ESTTA Tracking number: **ESTTA937374**

Filing date: **11/26/2018**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	92069730
Party	Plaintiff New Image Global, Inc.
Correspondence Address	CHRISTOPHER Q PHAM JOHNSON & PHAM LLP 6355 TOPANGA CANYON BLVD STE 326 WOODLAND HILLS, CA 91367 UNITED STATES cpham@johnsonpham.com, jvener@johnsonpham.com 818- 888-7540
Submission	Opposition/Response to Motion
Filer's Name	Christopher Q. Pham
Filer's email	cpham@johnsonpham.com, jvener@johnsonpham.com
Signature	/Christopher Q. Pham/
Date	11/26/2018
Attachments	11.26.18_NIG Response to MTS (Final).pdf(521647 bytes)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the Matter of Registration No.: 5,530,554
For the Mark: DOUBLEXL
Registered: July 31, 2018

NEW IMAGE GLOBAL, INC., Petitioner, v. BLUNT WRAP U.S.A., INC., Respondent	Opposition No.: 92069730 **PETITIONER NEW IMAGE GLOBAL, INC.'S OPPOSITION TO RESPONDENT BLUNT WRAP U.S.A., INC.'S MOTION TO SUSPEND PROCEEDINGS; DECLARATION OF CHRISTOPHER Q. PHAM**

I. INTRODUCTION AND STATEMENT OF PERTINENT PLEADINGS

Respondent Blunt Wrap U.S.A., Inc. ("Respondent"), has brought the instant motion to suspend this cancellation proceeding in order to avoid Petitioner New Image Global, Inc.'s ("New Image") "fraud on the office" claim. Further, Respondent's instant motion to suspend this proceeding is inconsistent with Respondent's attempt, in the Central District of California, to dismiss, for lack of jurisdiction and venue, the concurrent matter upon which Respondent bases its request for suspension. *New Image Global, Inc. v. Blunt Wrap U.S.A., Inc.*, Case No.: 8:18-cv-01865 (the "CDCA Matter"). The CDCA Matter is not yet at issue, as Respondent has yet to file an Answer therein. Accordingly, New Image respectfully requests that the Board deny Respondent's motion requesting suspension of this proceeding, or, alternatively, that the Board stay its decision concerning Respondent's request for suspension during the pendency of Respondent's motion to dismiss filed in the CDCA Matter.

As set forth in the pleadings, the parties are no strangers to one another nor is Respondent ignorant of New Image's rights with respect to its "XXL" trademarks. Previously, when New Image sought to register an XXL 2 trademark, Respondent filed an opposition to the registration thereof entitled *Blunt Wrap U.S.A., Inc. v. New Image Global, Inc.*, Opp. No.: 91197705 (the "Prior Opposition"). (Dkt. #1, ¶¶6 & 7). Ultimately, on October 1, 2011, New Image and Respondent entered into a Trademark License Agreement, pursuant to which the Prior Opposition was withdrawn on October 17, 2011 (the "Licensing Agreement"). *Id.* at ¶¶8 & 9. Under the terms of the Licensing Agreement, New Image granted Respondent a non-exclusive license to use, under various restrictions, an "XXL" mark, pursuant to New Image's rights in its XXL 2 mark, which was at that time pending registration under Application No. 77/699073. *Id.* That application then matured into the registration held by New Image for an XXL 2 mark, U.S. Reg. No. 4,057,940 (the "940 Registration"). *Id.* at ¶¶1 & 9. In or around 2013, Respondent failed to make the contractual royalty payment or comply with the reporting requirement to New Image for use of an "XXL" mark, and seemingly ceased licensed use of an "XXL" mark. *Id.* at ¶10.

Despite its knowledge of New Image's superior rights to "XXL" – type trademarks in Class 34, Respondent, on March 30, 2015, filed a section 1(b) "intent-to-use" application for the trademark DOUBLEXL to cover products identical to those sold by New Image under its "XXL" marks. *Id.* at ¶13. In so doing, Respondent made the following false statements:

> "[A]pplicant is entitled to use the mark in commerce"
>
> "The signatory believes that to the best of the signatory's knowledge and belief, no other person has the right to use the mark in commerce, either in the identical form or in such near resemblance as to be likely, when used on or in connection with the goods/services of such other person, to cause confusion or mistake, or to deceive."

Id. Thereafter, when the DOUBLEXL mark Examiner cited New Image's 940 Registration as grounds for refusing registration on the DOUBLEXL mark, Respondent, knowing full well the

extent of New Image's rights in the XXL 2 mark registration, sought to intentionally mislead the Examiner by stating in its Office Action response:

> "First, it is respectfully submitted that the Examining Attorney has incorrectly concluded that registration no. 4057940 is for 'XXL' (concluding that 'The Registrant owns the mark XXL …'). This is not the case as the cited registration is actually for a stylized form of X-2-XL. The Applicant's mark is for 'DOUBLEXL' which is not similar to Registrant's stylized form of X-2-XL."
>
> "…[I]f any breaking would be done by consumers, the mark would be broken into the parts 'DOUBLE' and 'XL'. This appears to be the breaking up construction that the Examining Attorney has taken - - where the Examining Attorney asks 'Does "double xl" have any meaning with respect to the goods identified?' This type of breaking up would at most end up being considered a double/doubling of XL (or XLXL) which is not confusingly similar to Registrant's stylized form of X-2-XL."

Id. at ¶14-19. The USPTO was apparently persuaded by these misrepresentations of fact, given that the DOUBLEXL mark obtained registration on July 31, 2018, U.S. Reg. No.: 5,530,554. *Id.* at ¶20.

On December 21, 2017, New Image filed applications for registration of XXL and XXL 2 marks in Class 34. *Id.* at ¶¶1 & 11. Then, the Examiner assigned to both applications cited Respondent's DOUBLEXL registration as section 2(d) grounds to refuse registration of the marks sought via these 87/731168 and 87/730684 Applications. *Id.* at ¶12. Thereafter, in looking into Respondent's purported use of a DOUBELXL mark, as indicated by the 168 and 684 Applications' Examiner, Respondent's infringing use of an "XXL" mark in commerce to sell Class 34 products, without New Image's authorization, was made known. (*See generally* Dkt. #4, Exhibit A thereto). Accordingly, on October 16, 2018, both this cancellation proceeding and the complaint in the CDCA Matter were filed. (*See* Dkt. #1 & Dkt. #4, Exhibit A thereto).

In the CDCA Matter, New Image asserts infringement and false designation claims against Respondent as a result of Respondent's use of marks that are confusingly similar to New Image's "XXL" marks. (Dkt. #4, Exhibit A thereto, ¶¶34-44 & 45-54). Conversely, in this cancellation action, New Image seeks cancellation of Respondent's DOUBLEXL registration on the grounds of

confusing similarity/priority ***and*** fraud on the office. (Dkt. #1, ¶¶21-28 & 29-36). The pleadings in the CDCA Matter presently raise no fraud on the office claim. (*See* Dkt. #4, Exhibit A thereto).

Ahead of Respondent's November 25, 2018 deadline to respond to this petition for cancellation (Dkt. #2), on November 12, 2018, Respondent filed the instant Motion to Suspend this proceeding in favor of a determination of the CDCA Matter. Thereafter, on November 25, 2018, Respondent filed in the CDCA Matter a Motion to Dismiss New Image's Complaint for lack of personal jurisdiction and improper venue (the "Motion to Dismiss"). (*See* Declaration of Christopher Q. Pham, ¶2, Ex. A, thereto). The Motion to Dismiss is set for hearing on January 28, 2019. *Id.* This response to Respondent's request to suspend this cancellation proceeding follows.

II. IT IS WITHIN THE BOARD'S DISCRETION TO DENY RESPONDENT'S MOTION TO SUSPEND THIS PROCEEDING

The Board is not bound to automatically suspend this cancellation proceeding in favor of the CDCA Matter. Suspension of a Board proceeding is solely within the discretion of the Board. *The Other Telephone Company v. Connecticut National Telephone Company, Inc*., 181 USPQ 779, 782 (Comm'r Pat. 1974). "All motions to suspend, regardless of circumstances, . . . are subject to the 'good cause' standard." *National Football League v. DNH Management LLC*, 85 USPQ2d 1852, 1855, n.8 (TTAB 2008) (*citing* Trademark Rule 2.117(c)). "[B]oth the permissive language of Trademark Rule 2.117(a) … and the explicit provisions of Trademark Rule 2.117(b) make clear that suspension is not the necessary result in all cases." *Boyds Collection Ltd. v. Herrington & Co*., 65 USPQ2d 2017, 2018 (TTAB 2003). Accordingly, any request by Respondent to suspend this proceeding should be examined in light of New Image's pursuit of its "fraud on the office" claim against Respondent exclusively before the USPTO and the fact that Respondent has yet to join the CDCA Matter. Indeed, the Board should examine with skepticism

Respondent's assertions that the CDCA Matter should be the sole venue in which a determination of the likelihood of confusion issue should be adjudicated given Respondent's concurrent attempt to dismiss the CDCA Matter. Accordingly, the Board may, in its discretion, deny Respondent's motion to stay this cancellation proceeding.

