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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

GRUPO GIGANTE S.A. de C.V.;)	Case No. CV 99-07806 DDP (MANx)
et al.,)	
)	
Plaintiffs,)	ORDER GRANTING IN PART AND DENYING
)	IN PART PLAINTIFFS' MOTION FOR
v.)	PARTIAL SUMMARY JUDGMENT, AND ORDER
)	GRANTING IN PART AND DENYING IN
DALLO & CO., INC. aka DALLO)	PART DEFENDANTS' MOTION FOR SUMMARY
CO., INC. dba DALLO)	JUDGMENT
ENTERPRISES; et al.,)	[Motions filed on 8/24/00 and
)	8/25/00]
Defendants,)	
)	
<u>AND RELATED COUNTERCLAIMS.</u>)	
)	

This matter comes before the Court on the parties' cross-motions for summary judgment or partial summary judgment. After reviewing and considering the materials submitted by the parties and hearing oral argument, the Court adopts the following order.

BACKGROUND

This action stems from a trademark dispute between two parties who both use the name "Gigante" on their retail grocery stores. The plaintiffs began operating a chain of retail grocery stores in Mexico under the name Gigante in 1962. They opened

1 their first stores in Baja California in 1987, and by August
2 1991, they had six Gigante stores in Baja California, including
3 two in Tijuana. In August 1991, the defendants began operating
4 a retail grocery store named Gigante in San Diego, and they
5 opened a second Gigante store in San Diego in late 1996 or early
6 1997.

7 The two Gigante stores appeared to coexist peacefully on
8 opposite sides of the border for almost eight years. In June
9 1998, however, a representative of the plaintiffs met with a
10 representative of the defendants to discuss the fact that the
11 parties were using the same name on their grocery stores.
12 During the meeting, the plaintiffs' representative either
13 accused the defendants of selecting the name Gigante in
14 anticipation that the plaintiffs would someday buy them out, or
15 stated that the defendants' use of the name was unlawful.
16 Insulted by this accusation, the defendants' representative
17 terminated the meeting. The parties had no further contact for
18 about a year.

19 In May 1999, the plaintiffs opened their first Gigante store
20 in the United States, in Pico Rivera, California. Shortly
21 thereafter, on July 20, the defendants' counsel wrote a letter
22 to the plaintiffs, demanding that they stop using the Gigante
23 name on their California grocery stores. The plaintiffs
24 refused, and filed the present lawsuit on July 29, 1999. Since
25 filing this lawsuit, the plaintiffs have opened two more stores
26 in the Los Angeles area.

27 In their complaint, the plaintiffs allege causes of action
28 for: (1) trademark infringement in violation Section 43(a) of

1 the Lanham Act; (2) false designation of origin,
2 misrepresentation and unfair competition in violation of Section
3 43(a) of the Lanham Act; (3) trademark dilution in violation of
4 the Federal Trademark Dilution Act; (4) common law unfair
5 competition; (5) state law unfair competition; (6) state law
6 trademark dilution; and (7) common law trade name infringement.¹
7 The plaintiffs also request a declaratory judgment that their
8 right to use the Gigante mark is superior to the defendants'
9 right.

10 In addition to answering the plaintiffs' complaint, the
11 defendants filed a counterclaim alleging: (1) trademark
12 infringement in violation of Section 43(a) of the Lanham Act;
13 (2) false designation of origin, misrepresentation and unfair
14 competition in violation of Section 43(a) of the Lanham Act; (3)
15 common law unfair competition; (4) state law infringement and
16 unfair competition; (5) trademark dilution under state law; and
17 (6) cancellation of the plaintiffs' state registration. The
18 defendants also seek a declaratory judgment that they have the
19 legal right to use the Gigante mark.

20 The parties have now filed cross-motions for summary
21 judgment or partial summary judgment. The plaintiffs have moved
22 for summary judgment on six of their eight claims: trademark
23 infringement and unfair competition under federal law, common
24 law unfair competition, state law unfair competition, common law
25

26 ¹ The plaintiffs also alleged causes of action for: (1)
27 use of a well-known mark in violation of Section 6 *bis* of the
28 Paris Convention; and (2) unfair competition in violation of
Section 10 *bis* of the Paris Convention. The Court dismissed
these two causes of action on June 12, 2000.

1 trade name infringement, and request for declaratory relief.
2 The plaintiffs have not moved for summary judgment on their
3 federal and state law dilution claims. In their motion, the
4 plaintiffs do not seek damages; rather they ask the Court to
5 permanently enjoin the defendants from using the Gigante mark on
6 their San Diego stores and to declare that the plaintiffs are
7 entitled to use the Gigante mark in the United States.

8 The defendants have moved for summary judgment on the
9 plaintiffs' entire complaint, including the federal and state
10 dilution claims. In addition, the defendants have moved for
11 partial summary judgment on their counterclaim for cancellation
12 of the plaintiffs' state registration.

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UNDISPUTED FACTS

15 In support of their respective motions, both parties have
16 submitted a separate statement of undisputed facts ("SUF").
17 Although the parties have disputed many of each other's
18 purportedly undisputed facts, the Court finds that the following
19 facts are undisputed.

20 The plaintiffs opened their first Gigante grocery store in
21 1962 in Mexico City. (Ps SUF No. 1.) They registered the
22 Gigante trade name in Mexico in 1963, and have maintained and
23 renewed that registration through the present. (Ps SUF No. 2.)
24 In 1987, the plaintiffs opened their first stores in the Baja
25 California region of Mexico. (Ds SUF No. 26.) As of August
26 1991, the plaintiffs operated six Gigante stores in Baja

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1 California, including two in Tijuana.² (Ds SUF No. 27; Ps SUF
2 No. 32.) In addition to the six Baja California stores, the
3 plaintiffs operated approximately 91 other Gigante stores
4 throughout Mexico. (Ps SUF No. 32.)

5 The defendants currently operate two Gigante stores in San
6 Diego, California. Their first Gigante store opened on August
7 15, 1991. (Ps SUF No. 11.) The plaintiffs purchased this store
8 in June 1991. (Ds SUF No. 1.) Although the store was not yet
9 open for business, the seller had already named the store
10 Gigante Market. (Ds SUF No. 2.) The defendants' second Gigante
11 store began operating under that name sometime around October of
12 1996. (Ds SUF No. 13.) When the defendants purchased the
13 second store in June of 1996, it was named Food Giant. (Ds SUF
14 11.) Within approximately four months of purchasing the store,
15 however, the defendants changed the name to Gigante Market. (Ds
16 SUF 13.)

17 On May 5, 1999, the plaintiffs opened their first Gigante
18 store in the United States, in Pico Rivera, California. (Ps SUF
19 No. 25.) On December 10, 1999, they opened a second U.S. store
20 in Arleta, California, and on June 2, 2000, they opened a third
21 U.S. store in Covina, California. (Ps SUF No. 27.) The
22 plaintiffs have plans to open other stores in Los Angeles and
23 San Diego counties in the next several years. (Ps SUF No. 83.)

24 Although not critical to the analysis of this case, the
25 Court also notes that the plaintiffs currently operate
26 approximately 200 Gigante stores. In addition to the three

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28 ² The plaintiffs also had two stores in Ensenada and two
in Mexicali.

1 California stores, they operate 29 stores in Baja California,
2 including 18 stores in Tijuana. The remaining stores are
3 located in Mexico. (Ps SUF Nos. 4, 7, 25, 27, and 46.) In
4 1999, the plaintiffs were listed in *Mexico-Business* magazine as
5 the 15th largest company in Mexico, with total sales exceeding
6 \$2.4 billion. (Ps SUF No. 5.) The Court also notes that,
7 although the defendants' operations are considerably smaller
8 than the plaintiffs', the defendants' Gigante stores had sales
9 in excess of \$3.6 million in 1998. (Ps Resp. to Ds SUF No. 20.)

10 It is thus undisputed that the plaintiffs have been using
11 the Gigante mark on their Mexican stores since 1962, and that
12 they have had stores in Tijuana since 1987. It is also
13 undisputed that the defendants first used the Gigante mark on
14 their store in San Diego in August 1991, and that they were the
15 first to actually use the Gigante mark on a store located in
16 California. Finally, it is undisputed that the plaintiffs have
17 recently begun expanding into California, that they currently
18 use the Gigante mark on three stores in Los Angeles County, and
19 that they have plans to expand into San Diego.

20 In addition to the undisputed facts recited above, the
21 parties have presented the Court with numerous facts that are
22 hotly disputed. Most of the disputed facts have to do with how
23 well-known the plaintiffs' Gigante mark was in 1991, when the
24 defendants opened their first Gigante store in San Diego. The
25 parties also dispute the conclusions to be drawn from various
26 surveys performed by marketing companies and retained experts.
27 Where these disputed facts are relevant, the Court discusses
28 them below in its analysis of this case. Although it is perhaps

1 an obvious point, the Court also notes that where the facts are
2 both truly disputed and material to a particular issue, summary
3 judgment on that issue cannot be granted.³

4 5 DISCUSSION

6 A. Legal Standard

7 Summary judgment is appropriate where "there is no genuine
8 issue as to any material fact and . . . the moving party is
9 entitled to a judgment as a matter of law." Fed. R. Civ. P.
10 56(c). A genuine issue exists if "the evidence is such that a
11 reasonable jury could return a verdict for the nonmoving party,"
12 and material facts are those "that might affect the outcome of
13 the suit under the governing law." Anderson v. Liberty Lobby,
14 Inc., 477 U.S. 242, 248 (1986). In determining a motion for
15 summary judgment, all reasonable inferences from the evidence
16 must be drawn in favor of the nonmoving party. Id. at 242.

