

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

eCASH TECHNOLOGIES, INC.,	)	CASE NO.:	CV 00-03292 ABC
	)	(RNBx)	
Plaintiff & Counterdefendant,)		
)		
v.	)	ORDER RE: PLAINTIFF'S	
	)	MOTION TO DISMISS PURSUANT TO	
MARK GUAGLIARDO dba ECASH.COM,	)	FED. R. CIV. P. 12(B)(6);	
NETCONCEPT INTERACTIVE,	)	MOTION TO STRIKE PURSUANT TO	
NETCONCEPT, & NETCONCEPT INC.,	)	CAL. CIV. PRO. CODE § 425.16;	
	)	ATTORNEYS' FEES PURSUANT TO	
Defendants & Counterclaimants.)	)	CAL. CIV. PRO. CODE § 425.16	
)		

This case involves a dispute over rights to a trademark, and/or an associated domain name. Plaintiff has filed a Motion to Dismiss and Motion to Strike Defendants' counterclaims for cancellation of Plaintiff's registered trademark, trade libel, slander of title, unfair/unlawful business practices, and unfair competition. Pursuant to the Motion to Strike, Plaintiff also seeks attorneys' fees as well as costs incurred in defending against the state law counterclaims. For the reasons that will be indicated below, the Court hereby GRANTS Plaintiff's Motion to Dismiss Defendants' federal claim for trademark cancellation. The Court DISMISSES Defendants' state law claims. In addition, the

1 Court finds that Plaintiff is a "prevailing party."

2 **I. PROCEDURAL HISTORY**

3 Plaintiff and Counter-Defendant eCASH TECHNOLOGIES
4 ("Plaintiff") filed the initial Complaint in this matter on March
5 29, 2000, naming as Defendants MARK GUAGLIARDO dba ECASH.COM,
6 NETCONCEPT INTERACTIVE, NETCONCEPT, and NETCONCEPT INC.
7 (collectively, "Defendants"). The Complaint alleged federal claims
8 of cyberpiracy (15 U.S.C. § 1125(d)), trademark infringement (15
9 U.S.C. § 1114), false designation of origin (15 U.S.C. § 1125(a)),
10 and trademark dilution (15 U.S.C. § 1125(c)), and state law claims
11 of trade name infringement (Cal. Bus. & Prof. Code § 14415), common
12 law trademark infringement, dilution (Cal. Bus. & Prof. Code §
13 14330), and unfair competition (Cal. Bus. & Prof. Code § 17200 et
14 seq.). These claims are premised on Defendants' registration of
15 the "ecash.com" domain name, in alleged violation of intellectual
16 property rights owned by Plaintiff. See Complaint ¶¶ 10-60.

17 After answering the Complaint on May 8, 2000, Defendants filed
18 an Amended Answer and a Counterclaim on May 30, 2000. The
19 Counterclaim sought cancellation of Plaintiff's registration of the
20 "eCash" mark on the basis of fraudulent registration, and/or a
21 declaratory judgment of non-infringement by Defendants as well as
22 invalidity/unenforceability of Plaintiff's mark. See Counterclaim
23 ¶¶ 1-19. The Counterclaim also alleged unfair and/or unlawful
24 business practices by Plaintiff under state law (Cal. Bus. & Prof.
25 Code § 17200). See id. ¶¶ 20-25.

26 On June 22, 2000, Plaintiff filed a Motion to Dismiss
27 Defendants' cancellation counterclaim pursuant to Federal Rule of
28 Civil Procedure 12(b)(6), and a Motion to Strike the state law

1 counterclaims pursuant to California Code of Civil Procedure §
2 425.16. See Motion to Dismiss and Motion to Strike filed June 22,
3 2000 ("MTD 1"). Defendants filed an Opposition to the Motion on
4 July 3, 2000.

5 Before any hearing was conducted on Plaintiff's first Motion,
6 Defendants filed a First Amended Counterclaim on July 3, 2000. The
7 allegations therein mirror those in the first Counterclaim, in that
8 again Defendants seek cancellation of Plaintiff's registered
9 "eCash" mark, and a declaratory judgment of non-
10 infringement/invalidity. In addition to the original state law
11 claims of unfair/unlawful business practices, Defendants' First
12 Amended Counterclaim also alleges state law claims of trade libel,
13 slander of title, and unfair competition. See First Amended
14 Counterclaim ¶¶ 7-39.

15 On July 26, 2000, Plaintiff filed the instant Motion to
16 Dismiss the First Amended Counterclaim pursuant to Rule 12(b)(6)
17 and to Strike the amended state law counterclaims pursuant to
18 California Code of Civil Procedure § 425.16 (the "Motion," or "MTD
19 II"), noticed for a hearing on August 21, 2000. On August 7, 2000,
20 Defendants filed an Opposition, and Plaintiff filed a Reply on
21 August 14, 2000.

22 By order of the Court, the hearing on the Motion was continued
23 from August 21, 2000 to October 2, 2000. Apparently taking this as
24 a cue that additional briefing was appropriate, Defendants then
25 filed an "Amended Opposition" on September 18, 2000. Defendants
26 sought therein to voluntarily dismiss without prejudice claims in
27 the First Amended Counterclaim "based on statements made in eCash's
28

1 May 31 letter." Amended Opposition at 1.¹ Defendants also used
2 the chance to reargue the validity of the claim for trademark
3 cancellation. See id. at 2-4.
4

5 Finding the submission of an "Amended Opposition" improper, on
6 September 25, 2000 the Court issued a Minute Order giving Plaintiff
7 a chance to respond to the allegations therein.² The Court also
8 stated that it would not consider the arguments in the "Amended
9 Opposition" regarding the continuing viability of Defendants'
10 counterclaim for cancellation of Plaintiff's registered trademark.
11 On September 26, 2000, apparently before having received the Minute
12 Order,³ Plaintiff filed an "Objection to Filing of Amended
13 Opposition" ("Objection") arguing that Defendants should not be
14 permitted to simply dismiss their state law counterclaims without
15 prejudice. Plaintiff asserts that as the clearly "prevailing
16 party" it is entitled to an award of attorneys' fees under Section
17 425.16(c).⁴ See Objection at 3-4.

18 Finally, on October 4, 2000, Defendants filed a Request for
19

20 ¹ Though the Amended Opposition is not clear on this point,
21 the Court believes that Defendants intended by this statement to
22 dismiss the state law counterclaims for trade libel and slander of
23 title, but to leave standing the federal claim for cancellation of
24 trademark, as well as the state law claims for unfair/unlawful
25 business practices, and unfair competition. See Amended Opposition
26 at 1-2.