A. New Image's Fraud on the Office Claim Is Distinct From the CDCA Matter

New Image's "fraud on the office" claim is unique to this TTAB proceeding such that cancellation of the DOUBLEXL registration is not sought on these grounds within the CDCA Matter. Nowhere in the CDCA Matter complaint does there appear a request for the cancellation of the DOUBLEXL mark on the grounds of "fraud on the office." (See Dkt. #4, Exhibit A thereto). And, cancellation of the DOUBLEXL mark registration is not a remedy currently requested in the CDCA Matter. *Id.* Moreover, issues central to Blunt Wrap U.S.A., Inc.'s fraudulent procurement of the DOUBLEXL trademark registration would have no issue preclusive effect upon the infringement and false designation claims set forth in the CDCA Matter Complaint. Accordingly, this TTAB proceeding should not be suspended given New Image's separate "fraud on the office" claim asserted herein.

A trademark registration, even if incontestable, is invalid if it was fraudulently obtained. 15 U.S.C. § 1115(b)(1). "Likelihood of confusion" in not an element of a "fraud on the office" claim. Fraud in procuring a trademark registration occurs when an applicant knowingly makes false, material representations of fact in connection with its application with intent to deceive the USPTO. *See In re Bose Corp.*, 580 F.3d 1240, 91 USPQ2d 1938, 1941 (Fed. Cir. 2009)*; see also Swiss Watch Int'l Inc. v. Fed'n of the Swiss Watch Indus.*, 101 USPQ2d 1731, 1745 (TTAB 2012); *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 1 USPQ2d 1483, 1484 (Fed. Cir. 1986). Thus, even where the Board fails to find a likelihood of confusion between two marks, the Board may

still cancel a registration on the grounds that the registration was obtained through fraud. Stated another way, "fraud on the office" claims are concerned with issues related to the veracity and intent behind the actual statements made by a party during the trademark application or renewal process, which are distinct from the issues surrounding claims of confusing similarity.

The essence of New Image's infringement and unfair competition claims pending in the CDCA Matter pertain to Respondent's use of marks that have resulted in the infringement of New Image's "XXL" marks. Conversely, the essence of New Image's "fraud on the office" claim against Respondent is that, in two separate instances, Respondent made material false statements to the USPTO regarding Respondent's right, and knowledge thereof, to use the DOUBLEXL mark in commerce. Namely, with full knowledge of New Image's prior rights in "XXL" marks, Respondent falsely informed the USPTO that it had the right to use the DOUBELXL mark and that no other party's marks were likely to be confused with the DOUBELXL mark. Then, when the Examiner assigned to the DOUBELXL trademark application preliminarily denied registration of the DOUBELXL mark as a result of New Image's 940 Registration, Respondent made various representations to the Examiner concerning the mark covered by the 940 Registration which contradict Respondent's knowledge of the rights embodied in New Image's 940 Registration; knowledge that stems from the Prior Opposition and the Licensing Agreement.

New Image does not need to prove a "likelihood of confusion" between the 940 Registration (or New image's other "XXL" marks) and the DOUBLEXL mark in order to obtain cancellation of Respondent's DOUBELXL mark registration through a "fraud on the office" claim. Fraud in procuring a trademark registration occurs when an applicant knowingly makes false, material representations of fact in connection with its application with the intent to deceive the USPTO. *In re Bose Corp.***,** 580 F.3d 1240, 91 USPQ2d 1938, 1941 (Fed. Cir. 2009). Accordingly,

given that the "fraud on the office" claim has not been brought in the CDCA Matter, and given that the "likelihood of confusion" issue is not raised by a "fraud on the office" claim, the parties would not need to duplicate efforts in both proceedings with respect to New Image's "fraud on the office claim," nor would a determination of said claim be preclusive of the "confusing similarity" issue in this instance.

Moreover, Respondent cannot conflate the "confusing similarity" issue with those underlying the "fraud on the office" claim by asserting that Respondent believed that its statements that DOUBLEXL and New Image's "XXL" marks are not confusingly similar were true. The moment the Examiner raised New Image's 940 Registration as grounds to deny registration of DOUBLEXL, if not sooner, Respondent was estopped from seeking the registration of the DOUBLEXL mark. Under, the doctrine of licensee estoppel, Respondent is precluded from challenging New Image's superior rights in "XXL"-type marks, including by providing the Examiner with false representations concerning the extent of New Image's rights in the XXL 2 mark covered by the 940 Registration. *See e.g. E.F. Pritchard Co. v. Consumers Brewing Co.*, 136 F.2d 512, 522 (6th Cir. 1943); *Pacific Supply Cooperative v. Farmers Union Cent. Exchange, Inc.*, 318 F.2d 894, 908-909 (9th Cir. 1963) (holding that it is a "long settled principle of law that a licensee … of a trademark or trade name may not set up any adverse claim in it as against its licensor."); Heaton Distributing Co. v. Union Tank Car Co., 387 F.2d 477, 482 (8th Cir. 1967); *Seven-Up Bottling Co. v. Seven-Up Co.*, 420 F. Supp. 1246, 1251 (D. Mo. 1976) ("Under the doctrine of licensee estoppel a plaintiff-licensee is estopped from contesting the validity of its licensor's marks."), aff'd, 561 F.2d 1275 (8th Cir. 1977); *Creative Gifts, Inc. v. UFO*, 235 F.3d 540, 548 (10th Cir. 2000) (" The licensee is estopped from claiming any rights against the licensor which are inconsistent with the terms of the license. This is true even after the license expires. He

is estopped from contesting the validity of the mark…"). In other words, Respondent, as a result of the Licensing Agreement, is estopped from claiming that it lacked the requisite scienter to support a "fraud on the office" claim by asserting that it believed that the DOUBLEXL mark and New Image's marks are not confusingly similar.

B. The Board Should Refrain From Any Decision Regarding a Stay of This Proceeding Until the Parties Receive a Ruling on Respondent's Motion to Dismiss Filed in the Central District of California Matter

Respondent inconsistently claims that this proceeding should be stayed in favor of the CDCA Matter while concurrently seeking a dismissal of the CDCA Matter. Though the Board has authority to stay this proceeding pending a concurrent civil action, the Board is not required to do so. The language of 37 C.F.R. §2.117(a) is permissive, not mandatory. *Id.* (…"proceedings before the Board *may* be suspended…"). The Board may require that the pending matter upon which a request for a stay is based be joined (i.e. that an Answer therein be filed) before making a determination regarding a suspension of the TTAB proceeding. TBMP §510.02(a). The parties have not stipulated to a stay of this TTAB Cancellation Action. And New Image, through this response, opposes the suspension unilaterally sought by Respondent. Meanwhile, Respondent has filed no Answer in the CDCA Matter. Instead Respondent seeks a dismissal of the CDCA Matter complaint by way of a 12(b)(2) & (3) motion.

It is incongruous for Respondent to, on the one hand, claim that this cancellation proceeding should be stayed in favor of a determination of the CDCA Matter, while at the same time seeking the dismissal of the CDCA Matter on grounds related to purportedly improper jurisdiction and venue. Given the pendency of the Motion to Dismiss filed in the CDCA Matter, it remains unclear whether the CDCA Matter will actually be the venue in which the issues currently

raised therein, which Respondent assert overlap with the issues raised in this cancellation proceeding, will be adjudicated. Accordingly, New Image respectfully requests that the Board deny, or in the alternative suspend a decision on, Respondent's motion seeking to suspend this cancellation action during the pendency of Respondent's Motion to Dismiss and/or until Respondent files an Answer in the CDCA Matter.

III. CONCLUSION

Given the foregoing, New Image respectfully requests that the Board deny, or in the alternative suspend any ruling upon, Respondent's motion seeking to suspend this cancellation action.