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18 ³ The plaintiffs have objected to some of the evidence
19 submitted by the defendants, including several exhibits that
20 were attached to the McElvain Declaration. The Court did not
21 rely on Exhibits B, C, or N in ruling on this motion. The Court
22 did, however, rely on the report prepared by the plaintiffs'
23 expert, Dr. Ivan Ross, which was attached to the McElvain
24 Declaration as Exhibit L. The plaintiffs objected to the
25 admissibility of this report even though they submitted a
26 declaration from Dr. Ross and a copy of his report in support of
27 their own motion for summary judgment. The defendants have also
28 objected to the admissibility of a report prepared by the
defendants' expert, Dr. Gary Frazier on the grounds that it
lacks foundation and it is inadmissible hearsay. The Court
overrules this objection. Dr. Frazier prepared the report, the
report is attached to his declaration, and in his declaration he
authenticates the report. The Court does not understand the
plaintiffs' hearsay objection. The plaintiffs mention the
admissibility of surveys, but Dr. Frazier's report is not a
survey. And although Dr. Frazier based some of his opinions on
marketing surveys performed by others, the Court finds that this
is the type of information that is commonly relied on by
marketing experts.

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B. Analysis

1. The Plaintiffs' Trademark Infringement and Unfair Competition Claims

The plaintiffs have moved for partial summary judgment on their claims for trademark infringement and unfair competition under the Lanham Act, common law unfair competition, state law unfair competition, common law trade name infringement, and their request for declaratory relief. In order to prevail on each of these claims, the plaintiffs must show that: (1) they have a valid, protectable trademark in the name Gigante; and (2) the defendants' use of the Gigante mark creates a likelihood of confusion. Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d 1036, 1046 (9th Cir. 1999); Cleary v. News Corp., 30 F.3d 1255, 1262-63 (9th Cir. 1994) (noting claims for state law infringement and unfair competition are substantially convergent with claims under Lanham Act).

a. Do the plaintiffs have a protectable mark?

The first question the Court must address is whether the plaintiffs have a valid, protectable interest in the Gigante mark. If not, their entire motion for partial summary judgment fails.

i. Has either party established the right to use the Gigante mark through registration or filing?

1 Both parties argue that they have established the exclusive
2 right to use the Gigante mark either through state registration
3 or the filing of a fictitious business name statement, or both.
4 The Court rejects these arguments. Both parties have registered
5 the Gigante mark with the State of California: the plaintiffs
6 on June 12, 1998, (Ps SUF No. 10), and the defendants on July
7 22, 1998 (Ps SUF No. 23).⁴ Although state registration
8 constitutes prima facie evidence of ownership of the mark, see
9 Cal. Bus. & Prof. Code § 14241, this evidence can be rebutted by
10 showing that someone else actually used the mark first.
11 Brookfield, 174 F.3d at 1047. Thus, even though the plaintiffs
12 were the first to register the Gigante mark, the defendants can
13 still establish that their rights are superior to the
14 plaintiffs' by showing that they were the first to actually use
15 the Gigante mark. Similarly, the fact that the defendants'
16 filed a fictitious business name statement for the Gigante name
17 in July 1992, (see Ds SUF No. 5), does not dispose of the issue
18 of whose right to use the Gigante mark is superior; although the
19 filing of a fictitious business name statement creates a
20 presumption that the filer has the exclusive right to use the
21 name, this presumption can be rebutted by showing that another
22 was the first to use the name. See Cal. Bus. & Prof. Code §
23 14411. Both parties have presented evidence that their use of
24 the Gigante mark pre-dated both the state registration and the
25 filing of the fictitious business statement. The Court thus
26 finds that neither the state registration nor the filing of a

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28 ⁴ Neither party has registered the Gigante mark with the
United States Patent and Trademark Office.

1 fictitious business name statement is dispositive. The primary
2 issue in this case is who was the first to use the Gigante mark.

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4 ***ii. Which party has established the superior***
5 ***right to use the Gigante mark?***

6 "It is axiomatic in trademark law that the standard test of
7 ownership is priority of use." Sengoku Works Ltd. v. RMC Int'l,
8 Ltd., 96 F.3d 1217, 1219 (9th Cir. 1996). To show priority of
9 use, "it is not enough to have invented the mark first or even
10 to have registered it first; the party claiming ownership must
11 have been the first to actually use the mark in the sale of
12 goods or services." Id. "The first to use a mark is deemed the
13 'senior' user and has the right to enjoin 'junior' users from
14 using confusingly similar marks in the same industry and market
15 or within the senior user's natural zone of expansion."
16 Brookfield, 174 F.3d at 1047.

17 In this case, it is undisputed that the plaintiffs were the
18 first to use the Gigante name on their grocery stores. This
19 fact would seem to end the analysis were it not for another
20 purportedly basic principle of trademark law, which is that
21 "[p]riority of trademark rights in the United States depends
22 solely upon priority of use in the United States, not on
23 priority of use anywhere in the world." 4 J. Thomas McCarthy,
24 McCarthy on Trademarks and Unfair Competition (hereafter
25 "McCarthy"), § 29:2 at 29-6; see also Fuji Photo Film Co., Inc.
26 v. Shinohara Shoji Kabushiki Kaisha, 754 F.2d 591, 599 (5th Cir.
27 1985) (noting that foreign use of trademark is ineffectual to
28 create trademark rights in U.S.); Scholastic, Inc. v. Macmillan,

1 Inc., 650 F. Supp. 866, 873 fn.6 (S.D.N.Y. 1987) (noting in
2 dicta that extensive use of trademark in Canada and Australia is
3 not relevant to establishing trademark rights in U.S.). This
4 principle is usually referred to as the territoriality
5 principle. See, e.g., Person's Co., Ltd. v. Christman, 900 F.2d
6 1565, 1568-69 (Fed. Cir. 1990). According to McCarthy:

7 Prior use of a trademark in a foreign country does not
8 entitle its owner to claim exclusive trademark rights in the
9 United States as against one who used a similar trademark in
10 the U.S. prior to entry of the foreigner into the domestic
11 American market.

12 McCarthy, § 29:3 at 29-8.

13 It is undisputed that, although the plaintiffs were the
14 first to use the Gigante name on their grocery stores, the
15 defendants were the first to use the name Gigante on grocery
16 stores in the United States in general, and in Southern
17 California in particular. (Ds SUF No. 31.)⁵ Thus, the

18 ⁵ Ds SUF No 31 states: "The opening of [the plaintiffs']
19 Pico Rivera store in May 1999 was the first time any of
20 the . . . plaintiffs actually provided grocery or supermarket
21 services under the Gigante name within the United States." The
22 plaintiffs have disputed this fact, and argue that it is false.
23 As evidence of its falsity, the plaintiffs note the following:
24 (1) since the late 1980s, they purchased products manufactured
25 in the U.S. and imported those products into Mexico; (2) one
26 month prior to the defendants' opening their first "Gigante"
27 store in San Diego, the plaintiffs had a public offering of
28 stock in Mexico and a private placement offering of stock in the
29 U.S.; and (3) in 1996 the plaintiffs began selling private label
30 products containing the "Gigante" mark in the U.S. (See Ps
31 Response to Ds SUF No. 31.) Even assuming that the plaintiffs'
32 three contentions are true, the Court does not find that this
33 diminishes the truth of the defendants' statement that the
34 plaintiffs first began providing grocery services under the
35 Gigante name in the U.S. in 1999. Purchasing products from the
36 United States and having a private placement stock offering in
37 the United States does not constitute selling groceries in the
38 United States. And although it may be true that the plaintiffs
39 sold private label products containing the Gigante mark in the
40 United States in 1996, this is still five years after the

(continued...)

1 defendants argue that the plaintiffs' prior use of the Gigante
2 name on their stores in Mexico does not grant them any rights to
3 use the mark in the United States, and that the defendants are
4 actually the senior users of the Gigante name for purposes of
5 this lawsuit.

6 As both parties note, however, there is an exception to the
7 territoriality principle if the foreign mark is well-known or
8 famous in the United States. "If a mark used only on products
9 or services sold abroad is so famous that its reputation is
10 known in the United States, then that mark should be legally
11 recognized in the United States." McCarthy, § 29:4 at 29-9. In
12 other words, if the plaintiffs' Gigante mark was well-known in
13 the United States at the time the defendants began using the
14 mark, then the plaintiffs' mark will be protected in the United
15 States as against the defendants' mark. Indeed, both parties
16 appear to concede that, at least as far as federal law is
17 concerned, the plaintiffs must establish that their mark was
18 well-known or famous in order to prevail on their motion for
19 summary judgment. (See Ps MPA pp. 13-19 (arguing that
20 plaintiffs have established priority of use under federal "well-
21 known" mark doctrine); Ds MPA pp. 13-22 (arguing famous marks
22 exception does not apply).)

23 It is perhaps unfortunate that this exception to the
24 territoriality principle is usually referred to as the famous
25 marks doctrine. In both lay terms and in terms of the Federal
26 Trademark Dilution Act, the word "famous" connotes a high degree

27 _____
28 ⁵(...continued)
defendants first began selling groceries under the Gigante name.

1 of renown. A survey of the cases, however, reveals that not
2 much fame at all need be shown, and that the famous marks
3 doctrine in general is not very strong. Indeed, as McCarthy
4 notes, "[t]he famous mark rule could be viewed as not
5 constituting an exception to the general rule at all, since it
6 could be said that the foreign service business had already
7 established priority in the United States through advertising
8 and reputation prior to defendant's opening." McCarthy at §
9 29:4 at 29-9 to 29-10. Immediately after making this statement,
10 McCarthy cites to another section of the treatise that discusses
11 the Tea Rose-Rectanus doctrine. Under the Tea Rose-Rectanus
12 doctrine, priority of use of a mark in one area of the United
13 States does not give rights to prevent its use by a good faith
14 and innocent user in a remote geographic area. McCarthy § 26:2
15 at 26-4 to 26-8. The basis for the doctrine grows out of the
16 axiom that trademark rights are governed by priority of use. If
17 the senior user has not actually used its mark in the junior
18 user's territory, the senior user should not be able to enjoin
19 the junior user from using the mark. The Tea Rose-Rectanus
20 doctrine is thus a defense to an infringement suit that can be
21 raised by a junior user.

22 The defense is not available, however, where a senior user
23 located in one area of the United States has achieved an
24 appreciable level of fame in the junior user's trading area. As
25 explained by McCarthy, "[t]he Tea Rose-Rectanus defense applies
26 only where the senior user's mark is *not known* to customers in a
27 remote area at the critical date of the junior user's first
28 good-faith adoption and use." McCarthy § 26:16 at 26-24. This

1 limit on the defense recognizes the realities of modern society
2 and business by acknowledging the fact that a trademark can be
3 carried to areas far from the actual point of sale due to
4 advertising and the ambulatory nature of consumers. As noted by
5 one court, "[t]he traditional notions of limited market area
6 pervading the earlier cases dealing with product trademarks are
7 not persuasive in this day of modern communication and travel."
8 Travelodge Corp. v. Siragusa, 228 F. Supp. 238, 243 (N.D. Ala.
9 1964).

