

TENTATIVE Order Regarding for Preliminary Injunction and For Leave

Plaintiff AK Futures LLC (“Futures”) moved for a preliminary injunction. Dkt. No. 15. Defendant Boyd Street Distro LLC (“Boyd”) has failed to oppose the motion.

For the following reasons, the Court **GRANTS** the motion.

I. BACKGROUND

This is a trademark infringing action. Futures filed suit against Boyd alleging unlawful manufacturing, importation, advertising, marketing, selling, and distributing of products that replicated Futures’ own. Compl. ¶ 1.

Futures owns and sells Cake branded Delta-8 products, including disposable electronic delivery systems and electronic cigarette e-liquid. Id. ¶ 2. Delta-8 is a hemp-derived product, regulated under the PACT Act and other regulations. Id. The Cake product is the top-selling brand of Delta-8 vaping goods in the country. Id. Futures launched Cake in October 2020, and since then, demand has been overwhelming, with revenue from sales of authentic Cake products exceeding \$44,000,000. Id. ¶ 14. By virtue of this success, Futures has established substantial consumer goodwill in the Cake Mark, trade name, and designs. Id. ¶ 15.

Futures has also filed for registration of the Cake Marks before the United States Patent and Trademark Office (“USPTO”). Id. ¶¶ 16-17. The application dates span from December 21, 2020 to March 25, 2021. Id. ¶ 17. Since October 23, 2020, it has continuously used one or more of the aforementioned Marks in commerce, currently, all Cake products bear one or more of the marks. Id. ¶ 20.

Futures investigated Boyd’s counterfeit products, engaging a private investigator to purchase and inspect samples of the same. Id. ¶ 25. On May 6, 2021, its investigator purchased two boxes, containing ten disposable Cake Delta 8 devices from Boyd. Id. ¶ 26. Futures examined the products and determined

them to be inauthentic, despite “striking” similarities. Id. ¶ 27. However, they differ in a number of ways as well. Id. ¶ 28. Futures does not laminate its products, whereas the inauthentic versions were. Id. They also use different paper products. Id. The inauthentic products also use a previous certificate of analysis sticker, no longer employed by Futures. Id. Other differences exist as well. See id. For example, the devices themselves are white, but the inauthentic versions are black. Clelland Decl. ¶ 20.

As a result of the inauthentic products, “Defendants are intentionally deceiving customers into believing that they are receiving authentic Cake products . . .” Id. ¶ 29. In addition, “the quality, performance, and safety of Defendants’ products is unknown.” Id. ¶ 30. Contrary to Boyd, Futures “tests its products for potency and regulatory compliance purposes, and periodically conducts full-panel testing for heavy metals, pesticides, and other contaminants.” Dkt. No. 15 at 7 (citing Clelland Decl. ¶ 23). As a result, consumers are harmed by the inauthentic products, which are at risk of being “lower quality, less reliable, and less safe” than the authentic ones. Compl. ¶ 31. Consumers also face a “significant public health concern” by virtue of these products. Dkt. No. 15 at 7 (citing Fox Decl., Ex. A).

II. LEGAL STANDARD

On an application for a preliminary injunction, the plaintiff has the burden to establish that (1) he is likely to succeed on the merits, (2) he is likely to suffer irreparable harm if the preliminary relief is not granted, (3) the balance of equities favors the plaintiff, and (4) the injunction is in the public interest. Winter v. Natural Res. Def. Council, Inc., 555 U.S. 5, 20 (2008).

In the Ninth Circuit, the Winter factors may be evaluated on a sliding scale: “serious questions going to the merits, and a balance of hardships that tips sharply toward the plaintiff can support issuance of a preliminary injunction, so long as the plaintiff also shows that there is a likelihood of irreparable injury and that the injunction is in the public interest.” Alliance for the Wild Rockies v. Cottrell, 632 F.3d 1127, 1134-35 (9th Cir. 2011).

III. DISCUSSION

A. Preliminary Injunction

1. *Likelihood of Success on the Merits*¹

I. Copyright Infringement, 17 U.S.C. § 101

“To prove copyright infringement, a plaintiff must demonstrate (1) ownership of the allegedly infringed work and (2) copying of the protected elements of the work by the defendant.” Pasillas v. McDonald’s Corp., 927 F.2d 440, 442 (9th Cir. 1991). A “certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate.” 17 U.S.C. § 410©). “The word ‘copying’ is shorthand for the infringing of any of the copyright owner's [six] exclusive rights,” one of which is the right “to perform the copyrighted work publicly.” S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1085 n. 3 (9th Cir.1989)

Here, Futures argues that it is likely to succeed on the merits of its copyright infringement claim given that it has established copyright ownership via registration of the Marks and that Boyd is violating its exclusive rights “by selling and distributing products bearing the” Mark. Dkt. No. 15 at 15 (citing Clelland Decl., Ex. A; id. ¶ 12).

