable for adjudication without

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oral argument. Based on the reasoning below, the Court DENIES Defendant's motion to dismiss for lack of subject matter jurisdiction and GRANTS Defendant's motion to dismiss for failure to state a claim with leave to amend.

**BACKGROUND**

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

SDCCU and CEFCU are both large credit unions. (*Id.* ¶ 2.) SDCCU's customers are primarily located in Southern California while CEFCU's customers are primarily

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located in Peoria, Illinois and northern California. (*Id.*) At the end of 2008, CEFCU purchased Valley Credit Union in Northern California but did not direct its marketing bearing the CEFCU Mark or CEFCU's Common Law Mark in connection with credit union services outside the Illinois market until June 2011. (*Id.* ¶ 31.) In June 2011, CEFCU started using the CEFCU Mark in connection with marketing campaigns in the Illinois and California markets. (*Id.* ¶ 32.)

In early 2016, a CEFCU employee saw a billboard in San Diego, CA containing the SDCCU Mark used to market credit union services and notified CEFCU managers in March 2016. (*Id.* ¶ 38.) On May 17, 2017, CEFCU filed a petition for cancellation<sup>1</sup> of the '596 Trademark Registration No. for the SDCCU Mark with the U.S. Patent and Trademark Office's ("USPTO") Trademark Trial and Appeal Board ("TTAB") claiming the SDCCU Mark is likely to cause confusion or to cause mistake or to deceive consumers when viewing CEFCU's Mark. (*Id.* ¶¶ 5, 39; Dkt. No. 1-5, Compl., Ex. D.) On July 3, 2017, SDCCU filed an Answer and Counterclaim in the cancellation proceeding. (Dkt. No. 29-3, Dabney Decl., Ex. 3.) On August 7, 2017, CEFCU filed an Answer to the Counterclaim. (*Id.*, Ex. 4.) On August 28, 2017, SDCCU filed an Amended Counterclaim to which CEFCU timely answered on September 11, 2017. (*Id.*, Exs. 5. 6.) A scheduling order was issued and discovery has taken place. (*Id.*, Ex. 7.) On March 23, 2018, CEFCU filed a

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1. *Citizens Equity First Credit Union v. San Diego Cnty. Credit Union*, Cancellation No. 92066165.

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motion for leave to amend its petition to add an additional ground for cancellation. (*Id.*, Ex. 17.) Then on May 16, 2018, SDCCU filed this action and moved the PTO for a stay of the cancellation proceedings which the PTO granted on June 8, 2018. (*Id.*, Exs. 1, 23, 24.)

In this action, the complaint alleges that the CEFCU Mark is, in fact, more similar to each of the Third Party Marks than it is to the SDCCU Mark. (Dkt. No. 1, Compl. ¶ 7.) Therefore, if CEFCU believes that the scope of protection for its mark is broad enough to encompass the SDCCU Mark, CEFCU materially misrepresented to the USPTO that the CEFCU Mark was not confusingly similar to any of the Third-Party Marks. (*Id.*) On the other hand, if CEFCU believes that its mark was not confusingly similar to any of the Third-Party marks, the CEFCU Mark cannot be broad enough to encompass the SDCCU Mark. (*Id.*) In either case, CEFCU's cancellation action and threat of lawsuit are objectively baseless and brought with the subjective intent to harm SDCCU. (*Id.*) SDCCU asserts it has a reasonable apprehension that CEFCU will file a lawsuit against it alleging trademark infringement. (*Id.* ¶ 47.)

The complaint alleges eight causes of action seeking 1) declaratory judgment of non-infringement of CEFCU. NOT A BANK. BETTER.; 2) declaratory judgment of non-infringement of NOT A BANK. BETTER.; 3) declaratory judgment for invalidity of CEFCU. NOT A BANK. BETTER.; 4) declaratory judgment for invalidity of NOT A BANK. BETTER.; 5) false or fraudulent trademark registration under 15 U.S.C. § 1120; 6) unfair

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competition under 15 U.S.C. § 1125; 7) unfair competition under California Business & Professions Code section 17200 *et seq.*; and 8) unfair competition under common law. (*Id.* ¶¶ 58-109.)

On July 31, 2018, the Court denied Defendant’s motion for lack of personal jurisdiction. (Dkt. No. 39.) On August 13, 2018, Defendant filed the instant motion to dismiss for lack of subject matter jurisdiction the first four causes of action arguing Plaintiff has not asserted a justiciable claim for alleged infringement under the Declaratory Judgment Act. (Dkt. No. 40.) Defendant additionally moves to dismiss the remaining causes of action for failure to state a claim. In response, Plaintiff does not oppose Defendant’s motion to dismiss the seventh and eighth causes of action and agrees to voluntarily dismiss them. (Dkt. No 42 at 31<sup>2</sup>.) Accordingly, the Court GRANTS Defendant’s motion to dismiss the seventh cause of action for unfair competition under California Business & Professions Code section 17200 and eighth cause of action under California common law as unopposed.