10 McCarthy states that the Tea Rose-Rectanus defense does not
11 apply to trademarks used outside the United States. McCarthy
12 § 26:5 at 26-11 to 26-12. However, when McCarthy discusses the
13 famous marks doctrine, he cites to the section of his treatise
14 that discusses the limits on the Tea Rose-Rectanus defense.
15 Moreover, because the cases from which the famous marks doctrine
16 supposedly arises are not very helpful in defining a famous
17 mark, and the Court finds that the rationale for limiting the
18 Tea Rose-Rectanus doctrine is helpful in delineating the famous
19 mark doctrine. The Court finds that, in order to establish that
20 a foreign mark is sufficiently famous to qualify for protection
21 in the United States, the foreign user need only show that the
22 mark is sufficiently known to potential customers in the area of
23 the United States in which it seeks protection. Although this
24 interpretation might not comport perfectly with the lay meaning
25 of the word "famous", the Court notes that it finds support in
26 the case law. In Vaudable v. Montmartre, for example, the case
27 most often cited in support of the famous marks doctrine, the
28 court enjoined the defendant from using the name "Maxim's" on

1 its New York City restaurant because the evidence showed that
2 the plaintiff's "Maxim's" restaurant, which was located in
3 Paris, had attained a "unique and eminent position as a
4 restaurant of international fame and prestige," and, perhaps
5 more importantly, was "well known . . . to the class of people
6 residing in the cosmopolitan city of New York who dine out." 20
7 Misc. 2d 757, 758 (S.Ct. N.Y 1959); see also Resorts Int'l, Inc.
8 v. Greate Bay Hotel & Casino, Inc., 1991 WL 352487 (D.N.J. 1991)
9 (holding trade name "Paradise Island" used to designate casino
10 and hotel complex in Caribbean was entitled to protection from
11 infringement in the United States; evidence showed that 16% of
12 Atlantic City casino-goers named Paradise Island as a casino in
13 the Caribbean (unaided awareness) and 64% had heard of Paradise
14 Island (aided awareness); Koffler Stores, Ltd. v. Shoppers Drug
15 Mart, Inc., 434 F. Supp. 697, 704 (E.D. Mich. 1976) (enjoining
16 domestic defendant from using foreign plaintiff's trademark,
17 even though defendant had first used mark on stores in United
18 States; plaintiff had advertised and developed good will in
19 United States and court held "[w]here advertising and good will
20 extend beyond the immediate selling market, this reputation will
21 be protected").

22 The Court thus frames the relevant inquiry as follows: as
23 of August 1991, at the time the defendants first used the
24 Gigante name on their grocery store in San Diego, was the
25 plaintiffs' Gigante mark sufficiently known to San Diego
26 consumers to warrant protection from infringement? In
27 determining whether the plaintiffs' mark was sufficiently known
28 to warrant protection, the Court will consider the same factors

1 that are considered in determining whether a descriptive mark
2 has acquired secondary meaning. Secondary meaning refers to a
3 mark's ability to identify particular goods and services in the
4 minds of consumers. See, e.g., Two Pesos, Inc. v. Taco Cabana,
5 Inc., 112 S.Ct. 2753, 2757 (1992). In order to be protectable,
6 all marks must be capable of identifying particular goods and
7 services and distinguishing them from the goods and services of
8 others. Id.; see also McCarthy, supra, § 15:1 at 15-7 (noting
9 that basic element in trademark infringement case is that public
10 recognizes plaintiff's mark as identifying his goods and
11 services). Marks that are arbitrary, fanciful, or suggestive
12 are regarded as immediately capable of identifying particular
13 goods and services, see id., and are, in effect, "irrebuttably
14 presumed to have achieved customer recognition and association
15 immediately upon adoption and use." McCarthy, supra, § 15:1 at
16 15-5. Marks that are merely descriptive, however, are not
17 protectable until they have achieved secondary meaning. Two
18 Pesos, 112 S.Ct. at 2757. Because secondary meaning is, in
19 effect, synonymous with consumer recognition and association,
20 see, e.g., Carter-Wallace, Inc., v. Procter & Gamble Co., 434
21 F.2d 794, 802 (9th Cir. 1970), the Court finds that the factors
22 that are relevant in determining whether a descriptive mark has
23 achieved secondary meaning are also relevant in determining
24 whether a foreign mark has achieved a sufficient degree of
25 renown in the United States to warrant protection from
26 infringement.

27 The relevant factors include: survey evidence; direct
28 consumer testimony; exclusivity, manner and length of use of the

1 mark; amount and manner of advertising; amount of sales and
2 number of customers; established place in the market; and proof
3 of intentional copying by the defendant. See, e.g., Filipino
4 Yellow Pages, Inc. v. Asian Journal Publ'n, Inc., 198 F.3d 1143,
5 1151 (9th Cir. 1999). Although all of these factors could be
6 relevant in any given case, survey evidence will often provide
7 the most persuasive evidence of consumer recognition and
8 association. Levi Strauss & Co. v. Blue Bell, Inc., 778 F.2d
9 1352, 1358 (9th Cir. 1985). In the context of a foreign mark,
10 the Court also considers where in the world the mark was
11 originally used. For example, where the mark was first used in
12 Paris or Tokyo, it would probably need to be quite famous in the
13 lay meaning of the word in order to be known to consumers in the
14 United States. Where a mark was first used in a country that
15 borders the United States, however, it would need to be much
16 less famous in order to be known to United States consumers who
17 live near that border.

18 In framing the inquiry in this way, the Court notes that
19 this is how the case would be analyzed if the plaintiffs and the
20 defendants were both operating stores under the same descriptive
21 name in Southern California. See, e.g., McCarthy, § 16:34 at
22 26-43 to 26-44 (noting that where plaintiff and defendant both
23 use descriptive mark, "the issue of priority and ownership is
24 not which party first used the mark, but which party first
25 achieved secondary meaning in the mark"); Investacorp, Inc. v.
26 Arabian Inv. Banking Corp., 931 F.2d 1519, 1524 (11th Cir. 1991)
27 (holding plaintiff has no protectable interest in descriptive
28 mark unless it attained secondary meaning before defendant

1 started using similar mark). San Diego is less than 20 miles
2 from Tijuana. The Court finds no rational reason why the
3 outcome in this case should be different if the plaintiffs
4 operated their Gigante grocery stores 20 miles to the north of
5 the defendants' stores, rather than 20 miles to the south.

6 Having framed the relevant inquiry, the Court now turns to
7 the evidence of how well known the plaintiffs' Gigante mark is
8 to the relevant class of consumers.

9 The plaintiffs and the defendants both market their stores
10 to Mexican-Americans. The plaintiffs have presented evidence to
11 show that the Gigante mark is currently well-known among
12 Mexican-Americans in Southern California, and that Mexican-
13 Americans make up a significant portion of their customers in
14 their Baja California stores. (See, e.g., Ps SUF Nos. 38-46.)
15 Much of this evidence, however, post-dates August 1991. In
16 order to show that they have a protectable interest in the
17 Gigante name for purposes of this case, the plaintiffs must show
18 that their name was known before the defendants began operating
19 their first Gigante store. The critical question is thus
20 whether, as of August 1991, the Gigante name was sufficiently
21 well-known among the relevant class of consumers (i.e., Mexican-
22 Americans in San Diego) to warrant protection. See, e.g., Avery
23 Dennison Corp. v. Sumpton, 189 F.3d 868, 877 (9th Cir. 1999)
24 (holding that "famousness" under trademark dilution act can be
25 shown by fame in a localized trading area or specialized market
26 segment); Vaudable, 20 Misc. 2d at 758-59 (enjoining use of name
27 "Maxim" on restaurant in New York City based on prior use of
28 name "Maxim" on restaurant in Paris that was well known in the

1 United States "to the class of people residing in the
2 cosmopolitan city of New York who dine out").

3 As evidence of its renown in the San Diego area as of August
4 1991, the plaintiffs have offered the following:

- 5 (1) As of August 1991, the plaintiffs operated 6 stores in
6 Baja California (2 in Tijuana, 2 in Mexicali, and 2 in
7 Ensenada), and a total of 97 stores throughout Mexico.
(Ps SUF Nos. 30, 32.)
- 8 (2) In July 1991, the plaintiffs had a private placement
9 stock offering in the United States. (Ps SUF No. 29.)
- 10 (3) According to a survey conducted by the plaintiffs'
11 expert, Dr. Ivan Ross, since at least 1990 (i.e., one
12 year prior to the defendants' use of the Gigante mark),
13 a statistically significant percentage of the Mexican-
14 American community living in San Diego County
15 recognized the Gigante mark. (See Ross Decl., Ex. A.)

16 The Court finds that the first two facts are not
17 particularly probative. The size of the plaintiffs' overall
18 Mexican operations, and the fact that they operated several
19 stores very near to the United States border, could certainly
20 have led to some level of renown in San Diego. Standing alone,
21 however, this fact is insufficient to establish that Mexican-
22 Americans in San Diego knew the Gigante name. The private
23 placement stock offering is also not particularly probative. No
24 information has been provided regarding how the private
25 placement was marketed, to whom it was marketed, who purchased
26 the stock, where the purchasers resided, or whether they were
27 Mexican-Americans living in San Diego County.

28 The most persuasive evidence that the plaintiffs have
provided is the survey conducted in May and June of 2000 by Dr.
Ross. See Levi Strauss, 778 F.2d at 1358 (noting survey
evidence can provide the most persuasive evidence of secondary

1 meaning). Because the defendants' dispute the conclusions to be
2 drawn from the survey, the Court will discuss the survey in some
3 detail.