27 ² The hearing was also further continued to October 30, 2000.

28 ³ The Court will treat the "Objection" as having been filed in
response to the Court's Minute Order, and therefore consider it.

⁴ Plaintiff also replied to the re-argument of the claim for
trademark cancellation contained in the "Amended Opposition." The
Court will also disregard this additional argument.

1 Leave to file an Amended Opposition, accompanied by another copy of
2 the same Amended Opposition previously filed. The Court declines
3 to consider Defendants' additional argument on the continuing
4 viability of the federal counterclaim; the Court will consider only
5 Defendants' request to voluntarily dismiss the state counterclaims,
6 opposed by Plaintiff's Objection. On the counterclaim for
7 trademark cancellation, the Court confines its analysis to the
8 original Motion, Opposition, and Reply.⁵

9 **II. STANDARDS FOR MOTION TO DISMISS AND MOTION TO STRIKE**

10 **A. Standard for a Motion to Dismiss Pursuant to Rule 12(b)(6)**

11 A Rule 12(b)(6) motion tests the legal sufficiency of the
12 claims asserted in the complaint. See Fed. R. Civ. P. 12(b)(6).
13 Rule 12(b)(6) must be read in conjunction with Rule 8(a) which
14 requires a "short and plain statement of the claim showing that the
15 pleader is entitled to relief." 5A Charles A. Wright & Arthur R.
16 Miller, Federal Practice and Procedure § 1356 (1990). "The Rule 8
17 standard contains 'a powerful presumption against rejecting
18 pleadings for failure to state a claim.'" Gilligan v. Jamco Dev.
19 Corp., 108 F.3d 246, 249 (9th Cir. 1997). A Rule 12(b)(6)
20 dismissal is proper only where there is either a "lack of a
21 cognizable legal theory" or "the absence of sufficient facts
22 alleged under a cognizable legal theory." Balistreri v. Pacifica
23 Police Dept., 901 F.2d 969, 699 (9th Cir. 1988); accord Gilligan,
24 108 F.3d at 249 ("A complaint should not be dismissed
25 'unless it appears beyond doubt that the plaintiff can prove no set
26 of facts in support of his claim which would entitle him to

27
28 ⁵ Plaintiff filed a Request for Judicial Notice on July 26,
2000. The Court takes judicial notice of Exhibits A-D thereto.

1 relief”).

2 The Court must accept as true all material allegations in the
3 complaint, as well as reasonable inferences to be drawn from them.
4 See Pareto v. F.D.I.C., 139 F.3d 696, 699 (9th Cir. 1998).
5 Moreover, the complaint must be read in the light most favorable to
6 the plaintiff. See id. However, the Court need not accept as true
7 unreasonable inferences, unwarranted deductions of fact, or
8 conclusory legal allegations cast in the form of factual
9 allegations. See, e.g., Western Mining Council v. Watt, 643 F.2d
10 618, 624 (9th Cir. 1981). Moreover, in ruling on a 12(b)(6)
11 motion, a court generally cannot consider material outside of the
12 complaint (e.g., facts presented in briefs, affidavits, or
13 discovery materials). See Branch v. Tunnell, 14 F.3d 449, 453 (9th
14 Cir. 1994). A court may, however, consider exhibits submitted with
15 the complaint. See id. at 453-54. Also, a court may consider
16 documents which are not physically attached to the complaint but
17 “whose contents are alleged in [the] complaint and whose
18 authenticity no party questions.” Id. at 454. Further, it is
19 proper for the court to consider matters subject to judicial notice
20 pursuant to Federal Rule of Evidence 201. Mir, M.D. v. Little Co.
21 of Mary Hospital, 844 F.2d 646, 649 (9th Cir. 1988).

22
23 **B. Motion to Strike Pursuant to Cal. Civ. Pro. Code § 425.16**

24 Section 425.16, commonly referred to as the “Anti-SLAPP”⁶ law,
25 was enacted in 1993 “in response to the legislature’s concern about
26 civil actions aimed at private citizens to deter or punish them for

27
28 ⁶ SLAPP denotes “Strategic Lawsuit Against Public Participation.”

1 exercising their political or legal rights." United States ex rel.
2 Newsham v. Lockheed Missiles & Space Company, Inc., 190 F.3d 963,
3 970 (9th Cir. 1999)(citing Wilcox v. Superior Court, 27 Cal. App.
4 4th 809 (1994)). "The hallmark of a SLAPP suit is that it lacks
5 merit, and is brought with the goal[] of obtaining an economic
6 advantage over a citizen party by increasing the cost of litigation
7 to the point that the citizen party's case will be weakened or
8 abandoned . . ." Id.

9 To combat the perceived threat of lawsuits filed merely to
10 deter the exercise of political or legal rights, Section 425.16
11 sets up a "special motion to strike," that is akin to a Rule
12 12(b)(6) motion to dismiss. The Ninth Circuit has determined that
13 the procedure set up by Section 425.16 applies to state law claims
14 filed in federal court. See id. at 972-73 (applying § 425.16 to
15 state-law counterclaims).

16
17 "In order to prevail, a citizen party must make a prima facie
18 showing that the SLAPP suit arises from any act by the citizen
19 party 'in furtherance of the person's right of petition or free
20 speech under the United States or California Constitution in
21 connection with a public issue.'" Id. at 971. The court makes
22 this determination from the pleadings and supporting or opposing
23 affidavits. Once this prima facie showing is made, the burden then
24 shifts to the plaintiff to establish by a "reasonable probability"
25 that he or she will prevail on the claim and that the defendant's
26 "purported constitutional defenses are not applicable to the case
27 as a matter of law or by a prima facie showing of facts which, if
28 accepted by the trier of fact, would negate such defenses." See

1 id. (quoting Wilcox, 27 Cal. App. 4th at 824-25). The prevailing
2 party on a special motion to strike is entitled to his or her
3 attorneys' fees and costs. See id. (citing Section 425.16(c)).