The Court agrees with Futures. First, it has established ownership of the alleged infringed work. Futures owns six Marks for its Cake product, all of which are registered (Nos. 90399839, 90584363, 90584410, 90594523, 90686598, 90594382, 90624745, 90603633). Clelland Decl., Ex. B–I. These are also all registered within five years of the first publication of the work. See id. Second, the Court agrees with Futures that it has demonstrated copying of the protected elements, as it has demonstrated substantial similarity between the authentic and

¹From the Court’s review of Plaintiff’s motion, it does not appear that Futures makes any argument concerning its likelihood of success on the merits of its California False Advertising, Cal. Bus. & Prof. Code § 17500, or California Unfair Competition, Cal. Bus. & Prof. Code § 17200 et. seq, claims.

inauthentic products. See Carroll Decl. ¶ 5, Ex. A; Maconachy Decl. ¶ 6, Ex. B; see also Milano v. NBC Universal, Inc., 584 F. Supp. 2d 1288, 1294 (C.D. Cal. 2008) (“In determining whether two works are substantially similar on summary judgment, the court employs the extrinsic test, which objectively measures the articulable similarities between the plot, themes, dialogue, mood, setting, pace, characters, and sequence of events.”) (citations and quotations omitted).

Therefore, the Court finds that Futures has demonstrated a likelihood of success on the merits as to its copyright infringement cause of action.

ii. Federal Unfair Competition and False Designation of Origin, 15 U.S.C. 1125(a)

To prevail under a false designation of origin or federal unfair competition claim, plaintiff must establish that it (1) has a valid, protectable trademark that (2) defendant is using in a confusingly similar manner. S. Cal. Darts Ass’n v. Zaffina, 762 F.3d 921, 929 (9th Cir. 2014). “The core element of trademark infringement is the likelihood of confusion, i.e., whether the similarity of the marks is likely to confuse customers about the source of the products.” Freecycle Network, Inc. v. Oey, 505 F.3d 898, 902 (9th Cir. 2007) (quotations omitted).

The Court has already found a likelihood of success on the merits on Futures’ copyright infringement claim, which impliedly required finding that Futures established it has a valid and protectable trademark. Therefore, at issue is whether the defendant is using the product in a confusingly similar manner. “The ‘likelihood of confusion’ inquiry generally considers whether a reasonably prudent consumer in the marketplace is likely to be confused as to the origin or source of the goods or services bearing one of the marks or names at issue in the case.” Rearden LLC v. Rearden Commerce, Inc., 683 F.3d 1190, 1209 (9th Cir. 2012). The eight factors guide the inquiry: (1) strength of the mark, (2) proximity of the goods, (3) similarity of the marks, (4) evidence of actual confusion, (5) marketing channels used, (6) type of goods and the degree of care likely to be exercised by the purchaser, (7) defendant’s intent in selecting the mark, and (8) likelihood of expansion of the product lines. Rearden, 683 F.3d at 1209 (citing citing AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979), abrogated in part on other grounds, Mattel, Inc. v. Walking Mountain Prod., 353 F.3d 792 (9th Cir. 2003)).

Futures argues that it is likely to succeed on the second prong “because counterfeit marks are inherently confusing.” Dkt. No. 15 at 11 (citing Phillip Morris USA Inc., v. Shalabi, 352 F. Supp. 2d 1067, 1073 (C.D. Cal. 2003)). Even if that were not the case, it argues it satisfies the likelihood of confusion inquiry under Sleekcraft as well. Id. at 12. First, the counterfeit goods are copies of Futures’ products, and therefore as “closely related as possible.” Id. (citing Maconachy Decl. ¶ 4; Clelland Decl. ¶¶ 18-22). Second, the appearance of the Marks on the counterfeit products are identical to the CAKE Marks. Id. Third, while Futures does not have direct evidence of actual confusion, this factor should be neutral given that Futures launched the product only a year ago and only recently became aware of the infringing activities. Id. at 12-13. Fourth, Boyd promotes itself as a wholesaler of similar products in a similar market, Los Angeles, and competes with wholesalers of authentic products. Id. at 13 (citing Maconachy Decl. ¶ 4; Clelland Decl. ¶¶ 17-18.). Fifth, because the products are relatively inexpensive, consumers are unlikely to exercise a high degree of care in distinguishing the counterfeit products from the real ones. Id. Sixth, Boyd also as an intent to deceive in offering these products. Id. at 13-14.