Dated: November 26, 2018

RESPECTFULLYSUBMITTED

JOHNSON & PHAM, LLP

By: /Christopher Q. Pham/
Christopher Q. Pham
Attorney for Petitioner
NEW IMAGE GLOBAL, INC.

DECLARATION OF CHRISTOPHER Q. PHAM

I. CHRISTOPHER Q. PHAM, declare as follows:

1. I am the managing partner of Johnson & Pham, LLP, which is counsel of record to Petitioner New Image Global, Inc. ("New Image"), in this cancellation proceeding and counsel of record for New Image in the matter presently pending in the Central District of California entitled *New Image Global, Inc. v. Blunt Wrap U.S.A., Inc.*, Case No.: 8:18-cv-01865 (the "CDCA Matter"). The following is within my personal knowledge, and if called upon as a witness, I would competently testify thereto:

2. Attached to this declaration as Exhibit A is a true and correct copy of the "Notice of Motion and Motion to Dismiss for Lack of Jurisdiction and Improper Venue, or, in the Alternative, Notice of Motion and Motion to Transfer Case to Eastern District of Louisiana" filed by Respondent Blunt Wrap U.S.A., Inc., in the CDCA Matter on November 19, 2018.

I declare under the penalty of perjury under the laws of the United States that the foregoing is true and correct. Executed on the 26th day of November 2018, in Woodland Hills, California.

/Christopher Q. Pham/
CHRISTOPHER Q. PHAM

EXHIBIT A

PHILIP J. KAPLAN (State Bar No. 135735)
SMITH & FAWER, LLC
philipkaplan@ca.rr.com
201 St. Charles Avenue, Suite 3702
New Orleans, Louisiana 70170
Telephone: (504) 525-2200
Facsimile: (504) 525-2205

Attorney for Defendant
BLUNT WRAP USA INC.

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SOUTHERN DIVISION

NEW IMAGE GLOBAL, INC., a California Corporation,

Plaintiff,

vs.

BLUNT WRAP USA INC., a Louisiana Corporation; and DOES 1-10, inclusive,

Defendant.

Case No. 2:18-cv-08940-DOC (JDEx)

DEFENDANT'S NOTICE OF MOTION AND MOTION TO DISMISS FOR LACK OF PERSONAL JURISDICTION AND IMPROPER VENUE OR, IN THE ALTERNATIVE, MOTION TO TRANSFER; MEMORANDUM OF POINTS AND AUTHORITIES; AND DECLARATION OF DANIEL SINCLAIR, JR.

Date: January 28, 2019
Time: 8:30 a.m.
Courtroom: "9D"
Judge: Hon. David O. Carter

TO THE COURT, ALL PARTIES, AND THEIR COUNSEL OF RECORD:

PLEASE TAKE NOTICE that, on January 28, 2019, at 8:30 a.m., or as soon thereafter as counsel may be heard, in the courtroom of the Honorable David O. Carter, United States District Court Judge, Central District of California, located at 411 West Fourth Street, Courtroom "9D," Santa Ana, California 92701, Defendant BLUNT WRAP U.S.A., INC. ("Blunt Wrap") hereby moves this Court, pursuant to Federal Rules of Civil Procedure 12(b)(2) and 12(b)(3) to dismiss the Complaint for Damages filed by Plaintiff NEW IMAGE GLOBAL, INC. ("New Image") for lack of personal jurisdiction and improper venue, or, in the alternative, pursuant to 28 U.S.C. § 1404, to transfer this matter to the Eastern District of Louisiana.

This motion is made following the telephonic conference of counsel pursuant to L.R. 7-3 that took place on November 7, 2018, at approximately 1:00 p.m. PST.

This motion is based on this Notice of Motion, the Memorandum of Points and Authorities attached hereto, the accompanying Declaration of Daniel Sinclair, Jr. filed herewith, the pleadings and papers on file in this action, and such other evidence and argument as may be presented to the Court prior to or at the time of hearing on this motion, or subsequent thereto, as permitted by the Court.

Dated: November 19, 2018 SMITH & FAWER, LLC

By /s/ *Philip J. Kaplan*
PHILIP J. KAPLAN
Attorney for Defendant
BLUNT WRAP U.S.A., INC.

TABLE OF CONTENTS

TABLE OF AUTHORITIES

CASES:

STATUTES, ETC.:

MEMORANDUM OF POINTS AND AUTHORITIES

Defendant Blunt Wrap U.S.A., Inc. ("Blunt Wrap") respectfully submits this Memorandum in support of its Motion to Dismiss for Lack of Personal Jurisdiction and Improper Venue or, in the Alternative, for Transfer of Venue.

Blunt Wrap, a Louisiana corporation domiciled in Louisiana, is not "at home" in California, and under the United States Supreme Court's decision in *Daimler AG v. Bauman*, Blunt Wrap is not subject to general personal jurisdiction in California courts. 571 U.S. 117, 137-38, 134 S. Ct. 746, 187 L. Ed. 2d 624 (2014). Indeed, the sole contact purportedly supporting personal jurisdiction is that Blunt Wrap is registered with the California Secretary of State to do business in California and has an agent for service of process in California.

Neither is Blunt Wrap subject to specific personal jurisdiction in this forum. Specific jurisdiction requires that a defendant's "suit-related" conduct create a "substantial connection" with the forum state. *See Walden v. Fiore*, 571 U.S. 277, 284, 134 S. Ct. 1115, 188 L. Ed. 2d 12 (2014). Plaintiff New Image Global, Inc. ("New Image") fails to identify any specific suit-related contacts having a connection, let alone a substantial connection, between Blunt Wrap and California. It follows that New Image has also failed to show any such contacts between Blunt Wrap and this District, rendering venue improper.

Additionally, by bringing this action in the Central District of California, New Image ignored its contractual obligation to resolve disputes concerning the subject matter of its Complaint in the United States District Court for the Eastern District of Louisiana. Indeed, the Complaint entirely ignores the Trademark License Agreement's Louisiana forum selection and choice-of-law clauses. Should this Court determine that it has personal jurisdiction over Blunt Wrap, the valid and enforceable forum selection clause previously agreed to by the parties requires that this case be transferred to the Eastern District of Louisiana pursuant to 28 U.S.C. §

1404.

STATEMENT OF FACTS

Blunt Wrap is a Louisiana corporation, with its principal place of business located in Mandeville, Louisiana. (Declaration of Daniel Sinclair, Jr. ("Sinclair Dec."), at ¶ 2). Although Blunt Wrap is registered with the California Secretary of State to do business in California and has an agent for service of process in California, Blunt Wrap does not conduct any business in California. (Sinclair Dec., ¶ 3). Blunt Wrap does not have any offices, bank accounts, or real estate in California. (Sinclair Dec., ¶ 4). Blunt Wrap does not maintain a mailing address or post office box in California. (Sinclair Dec., ¶ 5). Blunt Wrap has four employees, all of whom work out of the Mandeville, Louisiana office. (Sinclair Dec., ¶ 6).

Blunt Wrap has tobacco products manufactured under its trademarks and has patents and trademarks that are licensed for manufacture and sales of tobacco products. (Sinclair Dec. ¶7). Blunt Wrap does not advertise, solicit business, market, or conduct any other promotional activities in, or directed to, California, nor has it done so in the past. (Sinclair Dec., ¶ 8). In fact, Blunt Wrap does not have any records of sales in California or to California residents. (Sinclair Dec., ¶ 9). Blunt Wrap does not ship any products to or within California. (Sinclair Dec., ¶ 10). Blunt Wrap maintains a passive website, but visitors to the site cannot purchase Blunt Wrap products online. (Sinclair Dec., ¶ 11).

On or about October 1, 2011, New Image and Blunt Wrap entered into a Trademark License Agreement ("Agreement"), whereby New Image granted to Blunt Wrap a non-exclusive license to use New Image's trademark throughout the world in exchange for Blunt Wrap paying New Image a royalty. (*See* Agreement, attached as Ex. "A" to Sinclair Dec., Sections 1 & 3). That Agreement was in full force and effect on the date of its execution, and by its terms, will extend until terminated pursuant to the terms of the Agreement. (*Id.* at Section 2). The Agreement contains choice of law and forum selection provisions. (Ex. A to

Sinclair Dec., Section 13). The Agreement provides that it will be governed in accordance with the laws of the State of Louisiana. (*Id.* at Section 13.A). The Agreement also provides that all disputes under the Agreement will be resolved by the United States District Court for the Eastern District of Louisiana, and that the parties all consent to the jurisdiction of such court and agree to waive any jurisdictional or venue defenses otherwise available. (*Id.* at Section 13.B).