4 III. FACTUAL ALLEGATIONS⁷

5 According to the First Amended Counterclaim ("FACC"),
6 Defendants registered the domain name "ecash.com" with Network
7 Solutions, Inc. in or about July, 1995. See FACC ¶ 9. Defendants
8 assert that their use of the domain name was in conjunction with a
9 proprietary technology for processing commercial transactions on
10 the Internet. See id. It is further asserted that since
11 Defendants' registration of the domain name, at least thirty other
12 companies have registered some variant of the name. Plaintiff is
13 purported to have been the thirty-first. See FACC ¶ 10. According
14 to Defendants, they were contacted by Plaintiff (then known as
15 Digicash) in or about 1996 regarding the domain name. "At that
16 time, Guagliardo refused to release the Ecash name for use by
17 plaintiff eCash." FACC ¶ 11. Apparently, Plaintiff (now known by

18
19 ⁷ As required for a Rule 12(b)(6) motion, the Court accepts as
20 true all material allegations in the First Amended Counterclaim, as
21 well as reasonable inferences to be drawn from them. See Pareto v.
22 F.D.I.C., 139 F.3d 696, 699 (9th Cir. 1998). Since the Ninth
23 Circuit has said that a motion to strike pursuant to Cal. Civ. Pro.
24 Code § 425.16 is "akin to a motion to dismiss," this standard will
25 also be applied to the motion to strike. The Court may disregard
26 allegations in the First Amended Counterclaim if they are
27 contradicted by facts established by reference to documents
28 attached as exhibits to the Counterclaim, or upon which it
necessarily relies; further, the Court need not accept as true
allegations that contradict facts which may be judicially noticed
by the Court. See, e.g., Durning v. First Boston Corp., 815 F.2d
1265, 1267 (9th Cir. 1987); Branch v. Tunnell, 14 F.3d 449, 454
(9th Cir. 1994); Mullis v. United States Bankruptcy Court, 828 F.2d
1385, 1388 (9th Cir. 1987). Neither of these actions necessarily
converts the Rule 12(b)(6) motion into a motion for summary
judgment. See, e.g., Branch v. Tunnell, 14 F.3d at 454.

1 the name eCash) then registered its own domain name. See FACCC ¶
2 12. Plaintiff's company name change and registration were done
3 "without Guagliardo's permission or consent." FACCC ¶ 12.

4 Defendants acknowledge that Plaintiff "claims" to have
5 submitted an application for registration of the "E-Cash" mark in
6 1994. See FACCC ¶ 13. However, Defendants argue that because
7 registration of the mark was not issued until August, 1999,
8 Defendants' "use of the name 'Ecash' in commerce predated the
9 issuance of the registration of the 'eCash' name as a trademark by
10 plaintiff . . . plaintiff was aware of Guagliardo's use of the
11 'ecash.com' domain name prior to the issuance of the registration
12 of the 'eCash' trademark in or about August of 1999, which was
13 approximately three years after Guagliardo refused to license or
14 sell the Ecash name to plaintiff eCash, and over five years after
15 Guagliardo had registered the Ecash domain name." FACCC ¶ 13.

16 From this interpretation of the timing Defendants conclude
17 that Plaintiff "therefore fraudulently registered the 'eCash' name
18 as a federal trademark . . . and the trademark registration for
19 'eCash' was issued to plaintiff eCash based on fraudulent
20 information provided by eCash . . . in that plaintiff eCash was
21 aware of Guagliardo's use and registration of the 'ecash.com'
22 domain name prior to plaintiff eCash's registration of the 'eCash'
23 trademark in August of 1999, and yet plaintiff eCash withheld such
24 information from the [Patent & Trademark Office ("PTO")], failing
25 to fulfill its duty to inform the PTO of the clearly established
26 conflicting right of Guagliardo to use the 'eCash' name. Plaintiff
27 eCash's registration of the purported 'eCash' trademark was thus
28 obtained by fraud on the PTO, and it is not a valid or enforceable

1 trademark registration." FACC ¶ 14. On this basis, Defendants
2 argue they are entitled to a declaratory judgment that the "eCash"
3 mark registered by Plaintiff is not valid or enforceable, that
4 Guagliardo's use of the "ecash.com" domain name is non-infringing,
5 and an order canceling Plaintiff's purported registration. See
6 FACC ¶ 19.

7
8 Defendants' version of events, however, to some degree
9 misstates the facts that are obvious to the Court from the
10 documents attached to or referenced in the Counterclaim, or of
11 which the Court has taken judicial notice in connection with the
12 present Motion. Defendants' focus on the issue date of the "E-
13 Cash" mark to Plaintiff overlooks the history of the registration
14 application clearly indicated by the Certificate of Registration
15 and accompanying documentation attached to Plaintiff's initial
16 Complaint, and which is relied on in Defendants' First Amended
17 Counterclaim. That documentation reveals several additional facts.
18 On November 18, 1994, an apparent predecessor in interest to
19 Plaintiff (David Chaum) submitted the first application for
20 registration of the "E-Cash" mark to the Patent and Trademark
21 Office. See Certificate of Registration of the "E-Cash" Mark (Reg.
22 No. 2,271,287) Registered August 24, 1999 and Supporting Notice of
23 Recordation (including filing history), Exhibit A to Complaint
24 filed March 29, 2000 ("E-Cash Registration"); see also FACC ¶ 1
25 (referring to Exhibit A of Complaint); Exhibits B and C to Request
26 for Judicial Notice filed July 26, 2000 ("Filing History"). The
27 filing history of the registration eventually issued August 24,
28 1999 makes clear that notwithstanding the original applicant,

1 rights to the mark when issued had been assigned first (on October
2 31, 1997) from David Chaum to Digicash Acquisition Corp.
3 ("Digicash"), and then (on July 13, 1999) from Digicash to the
4 current Plaintiff, eCash. See Filing History.

5 Therefore, to the extent that it may make a difference to the
6 claim of fraudulent registration, it seems clearly established that
7 at least the initial application for registration was filed six
8 months prior to Defendants' registration of the domain name. This
9 difference will be discussed further below. See infra Part IV.

10 Defendants allege that through these "fraudulent" actions, and
11 also by "intentionally and maliciously making and causing to enter
12 into interstate commerce false and misleading statements of fact
13 about Guagliardo and his commercial activities (including but not
14 limited to false statements that Guagliardo's use of the
15 'ecash.com' domain name is supposedly illegal and/or supposedly
16 infringes plaintiff eCash's purported intellectual property
17 rights)," Plaintiff engaged in trade libel, slander of title,
18 unfair/unlawful business practices, and unfair competition. FACC
19 ¶¶ 22-38. These "false and misleading statements" were in a letter
20 sent from Plaintiff to "'Afternic.com,' a company maintaining an
21 auction website on which domain names are listed for auction,"
22 which made "false statements denigrating Guagliardo's title to the
23 'ecash.com' domain name." FACC ¶¶ 23, 29.

24 The letter in question was attached as Exhibit A to an
25 Objection filed by Defendants on July 5, 2000 ("7.4.1 Objection").⁸

27 ⁸ Defendants objected to Plaintiff's initial Motion to Dismiss
28 and Motion to Strike filed June 22, 2000 on the basis of failure to
(continued...)