4 The survey universe consisted of 78 randomly selected
5 individuals who lived in San Diego County, were over the age of
6 18, were Spanish-speaking, and had recently purchased Mexican-
7 style food at a supermarket or other food store. (See Ross
8 Decl. ¶ 13 and Ex. A, p. 1.) The survey was designed to test
9 both unaided and aided awareness of the Gigante name, and, more
10 importantly, to test when the Gigante name first became known
11 among Mexican-Americans in San Diego County. Twenty-four of the
12 respondents: (1) had recently shopped at a Gigante store in
13 Mexico; (2) believed that the Gigante name was affiliated with
14 an entity that had at least one store located in Mexico; or (3)
15 were aware of a Gigante supermarket located in Mexico. (Ross
16 Decl., Ex. A, p. 10.) After adjusting for "noise" (i.e.,
17 respondents who identified as Mexican a supermarket that was not
18 actually located in Mexico), Dr. Ross concluded that 28% of the
19 respondents were aware of the plaintiffs' Gigante stores. (Id.)

20 The 24 respondents who were aware of the plaintiffs' Gigante
21 stores were then asked the following question: "[A]s best you
22 can recall, about when was it that you first heard of the
23 Mexican store named Gigante?" (Id., p. 69.) Thirteen percent
24 responded that they first heard of the Mexican Gigante before
25 1970; 17% had heard of it between 1970 and 1980; 42% had heard
26 of it between 1980 and 1990; 25% had heard of it since 1990; and
27 4% did not know/did not recall. (Id., p. 24.) Thus, of the
28 respondents who were aware of the plaintiffs' Gigante mark, 72%

1 had heard of the mark prior to the defendants' entry into the
2 San Diego market. This means that 22% of all of the survey
3 respondents had heard of the Mexican Gigante by that time. The
4 defendants' expert, Dr. Gary Frazier, does not directly dispute
5 these findings. He states only that his interpretation of the
6 raw data shows that overall awareness of the Mexican Gigante was
7 20% in 1990.⁶ (Frazier Rpt. p. 12.)

8 The plaintiffs have thus presented credible and essentially
9 undisputed evidence that shows between 20-22% of Mexican-
10 Americans in the San Diego area were aware of their Gigante mark
11 when the defendants' opened their first Gigante store in San
12 Diego. See, e.g., McCarthy, supra, § 32:190 (stating there is
13 no logical reason to require higher percentage to prove
14 secondary meaning than to prove likelihood of confusion); see
15 also Exxon Corp. v. Texas Motor Exch. of Houston, Inc., 628 F.2d
16 500, 507 (5th Cir. 1980) (finding likelihood of confusion where
17 survey showed 15-23% of respondents were confused); James
18 Burrough Ltd. v. Sign of Beefeater, Inc., 540 F.2d 266, 279 (7th
19 Cir. 1976) (15%); RJR Foods, Inc. v. White Rock Corp., 603 F.2d
20 1058, 1061 (2d Cir. 1979) (15-20%). The Court thus finds that,
21 as of August 1991, the plaintiffs had a legally protectable
22 right to use the name Gigante, at least in the San Diego area.⁷

23
24 ⁶ Dr. Frazier disputes whether mere name awareness
25 constitutes market awareness. In his opinion, although the Ross
26 study may have measured name recognition, it did not measure
27 either image awareness or how strong the Gigante mark was among
consumers who had heard of it. Dr. Frazier also believes that
28 28% name awareness is insufficient to establish a famous or
strong mark.

⁷ Because the Court finds that the plaintiffs have a
legally protectable right to use the Gigante name under federal

1 **b. Likelihood of confusion**

2 In addition to establishing a valid, protectable interest in
3 the Gigante mark, in order to prevail on their infringement and
4 unfair competition claims, the plaintiffs must show that the
5 defendants' use of the Gigante mark creates a likelihood of
6 confusion. "The core element of trademark infringement is the
7 likelihood of confusion, i.e., whether the similarity of the
8 marks is likely to confuse customers about the source of the
9 products." Brookfield, 174 F.3d at 1053 (internal quotes and
10 cites omitted). Thus, for the plaintiffs to prevail, they must
11 not only show that they have a protectable interest in the
12 Gigante mark, but also that the public is likely to be confused
13 about the source or sponsorship of the defendants' Gigante
14 grocery stores.

15 In this circuit, likelihood of confusion is determined by
16 analyzing the following factors: 1) similarity of the
17 conflicting marks; 2) relatedness or proximity of the two
18 companies' products or services; 3) strength of the senior
19 user's mark; 4) marketing channels used; 5) degree of care
20 likely to be exercised by purchasers in selecting goods; 6) the
21 junior user's intent in selecting the mark; 7) evidence of
22 actual confusion; and 8) the likelihood of expansion in product
23 lines. AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th
24 Cir. 1979); Brookfield, 174 F.3d at 1053. Although all eight
25 factors are relevant to the analysis, the similarity of the

26
27 law, it does not address the plaintiffs' argument that trademark
28 rights under California are established through priority of use
either inside or outside of the state.

1 marks, the relatedness of the products or services, and the use
2 of common marketing channels are the most important. See
3 Goto.com, Inc. v. Walt Disney Co., 202 F.3d 1199, 1205 (9th Cir.
4 2000).

5 After analyzing all of the factors, the Court finds that a
6 likelihood of confusion exists.

7

8 ***i. Similarity of conflicting marks***

9 "Similarity of the marks is tested on three levels: sight,
10 sound, and meaning." Sleekcraft, 599 F.2d at 351. In this
11 case, the two marks are almost identical. "Gigante" is Spanish
12 for "giant", a fact that is no doubt well known to the parties'
13 predominately Mexican-American customers. Both marks are
14 spelled the same, pronounced the same, and have the same
15 meaning. The marks do, however, look somewhat different.
16 Although both parties write the word "Gigante" in red capital
17 letters, the typefaces are different. (Compare Frias Decl., Ex.
18 O, with O'Brien Decl., Ex. U.) In determining whether two marks
19 are similar, however, "similarities weigh more heavily than
20 differences." Id.

21 Overall, the Court finds that the two marks are
22 substantially similar in sight, sound, and meaning. This factor
23 thus supports a finding that a likelihood of confusion exists.

24

25 ***ii. Relatedness of the companies' products or***
26 ***services***

27 "For related goods, the danger presented is that the public
28 will mistakenly assume there is an association between the

1 producers of the related goods, though no such association
2 exists." Sleekcraft, 599 F.2d at 350. As the Ninth Circuit has
3 observed, where two marks are virtually identical, "if they were
4 used with identical products or services likelihood of confusion
5 would follow as a matter of course." Brookfield, 174 F.3d at
6 1056. In this case, in addition to using substantially similar
7 marks, the parties offer very similar products and services.
8 Both parties operate grocery stores that carry Mexican specialty
9 foods, that cater to Mexican-American grocery shoppers, and that
10 are located in areas having significant Mexican-American (or
11 Mexican) populations. (See Ps SUF Nos. 70 and 71.)

12 Because the parties offer similar goods and services, the
13 Court finds that this factor supports a finding that a
14 likelihood of confusion exists.

15

16 ***iii. Marketing channels used***

17 "Convergent marketing channels increase the likelihood of
18 confusion." Sleekcraft, 599 F.2d at 353. The plaintiffs argue
19 that the parties use the same marketing channels because they
20 both "target and cater primarily to Mexican-American grocery
21 shoppers in Southern California." (See Ps MPA p. 22.) The
22 defendants argue that the parties' marketing channels are not
23 convergent because the parties are currently serving "wholly
24 different geographic markets." (See Ds Opp. p. 21.)

25 Although it is undisputed that the parties target a similar
26 market, it is not clear that the parties use convergent
27 marketing channels to reach that market. The defendants'
28 primary marketing device is a weekly flyer inserted into the

1 PennySaver advertising circular and distributed within a three-
2 mile radius of their two Gigante stores in San Diego. (See Ps
3 SUF No. 94.) The defendants have also advertised on Radio
4 Latina. (See M. Dallo Depo. pp. 25-26.) It is not known,
5 however, where Radio Latina is located or broadcast, and it
6 appears that the defendants last advertised on Radio Latina in
7 1996. (Id.)

8 The plaintiffs, on the other hand, do not market their
9 stores through weekly flyers inserted in the PennySaver. They
10 advertise their three Los Angeles area stores on Spanish
11 language television and radio stations broadcast from Los
12 Angeles County, and in Spanish language newspapers published in
13 Los Angeles County. (Ps SUF No. 85.) Similarly, they advertise
14 their Baja California stores on Mexican radio and television
15 stations and in Mexican newspapers. (Ps SUF Nos. 46, 55.)

16 Thus, while the parties do seek to attract a similar segment
17 of the population, they do not use the same marketing channels
18 to attract that segment.

19 Although the parties use different media, the Court
20 nonetheless finds it important that the parties use that media
21 to attract a similar segment of the population. One of the
22 plaintiffs' arguments in this case is that they have always
23 sought to attract Southern Californians in general, and San
24 Diegans in particular, to their Baja stores. (Ps SUF No. 53.)
25 The defendants dispute the plaintiffs' assertion that a large
26 percentage of their customers are from the United States. It is
27 undisputed, however, that the plaintiffs advertise their Baja
28 stores on Mexican television and radio stations which "are

1 broadcast across the border into Southern California", (Ps SUF
2 No. 46), and that people who live in San Diego have access to
3 some forms of media that originate in Tijuana, such as
4 newspapers, television and radio, (Ds Resp. to Ps SUF Nos. 51
5 and 56). It is also undisputed that at least some of the
6 plaintiffs' Mexico-based advertising has spilled over the border
7 into the United States because some of the defendants' employees
8 have seen the plaintiffs' advertisements. (Ds Resp. to Ps SUF
9 No. 56.) Additionally, the plaintiffs have run at least two ads
10 for their Baja stores in Orange County newspapers, and at least
11 one ad for their Baja stores in a San Diego newspaper. (Ds
12 Resp. to Ps SUF No. 57.) Finally, the plaintiffs have conducted
13 promotions for their Mexican stores at *Universal Studios* in Los
14 Angeles and *Sea World* in San Diego. (Ps SUF No. 64.)

