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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

MINUTE ORDER

Case No.: CV-02-7134 CAS (AJWx) December 6, 2002

Title: HISPANIC BROADCASTING CORP., HBC LOS ANGELES, INC., HBC SAN DIEGO, INC., HBC BROADCASTING TEXAS, L.P. v. EDUCATIONAL MEDIA FOUNDATION

PRESIDING: HONORABLE CHRISTINA A. SNYDER, U.S. DISTRICT JUDGE

Maynor Galvez,
Deputy Clerk Court Reporter

PLAINTIFF COUNSEL PRESENT: *DEFENDANT COUNSEL PRESENT*:

PROCEEDINGS: **(1) MOTION TO STRIKE INADEQUATELY PLEADED ALLEGATIONS OF FRAUD**
(Filed November 14, 2002)

(2) MOTION TO DISMISS DEFENDANT-COUNTERCLAIMANT'S SIXTH COUNTERCLAIM
(Filed November 14, 2002)

The Court finds this matter appropriate for decision without oral argument. Fed. R. Civ. P. 78; Local Rule 7-15. The hearing date of December 9, 2002, is hereby vacated and the matter is taken under submission.

I. BACKGROUND

Plaintiff and counterdefendant Hispanic Broadcasting Corp. ("HBC") initiated the instant action on September 12, 2002, asserting claims for trademark infringement and dilution under the Lanham Act and other related state law claims against defendant and counterclaimant Educational Media Foundation ("EMF") in connection with EMF's use of HBC's trademark and service mark K-LOVE (the "Mark").

The K-LOVE mark is used by HBC and its licensees, HBC Los Angeles, Inc., HBC San Diego, Inc., HBC Broadcasting Texas, L.P., co-plaintiffs in this action, in connection with the provision of radio broadcasting and other media-related services, and the

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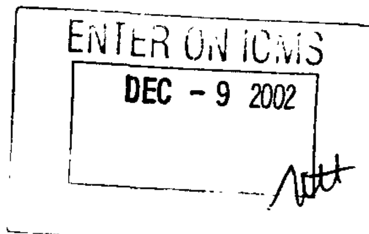

(17)

distribution of goods which promote its services.[1] Complaint ("Compl.") ¶¶ 8, 11-16. HBC alleges that it owns the K-LOVE mark,[2] and that HBC, its predecessors, and its licensees have used the Mark continuously from "as least as early as October 1974 to the present." Id. ¶ 9. HBC also alleges that "through its owns efforts, skill and experience, and that of its licensees, [HBC] has acquired and now enjoys substantial goodwill and a valuable reputation under its K-LOVE mark, which serves to distinguish Plaintiffs' services from the services of others . . . . [and that the] K-LOVE mark has become well known and famous, both within the trade and among the relevant consuming public." Id. ¶ 18. Plaintiffs further allege that EMF uses the Mark in the "same channels of trade" as plaintiffs, in order to "advertis[e] and solicit[] listeners for its broadcasting services" and that EMF offers its broadcasting services and goods to "the same class of purchasers as Plaintiffs." Id. ¶ 20. Plaintiffs allege that EMF's adoption and continued use of the Mark to identify its own broadcasting services and goods is without HBC's permission and that EMF's actions "tend to dilute and reduce the value of Plaintiff's goodwill under the K-LOVE mark, and to destroy the exclusive association between Plaintiffs and the K-LOVE mark." Id. ¶¶ 21, 26. Plaintiffs' complaint states the following claims for relief against EMF: (1) trademark infringement under the Lanham Act, (2) common law trademark infringement, (3) common law unfair competition, (4) trademark dilution under the Lanham Act, (5) trademark infringement under Cal. Bus. & Prof. Code § 14335, (6) trademark dilution under Cal. Bus. & Prof. Code § 14330, (7) counterfeiting under Cal. Bus. & Prof. Code § 14320, and (8) unfair competition Cal. Bus. & Prof. Code § 17000, et seq.

On October 10, 2002, EMF filed a counterclaim seeking a declaration that its use of the K-LOVE Mark "does not infringe, dilute or otherwise violate any rights HBC may have in the trademark K-LOVE" because EMF is the rightful owner of the Mark. Answer to Complaint and Counterclaim for Declaratory Judgment and Injunctive Relief from Trademark Infringement, Dilution and

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[1] The goods distributed include backpacks, sports bags, tote bags, baseball caps, sweatshirts, T-shirts, Frisbees, coffee mugs, and mouse pads. Id. ¶ 8.

[2] HBC alleges that it owns California state service mark Registration No. 27817, which was issued on August 13, 1986. Compl. ¶ 10. Additionally, HBC alleges that it owns federal service mark application Serial No. 75/430,440, which was filed on February 6, 1998. Compl. ¶ 8.