On September 14, 2018, counsel for New Image sent counsel for Blunt Wrap a letter advising Blunt Wrap that it had not paid royalties under the Agreement and demanded that Blunt Wrap immediately cease and desist using XXL or DOUBLEXL marks on any tobacco product. (Sinclair Dec., ¶ 13). At no time in that letter did New Image assert that the Agreement had been terminated. (*Id.*) New Image has never terminated the Agreement per Section 8 of the Agreement, as it has never given Blunt Wrap notice of termination. (Sinclair Dec., ¶ 14). On September 24, 2018, Blunt Wrap attempted to cure any alleged breach of the Agreement. (Sinclair Dec., ¶ 15). New Image failed to respond to Blunt Wrap's efforts, but instead filed this lawsuit on October 16, 2018.

In its Complaint for Damages ("Complaint"), New Image conclusorily alleges that this Court has personal jurisdiction over Blunt Wrap, stating that Blunt Wrap "conduct[s] business within this jurisdiction," "[is] registered with the California Secretary of State to do business in California," "ha[s] an agent for service of process in this jurisdiction," and "ha[s] committed the tortious activities of trademark infringement and unfair competition in this district." (Complaint (Rec. Doc. No. 1), ¶ 7). New Image also alleges, without any factual support therefor, that Blunt Wrap has "advertised, offered to sell, sold, and distributed products that infringe the trademarks of Plaintiff to consumers within this judicial district for [its] own commercial gain and ha[s] exploited California's extensive marketplace." (*Id.*).

New Image alleges that venue is proper in this District, because "upon information and belief, a substantial part of the events or omissions giving rise to

these claims occurred in this judicial district and has caused damage to Plaintiff in this district." (*Id.* at ¶ 9). These conclusory allegations, unsupported by concrete facts, cannot meet New Image's burden to establish that this Court has personal jurisdiction over Blunt Wrap.

LAW AND ARGUMENT

I. The Complaint Should Be Dismissed Against Blunt Wrap for Lack of Personal Jurisdiction.

A. Rule 12(b)(2) Legal Standard.

Under Fed. R. Civ. P. 12(b)(2), once personal jurisdiction is challenged, the plaintiff bears the burden of establishing that this Court has personal jurisdiction over the defendant. *See Boschetto v. Hansing*, 539 F.3d 1011, 1015 (9th Cir. 2008). New Image cannot "simply rest on the bare allegations of its complaint," but rather, must "come forward with facts, by affidavit or otherwise, supporting personal jurisdiction." *Amba Marketing Systems, Inc. v. Jobar Intern, Inc.*, 551 F.2d 784, 787 (9th Cir. 1977). Although uncontroverted allegations in the complaint must be taken as true, courts may not assume the truth of allegations in a pleading which are contradicted by affidavit. *Data Disc, Inc. v. Systems Technology Associates, Inc.*, 557 F.2d 1280, 1284 (9th Cir. 1977). It follows that "mere 'bare bones' assertions of minimum contacts with the forum or legal conclusions unsupported by specific factual allegations will not satisfy a plaintiff's pleading burden." *Swartz v. KPMG LLP*, 476 F.3d 756, 766 (9th Cir. 2007). Indeed, even with respect to personal jurisdiction, a complaint must comport with the pleading standard as clarified in *Ashcroft v. Iqbal*, 556 U.S. 662, 129 S. Ct. 1937, 173 L. Ed. 2d 868 (2009). *Fiore v. Walden*, 688 F.3d 558, 575 (9th Cir. 2012), *rev'd on other grounds by Walden v. Fiore*, 571 U.S. 277, 134 S. Ct. 1115, 188 L. Ed. 2d 12 (2014).

Where, as here, no federal statute authorizes personal jurisdiction, the district court applies the law of the state in which the court sits. *Core-Vent Corp. v. Nobel Industries, AB*, 11 F.3d 1482, 1484 (9th Cir. 1993). California's jurisdictional

statute, however, is coextensive with federal due process requirements. Cal. Civ. Pro. Code § 410.10. Thus, a court in California need only analyze whether exercising jurisdiction over a non-resident defendant would comport with federal due process. *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 800-01 (9th Cir. 2004).

In exercising personal jurisdiction over a non-resident defendant, due process requirements are satisfied only if the defendant "ha[s] certain minimum contacts with [the forum state] such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316, 66 S. Ct. 154, 90 L. Ed. 95 (1945) (internal citations omitted). Thus, due process protects a defendant by limiting the fora where it must defend suit to those where it would be reasonably foreseeable. *Burger King v. Rudzewicz*, 471 U.S. 462, 474, 105 S. Ct. 2174, 85 L. Ed. 2d 528 (1985). Depending on the level of minimum contacts possessed by a defendant, the forum stay may exercise either general or specific jurisdiction.

Where the defendant's contacts or activities in the forum state rise to the level of being substantial or "continuous and systematic," a court may exercise general personal jurisdiction. *Data Disc*, 557 F.2d at 1287. If, however, the defendant's activities in the forum state do not rise to the level of continuous and systematic, therefore not permitting general jurisdiction, suit may yet be allowed if the defendant's forum activities are sufficient to permit specific personal jurisdiction. Specific jurisdiction may be exercised only when the lawsuit's claims are "related to or 'arise[] out of' a defendant's contacts with [or activities in] the forum [state]." *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414, 104 S. Ct. 1868, 80 L. Ed. 2d 404 (1984).

B. New Image Cannot Establish General Personal Jurisdiction over Blunt Wrap, Because It Is Not "At Home" in California.

A court may assert general jurisdiction over foreign corporations to hear any

and all claims against them only when their affiliations with the state are so continuous and systematic as to render them essentially "at home" in the forum state. *See Daimler*, 571 U.S. at 137-38; *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 565 U.S. 915, 919, 131 S. Ct. 2846, 180 L. Ed. 2d 796 (2011) (citing *Int'l Shoe*, 326 U.S. at 317); *BNSF Ry. v. Tyrrell*, 137 S. Ct. 1549, 1554, 198 L. Ed. 2d 36 (2017) (holding that due process "does not permit a State to hale an out-of-state corporation before its courts when the corporation is not 'at home' in the State and the episode-in-suit occurred elsewhere"). In other words, for general jurisdiction to exist, a defendant must engage in "continuous and systematic general business contacts" that "approximate physical presence" in the forum state. *Mavrix Photo, Inc. v. Brand Technologies, Inc.*, 647 F.3d 1218, 1223-24 (9th Cir. 2011) (internal citations omitted).

For an individual, the paradigm forum for exercise of general jurisdiction is the individual's domicile; for a corporation, it is an equivalent place, one in which the corporation is fairly regarded as at home—that is, the forum where it is incorporated or has its principal place of business. *Goodyear*, 564 U.S. at 924. The Ninth Circuit unambiguously confirmed that the two places where a corporation is "essentially at home" and therefore subject to general jurisdiction are its place of incorporation and its principal place of business." *Daimler*, 571 U.S. at 137. While there may be an "exceptional case" where jurisdiction exists outside of these paradigms, *BNSF*, 137 S. Ct. at 1558, even engaging in a "substantial, continuous, and systematic course of business" in a particular forum is not, by itself, sufficient to establish general personal jurisdiction there. *Daimler*, 571 U.S. at 137-38.

Here, New Image cannot meet its burden of establishing general jurisdiction. New Image has failed to demonstrate that Blunt Wrap's affiliations with California are so "continuous and systematic" so as to "approximate physical presence" in California. *See Mavrix*, 647 F.3d at 1224. Blunt Wrap was not incorporated in California, but was incorporated in Louisiana. (Sinclair Dec., ¶ 2). Additionally,

Blunt Wrap's principal place of business is not in California, but is in Louisiana. *Id.* *Daimler* did not foreclose that in an "exceptional case . . . a corporation's operations in a forum other than its formal place of incorporation or principal place of business may be so substantial and of such a nature as to render the corporation at home in that State." 571 U.S. at 139, n. 19. But the essential absence of contacts between Blunt Wrap and California confirms that this case is not exceptional. *See generally* Sinclair Dec. The only contact that Blunt Wrap has with California is its registration to do business there and designation of an agent for service of process. However, registration and appointment of a registered agent in California are insufficient to permit general jurisdiction.[1] The fact that Blunt Wrap has a passive website does not confer general jurisdiction, as even interactive websites cannot confer general jurisdiction. *Mavrix Photo*, 647 F.3d at 1226 ("To permit the exercise of general jurisdiction based on the accessibility in the forum of a non-resident interactive website would expose most large media entities to nationwide general jurisdiction.

