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MM&R PRODUCTS, INC. and TRÉ MILANO, LLC

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

MM&R PRODUCTS, INC., a California corporation, and TRÉ MILANO, LLC, a California limited liability company,

Plaintiffs,

v.

STITCH N' GENIUS, INC., a California corporation, ELIAS AMKIE, an individual; and DOES 1 – 10, inclusive,

Defendants.

Case No. CV 09-04082 VBF (RBx)

NOTICE OF MOTION AND MOTION TO STRIKE PORTIONS OF COUNTERCLAIMS PURSUANT TO FRCP 12(f); TO DISMISS COUNTERCLAIMS PURSUANT TO FRCP 12(b)(6), and TO STRIKE COUNTERCLAIMS PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE 425.16

Date: August 31 , 2009
Time: 1:30 P.M.
Place: Courtroom 9
Hon. Valerie Baker Fairbank

STITCH N' GENIUS, INC. a California Corporation; and ELIAS AMKIE, an individual,

Counterclaimaints,

Vs.

MM&R PRODUCTS, INC., a California corporation; and TRĒ MILANO, LLC, a California Limited Liability Company,

Counterclaim-Defendants.

TO DEFENDANTS STITCH N' GENIUS, INC. AND ELIAS AMKIE AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE THAT on August 31, 2009 at 1:30 p.m., or as soon thereafter as the matter may be heard in Courtroom 9, United States Courthouse, 312 North Spring Street, Los Angeles, CA 90012, Plaintiffs/Counter-Defendants MM&R PRODUCTS, INC. and TRE MILANO, LLC ("Plaintiffs") will and hereby do move this Court, as follows:

(1) pursuant to Federal Rule of Civil Procedure 12(f) and 26(b)(5)(B) and Federal Rule of Evidence 502(b), to strike Exhibit 3 to the First Amended Counterclaim and all allegations pertaining thereto, including but not limited to all such allegations in paragraphs 9, 10, 11, 13, 16, 17, 49, 55, 56, 58, and the incorporation thereof in paragraphs 22, 27, 32, and 43;

(2) pursuant to Federal Rule of Civil Procedure 12(b)(6) to dismiss Defendants/Counterclaimants' second, third, fourth, fifth, sixth, and seventh counterclaims in the First Amended Counterclaim for failure to state a claim upon which relief can be granted; and

(3) pursuant to California Code of Civil Procedure § 425.16 to strike the second, third, fourth, fifth, and seventh counterclaims in the First Amended Counterclaim.

This motion is based upon this Notice of Motion, the accompanying Memorandum of Points and Authorities in Support of the Motion, the accompanying Declaration of Elizabeth Swanson and the exhibits attached thereto.

This motion is made following the conference of counsel pursuant to L.R. 7-3 which took place on July 23, 2009.

DATED: August 6 , 2009

SHELDON MAK ROSE & ANDERSON PC

By: William J. Brutocao

Attorneys for Plaintiffs/Counterdefendants MM&R PRODUCTS, INC. and TRE MILANO, LLC

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INTRODUCTION

Several of Counterclaimants' claims should be dismissed at this early stage, for various reasons. First, most of the counterclaims rely almost exclusively on Exhibit 3, which is an inadvertently sent attorney email. Plaintiffs' counsel quickly asked that it be destroyed. Nevertheless, Defendants attempt to base several counterclaims on this one email, which should be stricken from the First Amended Counterclaim under Fed.R.Civ.P. 12(f), 26(b)(5)(B) and FRE 502(b).

Second, Counterclaimants have only alleged subjective bad faith in support of many of their claims. This is inadequate. The Federal Circuit has repeatedly held that bad faith is a requirement that preempts state causes of action based on publicizing patent rights. The bad faith required must first include a showing of objective baselessness, and allegations such as those here do not qualify.

Third, because the state law counterclaims are improper and based on Plaintiffs' publication of its patent rights as required by statute, they should be stricken under California's anti-SLAPP statute. A mandatory award of fees is required under that law.

Finally, in connection with the counterclaim for cancellation of the InStyler trademark, the Court should rule that the mark is distinctive as a matter of law.

ARGUMENT

I. Exhibit 3 to the First Amended Counterclaim Should Be Stricken as Immaterial Matter Under Fed.R.Civ.P. 12(f)

Defendants' counterclaims rely in large part upon an email that was mistakenly sent by Plaintiff's counsel to Defendants' counsel. Defendants basically contend that Plaintiffs are liable under several claims and this case is brought in bad faith because Plaintiffs' attorney stated in a privileged, work

product email that whether Plaintiffs would take down infringing advertisements is a matter "separate and apart from this action." *E.g.*, First Amended Counterclaims, ¶ 13. However, the email was not circulated intentionally. Plaintiffs' counsel inadvertently sent a communication to opposing counsel that was intended for Plaintiff's co-counsel. Swanson Decl., ¶ 5. Plaintiff's counsel quickly notified opposing counsel of the mistake and requested that the email be destroyed. Swanson Decl., ¶ 11.