Unfair Competition, Counterclaim ¶ 22, 24.[3] EMF alleges that "[s]ince at least as early as 1988, EMF has used the mark K-LOVE in connection with the provision of programming services. . . . [and on] items such as hats, shirts, sweatshirts and computer mousepads." Id. ¶ 9. Further, EMF alleges "on information and belief, well after EMF was using the K-LOVE mark throughout the country, and without EMF's authorization or consent, HBC subsequently began using the identical mark K-LOVE in connection with services similar to those services offered by EMF." Id. ¶ 12. EMF also alleges on "information and belief" that HBC "does not have the proper chain of title evidencing ownership of California Registration No. 27,817 for K-LOVE, and it is therefore not the owner" of that registration. Id. ¶ 13. Therefore, EMF seeks a declaration that HBC's use of the Mark infringes and dilutes EMF's rights in the Mark, and seeks an order requiring HBC to "(a) cease use of EMF's K-LOVE mark, and all variations thereof, and (b) assign to EMF all ownership rights, including without limitation all registrations in and to HBC's K-LOVE mark and Internet domain names (including but not limited to <www.radioklove.com> and <www.klove1029.com>)."[4] Id. ¶ 26.

In its sixth counterclaim for relief, EMF seeks cancellation of HBC's California registration of the Mark under Cal. Bus. & Prof. Code § 14281. Id. ¶ 42. EMF alleges that it "is likely to be damaged by the continued registration of the term K-LOVE since EMF conducts business in California using the mark K-LOVE while HBC improperly claims rights to the same mark in California" and that "as a result of HBC's improper claims of ownership of the mark K-LOVE and its improper and/or fraudulent claims of acquisition, Registration No. 27, 817 should be canceled." Id. ¶¶ 41, 42.

On November 14, 2002, plaintiffs filed the motion presently before the Court to dismiss EMF's sixth counterclaim for relief pursuant to Fed. R. Civ. P. 12(b)(6), and to strike from EMF's

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[3] EMF alleges that it is the owner of pending U.S. Application Serial No. 75/771,362 for registration of the mark K-LOVE for "radio broadcasting services and radio programming services." Id. ¶ 11.

[4] In its counterclaim, EMF states its first five claims for relief claims as follows: (1) declaration of rights, (2) false designation of origin, (3) federal dilution, (4) common law unfair competition (5) and violation of Cal. Bus. & Prof. Code § 14330.

counterclaim inadequately pleaded allegations of fraud in paragraphs 14, 39, and 42.

II. MOTION TO DISMISS SIXTH COUNTERCLAIM FOR RELIEF

A. Legal Standard

A Rule 12(b)(6) motion tests the legal sufficiency of the claims asserted in a complaint. A court must not dismiss a complaint for failure to state a claim "unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." Conley v. Gibson, 355 U.S. 41, 45-46 (1957); Cahill v. Liberty Mut. Ins. Co., 80 F.3d 336, 338 (9th Cir. 1996).

In considering a motion pursuant to Fed. R. Civ. P. 12(b)(6), a court must accept as true all material allegations in the complaint, as well as all reasonable inferences to be drawn from them. Pareto v. F.D.I.C., 139 F.3d 696, 699 (9th Cir. 1998); Cahill, 80 F.3d at 338. The complaint must be read in the light most favorable to the plaintiff. Sprewell v. Golden State Warriors, 266 F.3d 979, 988 (9th Cir. 2001); Parks Sch. of Bus., Inc. v. Symington, 51 F.3d 1480, 1484 (9th Cir. 1995). However, a court need not accept as true unreasonable inferences or conclusory legal allegations cast in the form of factual allegations. Sprewell, 266 F.3d at 988; Western Mining Council v. Watt, 643 F.2d 618, 624 (9th Cir. 1981).

Dismissal pursuant to Rule 12(b)(6) is proper only where there is either a "lack of a cognizable legal theory" or "the absence of sufficient facts alleged under a cognizable legal theory." Balistreri v. Pacifica Police Dept., 901 F.2d 696, 699 (9th Cir. 1988).

Furthermore, unless a court converts a Rule 12(b)(6) motion into a motion for summary judgment, a court cannot consider material outside of the complaint (e.g., facts presented in briefs, affidavits, or discovery materials). In re American Continental Corp. v. Lincoln Sav. & Loan Sec. Litig., 102 F.3d 1524, 1537 (9th Cir. 1996), rev'd on other grounds *sub nom* Lexecon, Inc. v. Milberg Weiss Bershad Hynes & Lerach, 523 U.S. 26 (1998). A court may, however, consider exhibits submitted with or alleged in the complaint and matters that may be judicially noticed pursuant to Federal Rule of Evidence 201. In re Silicon Graphics Inc. Sec. Litig., 183 F.3d 970, 986 (9th Cir. 1999); Hal Roach Studios, Inc. v. Richard Feiner & Co., 896 F.2d 1542, 1555 n.19 (9th Cir. 1989).