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

Federal Rule of Civil Procedure (“Rule”) 12(b)(1) provides for dismissal of a complaint for lack of subject-matter jurisdiction. Fed. R. Civ. P. 12(b)(1). Rule 12(b)

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

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(1) jurisdictional attacks can be either facial or factual. *White v. Lee*, 227 F.3d 1214, 1242 (9th Cir. 2000). Here, Defendant is mounting a factual attack on subject matter jurisdiction by providing evidence outside the complaint.

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



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*Life Ins. Co. of America*, 511 U.S. 375, 377, 114 S. Ct. 1673, 128 L. Ed. 2d 391 (1994).

The Declaratory Judgment Act (“DJA”), provides “[i]n a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.” 28 U.S.C. § 2201(a). The phrase “case of actual controversy” under the DJA refers to Article III’s “Cases” and “Controversies” for justiciable claims. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 126-27, 127 S. Ct. 764, 166 L. Ed. 2d 604 (2007) (citing *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240, 57 S. Ct. 461, 81 L. Ed. 617 (1937)); *American States Ins. Co. v. Kearns*, 15 F.3d 142, 143 (9th Cir. 1994) (an actual controversy under the DJA is identical to Article III’s constitutional case or controversy requirement). To constitute a case or controversy, “the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune*, 549 U.S. at 127 (quoting *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273, 61 S. Ct. 510, 85 L. Ed. 826 (1941)).<sup>3</sup> Without a “case or controversy”, the Court

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3. Post-*MedImmune*, the Ninth Circuit has continued to hold that an actual controversy exists if the plaintiff in a declaratory action has a real and reasonable apprehension that he will be subject to liability for infringement. See *E. & J. Gallo Winery v. Proximo Spirits, Inc.*, 583 Fed. App’x 632, 634 (9th Cir. 2014) (citing to “actual

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lacks subject matter jurisdiction under Rule 12(b)(1). *Fleck and Assocs., Inc. v. Phoenix, an Arizona Mun. Corp.*, 471 F.3d 1100, 1103-04 (9th Cir. 2006).

The Court conducts a two-step inquiry as to whether it should exercise DJA jurisdiction. First, the district court must “inquire whether there is an actual case or controversy within its jurisdiction.” *Principal Life Ins. Co. v. Robinson*, 394 F.3d 665, 669 (9th Cir. 2005) (citation omitted). In the Ninth Circuit, a declaratory judgment action that a trademark is invalid or that the plaintiff is not infringing asserts a case or controversy “if the plaintiff has a real and reasonable apprehension that he will be subject to liability if he continues to manufacture his product.” *Rhoades v. Avon Prods., Inc.*, 504 F.3d 1151, 1157 (9th Cir. 2007) (quoting *Hal Roach Studios, Inc. v. Richard Feiner & Co., Inc.*, 896 F.2d 1542, 1555-56 (9th Cir. 1990)). In *Chesebrough-Pond’s*, the Ninth Circuit explained,

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controversy” standard of *MedImmune* and relying on *Societe de Conditionnement v. Hunter Eng’g Co.*, 655 F.2d 938, 944 (9th Cir. 1981) and *Chesebrough-Pond’s, Inc. v. Faberge, Inc.*, 666 F.2d 393, 396 (9th Cir. 1982); *Rhoades v. Avon Products, Inc.*, 504 F.3d 1151, 1157 (9th Cir. 2007) (relying on *Chesebrough Pond’s*). As stated by one district court, the Ninth Circuit’s “real and reasonable apprehension” test continues after *MedImmune*. *Homie Gear, Inc. v. Lanceberg Holdings, LLC*, Case No. 16cv1062-BTM(DHB), 2016 U.S. Dist. LEXIS 159750, 2016 WL 6804611 (S.D. Cal. Nov. 16, 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).

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

*Chesebrough-Pond's, Inc. v. Faberge, Inc.*, 666 F.2d 393, 396 (9th Cir. 1982) (citing *Societe de Conditionnement v. Hunter Eng'g Co.*, 655 F.2d 938, 944 (9th Cir. 1981)). The court recognized that “a simple opposition proceeding in the Patent and Trademark Office generally will not raise a real and reasonable apprehension of suit.” *Id.* However, a plaintiff may reasonably infer a threat of a future infringement action based on a letter by the defendant declaring its intent to file opposition proceeding which articulated allegations asserting a prima facie case of trademark infringement. *Id.* Moreover, the showing of apprehension “need not be substantial” when an allegedly infringing mark is in use. *Societe de Conditionnement*, 655 F.2d at 944.

Once the first part has been met, the district court must next decide, using the factors in *Brillhart v. Excess Ins. Co.*, 316 U.S. 491, 62 S. Ct. 1173, 86 L. Ed. 1620 (1942) and its progeny whether to exercise its jurisdiction. *Principal Life Ins. Co.*, 394 F.3d at 669. Essentially, the district court “must balance concerns of judicial administration, comity, and fairness to the litigants.”