This inadvertently produced privileged document remains privileged pursuant to Rule 502(b) of the Federal Rules of Evidence and Rule 26(b)(5)(B) of the Federal Rules of Civil Procedure, both of which provide that inadvertent disclosure does not waive the privilege. Pursuant to Rule 26(b)(5)(B), Defendants' counsel were required not to use the document, and their only recourseif they chose not to destroy it as requested was to move the court *in camera* for a determination of the privileged character of the document.

The fact that this document was not intended to be sent to Mr. Schindler (Defendants' counsel) is obvious on the face of the email itself. The first sentence in the email is "Schindler is full of it." If Plaintiffs' counsel had intended to send this email to Mr. Schindler it cannot be imagined that she would have begun the email with that sentence. Plainly, she would have said "You are full of it" if she meant for this email to go to him.

Swanson's declaration explains how she intended to send the email to co-counsel, and mistakenly sent it to opposing counsel. (Swanson Decl. ¶¶ 3-8.) When she learned of the mistake, she sent another email to Mr. Schindler less than 90 minutes later stating:

> "This morning at 9:35 am our time, an email was inadvertently sent to you that was intended for co-counsel, Bill Brutocao. Please delete the email, destroy all copies, and retrieve all copies from any person to whom you sent

> it, and likewise instruct them to delete the email and destroy all copies and not further distribute it to anyone."

(Swanson Decl. ¶ 11.)

The email in question is Exhibit 3 to the First Amended Counterclaims. Counterclaimants rely extensively on the "separate and apart from this action" language in the email in counterclaim numbers 2, 3, 4, 5 and 7. However, this statement is clearly protected by the attorney-client privilege and the attorney work product doctrine. It was a strategic communication among counsel done in the context of litigation. Except for inadvertently sending it to opposing counsel, the email was sent only to co-counsel and clients. It obviously was a privileged communication, not intended for opposing counsel and ought not to have been used by opposing counsel.

In addition to FRE 502(b) and FRCP 26(b)(5)(B), the law makes clear that counsel are not supposed to use inadvertently produced privileged documents, but should follow the instructions of the sending attorney or return them. In *Gomez v. Vernon,* 255 F.3d 1118, 1132 (9th Cir. 2001), the Ninth Circuit quoted with approval ABA Commission on Ethics and Professional Responsibility, Formal Opinion 368 (1992):

> "A lawyer who receives materials which on their face appear to be subject to the attorney-client privilege or otherwise confidential, under circumstances where it is clear that they were not intended for the receiving lawyer, should refrain from examining the materials, notify the sending lawyer and abide by the instructions of the lawyer who sent them."

See also *In re: Southeast Banking Corp. Securities and Loan Loss Reserves Litig.,* 212 B.R. 386, 395-97 (S.D. Fla. 1996)(granting motion to return inadvertently produced privileged documents, awarding attorneys fees and costs to moving party, and rescinding *pro hac vice* status of attorney who refused to return inadvertently produced privileged documents).

Here, Plaintiffs' counsel promptly notified Mr. Schindler that the email had been sent by mistake. If he abided by his ethical responsibilities, he would have destroyed it and not used it for any purpose.

Because Defendants have no right to use the inadvertently sent email, they have no right to base any of their contentions in the counterclaims on that email. Accordingly, the email itself (Exhibit 3) and all allegations pertaining thereto should be stricken from the amended counterclaims. Plaintiffs move under Rule 12(f) to have them stricken. In addition, Plaintiffs request that the court order Defendants to destroy all copies of the inadvertently produced email and not use it for any purpose.

Rule 12(f) provides that immaterial, impertinent or scandalous matter can be stricken from a pleading. "Immaterial" matter is matter that has no bearing on the questions before the court. *Fantasy, Inc. v. Fogerty*, 984 F.2d 1524, 1527 (9th Cir. 1993) (rev'd on other grounds at 510 U.S. 517, 534-35 (1994). "Impertinent" matter includes allegations that are not responsive or relevant to issues involved in the action and which could not be admitted as evidence in the action. *Fantasy*, 984 F.2d at 1527. A showing of prejudice is usually required under Rule 12(f). *United States v. $200,266 in U.S. Currency*, 864 F.Supp. 1414, 1421 (D. Puerto Rico 1994).

Since Exhibit 3 is inadmissible, and cannot properly be used by Defendants for any purpose, it is immaterial, i.e., it can have no bearing on this matter. It is simply a communication among counsel. It is not relevant to Plaintiffs' actions. It is a strategic statement by Plaintiffs' counsel regarding this litigation.