15 Thus, while the defendants dispute the plaintiffs' assertion
16 that much of the advertising for their Baja stores is
17 specifically directed at Southern California customers, it is
18 undisputed that the plaintiffs have done at least some
19 advertising in San Diego, and that some of their Mexico-based
20 advertising has spilled over into San Diego. Although the
21 parties use different media to market their stores, the Court
22 finds that there is necessarily *some* convergence of marketing
23 channels because of the fact that the parties are both
24 attempting to reach the same market. For example, it is not
25 unreasonable to assume that potential customers who live near
26 the defendants' San Diego stores have seen both the defendants'
27 PennySaver inserts and the plaintiffs' Mexico-based advertising
28 or the plaintiffs' limited advertising in San Diego.

1 Overall, the Court finds that this factor supports a finding
2 that a likelihood of confusion exists, but only slightly.

3
4 ***iv. Strength of the senior user's mark***

5 "The stronger a mark – meaning the more likely it is to be
6 remembered and associated in the public mind with the mark's
7 owner – the greater the protection it is accorded by the
8 trademark laws." Brookfield, 174 F.3d at 1058. "The strength
9 of a mark is determined by its placement on a continuum of marks
10 from 'generic,' afforded no protection; through 'descriptive' or
11 'suggestive,' given moderate protection; to 'arbitrary' or
12 'fanciful' awarded maximum protection." E. & J. Gallo Winery v.
13 Gallo Cattle Co., 967 F.2d 1280, 1291 (9th Cir. 1992) (internal
14 quotes and cites omitted).

15 The parties do not really discuss this issue. The
16 plaintiffs argue that the Gigante mark is "wholly arbitrary and
17 fanciful", and thus an inherently strong mark. (See Ps MPA p.
18 22.) The defendants argue that the Gigante mark is merely
19 descriptive. (See Ds MPA p. 20.) The Court finds that the
20 Gigante mark is either descriptive or suggestive. See, e.g.,
21 Sleekcraft, 599 F.2d at 349 (noting that the line separating
22 descriptive marks from suggestive marks is uncertain).

23 Arbitrary or fanciful marks consist of words that have been
24 coined or invented for the sole purpose of functioning as
25 trademarks (i.e., "Kodak"), or words that are in common usage
26 but that, when combined with the goods or services, neither
27 suggest nor describe the goods or services (i.e., "Apple"
28 computers). See McCarthy, §§ 11:5-11:14 at 11-12 to 11-20. The

1 word *Gigante*, which means *giant* in Spanish, was clearly not
2 coined for the purpose of designating the plaintiffs' grocery
3 stores. Moreover, the Court finds that the word either suggests
4 or describes the plaintiffs' goods or services. The mark is
5 descriptive in the sense that it tells the consumer something
6 about the grocery store, i.e., that it is very big or that it
7 carries a wide variety of products, or both. On the other hand,
8 the mark could also be classified as suggestive, because the
9 consumer must make an imaginative leap from the word *Gigante* to
10 the idea that this is a very big grocery store that carries a
11 wide variety of products. However, regardless of whether the
12 mark is more appropriately classified as descriptive or
13 suggestive, the plaintiffs have presented some evidence showing
14 that California consumers associate the *Gigante* name with their
15 chain of grocery stores. (See Ps SUF Nos. 37 and 38.)⁸ Overall,
16 the Court finds that the plaintiffs' *Gigante* mark is at least
17 moderately strong. Moreover, "in situations in which the
18 appearance of the conflicting marks and the services provided
19 are almost identical, the strength of the mark is of diminished

20

21

22 ⁸ In addition to the Ross Report, which showed that 28% of
23 Mexican-Americans in San Diego County were aware of the
24 plaintiffs' *Gigante* mark, the plaintiffs presented evidence of a
25 marketing survey of Mexican-Americans done in East Los Angeles,
26 Pacoima, and Pomona in 1998. Of the 240 people surveyed, 70%
27 had heard of *Gigante* (aided awareness). The surveyor concluded
28 that the *Gigante* name was very well known. Although the
defendants do not dispute the fact that 70% of those surveyed
had heard of *Gigante*, they point to another portion of the
survey that concluded "*Gigante* does not currently have a unique
image or any perceived strengths or weaknesses in terms of its
direct competition." According to the defendants' expert, Dr.
Gary Frazier, name awareness alone, without image awareness,
does not constitute strength.

1 importance in the likelihood of confusion analysis." Goto.com,
2 202 F.3d at 1208 (internal quotes and cites omitted).

3 The Court thus finds that this factor slightly supports a
4 finding that a likelihood of confusion exists.

5

6 **v. Degree of care likely to be exercised by**
7 **purchasers in selecting goods**

8 The Court finds that a reasonable consumer is unlikely to
9 exercise a high degree of care in selecting a grocery store.
10 See, e.g., E. & J. Gallo, 967 F.2d at 1293 (upholding district
11 court finding that consumers tend to exercise less care when
12 purchasing lower cost items like wine and cheese). This factor
13 thus weighs slightly in favor of finding that a likelihood of
14 confusion exists.

15

16 **vi. The junior user's intent in selecting the**
17 **mark**

18 "When the alleged infringer knowingly adopts a mark similar
19 to another's, reviewing courts presume that the defendant can
20 accomplish his purpose: that is, that the public will be
21 deceived." Sleekcraft, 599 F.2d at 354. Although intent to
22 confuse consumers can constitute strong evidence of confusion,
23 "[t]he converse...is not true: the lack of intent by a
24 defendant is largely irrelevant in determining if consumers
25 likely will be confused as to source." Brookfield, 174 F.3d at
26 1059, quoting Daddy's Junky Music Stores, Inc. v. Big Daddy's
27 Family Music Center, 109 F.3d 275, 287 (6th Cir. 1997).

28

1 The plaintiffs argue that this factor favors them. They
2 suggest that the defendants knew about the Mexican Gigante
3 stores prior to naming their first San Diego Gigante store, and
4 that the defendants thus selected the name in order to
5 capitalize on the plaintiffs' goodwill. (See Ps MPA pp. 24-25.)
6 The plaintiffs' suggestion, however, is just that: a
7 suggestion. They have presented no evidence to support a
8 finding of bad faith on the part of the defendants.⁹ The Court
9 thus finds that this factor is irrelevant.

10
11 **vii. Evidence of actual confusion**

12 Although not required to prove that confusion is likely,
13 "[e]vidence that use of the two marks has already led to
14 confusion is persuasive proof that future confusion is likely."
15 Sleekcraft, 599 F.2d at 352. In this case, there is some
16 evidence that both consumers and vendors have been confused.
17 For example, the defendants' employees have testified that some
18 of the San Diego stores' customers have asked whether the
19 defendants were affiliated with the Gigante stores in Mexico,
20 and that some of their customers have tried to use the

21
22 _____
23 ⁹ It is undisputed that the defendants purchased their
24 first Gigante store from Mr. Zuhair Hirmez in June 1991, and
25 that at the time the store had not yet opened for business.
26 (See Ds SUF Nos. 1 and 2.) It is also undisputed that, prior to
27 the defendants' purchase, Mr. Hirmez had already named the store
28 Gigante upon the suggestion of someone he knew. (See Ps Resp.
to Ds SUF No. 2.) At the hearing on these motions, the
plaintiffs' counsel argued that the person who came up with the
name must have known about the plaintiffs' stores. Although the
Court can understand why the plaintiffs might believe that the
defendants' first Gigante store was named with the plaintiffs'
stores in mind, there is simply no evidence before the Court
that shows the plaintiffs' belief is well founded.

1 plaintiffs' Gigante discount cards at the defendants' Gigante
2 stores. (Ps SUF No. 77.) There have also been instances of
3 vendor confusion, where the plaintiffs received products or
4 bills that were supposed to have gone to the defendants' stores,
5 and vice versa. (Ps SUF No. 79.)

6 This factor thus supports a finding that a likelihood of
7 confusion exists.

8

9 **viii. The likelihood of expansion in product**
10 **lines**

11 "[A] 'strong possibility' that either party may expand his
12 business to compete with the other will weigh in favor of
13 finding that the present use is infringing. When goods are
14 closely related, any expansion is likely to result in direct
15 competition." Sleekcraft, 599 F.2d at 354 (internal quotations
16 and citations omitted). Here, it is undisputed that the
17 plaintiffs plan to open stores in San Diego County within the
18 next several years. (Ps SUF No. 83.) Moreover, regardless of
19 whether or not the plaintiffs' actually intended to do so, given
20 the fact that they have operated stores in Tijuana since 1987,
21 and the fact that they have already expanded into Southern
22 California, the Court finds that San Diego is in the plaintiffs'
23 natural zone of expansion.

24 This factor thus favors a finding that a likelihood of
25 confusion exists.

26

27 **ix. Balancing of all eight factors**

28

1 The Court thus finds that of the three most important
2 factors, two strongly favor a finding of likelihood of confusion
3 (similarity of marks and relatedness of products), and one
4 slightly favors a finding of likelihood of confusion
5 (convergence of marketing channels). Of the remaining five
6 factors, two favor a finding of likelihood of confusion, two
7 slightly favor a finding of likelihood of confusion, and one is
8 irrelevant. Overall, the Court finds that the plaintiffs have
9 established that a likelihood of confusion exists, and that the
10 plaintiffs are thus entitled to summary judgment on their
11 infringement and unfair competition claims.

12

13 **2. The Plaintiffs' Claims for Trademark Dilution**

14 In addition to asserting claims for trademark infringement
15 and unfair competition, the plaintiffs have asserted claims for
16 trademark dilution under federal and state law. Although the
17 plaintiffs have not moved for summary judgment on these claims,
18 the defendants have so moved. The defendants argue that they
19 are entitled to summary judgment on the plaintiffs' dilution
20 claims because the undisputed facts show that the plaintiffs'
21 mark is not famous enough to be entitled to protection from
22 dilution.¹⁰

23

24 ¹⁰ The defendants also argue that they are entitled to
25 summary judgment on the plaintiffs' dilution claims because the
26 plaintiffs do not own the Gigante mark. As discussed above, the
27 Court finds otherwise. The defendants also argue that the
28 plaintiffs' federal dilution claim must fail because their use
of the Gigante mark pre-dates the Federal Trademark Dilution
Act, and the Act is not retroactive. Although this issue has
not yet been addressed by the Ninth Circuit, other courts have
held that it is possible to obtain prospective injunctive relief

(continued...)