[1] Federal courts must, subject to federal constitutional restraints, look to state statutes and case law in order to determine whether a foreign corporation is subject to personal jurisdiction when a corporation has appointed an agent for service of process. *King v. American Family Mut. Ins. Co.*, 632 F.3d 570, 576 (9th Cir. 2011). California courts have found that registration to conduct business in California is not sufficient to establish personal jurisdiction. *See, e.g., Bristol-Myers Squibb Co. v. Superior Court* (2016) 1 Cal. 5th 783, 798, 206 Cal. Rptr. 3d 636 ("a corporation's appointment of an agent for service of process, when required by state law, cannot compel its surrender to general jurisdiction for disputes unrelated to its California transactions"), *overruled on other grounds*, 137 S. Ct. 1773 (2017); *DVI, Inc. v. Superior Court* (2002) 104 Cal. App. 4th 1080, 1095, 128 Cal. Rptr. 2d 683 ("designation of an agent for service of process and qualification to do business in California alone are insufficient to permit general jurisdiction"); *Gray Line Tours v. Reynolds Electrical & Engineering Co.* (1987) 193 Cal. App. 3d 190, 193-94, 238 Cal. Rptr. 419 (same); *Am Trust v. UBS AG*, 681 Fed. Appx. 587, 588-89 (9th Cir. 2017) (affirming dismissal, consent to jurisdiction not required of corporations registering to do business); *Freeney v. Bank of America Corporation*, No. CV 15-02376 MMM (PJWx), 2015 WL 12535021, at *41 (C.D. Cal. Nov. 1, 2015) (rejecting general jurisdiction based on registration or appointment of agent for service of process); *In re Nexus 6P Products Liability Litigation*, No. 17-cv-02185-BLF, 2018 WL 827958, at *3 (N.D. Cal. Feb. 12, 2018) ("under California law, it is not enough that [the defendant] maintains a California agent for service of process and has registered to do business in California"); *Travelers Property Casualty Company of America v. Hume Lake Christian Camps, Inc.*, No. 17-CV-1600 JLS (KSC), 2018 WL 280025, at *4-*5 (S.D. Cal. Jan. 3, 2018) (no general jurisdiction despite registration to do business in California).

That result would be inconsistent with the constitutional requirement that 'the continuous corporate operations within a state' be 'so substantial and of such a nature as to justify suit against [the nonresident defendant] on causes of action arising from dealings entirely distinct from those activities.'") (alterations in original) (internal citations omitted); *see also Black v. The Ritz-Carlton Hotel Co., LLC*, 977 F. Supp. 2d 996, 1005 (C.D. Cal. 2013).

New Image's conclusory and baseless claims that Blunt Wrap has "advertised, offered to sell, sold, and distributed products that infringe the trademarks of Plaintiff to consumers within this judicial district for [Blunt Wrap's] own commercial gain and have exploited California's extensive marketplace" are "not entitled to the assumption of truth," because they are not supported by any specific factual allegations. *See Ashcroft v. Iqbal*, 556 U.S. 662, 678, 129 S. Ct. 1937, 1950, 173 L. Ed. 2d 868 (2009) (a court is not required to accept as true a "legal conclusion couched as a factual allegations"); *see also Fasugbe v. Willms*, No. CIV. 2:10-2320 WBS KJN, 2011 WL 3667440, at * 3 (E.D. Cal. Aug. 22, 2011) (declining to exercise personal jurisdiction over a corporate officer when the plaintiffs' allegations contained merely "conclusory statements that he was a 'guiding spirit' and 'central figure' and made all final decisions").

In reality, Blunt Wrap is a non-resident company that does not transact any continuous or systematic business within the State of California. (Sinclair Dec., ¶¶ 2-6, 8-10). New Image has not pled sufficient jurisdictional facts supporting general jurisdiction and thus cannot meet the "exacting standard" for establishing general personal jurisdiction over Blunt Wrap. *Mavrix Photo*, 647 F.3d at 1224.

C. New Image Cannot Establish Specific Personal Jurisdiction over Blunt Wrap.

Specific jurisdiction requires that the defendant's "suit-related" conduct create a "substantial connection" with the forum state. *See Walden*, 571 U.S. at 284. The Ninth Circuit employs a three-part test to assess whether a defendant's contacts with

the forum state are sufficient to subject it to specific jurisdiction: (1) the non-resident defendant must purposefully direct his activities or consummate some transaction with the forum or resident thereof; or perform some act by which he purposefully avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws; (2) the claim must be one which arises out of or relates to the defendant's forum-related activities; and (3) the exercise of jurisdiction must comport with fair play and substantial justice, i.e., it must be reasonable. *Schwarzenegger*, 374 F.3d at 802. The plaintiff bears the burden of satisfying the first two prongs of this test. *Id.* If the plaintiff succeeds in satisfying both of the first two prongs, then the burden shifts to the defendant to present a compelling case that the exercise of jurisdiction would not be reasonable. *Id.* If any of the three requirements is not satisfied, jurisdiction in the forum would deprive the defendant of due process of law. *Pebble Beach Co. v. Caddy*, 453 F.3d 1151, 1155 (9th Cir. 2006).

1. Blunt Wrap Did Not Purposefully Direct Any Tortious Conduct Aimed at New Image in the State of California.

The first prong, although commonly referred to only as the purposeful availment requirement, actually comprises two distinct concepts. *Schwarzenneger*, 374 F.3d at 802. A "purposeful availment" analysis typically focuses upon whether a defendant's actions within the forum state invoked the "benefits and protections" of that state, such as executing or performing a contract there. *Id.* A purposeful availment analysis is most often used in suits sounding in contract. *Id.* A "purposeful direction" analysis focuses on a defendant's actions outside of the forum that are directed at the forum state, such as distribution in the forum state of goods originating elsewhere. *Id.* at 803. The purposeful direction analysis is most often used in suits sounding in tort. *Id.* at 802. In this matter, New Image asserts claims for trademark infringement and unfair competition and business practices—all claims sounding in tort. *See, e.g., Life Alert Emergency Response Inc. v. Connect*

America.com LLC, No. LA CV 13-03455 JAK (SSx), 2013 WL 12138587, at *4 (C.D. Cal. Dec. 6, 2013). Accordingly, "purposeful direction" is the proper framework to analyze this action.[2]

To evaluate purposeful direction, the Ninth Circuit applies the three-part "effects test" set forth in *Calder v. Jones*, 465 U.S. 783, 104 S. Ct. 1482, 79 L. Ed. 2d 804 (1984). *Schwarzenegger*, 374 F.3d at 803. Under the effects test, "the defendant allegedly must have: (a) committed an intentional act; (b) expressly aimed at the forum state; and (c) causing harm that the defendant knows is likely to be suffered in the forum state." *Schwarzenegger*, 374 F.3d at 803 (internal quotation omitted). New Image has purported to allege an intentional tort, which may satisfy the first element of the effects test. Yet, New Image cannot satisfy the second and third elements of the *Calder* test.

New Image alleges that Blunt Wrap has "purposefully directed action to California and this district," but fails to allege any specific act by Blunt Wrap expressly aimed at California. *See* Complaint (Rec. Doc. No. 1), ¶ 8. The most New Image alleges is that Blunt Wrap has "committed the tortious acts of trademark infringement and unfair competition in this district" and has "advertised, offered to sell, sold, and distributed products that infringe the trademarks of Plaintiff to

[2] Even if the purposeful availment test were applied, New Image could not satisfy it. It is well settled that an individual's contract with an out-of-state party cannot alone automatically establish minimum contacts in the plaintiff's home forum. *Burger King*, 471 U.S. at 478; *Boschetto*, 539 F.3d at 1017. Rather, the Ninth Circuit emphasizes the importance of prior negotiations and contemplated future consequences of a contract and the parties' actual course of dealing to determine whether the defendant purposefully established minimum contacts with the forum state. *Roth v. Garcia Marquez*, 942 F.2d 617, 622 (9th Cir. 1991). Thus, California courts have declined to exercise personal jurisdiction over a non-resident company in the context of an agreement where it was not contemplated that the non-resident company would do business or engage in any other activities in California. *See Campanelli v. Image First Uniform Rental Service, Inc.*, No. 15-cv-04456-PJH, 2016 WL 4729173, at *5 (N.D. Cal. Sep. 12, 2016). Moreover, the parties expressly agreed that Louisiana law governs their Agreement, demonstrating that Blunt Wrap did not purposefully avail itself of California law. *See, e.g., Doe v. Unocal Corp.*, 248 F.3d 915, 924 (9th Cir. 2011) *abrogated on other grounds by Williams v. Yamada Motor Co. Ltd.*, 851 F.3d 1015 (9th Cir. 2017); *Nanoexa Corp. v. Univ. of Chicago*, No. 10-CV-2631, 2010 WL 4236855, at *5 (N.D. Cal. Oct. 21, 2010).

consumers within this judicial district." *Id.* at ¶ 7. These conclusory allegations cannot be accepted as true under *Ashcroft v. Iqbal*, because they are not supported by any specific factual allegations.