Courts differ on the degree of prejudice that must be shown under Rule 12(f), but it is generally agreed among commentators that prejudice is important consideration under Rule 12(f). *See generally California Practice Guide: Federal Civil Procedure Before Trial,* ¶¶ 9:408 – 9:409 (Rutter 2009). First, it is obviously prejudicial because Counterclaimants have pounced on Exhibit 3 as the basis for

most of their Counterclaims. Counterclaimants allege repeatedly that because Plaintiff's counsel expressed a desire to "take down" infringing advertisements "independent of this action," the action is brought in bad faith.[1] Without this allegation, most of the Counterclaims evaporate. Therefore, the allegation is highly prejudicial to Plaintiffs.

Because Exhibit 3 is privileged and protected by work product, the Court should strike the Exhibit from the First Amended Counterclaims and order that the Counterclaims be re-plead without any reference to Exhibit 3 or its contents.

II. Several of the Counterclaims Should be Dismissed for Failure To State a Claim Because Bad Faith Is Not Properly Pleaded

Counterclaim numbers 2, 3, 4, 5, and 7 should be stricken because they fail to plead bad faith adequately.

A. Bad Faith In Patent Law

Federal law preempts state court causes of action based upon communications regarding patent rights. The Federal Circuit has explained:

> The federal patent laws preempt state laws that impose tort liability for a patentholder's good faith conduct in communications asserting infringement of its patent and warning about potential litigation. *See, e.g., Zenith,* 182 F.3d at 1355. In addition, the same First Amendment policy reasons that justify the extension of [*Noerr-Pennington*] immunity to pre-litigation conduct in the context of federal antitrust law apply equally in the context of state-law tort claims.

---

[1] This is a logical leap by Defendants. The fact that Plaintiffs have made use of available procedures to notify third party websites of Plaintiffs' contention that Defendants are selling an infringing product in no way is indicative of bad faith in the first place.

Globetrotter Software, Inc. v. Elan Computer Group, Inc. 362 F.3d 1367, 1377 (Fed. Cir. 2004).

"Bad faith" in this context has objective and subjective components. *Dominant Semiconductors SDN. BHD. v. Osram GMBH,* 524 F.3d 1254, 1260 (Fed.Cir.2008). The objective component requires a showing that the infringement allegations are "objectively baseless." *Globetrotter Software,* 362 F.3d at 1375. The subjective component relates to a showing that the patentee in enforcing the patent demonstrated subjective bad faith. *See id.* Without a showing that the infringement allegations are objectively baseless, it is unnecessary to reach the question of the patentee's intent. *See id.*

Infringement allegations are objectively baseless if "no reasonable litigant could realistically expect success on the merits." *Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.,* 508 U.S. 49, 60, 113 S.Ct. 1920, 123 L.Ed.2d 611 (1993); *Globetrotter,* 362 F.3d at 1375-76. To prove bad faith at trial, Counterclaimants would need to show bad faith by clear and convincing evidence. The importance of patent and property rights dictates that the proponent of bad faith "on the part of a patentee enforcing its patent rights has a heavy burden to carry." *800 Adept, Inc. v. Murex Securities, Ltd.*, 539 F.3d 1354, 1370 (Fed. Cir. 2008)

B. Motions To Dismiss After *Twombly*

The Supreme Court recently re-stated the standard for motions in dismiss in *Bell Atlantic Corp. v. Twombly,* 550 U.S. 544, 570, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007). After *Twombly,* under Rule 12(b)(6), a motion to dismiss should be granted if Plaintiff does not state "enough facts to state a claim to relief that is plausible on its face." A claim has "facial plausibility" if the plaintiff pleads facts that "allow[ ] the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Ashcroft v. Iqbal,* ---U.S. - - - - , --- S.Ct. ----, ---

L.Ed.2d - - - - , 2009 WL 1361536, at *12 (May 18, 2009). In resolving a 12(b)(6) motion under *Twombly,* the Court must follow a two-pronged approach.

First, the Court must accept all well-plead factual allegations as true, but "[t]hread-bare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice." *Id.* at *13. Nor must the Court "accept as true a legal conclusion couched as a factual allegation." *Id.* (quoting *Twombly,* 550 U.S. at 555).

Second, assuming the veracity of well-pleaded factual allegations, the Court must "determine whether they plausibly give rise to an entitlement to relief." *Id.* This determination is context-specific, requiring the Court to draw on its experience and common sense, but there is no plausibility "where the well-pleaded facts do not permit the court to infer more than the mere possibility of misconduct." *Id.*

Because factual challenges have no bearing under Rule 12(b)(6), generally speaking, the Court may not consider material beyond the pleadings in ruling on a motion to dismiss for failure to state a claim. There are, however, two exceptions to this general rule which do not demand converting the motion to dismiss into one for summary judgment. *Lee v. City of Los Angeles,* 250 F.3d 668, 688 (9th Cir.2001). First, a court may consider material that is either attached to the complaint or material upon which the complaint relies, provided the material's authenticity is not contested. *Id.* Second, under Federal Rule of Evidence 201, the Court may take judicial notice of matters of public record if the facts are not subject to reasonable dispute. *Id.*

C. Counterclaimants Have Failed To Plead Bad Faith Adequately on Several of The Counterclaims

Here, Counterclaimants have made no showing at all that any allegations of infringement were objectively baseless. Counterclaimants' claims are based exclusively on the email discussed above, and, in some instances, an alleged failure to investigate before filing suit. However, as shown below, none of these claims pleads objective baselessness.