The Court agrees that Futures demonstrated a likelihood of confusion.

First, the counterfeiting of another’s trademark establishes a presumption of a likelihood of confusion. Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp., 174 F.3d 1036, 1056 (9th Cir. 1999). (“In light of the virtual identity of marks, if they were used with identical products or services likelihood of confusion would follow as a matter of course.”); see Louis Vuitton Malletier, S.A. v. Akanoc Sols., Inc., 658 F.3d 936, 945 (9th Cir. 2011) (“[T]he presumption [of likelihood of confusion] arises when intent to cause confusion is coupled with the use of a counterfeit mark or a mark virtually identical to a previously registered mark.”). Courts even bypass the Sleekcraft test even in the case of preliminary injunctions. Ubiquiti Networks, Inc. v. Kozumi USA Corp., No. C 12-2582 CW, 2012 WL 2343670, at *14 (N.D. Cal. June 20, 2012) (granting TRO and OSC re preliminary injunction).

Second, even if the above were not the case, the Court finds that Futures has satisfied the Sleekcraft test. While the Mark, “Cake,” may be ubiquitous, Futures has established a reputation in the market. Clelland Decl. ¶ 24. The counterfeit product and authentic product are also sold in the same market. While Futures has

not demonstrated actual confusion, the Court also agrees with Futures that consumers are likely to be confused given the similarity of the Marks. The products are almost identical, as demonstrated below:



See Carroll Decl. ¶ 5, Ex. A; Maconachy Decl. ¶ 6, Ex. B. Therefore, the Court finds that Futures has established a likelihood of success on the merits on its unfair competition and false designation cause of action.

2. *Irreparable Harm*

Futures argues that absent a preliminary injunction, it will suffer irreparable harm. First, it notes that under the Trademark Modernization Act of 2020, upon the showing of a likelihood of success on the merits on a trademark infringement claim, a plaintiff is entitled to a presumption of irreparable harm. Dkt. No. 15 at at 16 (citing 15 U.S.C. § 1116(a)). Second, even in the absence of such a presumption, Futures argue that courts routinely find an irreparable harm. *Id.* at 16 (citing CytoSport, Inc. v. Vital Pharm., Inc., 617 F. Supp. 2d 1051, 1080 (E.D. Cal. 2009), aff'd, 348 F. App'x 288 (9th Cir. 2009); Kalologie Franchising LLC v. Kalologie Skincare Med. Grp. of Cal., 2014 WL 953442, at *5 (C.D. Cal. Mar. 11, 2014), and others). Futures offers additional bases for finding an irreparable harm, for example, that despite its inability to test the products before they reach consumers and the fact that the products are likely dangerous to them as well, a

consumer with a negative experience from an infringing product may be deterred from future purchases. Id. at 17.

3. *Balance of Equities*

Futures argues that the balance of equities tips in its favor because it will suffer a loss of goodwill and harm to its reputation if Boyd is permitted to continue its infringing activities. Dkt. No. 15 at 17-18. Meanwhile, Boyd will just be prevented from selling counterfeit goods, “an activity that is entitled to no protection under U.S. law.” Id. at 18 (citing Gucci Am., Inc. v. Los Altos Boots, Inc., 2014 WL 12561613, at *7 (C.D. Cal. Aug. 27, 2014)).

“Where the only hardship that the defendant will suffer is lost profits from an activity which has been shown likely to be infringing, such an argument in defense merits little equitable consideration.” Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc., 924 F. Supp. 1559, 1574 (S.D. Cal. 1996), (quoting Concrete Machinery Co. v. Classic Lawn Ornaments, Inc., 843 F.2d 600, 612 (1st Cir. 1988)), aff’d, 109 F.3d 1394 (9th Cir. 1997)

4. *Injunction is in the Public Interest*

Futures argues that an injunction is in the public interest given the deception involved in Boyd’s sales of counterfeit goods. Dkt. No. 15 at 18. Moreover, because the counterfeit goods present public health concerns, the public interest would be served in that regard as well. Id. at 19 (citing Clelland Decl. ¶ 23; Fox Decl., Ex. A).