1 Defendants indicated therein that it had been their intent to
2 include the letter as an attachment to their Opposition to
3 Plaintiff's first Motion to Dismiss. See 7.4.1 Objection at 2. In
4 the referenced Opposition, meanwhile, Defendants stated that "[t]he
5 specific statement on which these claims are based appears as an
6 attachment to the [first] amended counterclaim." Opposition filed
7 July 3, 2000 at 4. Therefore, even though apparently the letter
8 was not actually attached to the First Amended Counterclaim, the
9 Court will treat it as if it had been, and consider it for this
10 Motion. It was in any case clearly relied upon. See FACC ¶ 23;
11 Branch v. Tunnell, 14 F.3d 449, 454 (9th Cir. 1994).

12 The letter at issue is dated May 31, 2000, and is signed by
13 Roger R. Myers of Steinhart & Falconer, Plaintiff's counsel. The
14 letter is addressed to the legal department of Afternic.com in New
15 York. In the letter, Plaintiff's counsel states that the letter is
16 meant "to notify Afternic.com that one of the domain names listed
17 for auction on your company's website is the subject of a pending
18 lawsuit filed by our client." Exhibit A to 7.4.1 Objection. The
19 letter further states that "[a]s the [enclosed] complaint explains,
20 our client owns a registered trademark for ECASH and defendant's
21 use of the domain name 'ecash.com' violates our client's rights in
22 that mark under federal cyberpiracy and trademark statutes, among
23 other laws. This is the same domain name that [Defendants are]

24

25

26

27

28 ⁸(...continued)
strictly comply with Local Rule 7.4.1 (meet and confer rule).

1 offering for sale on your company's website for a minimum bid of
2 \$2.5 million." Id.⁹

4 IV. DISCUSSION

5 Defendants' First Amended Counterclaim argues that Plaintiff's
6 registration of the "eCash" mark was "fraudulent," and that
7 therefore the mark should be found invalid and unenforceable, and
8 that the registration should be canceled. Defendants further argue
9 that the combination of the "fraudulent" registration and the May
10 31, 2000 letter constitutes trade libel, slander of title,
11 unfair/unlawful business practices, and unfair competition.
12 Defendants seek an order canceling Plaintiff's registration, a
13 declaratory judgment, damages including punitive damages, fees and
14 costs, and restitution.

15 Plaintiff's Motion argues that Defendants' first counterclaim,
16 that the registration of the trademark was "fraudulent," cannot
17 state a claim and should therefore be dismissed with prejudice
18 under Rule 12(b)(6). Plaintiff argues that it was under no duty to
19 report to the PTO Defendants' registration of the "ecash.com"
20 domain name, because "[a]n applicant for trademark registration has
21 no duty to disclose to the PTO another party's use of the mark in
22 the application or during the period before registration [during
23 the pendency of an application] unless the applicant believes the

25 ⁹ Though the Court relies on this letter to assess the
26 language used by Plaintiff's counsel, the Court does not rely on it
27 for the truth of the matters asserted (e.g., that Defendants were
28 offering the "ecash.com" domain name for sale for \$2.5 million).
This allegation is among the bases for the instant suit filed by
Plaintiff.

1 other party possesses 'clearly established' superior rights in the
2 mark." Motion at 5. Plaintiff argues that Defendants' rights to
3 the "ecash" mark were not "clearly established," both because the
4 initial application for registration was filed six months before
5 Defendants registered their domain name, and because in any case
6 the mere registration of a domain name does not create "clearly
7 established" rights to a mark. See id. at 3-5.

8 Plaintiff also argues that Defendants' state law counterclaims
9 should be dismissed with prejudice because the letter on which they
10 are (primarily) based is absolutely privileged under state law
11 (Cal. Civ. Code § 47(b)). See id. at 6-8. Further, Plaintiff
12 argues for dismissal of Defendants' trade libel and/or slander of
13 title claims because Defendants have not and cannot plead the
14 special damages that are required to sufficiently state such
15 claims. See id. at 8-9.

16 Finally, Plaintiff argues Defendants' state law claims should
17 be stricken pursuant to state law (Cal. Civ. Pro. Code § 425.16)
18 because the counterclaims were filed in derogation of Plaintiff's
19 rights under the First Amendment (a so-called "SLAPP suit").
20 Plaintiff argues that the state law counterclaims should be
21 stricken, and that Plaintiff is entitled to recover attorneys' fees
22 and costs. See id. at 9-10.

23 In response, Defendants argue that registration of the domain
24 name "ecash.com" did create "clearly established" rights to the
25 mark, such that Plaintiff's failure to apprise the PTO of this fact
26 renders the subsequent registration "fraudulent." Alternatively,
27 Defendants argue that whether Defendants' rights were "clearly
28 established" is in any case a question of fact that cannot be

1 determined on a motion to dismiss pursuant to Rule 12(b)(6). See
2 Opposition at 1-3.

3 Defendants initially also argued that the state law
4 counterclaims as amended adequately pled the content of the "false
5 and misleading" statements forming their basis, "thereby fulfilling
6 any applicable pleading requirement for claims implicating First
7 Amendment rights." Defendants claimed that the privilege under
8 Section 47(b) did not extend to the statements in the May 31, 2000
9 letter, nor would these counterclaims be subject to Section 425.16.
10 Finally, Defendants' initial Opposition argued that the
11 counterclaims adequately pled the special damages required for
12 trade libel and slander of title, and if they did not Defendants
13 should be allowed to amend. See id. at 3-4.

14 In the "Amended Opposition," Defendants then stated their
15 desire to "voluntarily dismiss without prejudice Guagliardo's
16 claims based on statements made in eCash's May 31 letter." Amended
17 Opposition at 1. The alleged reason for this sudden change of
18 heart was the fact that "[i]n its reply brief, eCash cited for the
19 first time the case of *Letica Corp. v. Sweetheart Cup Co.*, 790 F.
20 Supp. 702 (E.D. Mich. 1992), in support of its argument that its
21 May 31 letter's statements are subject to the litigation
22 privilege." Id. Defendants claim this case was neither cited in
23 the Motion, nor brought to their attention at the Rule 7.4.1.
24 meeting. Defendants apparently found this case quite convincing,
25 as they now seek to dismiss these state law claims.

26 Defendants claim that such a voluntary dismissal of these
27 claims without prejudice would moot Plaintiff's motion to strike
28 pursuant to Section 425.16, and the request for fees and costs

1 based thereon. See id.¹⁰ Defendants assert that they are not
2 voluntarily dismissing their claim for cancellation of the
3 trademark, nor their claims for unfair business practices or unfair
4 competition. See id. at 1-2. The rest of Defendants' "Amended
5 Opposition" is disregarded by the Court.