Counterclaim 2: Interference with contractual relations

In the second Counterclaim, Defendants allege that Plaintiff Tre Milano contacted eBay for "the purpose of removing SNGI's competing advertising from the eBay website." ¶ 10. An advertising web site, Alibaba.com, sent an email to Defendant Elias Amike "acknowledging that it had removed Defendant SNGI's advertisements from the Alibaba.com website, as a result of receiving a notice from [Plaintiffs' counsel]." ¶ 12. This conduct allegedly resulted in "an improper loss of economic advantage and harm to Defendants' reputation with various webhosting sites that are critical to SNGI's business activities." ¶ 18.

Nowhere does this claim even purport to plead that the infringement allegations are objectively baseless, *i.e.,* that "no reasonable litigant could realistically expect success on the merits." *Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.,* 508 U.S. 49, 60 (1993); *Globetrotter,* 362 F.3d at 1375-76. Defendants simply charge that Plaintiffs should not have contacted third parties. Beyond the basic conclusion that Plaintiffs acted in "bad faith" (which is not sufficient under *Twombly*), Defendants provide no detail as to objective baselessness.

Indeed, the Federal Circuit has recently stated that objective baselessness requires "a determination based on the record ultimately made in the infringement proceedings and the record of the state tort action, and not on the basis of

information available to the patentee at the time the allegations were made." *Dominant Semiconductors SDN. BHD. v. Osram GMBH,* 524 F.3d 1254, 1263 - 64 (Fed. Cir. 2008). This is impossible in this case.

Counterclaim 3: Interference with Prospective Economic Advantage:

This claim adds nothing new to the allegations in the second Counterclaim. ¶ 23 (reincorporating ¶¶ 9 -17). Defendants claim only that the same conduct has caused "an improper loss of economic advantage." ¶ 23. This counterclaim fails for the same reasons as the Second Counterclaim: there is no allegation of objective baselessness.

Counterclaim 4: Violation of Cal. Bus. & Prof. Code § 17200

Again, the claim reiterates the language of ¶¶ 9-17. *See* ¶ 27. There is no allegation of objective baselessness. The claim should be dismissed.

Counterclaim 5: Unfair Competition Under California Common Law:

This claim reincorporates ¶¶ 9-17, 23, 24, 28 and 29 and concludes there has been "an improper loss of economic advantage, from TML's acts constituting unfair competition under California common law." ¶ 33. With no allegation of objective baselessness, the claim should be dismissed as a matter of law.

Counterclaim 7: Abuse of Process: This claim is quite long and convoluted. It appears to be based on (i) the stipulated dismissal of a prior suit in which the patentee was not a party; and (ii) failure to examine the accused product before Plaintiff filed suit in this case.

The claim fails for multiple reasons. First, as stated repeatedly above, federal law preempts this claim, so that Counterclaimant must allege objective baselessness. The Federal Circuit has expressly held that a claim is not objectively

baseless merely because the patentee performed an inadequate investigation. *Dominant Semiconductors SDN. BHD. v. Osram GMBH*, 524 F.3d at 1260.

Finally, the recited claim is based largely on the filing of a prior action. California Courts have repeatedly held that the only tort that can be brought on the basis of filing an action is malicious prosecution. The California Supreme Court has stated:

> while a defendant's act of improperly instituting or maintaining an action may, in an appropriate case, give rise to a cause of action for malicious prosecution, the mere filing or maintenance of a lawsuit-even for an improper purpose-is not a proper basis for an abuse of process action.

Oren Royal Oaks Venture v. Greenberg, Bernhard, Weiss & Karma, Inc. 42 Cal.3d 1157, 1169 (1986).

Much like the objectively baseless standard discussed above, the lack of probable cause requirement in malicious prosecution protects the right of petition. *Id.* at 575 ("[t]he elements of the common law malicious-prosecution cause of action have evolved over time as an appropriate accommodation between the freedom of an individual to seek redress in the courts and the interest of a potential defendant in being free from unjustified litigation")

III. Tre Milano's Activities Are Protected Petitioning, So That Defendants' Counterclaims Should Be Stricken Under the Anti-SLAPP Statute and Fees Awarded.