Moreover, these allegations are contradicted by the Mr. Sinclair's Declaration, in which Mr. Sinclair avers that: (1) Blunt Wrap does not advertise, solicit business, market, or conduct any other promotional activities in, or directed to, California, nor has it done so in the past; (2) Blunt Wrap does not have any records of sales in California or to California residents; (3) Blunt Wrap does not ship any products to or within California; and (4) although Blunt Wrap maintains a passive website, visitors to the site cannot purchase Blunt Wrap products online. (Sinclair Dec., ¶¶ 8-11). Thus, there can be no purposeful direction when Blunt Wrap's only commercial activity has been with a Pennsylvania company doing business in Florida, Blunt Wrap has no commercial activity in California to its knowledge, Blunt Wrap does not ship any products to or within California, and Blunt Wrap does not specifically direct advertisements, in print or online media toward California residents. Blunt Wrap merely places online advertisements on its website, which equally targets customers worldwide.[3] Blunt Wrap does not provide any direct means for purchasing its products on its website, but merely provides information. Additionally, the website does not single out California residents, but is directed at all people nationwide. Therefore, this Court should find that Blunt Wrap did not purposefully direct its products to California residents.

Lastly, because New Image cannot show that Blunt Wrap directed any conduct toward California, there is no basis to establish that Blunt Wrap would have

[3] Creating a website that is available to users worldwide does not automatically confer personal jurisdiction over a non-resident without "something more." *See, e.g., Brayton Purcell LLP v. Recordon & Recordon*, 606 F.3d 1124, 1129 (9th Cir. 2010) ("It is beyond dispute in this circuit that maintenance of a passive website alone cannot satisfy the express aiming prong"); *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414, 418 (9th Cir. 1997) ("Creating a site, like placing a product into the stream of commerce, may be felt nationwide-or even worldwide-but without more, it is not an act purposefully directed toward the forum state.").

known that New Image's purported injury was likely to be suffered in California. Indeed, New Image's Complaint does not even allege injury suffered specifically in California, but rather alleges that Blunt Wrap's actions were committed with the intent to "deceive the consuming public and the public at large as to the source, sponsorship, and/or affiliation of Defendants and/or Defendants' unauthorized goods." *See* Complaint (Rec. Doc. No. 1), ¶ 32. This is insufficient to establish that Blunt Wrap knew that any alleged harm would likely be suffered by New Image in California, rather than the other states in which New Image sells its products.

2. None of New Image's Claims Arise Out of Blunt Wrap's Contacts with the State of California.

The second prong of the Ninth Circuit's three-part test for specific personal jurisdiction requires that the plaintiff's claims arise from the defendant's forum-related activities. *Schwarzenegger*, 374 F.3d at 802. It is the defendant, not the plaintiff or third parties, who must create contacts with the forum state. *Walden v. Fiore*, 571 U.S. at 289. The effect of the defendant's conduct must be tethered to the forum state in a meaningful way. *Id.* In analyzing whether the plaintiff's claims arise out of the defendant's forum-related activities, the courts apply a "but for" test, that is, the plaintiff must show that he would not have suffered an injury but for the defendant's forum-related conduct. *Shute v. Carnival Cruise Lines*, 897 F.2d 377, 385 (9th Cir. 1990), *rev'd on other grounds*, 499 U.S. 585, 111 S. Ct. 1522, 113 L. Ed. 2d 622 (1991); *Ballard v. Savage*, 65 F.3d 1495, 1500 (9th Cir. 1995). Here, there is no evidence of Blunt Wrap's commercial activity in California, and Blunt Wrap has declared that it has no commercial activity in California. *See* Sinclair Dec., ¶¶ 8-10. Even if there were evidence of California commercial activity, there is no evidence that, but for Blunt Wrap's alleged conduct in California, New Image's claims would not have arisen. As such, the second prong of the Ninth Circuit's test is not satisfied.

3. The Exercise of Personal Jurisdiction over Blunt Wrap Would Be Unreasonable.

If, and only if, New Image can first establish that Blunt Wrap has "minimum contacts" with the forum, then Blunt Wrap may defeat this Court's exercise of personal jurisdiction by presenting a compelling case that other considerations render the exercise of jurisdiction so unreasonable as to violate constitutional notions of "fair play and substantial justice." *See Burger King*, 471 U.S. at 476-77. The Ninth Circuit considers seven factors when making this determination: (1) the extent of the defendant's purposeful interjection into the forum state's affairs; (2) the burden on the defendant of defending in the forum; (3) the extent of conflict with the sovereignty of the defendant's state; (4) the forum state's interest in adjudicating the dispute; (5) the most efficient judicial resolution of the controversy; (6) the importance of the forum to the plaintiff's interest in convenient and effective relief; and (7) the existence of an alternative forum. *Dole Food Co., Inc. v. Watts*, 303 F.3d 1104, 1114 (9th Cir. 2002). Consideration of this test demonstrates that it would be unreasonable to exercise jurisdiction over Blunt Wrap in this case.

The first factor related to the extent of Blunt Wrap's purposeful interjection into California's affairs has been discussed in detail above, and New Image cannot establish that Blunt Wrap's alleged actions are more than merely attenuated contacts with the forum state.

As to the second factor, the burden on Blunt Wrap of defending in California is substantial. Blunt Wrap is a small Louisiana company with its principal place of business located in Louisiana, and it only has four employees. It has no offices in California. Defending this suit in California would require Blunt Wrap's representatives to travel a long distance out-of-state, which is expensive and time-consuming. Litigating this case in California would significantly disrupt the operations of Blunt Wrap by diverting finances and human resources to defend litigation in a forum nearly two thousand miles away from Blunt Wrap's home state

and principal place of business.

Regarding the third, fourth, and fifth factors, since the Agreement is governed by Louisiana law and subject to resolution by Louisiana courts, the parties have already agreed that Louisiana would provide the most efficient resolution of New Image's claims and, by extension, Louisiana, unlike California, has an interest in adjudicating this dispute. Louisiana is where the great majority of the documents, evidence, and witnesses are located. Louisiana also has an interest in adjudicating a dispute involving a Louisiana domiciliary. Exercising jurisdiction in this case would conflict with the sovereignty of Louisiana, because doing so would permit any Californian who owned trademark rights to drag Louisianans into a distant forum for manufacturing and/or selling allegedly infringing products outside of Louisiana.

The convenience and effectiveness of relief for the plaintiff comprise the sixth factor, and "[i]n this circuit, the plaintiff's convenience is not of paramount importance." *Dole Food Co., Inc.*, 303 F.3d at 1116. While certainly California would be a more convenient forum for New Image, because it and its counsel are located here, New Image cannot establish how resolution of its claims would be more effective in California than Louisiana. This factor remains neutral.

The seventh and final factor is the availability of an alternate forum. New Image bears the burden of proving the unavailability of an alternative forum. *Core-Vent Corp.*, 11 F.3d at 1490. New Image cannot meet this burden. Because Blunt Wrap is a Louisiana corporation, and Louisiana is the proper forum identified in the parties' Agreement, Louisiana provides an alternative forum for this dispute. New Image has expressly consented to jurisdiction in Louisiana. (Ex. A. to Sinclair Dec., Section 13.B). Weighing all seven considerations, the balance of factors overwhelmingly favors Blunt Wrap. Therefore, this Court cannot and should not assert either general or specific personal jurisdiction over Blunt Wrap.

II. The Complaint Against Blunt Wrap Should Be Dismissed Under Fed. R. Civ. P. 12(b)(3) for Improper Venue.

A. Legal Standard.

The Complaint alleges that venue is proper in this District under 28 U.S.C. § 1391(b), making the blanket, unsupported assertion that a substantial part of the events or omissions giving rise to New Image's claims occurred in this District and caused damage to New Image in this District. (Complaint (Rec. Doc. No. 1), ¶ 9). As set forth below, New Image cannot establish proper venue in this District.