6 In the Objection to the "Amended Opposition," Plaintiff argues
7 that Defendants should not be allowed to voluntarily dismiss the
8 state law claims premised on the May 31, 2000 letter without
9 prejudice, both because this would leave Defendants free to raise
10 these claims at a later time, and because under the motion to
11 strike provided for by Section 425.16, Plaintiff is entitled to
12 recover fees and costs. See Objection at 2. Plaintiff argues that
13 whether the motion to strike is granted or Defendants are allowed
14 to voluntarily dismiss the claims, Plaintiff is in any case the
15 "prevailing party." See id. at 3-4.

16
17 **A. Plaintiff's Motion to Dismiss the Federal Counterclaim**

18 Fraud in procurement of a trademark registration may be raised
19 as a ground for cancellation in civil litigation, in which case it
20 may function as a "defense" to a claim of trademark infringement.¹¹

21
22 ¹⁰ To the extent that it matters, it is worth noting that
23 despite Defendants' claim to the contrary, the Letica Corp. case
24 was clearly and prominently cited in Plaintiff's initial Motion.
25 See Motion at 7. Defendants cannot therefore claim that it first
26 appeared on Reply.

27 ¹¹ Though as McCarthy points out, "It is difficult to
28 understand why defendants in many trademark infringement suits
expend so much time, effort and money in . . . pursuing the claim
that plaintiff's federal registration was obtained by fraud. It
has been held several times that even if defendant succeeds in

(continued...)

1 In general, "affirmative" fraud requires that all the
2 following elements be alleged and proven: (1) a false
3 representation regarding a material fact; (2) knowledge or belief
4 that the representation is false ("scienter"); (3) an intention to
5 induce the listener to act or refrain from acting in reliance on
6 the misrepresentation; (4) reliance on the misrepresentation
7 ("reasonable reliance"); and (5) damage proximately resulting from
8 such reliance. See J. Thomas McCarthy, McCarthy on Trademarks and
9 Unfair Competition § 31:61 at 31-112 (2000) [hereinafter McCarthy];
10 Robi v. Five Platters, Inc., 918 F.2d 1439, 1444 (9th Cir. 1990).
11 Because a charge of fraud in the procurement of a trademark
12 registration is a disfavored defense,¹² the party alleging fraud
13 bears a "heavy" burden of proof. See Robi, 918 F.2d at 1444.¹³

14 "A statement in an application or representation to the PTO
15 may be 'false,' without being 'fraudulent.' Statements of honest,
16 but perhaps incorrect belief or innocently made inaccurate
17 statements of fact do not constitute 'fraud.' Fraud arises only
18 when the party making a false statement of fact knows that the fact
19 is false. . . ." McCarthy § 31:66 at 31-117 and 31-118.

20 Furthermore, the allegedly fraudulent misrepresentation must be
21 "material," in the sense that without it the registration would not

22
23 ¹¹(...continued)
24 proving that the plaintiff's registration was fraudulently
25 obtained, plaintiff's common law rights in the mark continue
unabated . . ." 5 J. Thomas McCarthy, McCarthy on Trademarks and
Unfair Competition § 31:60 at 31-109 (2000).

26 ¹² See McCarthy § 31:68 at 31-119.

27 ¹³ See McCarthy § 31:68 at 31-120 (" . . . [F]raud in trademark
28 registration procurement, though often alleged, is seldom
proven.").

1 have issued. See McCarthy § 31:67 at 31-118 (otherwise
2 registration would have been denied).

3
4 With these restrictions on the use of fraud allegations to
5 cancel a trademark registration, it is perhaps not surprising that
6 "charges of fraud and non-disclosure [that rely on an applicant's
7 alleged duty to disclose uses of the same mark by others] have
8 uniformly been rejected." McCarthy § 31:76 at 31-129 ("litigants
9 continue to pursue [these claims] vigorously, perhaps because of an
10 erroneous view that patent law disclosure standards apply in the
11 trademark context."). In general, an applicant is only required to
12 have a "good faith" belief that it is the senior user. See
13 McCarthy § 31:77 at 31-132 (with a good faith belief, "the oath
14 cannot be fraudulent"). "In the absence of a court holding or a
15 concurrent use proceeding, the senior user is entitled to an
16 unrestricted federal registration notwithstanding the existence of
17 junior users who might have common law rights of use in certain
18 parts of the United States." McCarthy § 31:77 at 31-132.

19 Thus, in what is often considered to be the leading case on
20 the issue, the Seventh Circuit held that a registration applicant
21 has no duty to investigate and report to the PTO all other possible
22 users of the same or a similar mark. See Money Store v. Harriscorp
23 Finance, Inc., 689 F.2d 666, 670 (7th Cir. 1982). Similarly, the
24 Federal Circuit has indicated that ordinarily a senior user need
25 not identify junior users in the oath underlying an application for
26 registration. Only in the rare circumstance that another user of
27 the same mark's rights are "clearly established" must this use be
28 disclosed. See Rosso & Mastracco, Inc. v. Giant Food, Inc., 720

1 F.2d 1263, 1266 (Fed. Cir. 1983). In Rosso, the Federal Circuit
2 indicated that rights may be "clearly established" by "a court
3 decree, by . . . a settlement agreement, or by a [trademark]
4 registration." Id. In most cases, the registration applicant has
5 no obligation to report other users.

6 In Robi, the Ninth Circuit affirmed this general rule, and
7 found that a mark should be canceled because "clearly established"
8 rights to the mark had been demonstrated prior to the application.
9 See Robi, 918 F.2d at 1444 ("Given the adverse 1974 Decision, which
10 denied FPI's claim that it was the only entity entitled to use the
11 name "The Platters" and contained numerous findings adverse to
12 FPI's ownership interest, the affidavit was, as the district court
13 properly concluded, clearly false.")(citing Rocco & Mastracco, 720
14 F.2d at 1266). Thus, in the absence of "clearly established"
15 rights in another user, the applicant for federal trademark
16 registration has no obligation to investigate and report to the PTO
17 other users of the same mark.

18 Given these standards for fraud in obtainment of a
19 registration, it seems clear that Defendants have not pled and
20 cannot sufficiently plead the facts required to merit cancellation.
21 First, the only basis for their own rights to the "eCash" mark
22 alleged in Defendants' Counterclaim is their registration of the
23 "ecash.com" domain name. The Ninth Circuit has clearly said that
24 mere registration of a domain name does not alone convey any rights
25 to a trademark in the same name as the domain name. See Brookfield
26 Communications, Inc. v. West Coast Entertainment Corporation, 174
27 F.3d 1036, 1052 (9th Cir. 1999).