Because several of Defendants' counterclaims are based on protected activity, California's anti-SLAPP statute, codified at Cal. Civ. Proc. Code § 425.16, applies, and the state tort claims should be stricken with fees awarded to Plaintiffs.

A. The Anti-SLAPP Statute in Federal Court.

The anti-SLAPP statute provides a quick means of terminating lawsuits that chill the exercise of a Plaintiff's constitutional rights of petition and free speech. The anti-SLAPP statute provides that:

> A cause of action against a person arising from any act of that person in furtherance of the person's right of petition or free speech under the United States or California Constitution in connection with a public issue shall be subject to a special motion to strike, unless the court determines that the plaintiff has established that there is a probability that the plaintiff will prevail on the claim.

Cal. Civ. Proc. Code § 425.16(b)(1).

The anti-SLAPP statute was "intended broadly to protect, *inter alia*, direct petitioning of the government and petition-related statements and writings. . . ." *Equilon Enterprises, LLC v. Consumer Cause, Inc.*, 29 Cal. 4th 53, 61, 124 Cal. Rptr. 2d 507 (2002).

Application of the anti-SLAPP statute involves a two part, burden shifting test. *Navellier v. Sletten*, 29 Cal. 4th at 88. The moving party must first show that Plaintiff's complaint is "arising from" activities within the scope of the statute. Plaintiffs "meet this burden by demonstrating that the act underlying the [counterclaimant's] cause fits one of the categories spelled out in section 425.16, subdivision (e). . . ." *Navellier*, 29 Cal. 4th at 88. Activities within subdivision (e) include:

> (1) any written or oral statement or writing made before a legislative, executive, or judicial proceeding, or any other official proceeding authorized by law;
>
> (2) any written or oral statement or writing made in connection with an issue under consideration or review by a legislative, executive, or judicial body, or any other official proceeding authorized by law

Cal. Civ. Proc. Code § 425.16(e).

Once the moving party (here, Counterdefendants) shows that the complaint arises from activities within the scope of the statute, the burden shifts to the opposing party (here, Counterclaimants) to show a "probability" of success on the merits. This requires showing of a "substantiated legally sufficient claim." *Navellier v. Sletten*, 29 Cal. 4th 82, 88 (2002). Counterclaimants may present affidavits and declarations of evidence that would be admissible at trial; averments on "information and belief" are insufficient. *Evans v. Unkow*, 38 Cal. App. 4th 1490, 1498, 45 Cal. Rptr. 2d 624 (1995) ("An averment on information and belief is inadmissible at trial, and thus cannot show a probability of prevailing on the claim."). "[A] SLAPP motion, like a summary judgment motion, pierces the pleadings and requires an evidentiary showing." *Simmons v. Allstate Ins. Co.*, 92 Cal. App. 4th 1068, 1073 (2001). If Counterclaimants cannot demonstrate a probability of success on the merits--by competent, admissible evidence--the Claims must be stricken. *Evans*, 38 Cal. App. 4th at 1498.

Special procedural rules apply where an anti-SLAPP motion is brought in federal court. If a defendant makes an anti-SLAPP motion based on the plaintiff's failure to submit evidence to substantiate its claims, the motion is treated as a motion for summary judgment, and discovery "must be 'developed sufficiently to permit summary judgment under Rule 56.' " *In re Bah,* 321 B.R. 41, 45 n. 6 (9th Cir.BAP2005) (*citing Rogers v. Home Shopping Network,* 57 F.Supp.2d 973, 982 (C.D.Cal.1999)). This is because to permit a defendant to invoke Section 425.16 to require a plaintiff to present evidence to support her claims before an opportunity for discovery would directly conflict with Federal Rule of Civil Procedure 56. *Rogers,* 57 F.Supp.2d at 980-82 ("[w]hen a state procedural rule directly conflicts with a Federal Rule of Civil Procedure, the Federal Rule generally controls ...[I]f a defendant desires to make a special motion to strike [under Section 425.16] based on the plaintiff's lack of evidence, the defendant may not do so until discovery has

been developed sufficiently to permit summary judgment under Rule 56.")

However, as in this case, if an anti-SLAPP motion is based on legal deficiencies in the complaint, a federal court "must determine the motion in a manner that complies with the standards set by Federal Rules 8 and 12." *Id.* (*citing Rogers,* 57 F.Supp.2d at 982.)

B. All of the Counterclaims Except the First and Sixth Should Be Stricken Under the Anti-SLAPP Statute

The primary thrust of the second, third, fourth, fifth and seventh counterclaims is that Plaintiffs wrongfully contacted third parties regarding their patent rights. The "primary thrust or gravamen" of a claim is the key consideration. *Ramona Unified School Dist. V. Tsiknas*, 135 CA4th 510, 519-520 (2005). The actual label used is not important. Here, each of the enumerated counterclaims is based on petitioning activity because the anti-SLAPP statute applies to litigation and litigation-based activity.