Fed. R. Civ. P. 12(b)(3) provides that a motion to dismiss may be granted for "improper venue." New Image bears the burden of showing that venue is proper in this District. *Piedmont Label Co. v. Sun Garden Packing Co.*, 598 F.2d 491, 496 (9th Cir. 1979). When deciding a challenge to venue, the pleadings need not be accepted as true, and the district court may consider facts outside of the pleadings. *Argueta v. Banco Mexicano, S.A.*, 87 F.3d 320, 324 (9th Cir. 1996).

Venue over trademark and related unfair competition claims is governed by the general venue statute, 28 U.S.C. § 1391. *Allstar Marketing Group, LLC v. Your Store Online, LLC*, 666 F. Supp. 2d 1109, 1128 (C.D. Cal. 2009). Under 28 U.S.C. § 1391, civil litigation may be brought in: (1) a judicial district in which any defendant resides, if all defendants are residents of the State in which the district is located; (2) a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated; or (3) if there is no district in which an action may otherwise be brought as provided in this section, any judicial district in which any defendant is subject to the court's personal jurisdiction.

B. New Image Cannot Establish that Proper Venue Lies in the Central District of California.

New Image cannot meet its burden of establishing that venue is proper under any prong of 28 U.S.C. § 1391(b). For purposes of 28 U.S.C. § 1391(b)(1), a

defendant resides in a judicial district where it is subject to personal jurisdiction. *See* 28 U.S.C. § 1391(c). As discussed *supra*, Blunt Wrap is not subject to personal jurisdiction in California, and thus is likewise not subject to personal jurisdiction in the Central District of California. Accordingly, venue is improper under 28 U.S.C. § 1391(b)(1). For this reason, venue is also improper under 28 U.S.C. § 1391(b)(3).

Venue is also improper under 28 U.S.C. § 1391(b)(2). As previously stated, New Image alleges that venue is proper in this District, because "a substantial part of the events or omissions giving rise to the claims occurred in this judicial district, and has caused damage to Plaintiff in this district." This allegation is unsupported by any factual details or evidence and is contradicted by Mr. Sinclair's Declaration. A substantial portion of the events underlying this action did not occur in this judicial district. The creation, design, and manufacture of the allegedly infringing goods occurred in Louisiana, where marketing, advertising, and promotional activities were also controlled. Blunt Wrap's business contacts with the Central District of California have been extremely limited. Blunt Wrap does not: (1) advertise, solicit business, market, or conduct any other promotional activities in, or directed to, California, nor has it done so in the past; (2) have any records of sales in California or to California residents; or (3) ship any products to or within California. (Sinclair Dec., ¶¶ 8-10). Blunt Wrap has done nothing more than operate a website accessible in this district, and the website is a general access, passive website where visitors to the website cannot buy Blunt Wrap products. *Cybersell*, 130 F.3d at 420. In short, there have been minimal, if any "events or omissions" by Blunt Wrap in the Central District of California giving rise to New Image's claims. Accordingly, venue is not proper pursuant to 28 U.S.C. § 1391(b)(2). *See, e.g., Jamba Juice Co. v. Jamba Group, Inc.*, No. C-01-4846 VRW, 2002 WL 1034040, at *2-*3 (N.D. Cal. May 15, 2002).

III. Alternatively, this Case Should Be Transferred Under 28 U.S.C. § 1404(a) to the Eastern District of Louisiana in View of the Valid and Enforceable Forum Selection Clause in the Parties' Agreement.

A. Legal Standard.

For the convenience of parties and witnesses, and in the interest of justice, 28 U.S.C. § 1404(a) allows a district court to transfer any civil action to a different federal district to which the parties "have consented," or to one where the action "might have been brought." The analysis a prospective transferor court must undertake depends upon whether a valid forum selection clause exists. In a typical case not involving a forum selection clause, a district court considering a § 1404(a) motion must evaluate both the convenience of the parties and various public interest considerations to decide whether transfer would serve the convenience of the parties and witnesses and otherwise promote "the interest of justice." *Atlantic Marine Const. Co., Inc. v. U.S. Dist. Court for the Western Dist. Of Tex.*, 571 U.S. 49, 62-63, 134 S. Ct. 568, 187 L. Ed. 2d 487 (2013). Where, as here, the parties have contractually agreed to a forum, the analysis is truncated, and courts ordinarily transfer venue to the contractually-designated forum unless the plaintiff shows "extraordinary circumstances unrelated to the convenience of the parties" to overcome the "controlling weight" given to the forum selection clause. *Id.* This changes the ordinary transfer analysis under section 1404(a) in several ways.

First, a plaintiff's choice of forum no longer is given any weight: "as the party defying the forum-selection clause, the plaintiff bears the burden of establishing that transfer to the forum for which the parties bargained is unwarranted." *Id.* at 63-64.

Second, the parties' private interests, such as the availability of compulsory process for witnesses, no longer factor into the court's inquiry about whether transfer is appropriate. *Id.* at 64. This is because, by selecting the forum, the parties waive their right to challenge the forum as inconvenient based on private interests. *Id.* The court thus "must deem the private-interest factors to weigh entirely in favor

of the preselected forum." *Id.*

Third, the court can still consider "public interest" factors, such as "the administrative difficulties flowing from court congestion; the local interest in having localized controversies decided at home; [and] the interest in having the trial of a diversity case in a forum that is at home with the [governing] law," as a limit on the appropriateness of transfer. *Id.* at n.6 (internal quotation omitted). But those interests will "rarely defeat" the transfer motion, because "in all but the most unusual cases, 'the interest of justice' will be served by holding parties to their bargain." *Id.* at 64-66.

Fourth, when a party bound by a forum selection clause flouts its contractual obligation and files suit in a different forum, a § 1404(a) transfer of venue will not carry with it the original venue's choice of law rules.

In this case, the forum selection clause should control.

B. This Case Must Be Transferred to the Eastern District of Louisiana.

1. A Valid and Exclusive Forum Selection Clause Exists in this Case.

The terms of the Agreement between the parties provide that "[a]ll disputes under this Agreement will be resolved by the United States District Court for the Eastern [District] of Louisiana, and the parties all consent to the jurisdiction of such court . . . and hereby waive any jurisdictional and/or venue defenses otherwise available to [them]." (Ex. A to Sinclair Dec., Sec. 13.B). New Image's Complaint does not even mention this provision, much less offer argument as to why this Court should not enforce it.

A forum selection clause is "prima facie valid and should be enforced unless enforcement is shown by the resisting party to be unreasonable under the circumstances." *Fireman's Fund Ins. Co. v. M.V. DSR Atlantic*, 131 F.3d 1336, 1338 (9th Cir. 1997), *as amended* (Mar. 10, 1998) (internal citation omitted). A

forum selection clause is unreasonable if: (1) it was incorporated into the contract as a result of fraud or overreaching; (2) the selected forum is so difficult and inconvenient that the complaining party will, for all practical purposes, be deprived of its day in court; or (3) enforcement of the clause would contravene a strong public policy of the forum in which the suit is brought. *Richards v. Lloyd's of London*, 135 F.3d 1289, 1294 (9th Cir. 1998) (en banc). The party seeking to avoid a forum selection clause bears a heavy burden of proof. *Id.*

In this case, New Image ignored the forum selection provision in its Complaint and made no attempt to invalidate it. There are no allegations that the forum selection clause was incorporated into the Agreement as a result of fraud, undue influence, or overweening bargaining power; nor has New Image alleged how enforcing the forum selection clause could possibly deprive it of its day in court or that enforcement contravenes a strong public policy of California. The forum selection clause is clear, unambiguous, and mandatory on its face and requires that New Image file suit against Blunt Wrap in the Eastern District of Louisiana.

2. This Litigation Falls Within the Scope of the Forum Selection Clause.

Under the well-settled law of this Circuit, New Image's action "arises out of" the Agreement, and thus the forum selection clause applies. In *Manetti-Farrow, Inc. v. Gucci America, Inc.*, the Ninth Circuit held that "[w]hether a forum selection clause applies to tort claims depends on whether resolution of the claims relates to interpretation of the contract." 858 F.2d 509, 514 (9th Cir. 1988). Likewise, in *Graham Technology Solutions, Inc. v. Thinking Pictures, Inc.*, the Northern District of California applied the *Manetti-Farrow* test in a copyright context, holding that a copyright dispute arises out of a contract when it is necessary to interpret that contract to resolve the dispute. 949 F. Supp. 1427, 1433 (N.D. Cal. 1997).