28

1 Thus, Defendants' allegations do not at present even support
2 the accrual of any trademark rights that conflict with those
3 asserted in Plaintiff's application, let alone "clearly
4 established" rights that Plaintiff would be required to disclose.
5 Defendants have failed to even plead any other "use in commerce" of
6 the mark that is sufficient to accrue any trademark rights in the
7 "eCash" mark. A bare allegation of domain name registration cannot
8 support an assertion of trademark rights. See Brookfield, 174 F.3d
9 at 1052.

10
11 Second, Defendants argue that if dismissal is warranted on the
12 basis of failure to show "clearly established" rights in the First
13 Amended Counterclaim, they should be afforded leave to amend so
14 that they may include additional allegations of their use of the
15 "eCash" mark that would indicate that they have acquired trademark
16 rights. See Amended Opposition at 2.¹⁴ However, Defendants fail to
17 comprehend the "clearly established" limitation on fraudulent
18 registration. It is not enough that Defendants simply be able to
19 show some common law rights to use the mark; they must be able to
20 show that their rights were so "clearly established" that
21 Plaintiff's failure to disclose Defendants' rights to the PTO would
22 have to constitute fraud.

23 The "clearly established" requirement is really the converse
24 of the "good faith" basis for an applicant's oath. For so long as

25
26 ¹⁴ This is the portion of the argument in the Amended
27 Opposition that the Court has said it would not consider. However,
28 because it makes no difference to the Court's ultimate finding, the
Court, in the interest of judicial economy, considers and rejects
this argument.

1 no other user's rights have been "clearly established" (by court
2 decree, settlement, or a competing registration), the applicant can
3 adduce a "good faith" belief that he or she is the senior user. It
4 is only when another's rights, not just use, are "clearly
5 established," that "good faith" is eliminated. The other user's
6 rights must be at least equivalent to, if not superior to, the
7 applicant's own rights to the mark. See Armstrong Cork Co. v.
8 Armstrong Plastic Covers Co., 434 F. Supp. 860, 872 (E.D. Mo. 1977)
9 (requiring a "superior right").¹⁵

10 Thus, even if Defendants could amend their Counterclaim to add
11 allegations of additional "use in commerce" of the "eCash" mark,
12 and could thereby sufficiently plead their own rights to the mark,
13 this would not be sufficient to show "clearly established" rights.
14 There is simply no basis for Defendants to claim that their rights,
15 if any, to the "eCash" mark were so "clearly established" that the
16 failure by Plaintiff to divulge their use to the PTO constituted
17 fraud.¹⁶

18
19 ¹⁵ See, e.g., McCarthy § 31:77 at 31-134 and 31-135 (quoting
20 the Trademark Board (T.T.A.B.) as holding that "[t]his oath or
21 declaration obviously does not require that another party's use of
22 the same mark be disclosed to the Patent Office if the affiant is
23 of the belief that such other party has no right to use said mark
in commerce" and also as holding that it "does not require the
applicant to disclose those persons whom he may have heard or
noticed are using the same mark if he believes that the rights of
such others are not superior to his.").

24 ¹⁶ A third basis for dismissal also suggests itself, though it
25 is not argued by Plaintiff: Plaintiff's predecessor in interest
26 actually filed the initial application six months before Defendants
27 registered their domain name, so that at least the initial
28 application could not have been fraudulent. However, because this
might not have changed Plaintiff's continuing "duty" to disclose
"clearly established" rights that arose during the pendency of the

(continued...)

1 Therefore, the Court finds that Defendants have failed to
2 allege sufficient facts to support a finding of fraudulent
3 registration that would warrant cancellation of Plaintiff's mark.
4 In addition, there appears to be no basis on which Defendants could
5 sufficiently allege "clearly established" rights in themselves
6 which rendered Plaintiff's registration fraudulent.¹⁷ Accordingly,
7 the Court hereby GRANTS the Rule 12(b)(6) Motion to Dismiss
8 Defendants' federal counterclaim for cancellation of Plaintiff's
9 trademark, with prejudice.

10
11 **B. Plaintiff's Motion to Dismiss the State Law Counterclaims**

12 Plaintiff also moves under Rule 12(b)(6) to dismiss
13 Defendants' state law counterclaims, with prejudice, arguing (1)
14 that any claims based on the May 31, 2000 letter are barred as a
15 matter of law by the privilege under Section 47(b) of the
16 California Civil Code for any communication related to pending
17 litigation, and (2) that in any case Defendants have not pled and
18 cannot plead special damages, required to support claims of trade
19 libel or slander of title. See Motion at 6-8.

20 Defendants apparently agree with at least some of Plaintiff's
21 arguments, as they belatedly seek to voluntarily dismiss all state
22

23
24 ¹⁶(...continued)
25 application, and because facts about why there was such a long
26 expanse of time between the original application and the eventual
issuance (five years) were not provided to the Court, the Court
will not rely on this basis for dismissal.

27 ¹⁷ It is also not at all clear that Defendants have complied
28 with the heightened pleading standard under Federal Rule of Civil
Procedure 9(b) for any allegation of fraud or mistake.

1 claims arising out of the letter.¹⁸ Defendants seek dismissal
2 without prejudice. Under Ninth Circuit authority, the Court must
3 accept the Defendants' "notice" of voluntary dismissal, as it was
4 submitted prior to any answer or motion for summary judgment on the
5 counterclaims by Plaintiff. See, e.g., Concha v. London, 62 F.3d
6 1493, 1506 (9th Cir. 1995)(voluntary dismissal of one of several
7 defendants, or claims, is permitted); Fed. R. Civ. Pro. 41(a)(1).
8 Therefore, the dismissal of any and all claims arising out of the
9 May 31, 2000 letter will be without prejudice. However, because
10 Defendants' notice was submitted so late, and because the parties
11 have fully briefed the viability of Defendants' state-law claims,
12 the Court will discuss whether any of Defendants' claims could
13 survive on their merits. This also becomes necessary because
14 Defendants argue that some claims survive.

15
16 **1. The Scope and Application of the Section 47(b) Privilege**

17 It seems clear as a matter of settled California law that the
18 letter at issue in this case would be subject to the privilege
19 under Section 47(b) for communications "with 'some relation' to
20 judicial proceedings." Rubin v. Green, 4 Cal. 4th 1187, 1193
21 (1993). This privilege has been given an "expansive reach" by
22 California courts, as recognized by the California Supreme Court.
23 See Rubin, 4 Cal. 4th at 1194. This privilege affords absolute

24
25 ¹⁸ The state law claims most clearly premised on the May 31,
26 2000 letter are the claims for trade libel and slander of title.
27 However, all of Defendants' other state law counterclaims are also
28 premised, at least in part, on the contents of the letter. See
FACC ¶¶ 22-38 (the bases for unlawful/unfair business practices and
unfair competition claims are "fraud" of the registration and the
May 31, 2000 letter).