1 "Dilution is a cause of action invented and reserved for a
2 select class of marks -- those marks with such powerful consumer
3 associations that even non-competing uses can impinge on their
4 value." Avery Dennison, 189 F.3d at 875. "Unlike infringement
5 and unfair competition laws, in a dilution case competition
6 between the parties and a likelihood of confusion are not
7 required to present a claim for relief." Id. at 873; see also
8 Star Markets, Ltd. v. Texaco, Inc., 950 F. Supp. 1030, 1037 (D.
9 Haw. 1996) (noting that finding of trademark dilution does not
10 necessarily flow from finding of trademark infringement). Only
11 famous marks are protected under the Federal Trademark Dilution
12 Act. See 15 U.S.C. § 1125(c)(1). Similarly, California's anti-
13 dilution statute protects only famous marks, see Avery Dennison,
14 189 F.3d at 874; Accuride Int'l, Inc. v. Accuride Corp., 871
15 F.2d 1531, 1539 (9th Cir. 1989); see also Cal. Bus. Prof. Code §
16 14330 (stating injunctive relief available to protect against
17 "dilution of the distinctive quality of a mark"), and a
18 trademark dilution claim under California law "is subject to the
19 same analysis as [a] federal claim", Panavision Int'l L.P. v.
20 Toeppen, 141 F.3d 1316, 1324 (9th Cir. 1998). "[T]o meet the
21 'famousness' element of protection under the dilution statutes,
22 a mark [must] be truly prominent and renowned." Avery Dennison,

23
24 ¹⁰(...continued)
25 against a diluting use that began before the January 1996
26 effective date of the Act. See, e.g., Viacom Inc. v. Ingram
27 Enters., Inc., 141 F.3d 886, 888-89 (8th Cir. 1998); Fuente
28 Cigar, Ltd. v. Opus One, 985 F. Supp. 1448, 1451-52 (M.D. Fla.
1997); but see Circuit City Stores v. OfficeMax, Inc., 949 F.
Supp. 409, 416 (E.D. Va. 1996) (holding plaintiff could not
enjoin diluting use of mark that first began prior to date
Federal Dilution Act became law).

1 189 F.3d at 875 (internal quotes and cites omitted).
2 Furthermore, merely showing that the trademark in question is
3 either inherently distinctive or has acquired distinctiveness
4 through secondary meaning "is nowhere near sufficient to achieve
5 the status of 'famous mark' under the anti-dilution statute."
6 See McCarthy, § 24:91.1 at 124-156; see also Avery Dennison, 189
7 F.3d at 875 (stating dilution protection is not accorded to
8 trademarks based only on showing of inherent or acquired
9 distinctiveness).

10 Injunctive relief is available in a trademark dilution case
11 if the plaintiffs can establish both that they own a mark that
12 is famous *and* that the defendants began using the plaintiffs'
13 mark *after* it had become famous. 15 U.S.C. § 1125(c) ("t]he
14 owner of a famous mark shall be entitled . . . to an injunction
15 against another person's . . . use . . . of a mark or trade
16 name, *if such use begins after the mark has become famous . .*
17 *..*") (emphasis added); Panavision, 141 F.3d at 1324. Thus, in
18 order to prevail on their dilution claims, the plaintiffs must
19 show that their Gigante mark was famous enough to qualify for
20 protection from dilution as of August 1991, when the defendants
21 first began using the Gigante mark. Under both federal and
22 California law, courts are instructed to consider the following
23 eight non-exclusive factors in determining whether a mark is
24 famous enough to qualify for protection from dilution: (1) the
25 degree of inherent or acquired distinctiveness of the mark; (2)
26 the duration and extent of use of the mark in connection with
27 the goods or services with which the mark is used; (3) the
28 duration and extent of advertising and publicity of the mark;

1 (4) the geographic extent of the trading area in which the mark
2 is used; (5) the channels of trade for the goods or services
3 with which the mark is used; (6) the degree of recognition of
4 the mark in the trading areas and channels of trade used by the
5 marks' owner and the person against whom the injunction is
6 sought; (7) the nature and extent of use of the same or similar
7 marks by third parties; and (8) whether the mark is registered.
8 15 U.S.C. § 1125(c).

9
10 **a. The mark's inherent or acquired distinctiveness**

11 "To be capable of being diluted, a mark must have a degree
12 of distinctiveness and strength beyond that needed to serve as a
13 trademark." Avery Dennison, 189 F.3d at 876 (internal cites and
14 quotes omitted). As discussed above, the Court has already
15 found that the plaintiffs' Gigante mark is at least moderately
16 strong. The Court found that the mark *Gigante*, which means
17 *giant* in Spanish, is either descriptive or suggestive of the
18 plaintiffs' stores (i.e., it either described stores that were
19 very big or that carried a wide variety of groceries, or it
20 suggested this fact). Regardless of whether the mark was
21 descriptive or suggestive, the Court found that the plaintiffs
22 had presented evidence showing that the mark had acquired
23 secondary meaning in their target market (i.e., grocery
24 purchasing Mexican-Americans in Southern California).

25 In analyzing whether the plaintiffs had shown that a
26 likelihood of confusion existed, the Court examined the current
27 strength of the plaintiffs' mark. In particular, the Court
28 noted that the plaintiffs had presented evidence that showed

1 that, as of 1998, 70% of Mexican-Americans in the Los Angeles
2 area had heard of the plaintiffs' Gigante mark. In determining
3 whether the plaintiffs are entitled to dilution, however, the
4 Court must examine the strength or distinctiveness of the
5 plaintiffs' Gigante mark at the time the defendants began using
6 the Gigante mark. 15 U.S.C. § 1125(c) (stating owner of famous
7 mark entitled to injunction if defendant began using the mark
8 "after the mark has become famous"). The only evidence of the
9 strength or distinctiveness of the plaintiffs' Gigante mark in
10 1991 is the Ross Report. According to that report, as of the
11 time the defendants began using the name Gigante, 22% of
12 Mexican-Americans in San Diego had heard of the plaintiffs'
13 Gigante mark. Although the plaintiffs' Gigante mark was strong
14 enough in 1991 to qualify for protection from infringement, the
15 claim that it was also strong enough to qualify for protection
16 from dilution is much less compelling. See, e.g., Avery
17 Dennison, 189 F.3d at 887 (finding that although trademarks
18 "Avery" and "Dennison" had achieved secondary meaning on a
19 national level, this was not enough to persuade court that
20 famousness prong was met).

21 Overall, the Court finds that the plaintiffs' Gigante mark
22 had achieved only a moderate degree of distinctiveness as of
23 1991, and that this factor suggests that the plaintiffs' mark
24 was not famous enough to qualify for protection from dilution.

25

26 **b. Duration and extent of the mark's use**

27 As of 1991, the plaintiffs had been using the Gigante mark
28 on stores in Mexico for almost 30 years. However, they did not

1 open their first Gigante stores in Baja California or Tijuana
2 until 1987. (Ds SUF No. 26.) As of August 1991, when the
3 defendants first began operating a store under the Gigante mark,
4 the plaintiffs operated six Gigante stores in Baja California:
5 two in Tijuana, two in Ensenada, and two in Mexicali. (Ds SUF
6 No. 27; Ps SUF No. 32.) For purposes of this lawsuit, the Court
7 thus finds that the plaintiffs' use of the Gigante mark was
8 neither long-standing nor geographically extensive, and that
9 this factor suggests that the plaintiffs' mark was not famous
10 enough to qualify for protection from dilution.

11
12

13 **c. Duration and extent of advertising and publicity**
14 **of the mark**

15 There is very little evidence in the record regarding the
16 duration and extent of the plaintiffs' California advertising¹¹
17 as of 1991, and what little evidence there is suggests that such
18 advertising was not great. The plaintiffs have submitted as
19 undisputed the fact that, "Since 1987 Gigante's border stores
20 have advertised in Mexican-based Spanish language newspapers,
21 and on Mexican-based Spanish language television and radio
22 stations," (see Ps SUF No. 54), and the fact that between 1987
23 and 1991, the plaintiffs "advertised in the largest Tijuana and
24 Mexicali newspapers . . . and on ten (10) local Tijuana radio
25 stations . . . The radio . . . advertisements were typically

26

27 ¹¹ By California advertising, the Court means advertising
28 that either originated in California, or Mexico-based
advertising that spilled over into California.

1 broadcast between 10-20 times a day" (see Ps SUF No. 55). In
2 support of these two facts, the plaintiffs have submitted the
3 declaration of Gerardo Garcia, the Advertising Manager of the
4 plaintiffs' Baja California Division. (See Garcia Decl. ¶ 1.)

5 Garcia began working as the Advertising Manager for the Baja
6 California Division in July 1989. (Id. ¶ 2.) He states that,
7 when he was hired, the plaintiffs advertised on approximately
8 ten radio stations that broadcast out of Tijuana, and that these
9 radio stations typically ran between 10 to 20 radio spots for
10 the plaintiffs each day. (Id. ¶ 7.) He does not explain,
11 however, how he knows how much radio advertising the plaintiffs
12 did prior to his date of hire,¹² and he does not state how much
13 advertising the plaintiffs did between his date of hire and
14 August 1991. Garcia also states that, when he was hired, the
15 plaintiffs were advertising in various Baja California
16 newspapers, including *El Mexicano* and *La Voz*, both of which are
17 distributed and sold on the United States side of the border.
18 (Id. ¶ 8.) Garcia does not state, however, how often the
19 plaintiffs advertised in *El Mexicano* or *La Voz* from the time he
20 was hired until August 1991. Moreover, Garcia does not describe
21 any of the plaintiffs' advertising activities from his date of
22 hire through 1991. The only advertising data that Garcia
23 provides from the relevant time period is data on national
24 advertising expenditures. Garcia states that in 1990 and 1991,
25 the plaintiffs spent over \$12 million on advertising and

26
27 ¹² The defendants have properly objected that some of
28 Garcia's statements lack foundation to the extent that he seeks
to establish advertising activities that pre-date his July 1989
date of hire.