The Court agrees. First, trademark law protects the public interest by preventing confusion of customers through the use of confusingly similar marks. See 15 U.S.C. § 1125(a)(1). Second, the public is entitled to a clear understanding of the source of a product and to distinguish goods among competitors. Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 854 n.14 (1982) (citing legislative history of the Lanham Act); see also Kingston Tech. Corp. v. Jiaxin Tech., No. SACV0901038CJCRNBX, 2010 WL 11595923, at *3 (C.D. Cal. Oct. 14, 2010). Third, public health will be served by a greater understanding of the source of the counterfeit products, given the ability to better track and trace what materials are used in their production.

Therefore, the Court finds that an injunction is in the public interest. Having found that Futures has demonstrated a likelihood of success on the merits, that it will suffer irreparable harm, and that the balance of equities tips in its favor and also is in the public interest, the Court **GRANTS** Futures' motion for a preliminary injunction. Additionally, Federal Rule of Civil Procedure 65(c) grants district courts wide discretion in setting the amount of a security bond. Fed. R. Civ. P. 65(c); Doctor's Assocs., Inc. v. Distajo, 107 F.3d 126, 136 (2d Cir. 1997). Considering the evidence before the Court, the Court finds that a security bond in the amount of \$2,500.00 is appropriate.

B. Expedited Discovery

“A party may not seek discovery from any source before the parties have conferred as required by Rule 26(f), except in a proceeding exempted from initial disclosure under Rule 26(a)(1)(B), or when authorized by these rules, by stipulation, or by court order.” Fed. R. Civ. P. 26(d)(1). Courts in the Ninth Circuit generally grant requests for expedited discovery when the moving party shows good cause. Semitool, Inc. v. Tokyo Elec. Am., Inc., 208 F.R.D. 273, 275–76 (N.D. Cal. 2002).

“Good cause may be found where the need for expedited discovery, in consideration of the administration of justice, outweighs the prejudice to the responding party. In determining whether good cause justifies expedited discovery, courts commonly consider factors including: (1) whether a preliminary injunction is pending; (2) the breadth of the discovery requests; (3) the purpose for requesting the expedited discovery; (4) the burden on the [party opposing expedited discovery,] to comply with the requests; and (5) how far in advance of the typical discovery process the request was made.”

Apple Inc. v. Samsung Electronics Co., Ltd., 2011 WL 1938154, at *1 (N.D. Cal. 2011) (citation omitted).

Futures argues the Court should permit it to begin discovery ahead of the Rule 26(f) conference because good cause exists to do so. Dkt. No. 15 at 20-21. Specifically, “Boyd [] identifies itself as a wholesaler of smoke products and it sells and distributes the counterfeit products, but [Futures] does not have information on where Boyd [] sources those products or if it has sold them to

retailers or other resellers.” Id. at 21 (citing Clelland Decl. ¶ 25). Futures “seeks the identities and whereabouts of all persons from which Boyd [] purchased any counterfeit products, along with quantities and prices of all such purchases, and any invoices documenting such purchases.” Id.

The Court agrees. While Futures already filed its preliminary injunction motion, it has demonstrated that other defendants – each of which who are contributing to the sale and manufacture of counterfeit goods – may exist. See Dkt. No. 15 at 20-21. Moreover, Futures has demonstrated that discovery is likely to lead to identifying information. See AF Holdings LLC v. Doe, No. 2:11-CV-03076 LKK, 2012 WL 974933, at *2 (E.D. Cal. Mar. 21, 2012). The discovery requests are also narrow in scope, as Futures requests that the Court permit discovery only to discover the source of the counterfeit products. Dkt. No. 15 at 20.

Therefore, the Court **GRANTS** Futures’ request to commence discovery on Boyd in advance of the Rule 26(f) conference.

IV. CONCLUSION

For the foregoing reasons, the Court **GRANTS** the motion.

IT IS SO ORDERED.

The Court VACATES the August 2, 2021 hearing. Any party may file a request for hearing of no more than five pages no later than 5:00 p.m. on Tuesday, August 3, 2021, stating why oral argument is necessary. If no request is submitted, the matter will be deemed submitted on the papers and the tentative will become the order of the Court. If the request is granted, the Court will advise the parties when and how the hearing will be conducted.