The Federal Circuit has repeatedly stated that "patent law bars the imposition of liability for publicizing a patent in the marketplace unless the plaintiff can show that the patent holder acted in bad faith." *Dominant Semiconductors SDN BHD v. Osram Gmbh*, 524 F.3d 1254, 1260 (Fed. Cir. 2008) (quoting *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1336 (Fed Cir. 1998)

This result is the same under federal and state law. *See Hagberg v. California Federal Bank* 32 Cal.4th 350, 368 (2004) (statements made in preparation for or to prompt investigation that might result in the initiation of official proceedings protected by litigation privilege). The California Supreme Court has stated:

'[W]e previously have declined to construe the anti-SLAPP statute so as to produce 'the anomalous result that much direct petition

activity. . . [,] while absolutely privileged under the litigation privilege . . . and under the federal and state Constitutions, would not be entitled to the procedural protections of the anti-SLAPP law. . . ."

Equilon Enterprises, LLC v. Consumer Cause, Inc., 29 Cal. 4th 53, 64, 124 Cal. Rptr. 2d 507 (2002) (citing *Briggs v. Eden Council for Hope and Opportunity,* 19 Cal. 4th 1106, 1121, 81 Cal. Rptr. 2d 471 (1999)).

Perhaps most importantly, under federal law, a patentee is entitled-- and indeed encouraged—to publicize the existence of a patent. The statutory mandate allowing patentees to publicize their rights is brings the state tort claims here within the anti-SLAPP statute.

The purpose of requiring the plaintiff toto plead and prove "bad faith" when it is otherwise otherwise not an element of the underlying claim is to permit patent holders to publicize their patent rights without incurring liability under state and/or federal unfair competition laws. *Foboha GmbH v. Gram Technology, Inc.* 2008 WL 4619795, 6 (N.D.Ill.) (N.D.Ill.,2008).

The Federal Circuit has long held that patentees are entitled to notify potential infringers, which includes all those who "make, use or sell" products. *Concrete Unlimited Inc. v. Cementcraft, Inc.*, 776 F.2d 1537, 1539 (Fed. Cir. 1985) ("[patentee] had the right to exclude others from making, using, and selling the invention and to enforce those rights until the '028 patent was held invalid. [Patentee] did only what any patent owner has the right to do to enforce its patent, and that includes threatening alleged infringers with suit. *See* 35 U.S.C. § 281.").

Because Counterdefendants have met their burden under the anti-SLAPP statute, it is now incumbent upon Defendants to show why the statute does not apply or how the Counterclaims survive its application.

IV. Plaintiffs Have Properly Pursued a Patent Infringement Claim Based on Defendants' Advertising and Offering For Sale a Knock-Off of Plaintiffs' Patented Product.

Defendants argue that they did not have an actual product prior to the complaint filed herein and so Plaintiffs could not have determined in advance of filing suit that the product they were offering for sale actually infringes the patent. The basis for this allegation is set forth in the complaint herein at paragraph 32, to wit:

"Plaintiffs are informed and believe and based thereon allege that they are likely to have evidentiary support that Defendants are committing acts of infringement . . . after a reasonable opportunity for further investigation and discovery. The bases for this allegation include but are not limited to the representations by Defendants with respect to their so-called Rolling Styler product as reflected in the offers for sale on Ebay as reflected on Exhibit "C" and offers to sell the product on www.alibaba.com as reflected on Exhibit "D" and AMKIE's trademark application as reflected in Exhibit "H" and the specimen submitted with that trademark application as reflected on Exhibit "I."

This form of pleading is specifically authorized by Rule 11 at paragraph (b)(3), i.e., "the factual allegations have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery."

Defendants have been offering their knock-off product for sale on eBay and alibaba.com since at least April 2009. An offer for sale is an act of infringement. 35 U.S.C. § 271. The description and depiction of their product in their trademark application imitates Plaintiffs' product. The only argument for non-infringement by Defendants has been that their product does not have bristles. (See Answer (DN 10), Affirmative Defenses at ¶ 4.) That argument is specious. The depiction of their product clearly shows bristles. (See Exhibit "I" to the Complaint.) When

asked what are those parts of their product which Plaintiffs' counsel believes are bristles, Mr. Schindler replied, "I don't know, but they aren't bristles." (Swanson Decl. ¶ 12.)

There is no absolute requirement to obtain and analyze an infringing product before suing for patent infringement. *Intamin, Ltd. v. Magnetar Technologies, Corp.*, 483 F.3d 1328, 1338 (Fed. Cir. 2007). It is appropriate for a plaintiff to file suit in expectation that discovery will reveal that the defendants' products actually infringe. *Hoffman-La Roche Inc. v. Invamed Incorporated,* 213 F.3d 1359, 1363-64 (Fed. Cir. 2000).