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*Chamberlain v. Allstate Ins. Co.*, 931 F.2d 1361, 1367 (9th Cir. 1991).

**A. Analysis**

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

Defendant’s argument improperly focuses on the lack of any overt or concrete threats of potential litigation. However, the Ninth Circuit adopts a “flexible approach” that focuses on “the position and perceptions of the plaintiff” and not on “specific acts or intentions of the defendant.” *Rhoades*, 504 F.3d at 1157-58 (quoting *Chesebrough—Pond’s*, 666 F.2d at 396). Under the “flexible approach” concrete threats of litigation are not required to demonstrate a reasonable apprehension of an infringement suit. *Id.* at 1158; *see also* 6 J. Thomas McCarthy, Trademarks and Unfair Competition § 32.51 (4th ed. 2007) (noting that to state “an actual controversy

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... [a] threat of infringement does not have to be said in so many words. It can be expressed in the attitude of the defendant as expressed, for example,] in ‘circumspect language in a letter.’”).

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

Relying on the ruling in *Chesebrough-Pond’s*, district court cases in this Circuit as well as this Court in a recent case, have held that a pre-suit letter or a notice of opposition filed with the USPTO that lays out the elements of a cause of action for trademark infringement, by itself, is sufficient to create a reasonable apprehension of litigation for infringement, and consequently satisfies the actual controversy requirement under the DJA. See *Copasetic Clothing Ltd. v. Roots Canada Corp.*, Case No. 17cv2300-GPC(KSC), 2018 U.S. Dist. LEXIS 144575, 2018 WL 4051693, at \*4 (S.D. Cal. Aug. 24, 2018) (“DJA jurisdiction may lie—based on the allegations contained in

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TTAB materials alone—where the defendant’s opposition articulates the *prima facie* elements of trademark infringement.”); *Whole E Nature, LLC v. Wonderful Co., LLC*, No. 17cv10-LAB(KSC), 2017 U.S. Dist. LEXIS 155554, 2017 WL 4227150, at \*2-3 (S.D. Cal. Sept. 22, 2017) (opposition papers filed with USPTO asserting infringement allegations sufficient to show the plaintiff had a reasonable apprehension of litigation); *FN Cellars, LLC v. Union Wine Co.*, No. 15cv2301 JD, 2015 U.S. Dist. LEXIS 117256, 2015 WL 5138173, at \*3 (N.D. Cal. Sept. 1, 2015) (pre-lawsuit letter laying out the elements of a potential infringement action and threatening that if the mark was not abandoned, it would file a cancellation proceeding were sufficient to establish existence of an actual and justiciable controversy and subsequent cancellation action invoking trademark infringement and dilution language further supported jurisdiction); *Neilmed Prods., Inc. v. Med-Systems Inc.*, 472 F. Supp. 2d 1178, 1180-82 (N.D. Cal. 2007) (defendant’s notice of opposition that laid out elements of an infringement claim satisfied the actual controversy requirement because such actions could give the plaintiff a reasonable apprehension of liability). In *Neilmed*, the district court rejected the defendant’s argument that a mere filing of a notice of opposition to a trademark registration application with the PTO does not provide grounds for the plaintiff to have a reasonable apprehension of litigation. *Neilmed*, 472 F. Supp. at 1180-81. The court explained that the defendant’s notice of opposition “invoked the language of trademark infringement and dilution, which could give Plaintiff a reasonable apprehension that Defendant would sue Plaintiff if Plaintiff continues to use its [mark].” *Id.* at 1181.

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

Before the TTAB, the petition for cancellation states that CEFUCU is the owner of registered trademark CEFU. NOT A BANK. BETTER. (Dkt. No. 1-5, Compl., Ex. D, Cancel. Pet. ¶ 2.) Both CEFUCU and SDCCU provide identical credit union services. (Dkt. No. 1-5, Compl., Ex. D, Cancel. Pet. ¶ 6.) Both CEFUCU and SDCCU market credit union services to the same customers. (*Id.* ¶¶ 7. 8.) SDCCU’s challenged mark resembles CEFUCU’s registered mark and will likely “cause confusion, or

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4. Defendant argues that its petition for cancellation merely tracks the language of 15 U.S.C. § 1052(d) concerning trademark registration. However, in *Chesebrough-Pond’s*, the Ninth Circuit recognized the “likelihood of confusion” standard is relevant to both registration and infringement proceedings; nonetheless the court held it was reasonable for the plaintiff to infer a threat of an infringement action 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.

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

Plaintiff also claims that in the initial disclosures provided by Defendant during the cancellation proceeding, CEFCU indicated it would submit documents “evidencing the potential for damage to CEFCU by reason of *respondent’s use* of ‘ITS NOT BIG BANK BANKING. IT’S BETTER’ as a purported designation of the origin of services offered by respondent.” (Dkt. No. 42-4, Salen Decl., Ex. 2 at 4 (emphasis added).) From Plaintiff’s perspective, the language in the disclosure using the

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5. In a footnote, Defendant states that the Court, in its prior order, incorrectly stated that the petition filed with the TTAB alleged a “likelihood of confusion based on the use of the respective marks in 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.)