In this case, to determine the merits of New Image's claims, this Court would need to make rulings regarding the scope and effect of the Agreement, and whether

Blunt Wrap permissibly used New Image's purported trademarks under that Agreement. Courts in this Circuit have held that where, as here, the resolution of intellectual property claims requires a determination of whether the defendant's use was within the scope of an agreement between the parties, such claims are subject to the forum selection clauses contained in those agreements. *See, e.g., Bagdasarian Productions, LLC v. Twentieth Century Fox Film Corporation*, No. 2:10-cv-02991-JHN-JCGx, 2010 WL 5154136, at *3 (C.D. Cal. Aug. 12, 2010) (holding that action for copyright infringement arose out of an agreement where resolution of the claims required the plaintiff to prove that certain rights were not transferred under the broad license granted in an agreement containing a forum selection clause); *Graham Tech. Solutions, Inc.*, 949 F. Supp. at 1433 (holding that a claim for copyright infringement was subject to forum selection clause contained in agreement where central issue in case was whether certain rights, including multiple user software capabilities, were included within that agreement); *see also Omron Healthcare, Inc. v. Maclaren Exports Ltd.*, 28 F.3d 600, 602-03 (7th Cir. 1994) (cited with approval by *Manetti-Farrow*, *supra* and *Bagdasarian*, *supra*) (holding that action concerning trademark infringement arose from agreement because resolution of the dispute would "arguably depend on the construction of an agreement.").

3. The Forum Selection Clause Survives Any Purported Termination of the Agreement.

New Image alleges that the Agreement was terminated in 2013 when Defendants "ceased making royalty payments, submitting samples, or providing any reports regarding use of the XXL Trademark." (Complaint (Rec. Doc. No. 1), ¶ 21). As an initial matter, this allegation is inaccurate, because New Image did not comply with the termination procedures prescribed by Section 8 of the Agreement. Section 8 provides for two methods of termination by New Image: immediate termination and termination on notice.

Per Section 8.A of the Agreement, New Image has the right to immediately

terminate the Agreement by giving written notice to Blunt Wrap in the event that Blunt Wrap: (1) "fails to continuously sell LICENSED PRODUCTS for a period of one year;" (2) files a petition in bankruptcy or is adjudicated bankrupt or insolvent, or discontinues its business; or (3) any voluntary activity or assistance in challenging the validity or enforceability of any registration issuing from U.S. Patent & Trademark Office Application serial number 77/699,073, filed on March 25, 2009. None of the events of termination occurred in this case, and New Image never gave Blunt Wrap written notice of termination, in 2013 or at any other time.

Per Section 8.B of the Agreement, New Image has the right to terminate the Agreement upon thirty days' written notice to Blunt Wrap in the event of a breach of a material provision of this Agreement, provided that, during the thirty-day period, Blunt Wrap fails to cure such breach. Blunt Wrap submits that it has not breached any material provisions of the Agreement, but if it is determined that Blunt Wrap did breach a material provision of the Agreement, then such breach was cured upon notice. Additionally, New Image did not give Blunt Wrap any notice of termination in 2013 or at any other time.

Even if the Agreement were terminated, the forum selection clause would survive termination. Dispute resolution provisions presumptively survive termination of a contract. *Saleemi and Sob, LLC v. Gosh Enterps., Inc.*, 467 Fed. Appx. 744, 744 (9th Cir. Feb. 3, 2012) (Mem. Op.) (citing *Litton Fin. Printing Div. v. NLRB*, 501 U.S. 190, 204, 111 S. Ct. 2215, 115 L. Ed. 2d 177 (1991) and 13 *Corbin on Contracts* § 67.2 (rev. ed. 2003 & Supp. 2011)); *Marcotte v. Micros. Sys., Inc.*, No. 14-cv-01372-LB, 2014 WL 4477349, at *9 (N.D. Cal. Sept. 11, 2014); *Zaitzeff v. Peregrine Financial Group, Inc.*, No. CV 08-02874 MMM (JWJx), 2008 WL 11408422, at *9 (C.D. Cal. Jun. 23, 2008). This includes forum selection clauses, which survive even where other provisions do not. *Marcotte*, 2014 WL 4477349 at *9 (collecting cases). There is nothing in the Agreement to suggest that the forum selection clause was intended to expire upon termination of the contract.

As such, the forum selection clause must survive any termination of the Agreement.

CONCLUSION

For all of the foregoing reasons, Defendant Blunt Wrap USA, Inc. respectfully requests that this Court grant its Motion to Dismiss for Lack of Personal Jurisdiction and Improper Venue or, in the Alternative, for Transfer of Venue, and either dismiss Plaintiff New Image Global, Inc.'s Complaint for Damages or transfer the Complaint for Damages to the United States District Court for the Eastern District of Louisiana.

Respectfully submitted,

Dated: November 19, 2019

SMITH & FAWER, LLC

By: /s/ *Philip J. Kaplan*
Philip J. Kaplan
Attorneys for Defendant
BLUNT WRAP USA, INC.

DECLARATION OF DANIEL SINCLAIR, JR.

I, **Daniel Sinclair, Jr.**, hereby declare:

1. I am a director of Plaintiff Blunt Wrap USA, Inc. ("Blunt Wrap"). I know the matters below from my own personal knowledge, and, if called as a witness, I could and would competently testify to the matters herein.

2. Blunt Wrap is a Louisiana corporation, with its principal place of business located in Mandeville, Louisiana.

3. Although Blunt Wrap is registered with the California Secretary of State to do business in California and has an agent for service of process in California, Blunt Wrap does not conduct any business in California.

4. Blunt Wrap does not have any offices, bank accounts, or real estate in California.

5. Blunt Wrap does not maintain a mailing address or post office box in California.

6. Blunt Wrap has four employees, all of whom work out of the Mandeville, Louisiana office.

7. Blunt Wrap has tobacco products manufactured under its trademarks and has patents and trademarks that are licensed for manufacture and sales of tobacco products.

8. Blunt Wrap does not advertise, solicit business, market, or conduct any other promotional activities in, or directed to, California, nor has it done so in the past.

9. Blunt Wrap does not have any records of sales of its products in California or to California residents.

10. Blunt Wrap does not ship any products to or within California.

11. Blunt Wrap maintains a website, but visitors to the site cannot purchase Blunt Wrap products online.

12. On or about October 1, 2011, Blunt Wrap entered into a Trademark License Agreement ("Agreement") with New Image Global, Inc. ("New Image"), whereby New Image granted to Blunt Wrap a non-exclusive license to use New Image's trademark throughout the world in exchange for Blunt Wrap paying New Image a royalty. The Agreement is attached hereto as Exhibit "A."

13. On September 14, 2018, counsel for New Image sent counsel for Blunt Wrap a letter advising Blunt Wrap that it had not paid royalties under the Agreement and demanded that Blunt Wrap immediately cease and desist using XXL or DOUBLEXL marks on any tobacco product. At no time in that letter did New Image assert that the Agreement had been terminated.

14. New Image has never provided Blunt Wrap with written notice that it intended to, or was terminating, the Agreement.

15. On September 24, 2018, Blunt Wrap attempted to cure the alleged breach of the Agreement. New Image failed to respond, but instead filed this lawsuit on October 16, 2018.

I declare under penalty of perjury under the laws of the State of California and under the laws of the United States of America that the foregoing is true and correct.

Executed this 16 day of November, 2018 in Mandeville, Louisiana.

DANIEL SINCLAIR, JR.

CERTIFICATE OF SERVICE

I, Jason R. Vener, hereby certify that on this 26th day of November, 2018, I transmitted via email, a true and correct copy of the foregoing **PETITIONER NEW IMAGE GLOBAL, INC.'S OPPOSITION TO RESPONDENT BLUNT WRAP U.S.A., INC.'S MOTION TO SUSPEND PROCEEDINGS; DECLARATION OF CHRISTOPHER O. PHAM** upon Respondent to the following:

RBENNETT FORD JR
ROY KIESEL FORD DOODY & THURMON APLC
P O BOX 15928, 9100 BLUEBONNET CENTER BLVD STE 100
BATON ROUGE, LA 70895-5928
UNITED STATES
BAN@RoyKiesel.com, rbf@roykiesel.com, blp@roykiesel.com,
ask@roykiesel.com

Dated: November 26, 2018

By: /Jason R. Vener/
Jason R. Vener