V. The Court Should Rule As A Matter of Law That the InStyler Trademark Is Distinctive

Counterclaimants' Sixth Counterclaim purports to allege a claim for cancellation of the mark "InStyler" for "electric irons and for styling hair" because the mark is allegedly "merely descriptive." This Counterclaim is far fetched, and the Court should rule now as a matter of law that "InStyler" is inherently distinctive.

Generally, only distinctive marks are protectable. A mark is inherently distinctive if it is "suggestive" or "arbitrary or fanciful." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 767 (1992).

As explained by Professor McCarthy, fanciful marks consist of coined words invented or selected for the sole purpose of functioning as a trademark. They are either totally unknown or completely out of usage at the time. *McCarthy on Trademarks and Unfair Competition,* § 11:5. "InStyler" is such a word. "InStyler" does not exist in the dictionary. It was coined for Plaintiffs' products.

Examples of fanciful marks include:
ARGYROL antiseptic
CLOROX bleach
CUTEX cuticle-removing liquid

CUTICURA toilet soap
EXXON oil and gasoline products
KODAK photographic supplies
KOTEX sanitary pads

McCarthy, § 11:8. Thus, because "InStyler" is a coined term, the Court can and should rule as a matter of law that "Instyler" is not a descriptive term.

It is to be expected that the Trademark Office will properly discharge its duty. *Kohli v. Gonzalez,* 473 F.3d 1061, 1068 (9th Cir. 2007)("well established principle of federal law that administrative agencies are entitled to a presumption that the 'act properly and according to law.'"); *E.I. du Pont de Nemours & Co. v. Berkley and Co., Inc.,* 620 F.2d 1247, 1266 (8th Cir. 1986)("Presumption of validity flows from the congressional assumption that the Patent and Trademark Office properly performed its administrative functions.")

It is noteworthy that Defendants' application to register "Rolling Styler" for their product was rejected by the Trademark Office as being "merely descriptive." (Defendants' Answer (DN 10), ¶ 7 p. 9 ll. 1-5.)

"Rolling Styler" does appear to describe Defendants' product, and the Trademark Office properly rejected the application on that ground. By the same token, the Trademark Office did not find "Instyler" to be descriptive and properly issued the registration.

As against the presumption that the Trademark Office properly did its job, Defendants have not properly pleaded anything other than a conclusory statement that "Instyler" is descriptive. How is it descriptive? If the product is a hair styler (as alleged at paragraph 39 in the counterclaim) how is the word "Instyler"

descriptive of a hair styler? Plainly, "Hair Styler" would be descriptive, but "Instyler" is not.

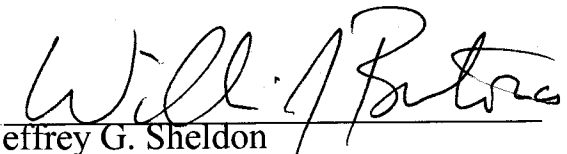
The sixth counterclaim should be dismissed for failure to state a claim.

CONCLUSION

For the foregoing reasons, Counterdefendants' motion to strike, motion to dismiss, and special motion to strike should be granted.

Dated: August 6, 2009

SHELDON MAK ROSE & ANDERSON PC

By: 

Jeffrey G. Sheldon
William J. Brutocao
A. Eric Bjorgum

Attorneys for Plaintiffs/Counterdefendants MM&R PRODUCTS, INC. and TRE MILANO, LLC

PROOF OF SERVICE

CCP §§ 1013, 1013a (New January 1, 2005)

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

1. At the time of service I was over 18 years of age and **not a party to this action**.
2. My business address is: 100 Corson Street, Third Floor, Pasadena, CA 91103-3842.
3. On **August 6, 2009**, I served the following document(s):

X The documents are listed on Attachment "A."

4. I served the documents on the **persons** below, as follows:
   a. **Name** of person served:
   b. **Address** of person served:
   c. **Fax Number** or **e-mail address** of person served, if service was by fax or e-mail:
   d. Time of service, if personal service was used:

X The names, addresses, and other applicable information about the persons served is on Attachment "B."

5. The documents were served by the following means (specify):

   a. ☐ **By personal service**. I personally delivered the documents to the persons at the addresses listed in Item 4. (1) For a party represented by an attorney, delivery was made to the attorney or at the attorney's office by leaving the documents in an envelope or package clearly labeled to identify the attorney being served with a receptionist or an individual in charge of the office. (2) For a party, delivery was made to the party or by leaving the documents at the party's residence with some person not less than 18 years of age between the hours of eight in the morning and six in the evening.

   b. X **By United States mail**. I enclosed the documents in a sealed envelope or package addressed to the persons at the addresses in Item 4 and (specify one):

      (1) ☐ **deposited** the sealed envelope with the United States Postal Service, with the postage fully prepaid.