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word “use” of SDCCU’s Mark, creates a reasonable apprehension that it could be sued for trademark infringement if it continues to use its Mark.

The Court also noted in its prior order on personal jurisdiction that the facts and impetus underlying the cancellation proceedings arise from CEFCU’s increasing contacts in California. *San Diego Cnty. Credit Union v. Citizens Equity First Credit Union*, 325 F. Supp. 3d 1088, 2018 U.S. Dist. LEXIS 128354, 2018 WL 3629969, at \*6 (S.D. Cal. July 31, 2018). Due to CEFCU’s expansion into the California market, in the analysis for personal jurisdiction, the Court concluded that “CEFCU’s contacts in California form the basis of SDCCU’s reasonable concern that CEFCU would file suit for infringing its federally registered and common law trademark.” *Id.*

District court decisions from the Second Circuit cited by the Defendant are inapposite as those cases dealt with challenging the registration of an alleged infringing mark and not its use. *See Bruce Winston Gem Corp. v. Harry Winston, Inc.*, No. 09 CIV 7352(JGK), 2010 U.S. Dist. LEXIS 96974, 2010 WL 3629592, at \*5 (S.D.N.Y. Sept. 16, 2010) (finding no justiciability “where the defendants do not object to the plaintiff’s current use of its mark, and the only immediate and definite controversy is over the registration of that mark”); *American Pioneer Tours, Inc. v. Suntrek Tours, Ltd.*, No. 97 Civ. 8220, 1998 U.S. Dist. LEXIS 1527, 1998 WL 60944, at \*3-4 (S.D.N.Y. Feb. 13, 1998) (documents submitted show that although the parties were engaged in tense negotiations it did not prompt the defendant to threaten suit even indirectly);

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*Vina Casa Taya S.A. v. Oakville Hills Cellar, Inc.*, 784 F. Supp. 2d 391, 393-94 (S.D.N.Y. 2011) (no case or controversy under the DJA based on cease-and-desist letter asserting that the plaintiff's mark was "confusingly similar" to the defendant's mark but asserted no objection to the plaintiff's use of the mark). Moreover, the district court in *1-800-Flowers.com, Inc. v. Edible Arrangements, LLC*, 905 F. Supp. 2d 451, 455 (E.D.N.Y. 2012) relied on *Merrick v. Sharp & Dohme, Inc.*, 185 F.2d 713, 716-17 (7th Cir. 1951) ("A notice of opposition, in proper form, should not be construed to be a charge of infringement or a threat to proceed to redress past infringements or to prevent future infringements."), which was rejected by the Ninth Circuit in *Chesebrough-Pond's* as inconsistent with the Ninth Circuit approach. *See Chesebrough-Pond's*, 666 F.2d at 396. Consequently, 1-800 Flower.com provides no support for Defendant's position.

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

Because the petition for cancellation, the amended petition for cancellation and the initial disclosures allege the elements for a cause of action for trademark

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infringement, Plaintiff has demonstrated that it had a real and reasonable apprehension that it would be subject to an infringement action.<sup>6</sup> Moreover, because SDCCU continues to use the alleged infringing Mark, Plaintiff's showing of apprehension need not be substantial. *See Societe*, 655 F.2d at 944.

Next, the Court considers whether it should assert jurisdiction over the DJA claims. The Supreme Court, in *Brillhart*, and the Ninth Circuit, in *Gov't Employees Ins. Co. v. Dizol*, 133 F.3d 1220, 1225 (9th Cir. 1998), identified a number of prudential factors for the Court to consider in deciding whether to exercise jurisdiction. District courts "should avoid needless determination of State law issues; it should discourage litigants from filing declaratory actions as a means of forum shopping; and it should avoid duplicative litigation." *Dizol*, 133 F.3d at 1225. Also relevant is "whether the declaratory action will settle all aspects of the controversy," "whether the declaratory action is being sought merely for the purposes of procedural fencing or to obtain a 'res judicata' advantage," and "the convenience of the parties, and the availability and relative convenience of other remedies." *Id.* at 1225 n.5 (citation omitted).

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6. Plaintiff also cites to CEFCU's Rule 30(b)(6) witness, Susan Portscheller, who testified that when she first learned about the SDCCU Mark, she believed it constituted trademark infringement. However, her testimony is not relevant to the Court's analysis as her statements were not revealed to Plaintiff prior to instituting this lawsuit and cannot be used to determine Plaintiff's perceptions of potential litigation.