1 immunity against tort liability arising out of such a
2 communication, regardless of attempts by the "plaintiff" to "plead
3 around" this "absolute barrier." See id. at 1201-02. Thus, the
4 immunity applies regardless of the particular label given to the
5 cause of action (e.g., unfair competition).

6 Section 47(b) protects participants in judicial proceedings
7 from derivative tort actions based on communications in or
8 regarding the judicial proceeding. See Dove Audio, Inc. v.
9 Rosenfeld, 47 Cal. App. 4th 777, 781-83 (1996) (holding that letter
10 to possible co-claimants seeking support for filing of suit was
11 covered by the privilege). A "communication[] preparatory to or in
12 anticipation of the bringing of an action or other official
13 proceeding [is] within the protection of the litigation privilege
14 of Civil Code section 47, subdivision (b)." Id. at 784; see also
15 Rubin, 4 Cal. 4th at 1194 ("numerous decisions have applied the
16 privilege to prelitigation communications"). Thus, a communication
17 merely informing a third party of the pendency of this litigation
18 must clearly fall within the privilege.

19 Even if it did not, there is nothing "false or misleading"
20 about the contents of the letter. The letter merely states what is
21 clearly true, that litigation regarding Plaintiff's and Defendants'
22 rights to the "eCash" mark was at the time ongoing in federal
23 court.

24 Though Defendants argue that it was the citation of Letica
25 Corp. v. Sweetheart Cup Co., 790 F. Supp. 702, 707 (E.D. Mich.
26 1992) that led them to see the wisdom of dismissing their claims,
27 this case is not the dispositive case that Defendants would make it
28

1 seem.¹⁹ While the court in Letica does authoritatively state that a
2 trademark owner is "entitled to advise others of his trademark
3 rights . . . [and] to inform others that he is seeking to enforce
4 his rights through legal proceedings,"²⁰ that principle is obvious
5 under both federal and state law and does not depend on the non-
6 binding holding in Letica. Part and parcel of the rights of a
7 trademark owner are the rights of that individual to defend those
8 rights. Surely Defendants cannot claim that it was only upon
9 reading Letica that they had this epiphany.

10 For all the foregoing reasons, the Court therefore finds that
11 the May 31, 2000 letter from Plaintiff's counsel to Afternic.com
12 falls within the absolute privilege afforded to communications
13 regarding judicial proceedings under Section 47(b). As a result,
14 dismissal is proper for any claims premised on the contents of this
15 letter.

16 **2. Special Pleading Requirements for Trade Libel and Slander**

17 Defendants' claims of trade libel and slander of title are
18 among those barred by the absolute privilege of Section 47(b).
19 Therefore, although the Court finds persuasive Plaintiff's argument
20 that these claims are also barred for failure to plead special
21 damages,²¹ the Court would not need to reach this argument on
22 dismissal.

24 ¹⁹ As has already been indicated, Letica was in any case cited
25 in Plaintiff's initial moving papers, belying Defendants' claim.

26 ²⁰ Letica, 790 F. Supp. at 707.

27 ²¹ See Isuzu Motors Limited v. Consumers Union of United
28 States, 12 F. Supp. 2d 1035, 1047 (C.D. Cal. 1998)(special pleading
required).

1 **3. The "Surviving" Unfair Competition Claim**

2 In apparently conceding the application of Section 47(b) to
3 the claims premised on the May 31, 2000 letter, Defendants argued
4 in the "Amended Opposition" that in addition to the federal claim
5 seeking cancellation of Plaintiff's registered trademark,
6 Defendants stated a claim for unfair business practices and unfair
7 competition. These claims, though primarily premised on the May
8 31, 2000 letter, which Defendants now concede cannot form the basis
9 for any claim, apparently are also premised on the "unfair" and
10 "unlawful" practice of fraud in the registration of the federal
11 trademark.²² However, for the same reasons that Defendants could
12 not state a cause of action for fraud, they are unable to state
13 derivative state law actions on this basis. Therefore, there is no
14 surviving basis to sustain any state claim.

15 **4. Dismissal of all State Law Counterclaims**

16 Pursuant to Rule 12(b)(6), Defendants would therefore be
17 unable to state claims under California law for trade libel,
18 slander of title, or any other torts premised on the May 31, 2000
19 letter. Nor is there any other basis on which Defendants can
20 assert these state law claims. All of those claims premised on the
21 letter, pursuant to the "notice" submitted by Defendants, are
22 DISMISSED, without prejudice. Any state law claims premised on any

23
24 ²² Aside from the conclusory allegation that Defendants
25 continue to have claims for unfair/unlawful business practices
26 and/or unfair competition, Defendants provide no explanation for
27 the basis for these claims. Nor do they cite any authority
28 supporting their continuing viability. The Court can only presume,
based on their presentation in the same sentence as the allegedly
viable federal cancellation claim, that they are premised on the
same "fraudulent" conduct. See Amended Opposition at 2. In any
case, Defendants fail to state a claim.

1 other factual basis, however, also cannot survive, and are
2 DISMISSED, with prejudice.

3
4 **C. Plaintiff's Motion to Strike Defendants' State Law**
5 **Counterclaims**

6 Plaintiff also argues that for the same reasons that they are
7 subject to dismissal under Rule 12(b)(6), Defendants' claims are
8 also subject to a Motion to Strike pursuant to California Code of
9 Civil Procedure § 425.16. That is, because any claims premised on
10 the May 31, 2000 letter are absolutely barred by immunity under
11 Section 47(b), Defendants cannot meet their burden to show a
12 likelihood of success on these claims. The Court proceeds on the
13 Motion to Strike the state law counterclaims despite Defendants'
14 voluntary dismissal, due to the possibility that if a Motion to
15 Strike would be appropriate under Section 425.16, Plaintiff is
16 entitled to fees and costs. See, e.g., Liu v. Moore, 69 Cal. App.
17 4th 745, 751 (1999) (court should consider the merits of a motion
18 to strike despite voluntary dismissal).