      (2) X **placed** the envelope for collection and mailing, following our ordinary business practices. I am readily familiar with this business's practice for collecting and processing correspondence for mailing. On the same day that correspondence is placed for collection and mailing, it is deposited in the ordinary course of business with the United States Postal Service in a sealed envelope with postage fully prepaid.

   I am a resident or employed in the county where the mailing occurred. The envelope or package was placed in the mail at Pasadena, California.

   c. ☐ **By overnight delivery**. I enclosed the documents in an envelope or package provided by an overnight delivery carrier and addressed to the persons at the addresses in Item 4. I placed the envelope or package for collection and overnight delivery at an office or a regularly utilized drop box of the overnight delivery carrier.

d. ☐ **By messenger service.** I served the documents by placing them in an envelope or package addressed to the persons at the addresses listed in Item 4 and providing them to a professional messenger service for service. *(A declaration by the messenger must accompany this Proof of Service or be contained in the Declaration of Messenger below.)*

e. ☐ **By fax transmission**. Based on an agreement of the parties to accept service by fax transmission, I faxed the documents to the persons at the fax numbers listed in Item 4. No error was reported by the fax machine that I used. A copy of the record of the fax transmission, which I printed out, is attached.

f. X **By e-mail or electronic transmission**. Based on a court order or an agreement of the parties to accept service by e-mail or electronic transmission, I caused the documents to be sent to the persons at the e-mail addresses listed in Item 4. I did not receive, within a reasonable time after the transmission, any electronic message or other indication that the transmission was unsuccessful.

g. ☐ **By E-FILING**. The document will be E-Filed and a "Notification of E-Filing" will be e-mailed by the Court to all registered attorneys.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. I further declare that I am employed in the office of a member of the bar of this Court, at whose direction the service was made.

Executed on **August 6, 2009** at Pasadena, California.

Donald K. Piper

DECLARATION OF MESSENGER

☐ **By personal service**. I personally delivered the envelope or package received from the declarant above to the persons at the addresses listed in Item 4. (1) For a party represented by an attorney, delivery was made to the attorney or at the attorney's office by leaving the documents in an envelope or package, which was clearly labeled to identify the attorney being served, with a receptionist or an individual in charge of the office. (2) For a party, delivery was made to the party or by leaving the documents at the party's residence with some person not less than 18 years of age between the hours of eight in the morning and six in the evening.

At the time of service, I was over 18 years of age. I am not a party to the above-referenced legal proceeding.

I served the envelope or package, as stated above, on (date):

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

Executed on **August 6, 2009** at _____, California.

_____ (Name of Declarant)

_____ (Signature of Declarant)

ATTACHMENT "B" TO PROOF OF SERVICE

NAMES, ADDRESSES, AND OTHER APPLICABLE INFORMATION ABOUT PERSONS SERVED:

Name of Person Served	Address (business or residential), Fax, or E-mail (as applicable) Where Served	Manner of Service
Edwin D. Schindler, Esq.	LAW OFFICES OF EDWIN D. SCHINDLER Five Hirsch Avenue P. O. Box 966 Coram, New York 11727-0966 T: (631) 474-5373 F: (631) 474-5374 E-Mail: EDSchindler@att.net, EDSchindler@optonline.net	E-Mail and U.S. Mail
Robert E. Lyon, Esq.	LAW OFFICES OF ROBERT E. LYON 1055 West 7th Street, Suite 1880 Los Angeles, CA 90017 T: (213) 215-5365 F: (213) 622-7890 E-Mail: BobLyon@cox.net, RL@naturesaccent.com	E-Mail and U.S. Mail

ATTACHMENT "A" TO PROOF OF SERVICE

LIST OF DOCUMENTS SERVED:

1. NOTICE OF MOTION AND MOTION TO STRIKE PORTIONS OF COUNTERCLAIMS PURSUANT TO FRCP 12(f); TO DISMISS COUNTERCLAIMS PURSUANT TO FRCP 12(b)(6), AND TO STRIKE COUNTERCLAIMS PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE 425.16;

2. [PROPOSED] ORDER GRANTING MOTION TO STRIKE PORTIONS OF COUNTERCLAIMS PURSUANT TO FRCP 12(f); TO DISMISS COUNTERCLAIMS PURSUANT TO FRCP 12(b)(6), AND TO STRIKE COUNTERCLAIMS PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE 425.16;

3. DECLARATION OF ELIZABETH SWANSON IN SUPPORT OF PLAINTIFFS' MOTION TO STRIKE PORTIONS OF COUNTERCLAIMS PURSUANT TO FRCP 12(f); TO DISMISS COUNTERCLAIMS PURSUANT TO FRCP 12(b)(6), AND TO STRIKE COUNTERCLAIMS PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE 425.16.