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

Because the TTAB is limited to deciding the right to register a trademark and cancellation issue, *see Rhoades*, 504 F.3d at 1163 and not infringement issues, then litigation in this action would be preferable because the Court will be able to resolve all issues in the case. *See FN Cellars*, 2015 U.S. Dist. LEXIS 117256, 2015 WL 5138173, at \*4. As noted by the court in *Whole E Nature, LLC*, the TTAB is not “a ‘forum’ in the sense that courts are” because TTAB decisions may be challenged in district court. *Whole E Nature, LLC*, 2017 U.S. Dist. LEXIS 155554, 2017 WL 4227150, at \*3; *see Neilmed*, 472 F. Supp. 2d at 1182 (“the mere commencement of federal litigation does not constitute forum-shopping or procedural fencing, however expensive litigation might be” based on limited jurisdiction of TTAB). Given the TTAB limitations in its ability to resolve the issues presented, Defendant's argument of forum shopping is without merit.

Because this case involves trademark non-infringement and invalidity claims, a “declaratory action is preferable to a TTAB action for addressing ‘all aspects of the controversy’

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between the parties, because the TTAB cannot address a trademark non-infringement claim.” *FN Cellar, LLC*, 2015 U.S. Dist. LEXIS 117256, 2015 WL 5138173, at \*4 (citing *Dizol*, 133 F.3d at 1225 n.5). Accordingly, the Court exercises its jurisdiction to consider the issues in this case. The Court DENIES Defendant’s motion to dismiss for lack of subject matter jurisdiction.

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

Federal Rule of Civil Procedure (“Rule”) 12(b)(6) permits dismissal for “failure to state a claim upon which relief can be granted.” Fed. R. Civ. P. 12(b)(6). Dismissal under Rule 12(b)(6) is appropriate where the complaint lacks a cognizable legal theory or sufficient facts to support a cognizable legal theory. *See Balistreri v. Pacifica Police Dep’t.*, 901 F.2d 696, 699 (9th Cir. 1990). Under Federal Rule of Civil Procedure 8(a)(2), the plaintiff is required only to set forth a “short and plain statement of the claim showing that the pleader is entitled to relief,” and “give the defendant fair notice of what the . . . claim is and the grounds upon which it rests.” *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007).

A complaint may survive a motion to dismiss only if, taking all well-pleaded factual allegations as true, it contains enough facts to “state a claim to relief that is plausible on its face.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678, 129 S. Ct. 1937, 173 L. Ed. 2d 868 (2009) (quoting *Twombly*, 550 U.S. at 570). “A claim has facial plausibility

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when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Id.* “Threadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice.” *Id.* “In sum, for a complaint to survive a motion to dismiss, the non-conclusory factual content, and reasonable inferences from that content, must be plausibly suggestive of a claim entitling the plaintiff to relief.” *Moss v. U.S. Secret Serv.*, 572 F.3d 962, 969 (9th Cir. 2009) (quotations omitted). In reviewing a Rule 12(b)(6) motion, the Court accepts as true all facts alleged in the complaint, and draws all reasonable inferences in favor of the plaintiff. *al-Kidd v. Ashcroft*, 580 F.3d 949, 956 (9th Cir. 2009).

Where a motion to dismiss is granted, “leave to amend should be granted ‘unless the court determines that the allegation of other facts consistent with the challenged pleading could not possibly cure the deficiency.’” *DeSoto v. Yellow Freight Sys., Inc.*, 957 F.2d 655, 658 (9th Cir. 1992) (quoting *Schreiber Distrib. Co. v. Serv-Well Furniture Co.*, 806 F.2d 1393, 1401 (9th Cir. 1986)). In other words, where leave to amend would be futile, the Court may deny leave to amend. *See DeSoto*, 957 F.2d at 658; *Schreiber*, 806 F.2d at 1401.

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

Where a plaintiff alleges fraud in the complaint, Rule 9(b) requires a plaintiff to “state with particularity the circumstances constituting fraud or mistake. Malice,

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intent, knowledge, and other conditions of a person's mind may be alleged generally." Fed. R. Civ. P. 9(b). Rule 9(b) requires that the circumstances constituting the alleged fraud "be specific enough to give defendants notice of the particular misconduct . . . so that they can defend against the charge and not just deny that they have done anything wrong." *Kearns v. Ford Motor Co.*, 567 F.3d 1120, 1124 (9th Cir. 2009) (internal quotation omitted). A party must set forth "the time, place, and specific content of the false representations as well as the identities of the parties to the misrepresentation." *Odom v. Microsoft Corp.*, 486 F.3d 541, 553 (9th Cir. 2007) (internal quotation marks omitted). As such "[a]llegations of fraud must be accompanied by 'the who, what, when, where, and how' of the misconduct charged." *Kearns*, 567 F.3d at 1124 (citing *Vess v. Ciba-Geigy Corp. U.S.A.*, 317 F.3d 1097, 1106 (9th Cir. 2003)).

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

Defendant moves to dismiss the fifth cause of action for false or fraudulent trademark registration because it fails to plead fraud with particularity. Specifically, it argues that Defendant has not "alleged a subjective intent to deceive the PTO" and fails to identify what is false and why it is false. Plaintiff disagrees arguing it alleged facts to support a cause of action under Rule 9 by asserting the who, what, when, where and how of the alleged fraudulent trademark registration.