19 It is Plaintiff's initial burden to show that the
20 counterclaims in this case arose out of conduct "in furtherance of
21 . . . free speech under the Constitution . . . in connection with a
22 public issue." Cal. Civ. Pro. Code § 425.16(b); Newsham, 190 F.3d
23 at 971. The "conduct" at issue is the May 31, 2000 letter. This
24 letter clearly fits within the conduct that is subject to the
25 protections of the "Anti-SLAPP" law. The plain language of the
26 statute defines "in connection with a public issue" to include "any
27 written or oral statement or writing made in connection with an
28 issue under consideration or review by a . . . judicial body . .

1 ." Cal. Civ. Pro. Code § 425.16(e)(2). As the California Supreme
2 Court has definitively held, statements in relation to pending or
3 upcoming litigation (a "public issue") are covered by Section
4 425.16 without any separate requirement that they be shown to be
5 "an issue of public significance." See Briggs v. Eden Council for
6 Hope and Opportunity, 19 Cal. 4th 1106, 1123 (1999).

7 Plaintiff's burden to show this connection being met, it falls
8 to Defendants to establish a "probability that [they] will prevail
9 on the claim." Cal. Civ. Pro. Code § 425.16(b); Newsham, 190 F.3d
10 at 971. For the same reasons that Defendants' claims premised on
11 the letter failed above, however, Defendants are unable to do so.
12 The claims premised on the letter are barred by the absolute
13 immunity of Section 47(b) of the Civil Code. Therefore, Defendants
14 have asserted claims impairing Plaintiff's First Amendment freedoms
15 of speech and of petition, and have done so without probability of
16 success. The letter was clearly sent "in connection with" the
17 case,²³ and yet Defendants filed the instant counterclaims in
18 derogation of Plaintiff's rights.

19 For this reason, the Court finds merit in Plaintiff's Motion
20 to Strike the state law counterclaims premised on the letter.
21 These are the trade libel and slander of title claims, and all the
22 other state law counterclaims to the extent that they are premised
23 on the letter. However, the Court does not decide this Motion,
24 since it is mooted by the voluntary dismissal of these claims.

25
26 ²³ See, e.g., Lafayette Morehouse, Inc. v. Chronicle Publishing
27 Company, 37 Cal. App. 4th 855, 863 (1995) (holding that newspaper
28 articles reporting on official proceedings are "writing[s] made in
connection with an issue under consideration or review . . .")

1 Discussion of the merits of the Motion was a necessary precursor to
2 discussion of attorneys' fees and costs under Section 425.16, but
3 it would be improper to grant or deny the motion after Defendants'
4 voluntary dismissal of the relevant claims. See Kyle v. Carmon, 71
5 Cal. App. 4th 901, 908-18 (1999) (the court should not grant a
6 motion to strike after a voluntary dismissal, but should consider
7 the merits of the motion for the purpose of the award of attorneys'
8 fees and costs under Section 425.16(c)).

9
10 **D. Attorneys' Fees and Costs Under Section 425.16(c)**

11 The attorneys' fees provision of Section 425.16 also applies
12 in federal court, and declares that an award of attorneys' fees to
13 a moving party is mandatory if a special motion to strike is
14 granted. See Cal. Civ. Pro. Code § 425.16(c) ("a prevailing party
15 [ordinarily a defendant, but plaintiff in this case] on a special
16 motion to strike shall be entitled to recover his or her attorneys'
17 fees and costs") (emphasis added). Plaintiff is a "prevailing
18 party."

19 This conclusion is not diminished by Defendants' belated
20 attempt to voluntarily dismiss those claims premised on the letter.
21 It seems clear that Defendants took this action merely to try to
22 avoid an award of attorneys' fees and costs under Section 425.16.
23 However, the law in California is clear that even though these
24 claims were voluntarily dismissed, this does not absolve the
25 Defendants of liability for fees and costs incurred by Plaintiff in
26 striking these counterclaims. See, e.g., Kyle v. Carmon, 71 Cal.
27 App. 4th 901, 918-19 (1999)(affirming award of attorneys' fees
28 following voluntary dismissal); Liu v. Moore, 69 Cal. App. 4th 745,

1 755 (1999)(voluntary dismissal does not preclude award of
2 attorneys' fees); accord Coltrain v Showalter, 66 Cal. App. 4th 94,
3 107-108 (1998). In Coltrain, the court even found that when a
4 voluntary dismissal follows the filing of a motion to strike, there
5 is a "presumption" that the moving party is the "prevailing party."
6 See Coltrain, 66 Cal. App. 4th at 107-08 (finding entitlement to
7 fees).

8 Plaintiff has not yet filed a Motion for Attorneys' Fees
9 incurred in moving to strike the state law counterclaims.
10 Plaintiff may timely file such a motion pursuant to the authority
11 of Section 425.16(c).

12 V. CONCLUSION

13 For the foregoing reasons, the Court GRANTS Plaintiff's Motion
14 to Dismiss the federal law counterclaim for cancellation of
15 Plaintiff's federally registered trademark, with prejudice.²⁴

16
17
18 ²⁴ In the First Amended Counterclaim, Defendants also requested
19 a declaratory judgment of non-infringement. This prayer for relief
20 was apparently premised on Defendants' claim that Plaintiff's
21 trademark was registered fraudulently, and was therefore
22 invalid/unenforceable. Defendants seemed to assume that if the
23 registration were canceled, they could not be liable for
24 infringement. As has been stated, such an assumption neglects the
25 continuing common law trademark rights that Plaintiff may have
26 enjoyed even if its registration were canceled.

27 In any case, Defendants' prayer for a declaratory judgment of
28 non-infringement was not based on any factual or legal argument
that Defendants have not infringed the mark owned by Plaintiff.
There is no assertion that Defendants are entitled to such
declaratory relief on any basis independent of the claim for
fraudulent registration. It is apparent that Defendants' claim for
declaratory relief is wholly derivative of their claim for
cancellation. Therefore, the dismissal of the fraudulent
registration claim also disposes of the prayer for declaratory
relief. However, to be abundantly clear the Court also hereby
DISMISSES Defendants' claim for a declaratory judgment.

1 Defendants' state law counterclaims premised on the May 31, 2000
2 letter are DISMISSED, without prejudice. The Court GRANTS
3 Plaintiff's Motion to Dismiss the state law counterclaims, as to
4 all state law counterclaims premised on facts other than the May
5 31, 2000 letter, with prejudice. Finally, the Court declares
6 Plaintiff to be a "prevailing party" pursuant to California Code of
7 Civil Procedure § 425.16, thereby entitled to fees and costs
8 incurred in striking the non-meritorious counterclaims.

9
10 **DATED:** _____

11
12 _____
13 **AUDREY B. COLLINS**
14 **UNITED STATES DISTRICT JUDGE**
15
16
17
18
19
20
21
22
23
24
25
26
27
28