1 promotional activities for its Mexico stores. (Id. ¶ 17, Ex.
2 G.) Although Garcia states that “[m]any times these national
3 promotions will be broadcast on various television and radio
4 stations throughout the boarder region,” (id. ¶ 17), the Court
5 cannot tell how much, if any, of this \$12 million was spent on
6 advertising and promotional activities for the plaintiffs’
7 Tijuana stores, or how much of its Tijuana advertising spilled
8 over into the United States.¹³ Finally, Garcia states,
9 “[b]eginning in 1991, I was given authority by national
10 headquarters to personally begin contracting with local
11 television stations in Baja California to broadcast Gigante
12 advertisements and promotions.” (Id. ¶ 11.) It thus appears
13 that the plaintiffs did not begin television advertising until
14 some time in 1991, if not later.¹⁴

15 At best, Garcia’s declaration supports a finding that, as of
16 1991, the plaintiffs had done an unquantified amount of radio
17 and newspaper advertising in Baja California and Tijuana, and a
18 finding that at least some of this advertising had spilled over
19 into the San Diego area.

20 Based on the evidence before it, the Court finds that, as of
21 1991, the plaintiffs’ California advertising had been limited to
22 no more than four years of Mexico-based radio and newspaper ads,
23 that the amount of this radio and newspaper advertising is

25 ¹³ As discussed above, although it is unclear how much of
26 the plaintiffs’ Mexico-based advertising spilled over into
California, it is undisputed that at least some of it did.

27 ¹⁴ For example, although Garcia states he “began
28 contracting” with local television stations in 1991, he does not
state when these contracts were executed or when the television
ads and promotions began running.

1 unknown, and that some of this advertising reached the San Diego
2 area. This factor thus suggests that, as of 1991, the
3 plaintiffs' Gigante mark was not famous enough to qualify for
4 protection from dilution.

5

6 **d. The geographic extent of the trading area in which**
7 **the mark is used**

8 As of 1991, the plaintiffs used the Gigante mark throughout
9 Mexico. For purposes of this case, however, the relevant
10 geographic trading area is that portion of the United States in
11 which the plaintiffs' mark had achieved some degree of renown.
12 As of 1991, there is no evidence to suggest that the plaintiffs'
13 use of the Gigante mark in the United States extended beyond a
14 fairly small area around the United States-Mexico border. (See,
15 e.g., Ps SUF No. 37.) The limited geographic area within which
16 the plaintiffs' mark was used in 1991 strongly suggests that it
17 was not famous enough to qualify for protection from dilution.
18 See, e.g., McCarthy, § 24:92 at 24-164 (stating that mark
19 ordinarily should not be deemed famous unless it has been used
20 on a substantially national scale); Star Markets, Ltd. v.
21 Texaco, Inc., 950 F. Supp. 1030, 1035 (D. Haw. 1996) (holding
22 that "fame in only one state militates strongly against meriting
23 protection from dilution under federal law").

24

25 **e. Channels of trade for the goods or services with**
26 **which the mark is used**

27 According to McCarthy, "[t]his factor merely requires the
28 court to define the product or service line or market within

1 which the plaintiff's mark is used and has become famous."
2 McCarthy, § 24:92 at 24-166. As discussed above, the Court
3 finds that the plaintiffs' Gigante mark, and its grocery stores,
4 were known to a relatively small market as of 1991: Mexican-
5 Americans who lived in San Diego County.

6

7 **f. The mark's degree of recognition in the trading**
8 **areas and channels of trade used by the plaintiffs**
9 **and the defendants**

10 The Court finds that this factor overlaps somewhat with the
11 first factor. This factor looks at how recognizable or famous
12 the plaintiffs' Gigante mark was in the defendants' trading area
13 (i.e., the San Diego area). As discussed above, the Ross Report
14 shows that, as of 1991, 22% of Mexican-Americans in San Diego
15 were aware of the plaintiffs' Gigante mark. Although this level
16 of recognition is sufficient to protect the plaintiffs' mark
17 from infringement, the Court finds that it is not sufficient to
18 establish that the plaintiffs' mark is famous enough to be
19 protectable from dilution. See, e.g., McCarthy, supra, § 24:92
20 at 24-168 (stating that mark should not be considered famous
21 unless it is known to more than 50% of defendant's potential
22 customers); Ringling Brothers--Barnum & Bailey Combined Shows,
23 Inc., v. Utah Div. of Travel Dev., 955 F. Supp. 605, 613 n.4
24 (E.D. Va. 1997) (finding mark was famous, in part, because
25 survey evidence shows that mark was recognized by over 40% of
26 nationwide class of respondents).

27

28 **g. Use of the same or similar marks by third parties**

1 Evidence of a mark's use by others "is relevant because,
2 when a mark is in widespread use, it may not be famous for the
3 goods or services of one business." Avery Dennison, 189 F.3d at
4 878 (internal quotes and cites omitted); see also McCarthy,
5 supra, § 24:92 at 24-169 ("A mark that is merely one in a
6 'crowd' of similar marks will not usually be 'famous'"); Star
7 Markets, 950 F. Supp. at 1035 (holding that the more often mark
8 is used in connection with a variety of goods and services, the
9 less likely it is that the plaintiff's use of the mark will
10 signify something unique or particular). The defendants have
11 submitted undisputed evidence that third parties have used the
12 mark *Gigante* or *Giant* (its English translation). For example,
13 the defendants have submitted the results of an online search of
14 the United States Patent and Trademark Office database that
15 indicates federal trademark registrations have been issued for
16 the marks "Gigante," "El Gigante," and "Gigante Express." (See
17 Ds SUF No. 62.) The defendants have also submitted evidence
18 showing that several federal trademark registrations have been
19 issued for the mark "Giant", including "Giant Food," "Giant G,"
20 and "Little Giant Food Stores." (See Ds SUF No. 63.) The fact
21 that others have registered the mark *Gigante* or *Giant*, or some
22 variation thereof, cuts against a finding that the plaintiffs'
23 mark is famous enough to qualify for protection from dilution.

24

25 **h. Whether the mark is registered**

26 Although the plaintiffs' mark has been registered with the
27 state, it has not been federally registered. This factor thus
28 suggests that the plaintiffs' mark is not famous enough for

1 protection from dilution under federal law, although it may
2 suggest that the mark is famous enough for protection from
3 dilution under state law.

4
5 **i. Balancing of all eight factors**

6 All eight of the factors discussed above suggest that the
7 plaintiffs' mark is not famous enough to qualify for protection
8 from dilution under federal law, and seven of the eight factors
9 suggest that the plaintiffs' mark is not famous enough to
10 qualify for protection under state law. Based on the above, the
11 Court finds that the plaintiffs are unable to show that, as of
12 1991, their Gigante mark was famous enough in the United States
13 to qualify for protection from dilution. The Court thus grants
14 the defendants' motion for summary judgment on the plaintiffs'
15 two dilution claims.

16
17 **3. The Defendants' Cancellation of Registration Claim**

18 In their opposition to the plaintiffs' motion for partial
19 summary judgment, the defendants argue, for the first time, that
20 they are entitled to summary judgment on their counterclaim for
21 cancellation of the plaintiffs' trademark. It goes without
22 saying that a party may not move for summary judgment in its
23 opposition papers. However, because the plaintiffs' have
24 responded to the defendants' argument, and in the interest of
25 judicial economy, the Court will address the defendants'
26 argument.

27 California Business & Professions Code § 14281 provides that
28 the Secretary of State shall cancel the registration of any

1 trademark upon finding that the registrant is not the owner of
2 the mark or that the registration was obtained fraudulently.
3 The defendants argue that the plaintiffs' registration should be
4 canceled because the registration was fraudulently obtained.
5 The Court finds that the defendants have not established fraud.

6 The plaintiffs obtained registration for both a trademark
7 and a service mark. The plaintiffs registered the Gigante
8 trademark for canned fruits and vegetables, dairy products,
9 coffee, sauces, pasta, rice, flour, salsa, pastry, and cake
10 mixes. This registration states that the Gigante trademark was
11 first used in California "as early as 1/14/98." They also
12 registered the Gigante service mark for wholesale and retail
13 distribution of groceries. Like the trademark registration,
14 this registration states that the Gigante service mark was first
15 used in California "as early as 1/14/98." The defendants argue
16 that the statements concerning first use are false because the
17 plaintiffs were not qualified to do business in California until
18 June 1998, and they did not open their first grocery store in
19 California until May 1999.

20 From the evidence presented, the Court finds that the
21 statement contained in the trademark registration is not false.
22 It is undisputed that the plaintiffs offer private label
23 products marketed under the name "Seleccion Gigante." (See Ds
24 SUF No. 24.) It is also undisputed that, sometime in 1996 and
25 1997, the plaintiffs imported these private label goods to
26 California, until poor sales halted the importation. (See Ds
27 Supp. SUF No. 12; Ds Add'l Fact No. 101.) The Court thus finds
28 that the statement that the plaintiffs used the Gigante

1 trademark in California on canned vegetables and the like "as
2 early as 1/14/98" is not false.

3 The Court also finds that the statement contained in the
4 service mark registration is not false. Since 1995, the
5 plaintiffs have leased a facility in San Diego that consisted of
6 administrative offices and a warehouse. (See Ps SUF No. 35.)
7 The warehouse was used to import and export goods between the
8 United States and Mexico. (Id.) Although it is not
9 specifically stated, presumably the warehouse was used to export
10 the plaintiffs' private label goods to the United States. The
11 Court finds that, through the San Diego warehouse, the
12 plaintiffs in all likelihood were engaged in the wholesale
13 distribution of groceries. Whether or not the plaintiffs were
14 engaged in the retail distribution of groceries in California as
15 early as 1998 within the meaning of California law is a much
16 closer call. See Cal. Bus. & Prof. Code § 14209 (stating
17 trademark is used in California when goods are sold or services
18 are rendered in state). However, in order to show fraud, the
19 defendants must show that the plaintiffs made the statement with
20 the intent to deceive. The defendants have presented no
21 evidence that shows the plaintiffs made the statement with the
22 intent to deceive. Indeed, the evidence submitted by both
23 parties strongly suggests that the plaintiffs believed they were
24 using the Gigante mark in California by virtue of their
25 marketing efforts directed at Californians.