The Complaint alleges that on September 1, 2010, CEFCU filed a declaration from its Vice-President, Susan K. Yoder, with the USPTO during the registration of the

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CEFCU Mark, asserting that the CEFCU Mark was used in interstate commerce as of February 5, 2007 with the intent to deceive the USPTO in order to advance CEFCU's Mark registration. (Dkt. No. 1, Compl. ¶¶ 37, 88; Dkt. No. 1-4, Compl., Ex. C.) But prior to June 2011, CEFCU did not direct its advertising using its Mark outside of the Illinois market. (Dkt. No. 1, Compl. ¶ 36.) In addition, Plaintiff alleges that CEFCU falsely stated that its Mark would not likely cause consumer confusion with respect to pre-existing marks of which it was aware including Third Party Marks such as the "IT'S NOT A BANK" mark of Warren Federal Credit Union, "BETTER THAN A BANK" mark of ABNB Federal Credit Union and "NOT A BANK-BETTER!" mark of United 1st Federal Credit Union. (*Id.* ¶¶ 34, 89.) The false assertion was made with the intent to deceive the USPTO so that its Mark would advance to registration. (*Id.* ¶ 89.) CEFCU's Mark would have not advanced to registration if CEFCU had not declared that the CEFCU Mark would not likely cause consumer confusion concerning pre-existing marks for credit union services. (*Id.*) On information and belief, the false statements in the declaration filed with the USPTO were willful and meant to deceive and constitute fraud. (*Id.* ¶ 90.)

These assertions sufficiently allege a cause of action for fraudulent trademark registration under 15 U.S.C. § 1120 under Rules 8 and 9. Plaintiff alleges the who, what, when, where and how of the alleged false statement made to the USPTO. Defendant's arguments focus on the merits of the claim, which is not appropriate on a motion to dismiss, rather than whether the elements of the claim



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were properly alleged. Moreover, contrary to Defendant's argument that Plaintiff failed to allege a subjective intent to deceive the PTO with particularity, Rule 9(b) does not require specificity concerning intent but specifically states that [m]alice, intent, knowledge, and other conditions of a person's mind may be alleged generally." Fed. R. Civ. P. 9(b). Defendant's citation to *In re Bose Corp.*, 580 F.3d 1240, 1245 (Fed. Cir. 2009) is inapposite as it involved an appeal of the TTAB's ruling on the merits, not a motion to dismiss, that Bose committed fraud on the PTO. Defendant also cites to the Court's ruling in *Mygo, LLC v. Mission Beach Indus., LLC*, Case No. 16cv2350-GPC(RBB), 2017 U.S. Dist. LEXIS 4344, 2017 WL 107346, \*6 (S.D. Cal. Jan. 11, 2017), where it held there were no facts from which the Court could "reasonably infer that specific individuals affiliated with Mygo had the requisite knowledge and specific intent to deceive the PTO." In *Mygo*, the Court cited to *Exergen* where the Federal Circuit held that "although 'knowledge' and 'intent' may be averred generally, a pleading of inequitable conduct under Rule 9(b) must include sufficient allegations of underlying facts from which a court may reasonably infer that a specific individual (1) knew of the withheld material information or of the falsity of the material misrepresentation, and (2) withheld or misrepresented this information with a specific intent to deceive the PTO." 2017 U.S. Dist. LEXIS 4344, [WL] at \*5 (quoting *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1328-29 (Fed. Cir. 2009)).

Here, the Complaint alleges that CEFCU misrepresented to the USPTO that it used its Mark in interstate commerce as of February 5, 2007, (Dkt. No.

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1, Compl. ¶¶ 37, 88), but it was not until June 2011 when CEFCU began using the Mark outside of the Illinois market, (*id.* ¶¶ 31, 32, 36). Moreover, CEFCU falsely stated that the CEFCU Mark would not likely cause consumer confusion but knew of pre-existing similar marks of third parties. (*Id.* ¶¶ 34, 37, 89.) Plaintiff claims that the false statements filed with the USPTO were willful and made with the intent to deceive the USPTO. (*Id.* ¶¶ 73, 74, 88, 89, 90.) The Court concludes Plaintiff has alleged facts from which the Court can reasonably infer that Defendant “knew of the falsity of the misrepresentation” and “misrepresented this information with a specific intent to deceive the PTO.” *See Exergen Corp.*, 575 F.3d at 1328-29. The Court DENIES Defendant’s motion to dismiss based on its argument that the complaint does not comply with Rule 9(b).

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

Section 38 of the Lanham Act provides that “[a]ny person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for *any damages sustained in consequence* thereof.” 15 U.S.C. § 1120 (emphasis added). The Ninth Circuit has not addressed the issue of whether

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attorney's fees constitute damages under section 38 of the Lanham Act. *See e.g., Roxbury Entm't v. Penthouse Media Grp., Inc.*, No. 2:08cv3872-FMC0JWJx, 2009 U.S. Dist. LEXIS 72988, 2009 WL 2950324, at \*5 (C.D. Cal. Apr. 3, 2009) (the "Ninth Circuit has not directly spoken on this issue" of whether attorneys' fee and costs are recoverable under Section 38.").

In support, Plaintiff solely cites to two out-of-state district court cases which no longer have any precedential weight. In *Money Store v. Harriscorp Fin. Corp.*, No. 77 C 3175, 1981 U.S. Dist. LEXIS 17328, 1981 WL 48153, at \*1-2 (N.D. Ill. Mar. 25, 1981), the district court granted an award of attorneys' fees as damages under § 1120. However, on appeal, the award of damages under section 38 was reversed because there was no evidence that the defendants acted fraudulently in obtaining the mark's registration. 689 F.2d 666, 678-79 (7th Cir. 1982). The Seventh Circuit further noted it would express no opinion whether attorneys' fees constitute damages under section 38. *Id.* Plaintiff also cites to a 1965 New York district court case allowing damages under section 38 in the form of attorney's fees. *Merry Hull & Co. v. Hi-Line Co.*, 243 F. Supp. 45, 56 (S.D.N.Y. 1965). However, the Second Circuit has specifically rejected its holding noting it preceded the Supreme Court's holding in *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 87 S. Ct. 1404, 18 L. Ed. 2d 475 (1967). *Bluebell, Inc. v. Jaymar-Ruby, Inc.*, 497 F.2d 433, 438 (2d Cir. 1974).

In *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 87 S. Ct. 1404, 18 L. Ed. 2d 475 (1967), the Supreme Court held that attorney's fees were not available

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under section 35 of the Lanham Act absent express statutory authority especially in light of the meticulously detailed remedies provided for in the Lanham Act. *Id.* at 716-17, 719-20. In response to *Fleishmann*, in 1975, Congress amended section 35 of the Lanham Act and gave the Court discretion to award reasonable attorneys' fees to a prevailing party in "exceptional cases." 15 U.S.C. § 1117(a). See *Securacomm Consulting, Inc. v. Securacom Inc.*, 224 F.3d 273, 279 (3d Cir. 2000). *Fleischmann* and the 1975 amendment to the Lanham Act concerned section 35 of the Lanham Act, not section 38, the relevant provision in this case.

Other circuit courts have concluded that because section 38 was not amended by Congress, attorney's fees under section 38 are barred. *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 876-77 (8th Cir. 1994) (rejecting fees as a part of damages under section 38); *United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219, 1232 (10th Cir. 2000) (noting that § 1120 does not allow for an award of attorney's fees); *Exxon Corp. v. Exxene Corp.*, 696 F.2d 544, 551 (7th Cir. 1982) ("[T]he only damages proved by Exxene-its attorney's fees-were not recoverable as damages under [section 38]."); see also *Blue Bell, Inc. v. Jaymar-Ruby, Inc.*, 497 F.2d 433, 439 (2d Cir. 1974)<sup>7</sup> (decided prior to 1975 amendment to section 35

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

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and relying on *Fleischmann* to hold that attorney's fees are not recoverable under section 38).

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

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

Defendant moves to dismiss the Lanham Act unfair competition claim because the acts alleged against it do not fall under the text of 15 U.S.C. § 1125 as there are no allegations of "commercial advertising or promotion" or "affiliation, connection, or association . . . with another person" or "the origin, sponsorship, or approval of [CEFCU] goods, services, or commercial activity by

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another person.” Plaintiff responds that his unfair competition claim should be construed broadly in view of the general language of § 1125(a) together with its legislative history. Dkt. No. 42 at 29.

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

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

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

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

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

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

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

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

In *Jurin*, the plaintiff alleged that Google's use of the AdWords program and its keyword suggestion tool created a false association between the plaintiff's “Styrotrim” building materials and those of its competitors. *Jurin*, 768 F. Supp. 2d at 1071. Google argued that § 1125(a)(1) (A) is limited to the producer of the goods that has caused consumer confusion. *Id.* The court construed § 1125(a)(1) broadly and found that even though Google was a search engine and not a producer of materials, it was a “person”

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covered by the statute. *Id.* at 1072. Given that *Jurin* did not allege any false representations, it offers no support for Plaintiff's position.

In *Iowa Health Sys.*, the plaintiffs alleged the defendants made bad faith assertions of trademark rights with knowledge that they had no superior rights and made representations to the public<sup>8</sup> to create confusion about the scope of the parties' trademark rights with the purpose of damaging the opposing parties' business. *Iowa Health Sys.*, 177 F. Supp. 2d at 926, 929-32. At the outset, the court observed that asserting rights enforceable by statute is not actionable as unfair competition. *Id.* at 930 (citing *Informix Software, Inc. v. Oracle Corp.*, 927 F. Supp. 1283, 1287 (N.D. Cal. 1996)); cf. *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 990-93 (9th Cir. 1979) (patentees must be permitted to test the validity of their patents in court through actions against alleged infringers). However, the court found the allegations made were sufficient to state a claim of "unfair competition" under the Lanham Act "because they go beyond allegation merely of legitimate enforcement of trademark rights to conduct intended to

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8. In the case, the plaintiffs argued that the filing of a counterclaim asserting trademark rights greater than what was conveyed to the defendants constituted unfair competition under the Lanham Act as it was intended to create confusion about the proper scope of the parties' trademark rights. The court held that these alleged representations to the "public" to create confusion about the scope of the parties' 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.