26 The Court thus denies the defendants' motion for summary
27 judgment on their counterclaim for cancellation.

28

1 **4. Laches**

2 The defendants have asserted a laches defense to the
3 plaintiffs' trademark infringement and unfair competition
4 claims.¹⁵ "Laches can bar recovery in trademark or tradename
5 actions where injunctive relief is sought." E-Systems, Inc. v.
6 Monitek, Inc., 720 F.2d 604, 607 (9th Cir. 1983). "Laches is a
7 question of law and may be determined on summary judgment." MDT
8 Corp. v. New York Stock Exch., Inc., 858 F. Supp. 1028, 1033
9 (C.D. Cal. 1994); see also American Int'l Group v. American
10 Int'l Bank, 926 F.2d 829, 831 (9th Cir. 1991) (holding court may
11 properly grant summary judgment on basis of laches). The
12 defendants argue that the plaintiffs should be barred from
13 recovery because they unreasonably delayed in attempting to
14 enforce their right to use the Gigante mark in California. The
15 Court finds this argument persuasive.

16 Before discussing the merits of the laches defense, the
17 Court notes that the plaintiffs have argued that the defendants
18 waived the defense by failing to assert it in their answer to
19 the complaint. The Court is not persuaded by this argument.
20 The defendants asserted affirmative defenses based on the

21
22 ¹⁵ The defendants have also asserted a statute of
23 limitations defense. (See Ds Reply to Ps Opp. to Ds MSJ p. 14.)
24 Although the defendants raised a laches defense in their
25 opposition to the plaintiffs' motion for summary judgment, the
26 first time they raised a statute of limitations defense was in
27 their reply brief. The Court need not, and does not, consider
28 arguments raised for the first time in a reply brief. See,
e.g., United States v. Cox, 7 F.3d 1458, 1463 (9th Cir. 1993).
Moreover, in a trademark infringement suit, it is laches, rather
than the statute of limitations, that is generally invoked to
determine whether the plaintiffs have waited too long to bring
suit. See McCarthy, § 31:33 at 31-71 (noting that because
infringement is a continuing wrong, statute of limitations is
usually no bar to suit for injunctive relief).

1 statute of limitations and estoppel. Laches is an equitable
2 defense that is closely analogous in purpose to the statute of
3 limitations. Moreover, the terms "laches", "estoppel", and
4 "estoppel by laches" are often used interchangeably. The Court
5 thus finds that the defendants adequately raised the defense of
6 laches in their answer to the complaint.

7 In a trademark case, the existence of laches is determined
8 by considering six factors: (1) the strength and value of the
9 trademark rights asserted; (2) the senior user's diligence in
10 enforcing the mark; (3) the harm to the senior user if relief is
11 denied; (4) whether the junior user acted in good faith
12 ignorance of the senior user's rights; (5) the degree of
13 competition between the senior and junior users; and (6) the
14 extent of harm suffered by the junior user because of the senior
15 user's delay in asserting its rights. E-Systems, 720 F.2d at
16 607. After analyzing all of these factors, the Court finds that
17 laches bars the plaintiffs' request for injunctive relief.

18

19 **a. Strength and value of trademark rights asserted**

20 As the Court has already found, (see § B.1.b.iv., above),
21 the plaintiffs' Gigante mark is only moderately strong.

22

23 **b. The plaintiffs' diligence in enforcing the mark**

24 The Court finds that the plaintiffs have not been diligent
25 in enforcing their mark. The defendants opened their first
26 grocery store under the Gigante name in August 1991. It is
27 undisputed that the plaintiffs first learned of this store in
28 1995. (Ds SUF No. 37.) The plaintiffs, however, did not

1 contact the defendants at that time.¹⁶ Meanwhile, in late 1996,
2 the defendants opened their second Gigante store in San Diego.

3 The parties finally met for the first time in June 1998
4 after Michael Dallo, one of the San Diego stores' owners,
5 learned that Justo Frias, the Director of Operations of the
6 plaintiffs' Baja Division, wanted to meet with him. (See Ds SUF
7 No. 40 and Ps Resp. thereto.) During that meeting, Frias either
8 accused Dallo of selecting the Gigante name in hopes of being
9 bought out by the plaintiffs, or he told Dallo that the
10 defendants were using the Gigante name unlawfully and that the
11 name belonged to the plaintiffs. (See Ds SUF No. 41 and Ps
12 Resp. thereto.) Dallo was insulted by this accusation and
13 terminated the meeting. (Ds SUF No. 41.) Despite the clear
14 suggestion that the defendants did not intend to stop using the
15 Gigante name, the plaintiffs still did nothing.

16 The parties had no further contact for another year. (Ds
17 SUF No. 43.) In May 1999, the plaintiffs opened their first
18 United States Gigante store in Pico Rivera. (Id.) Two months
19 later, on July 20, 1999, the defendants' counsel sent the
20 plaintiffs a cease and desist letter. (Ps SUF No. 26; Ds SUF
21

22 ¹⁶ The plaintiffs argue that they did not act on this
23 information immediately because Justo Frias, the Director of
24 Operations of the plaintiffs' Baja Division and the person who
25 first learned of the defendants' Gigante stores, had recently
26 been kidnapped and because the plaintiffs had put their plans to
27 open a store in San Diego on hold. This does not, however,
28 diminish the finding that the plaintiffs unreasonably delayed in
asserting their rights. The temporary absence of one of the
plaintiffs' executives should not have stopped such a large
company from acting. Moreover, regardless of whether or not the
plaintiffs intended to open a Gigante store in San Diego in
1995, once they learned of the defendants' use of the name, they
should have acted.

1 No. 43.) Less than two weeks after receiving the cease and
2 desist letter, the plaintiffs filed the present lawsuit. (Ds
3 SUF No. 44.) In their moving papers, the plaintiffs state that
4 they were "[f]aced with no alternative," and that they filed
5 this lawsuit to establish their entitlement to use the Gigante
6 name. (See Ps MPA p. 1.) Thus, in the absence of the
7 defendants' cease and desist letter, there is no evidence that
8 the plaintiffs would have acted to enforce the mark.

9 Based on the above, the Court finds that the plaintiffs have
10 not been diligent in enforcing their mark.

11

12 **c. The harm to the plaintiffs if relief is denied**

13 The plaintiffs request an order enjoining the defendants
14 from using the Gigante name on their two San Diego stores. The
15 Court does not find that the plaintiffs will be unduly harmed if
16 this request is denied.

17 The parties have co-existed on both sides of the United
18 States-Mexico border for almost ten years. The Court finds no
19 threat of great harm to the plaintiffs if the status quo were to
20 be maintained. In making this finding, the Court relies
21 extensively on the fact that the defendants' two San Diego
22 stores draw their customers from, and advertise in, a limited
23 geographic area, and on the fact that the defendants have no
24 plans to open new stores under the Gigante name. (Ps SUF No.
25 93.) Moreover, although the plaintiffs have begun to expand
26 into California, they are currently operating only three stores
27 in the Los Angeles area. There is no evidence that the
28 plaintiffs' Los Angeles customers will be confused or the

1 plaintiffs' Los Angeles operations will be harmed if the
2 defendants are allowed to keep operating their two San Diego
3 stores under the Gigante name.

4

5 **d. Whether the defendants acted in good faith ignorance of**
6 **the plaintiffs' rights**

7 As discussed above, (see § B.1.b.vi., above), the Court
8 finds no evidence that the defendants acted in bad faith in
9 opening their first store under the Gigante name in 1991. And
10 although it is undisputed that the defendants had heard of the
11 plaintiffs' stores by the time they opened their second Gigante
12 store in 1996, the Court cannot say it was unreasonable for the
13 defendants to open a second store under a name that they had
14 already used for five years.

15

16 **e. The competition between the plaintiffs and the**
17 **defendants**

18 There is no evidence in this case that suggests the
19 defendants compete for customers with the plaintiffs' Los
20 Angeles Gigante stores. And although they might compete for
21 customers with the plaintiffs' Tijuana Gigante stores, as noted
22 above, the plaintiffs and the defendants have managed to co-
23 exist on both sides of the United States-Mexico border for
24 almost ten years.

25

26 **f. The harm suffered by the defendants because of the**
27 **plaintiffs' delay**

28

1 The defendants opened their second Gigante store in late
2 1996 or early 1997. By that time, the plaintiffs had been aware
3 of the defendants' Gigante store for over a year. Had the
4 plaintiffs asserted their rights in 1995, this issue would
5 undoubtedly have come to a head sooner, and the defendants might
6 not have begun operating a second store under the Gigante name.
7 Because of the plaintiffs' delay, the defendants are now
8 threatened with having to change the name on two of their stores
9 rather than one.

10 After having considered all of the above factors, the Court
11 finds that laches bars the plaintiffs' request for injunctive
12 relief. In addition to the plaintiffs' delay in filing suit to
13 enforce their mark and the harm to the defendants because of the
14 plaintiffs' delay, this finding is greatly influenced by the
15 fact that the defendants currently operate only two Gigante
16 stores in San Diego; the fact that these two stores draw
17 their customers from, and advertise in, a limited geographic
18 area; and the fact that the defendants have stated that they
19 have no plans to open other stores under the Gigante name. If
20 the defendants at a later date change the nature or extent of
21 their current exploitation of the Gigante name, the Court might
22 be inclined to find that some form of injunctive relief would be
23 appropriate.

24

25

CONCLUSION

26 For all of the reasons set forth above, the Court grants the
27 defendants' motion for summary judgment on the plaintiffs'
28 trademark dilution claims, and denies the defendants' motion for

1 summary judgment on their counterclaim to cancel the plaintiffs'
2 registration. The Court also grants, in part, the plaintiffs'
3 motion for partial summary judgment, and declares that the
4 plaintiffs have a valid, protectable interest in the Gigante
5 name, arising from their renown in the San Diego area as of
6 August 1991. However, because of the plaintiffs' unreasonable
7 delay in asserting their rights, the Court denies the
8 plaintiffs' request to enjoin the defendants from using the
9 Gigante name on the defendants' two San Diego stores.

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IT IS SO ORDERED.

Dated: _____

DEAN D. PREGERSON
United States District Judge