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

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

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Lanham Act stated a claim based on allegations that a party falsely represented to a business's customers that the business was infringing on the party's patent rights.).

Given the “uses in commerce” requirement and the cases that *Iowa Health* relied on, there is little support for the idea that a filing of an action by itself will pass the “uses in commerce” requirement. In determining whether communication of the false statement in commerce is necessary, the Court finds guidance in cases addressing whether the filing of a patent infringement lawsuit constitutes unfair competition under the Lanham Act. The Federal Circuit has stated that “the initiation of an infringement suit is clearly not covered by the text of § 43(a), while a communication to the customers of the accused infringer, in certain circumstances, may be.” *Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1350 (Fed. Cir. 1999). The court explained that recognizing an unfair competition claim regarding marketplace statements of infringement “will further the statutory purposes of § 43(a) of ‘preventing deception and unfair competition’ in the marketplace.” *Id.* at 1354 (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773, 112 S. Ct. 2753, 120 L. Ed. 2d 615 (1992)); *see also RPost Holdings, Inc. v. Trustifi Corp.*, No. CV 10-1416 PSG (SHx), 2010 U.S. Dist. LEXIS 113106, 2010 WL 4025754, at \*2-3 (C.D. Cal. Oct. 12, 2010) (following *Zenith* and concluding that filing of a patent infringement lawsuit itself does not constitute unfair competition under the Lanham Act but a cause of action based upon marketplace statements about the lawsuit, if made in bad faith, may survive); *IMCS, Inc. v. D.P. Tech. Corp.*, 264 F. Supp. 2d 193, 197 (E.D. Pa.

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2003) (relying on *Zenith* and noting that, with respect to a related patent infringement suit, “a lawsuit that alleges unfair competition must be based on marketplace statements or misconduct and cannot be based merely on the filing of a lawsuit to enforce a presumptively valid patent”); *Buying For The Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310, 331 (D.N.J. 2006) (noting that Lanham Act prohibits false designations of origin or misleading descriptions of goods or services which are likely to cause confusion and does not contemplate unfair competition based on the filing of a lawsuit).

These cases demonstrate that the protections of the Lanham Act seek to guard against deceptive practices in commerce or the marketplace and prohibit conduct that will create a likelihood of confusion. *See New West Corp. v. N.Y.M. Co. of California*, 595 F.2d 1194, 1201 (9th Cir. 1979) (“Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical[-]is there a ‘likelihood of confusion?’”); *Rachel v. Banana Republic, Inc.*, 831 F.2d 1503, 1506 (9th Cir. 1987) (citation omitted) (“Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides a remedy for a broad range of deceptive practices in commerce.”); *L & L White Metal Casting Corp. v. Joseph*, 387 F. Supp. 1349, 1356 (E.D.N.Y. 1975) (“The purpose of § 1125(a) was to create a new federal cause of action for false representation of goods in commerce in order to protect persons engaged in commerce from, among other things, unfair competition, fraud and deception which had theretofore only been protected by the common law.”).

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Given the above analysis, the Court concludes that an unfair competition cause of action under the Lanham Act requires the false or misleading statement of fact to be made to the public or to consumers so as to be able to create a likelihood of confusion.

Here, the Complaint does not present an allegation that CEFCU communicated any alleged misrepresentation about its trademark rights in commerce, i.e. the marketplace. Plaintiff's broad interpretation of § 1125(a) is not legally supported, and the Court concludes that Plaintiff has not sufficiently alleged a Lanham Act unfair competition claim. Accordingly, the Court GRANTS Defendant's motion to dismiss the sixth cause of action for failure to state a claim. Because the Court grants Plaintiff leave to amend the fifth cause of action, the Court also GRANTS Plaintiff leave to amend the sixth cause of action as Plaintiff may be able to cure the deficiency and an amendment would not be futile. *See DeSoto*, 957 F.2d at 658; *Schreiber*, 806 F.2d at 1401.

**CONCLUSION**

Based the above, the Court DENIES Defendant's motion to dismiss for lack of subject matter jurisdiction the first, second, third and fourth causes of action, and GRANTS Defendant's motion to dismiss the fifth and sixth causes of action with leave to amend. Plaintiff shall file an amended complaint on or before ***October 16, 2018***.

IT IS SO ORDERED.

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Dated: October 2, 2018

/s/ Gonzalo P. Curiel  
Hon. Gonzalo P. Curiel  
United States District Judge