For all of these reasons, it is only under extraordinary circumstances that dismissal is proper under Rule 12(b)(6). United States v. City of Redwood City, 640 F.2d 963, 966 (9th Cir. 1981).

As a general rule, leave to amend a complaint which has been dismissed should be freely granted. Fed. R. Civ. P. 15(a). However, leave to amend may be denied "when the court determines that other facts consistent with the challenged pleading could not possibly cure the deficiency." Schreiber Distribuiting Co. v. Serv-Well Furniture Co., 806 F.2d 1393, 1401 (9th Cir. 1986); Lopez v. Smith, 203 F.3d 1122, 1127 (9th Cir. 2000).

B. Analysis

First, HBC contends that EMF's sixth counterclaim for relief in which HBC seeks to cancel HBC's California Registration of the Mark pursuant to Cal. Bus. Prof. Code. § 14281 should be dismissed because EMF has failed to plead the counterclaim with the particularity required by Fed. R. Civ. P. 9(b). See Memorandum of Points and Authorities in Support of Plaintiffs' Motion ("Mot.") at 8. Section 14281 provides that the Secretary of State of California shall cancel any trademark registration if a court of competent jurisdiction finds any of the following:

(a) That the registered mark has been abandoned.
(b) That the registrant is not the owner of the mark.
(c) That the registration was granted improperly.
(d) That the registration was obtained fraudulently.

Cal. Bus. Prof. Code § 14281. Thus, to the extent that a party asserts a claim based on section 14281(d), under Fed. R. Civ. P. 9(b), the allegations of fraud must be supported by specific factual allegations.[5] Allegations of fraud must be "specific enough to give defendants notice of the particular misconduct which is alleged to constitute the fraud charged so that they can defend against the charge and not just deny that they have done anything wrong." U.S. ex rel. Lee v. SmithKline Beecham, Inc., 245 F.3d 1048, 1051-52 (9th Cir. 2001). "Rule 9(b) requires particularized allegations of the circumstances constituting fraud," including the "time, place, persons, statements made, explanation of why or how such statements are false or misleading." In re GlenFed, Inc. Securities Litigation, 42 F.3d 1541, 1547 and fn. 7 (9th Cir. 1994). Moreover, because of the

[5] Rule 9(b) requires heightened pleading of fraud claims in all civil cases brought in federal court, regardless of whether they are based on state or federal law.

particularity requirements under Rule 9(b), fraud generally may not be pleaded on "information or belief." See Wool v. Tandem Computers, Inc., 818 F.2d 1433, 1439 (9th Cir. 1987). This rule may be relaxed where the information is within the exclusive knowledge of the opposing party. See id. (noting that "[s]uch 'an exception exists where, as in cases of corporate fraud, the plaintiffs cannot be expected to have personal knowledge of the facts constituting the wrongdoing.'") (citation omitted). However, "[i]n such cases, the particularity requirement may be satisfied if the allegations are accompanied by a statement of the facts upon which the belief is founded." Id.; see also William Schwarzer, et al., California Practice Guide, Federal Civil Procedure Before Trial § 8:49-50 (2002).

EMF responds that it has sufficiently pled fraud under Rule 9(b) because its allegations in the sixth counterclaim for relief provide enough information for plaintiffs and counterdefendants "to frame a response and defend against the allegation." Memorandum in Opposition to Plaintiffs/ Counter-Defendants' Motion ("Opp.") at 6. EMF argues that because "HBC in its Motion actually argues that it will be able to show a clear chain of title of the California registration, [that] demonstrat[es] that HBC understands precisely the basis upon which fraud has been alleged." Id.

However, on a motion pursuant to Fed. R. Civ. P. 12(b)(6), courts consider only the allegations in the complaint to determine whether the pleading party has satisfied its burden to plead a cognizable claim; courts do not consider arguments in the parties' briefs. Looking to EMF's pleading, the only allegations which may support a counterclaim for fraud are the following:

- On information and belief, HBC is improperly, and perhaps fraudulently, claiming rights to California Registration No. 27, 817. Counterclaim ¶ 14 (repeated in ¶ 39).
- As a result of HBC's improper claims of ownership of the mark K-LOVE and its improper and/ or fraudulent claims of acquisition, Registration No. 27,817 should be canceled. Counterclaim ¶ 42.

The Court concludes that these allegations are not sufficient to meet the heightened pleading requirements under Rule 9(b). The vague and bare allegations are wholly lacking in "particularized allegations of the circumstances constituting fraud," including the "time, place, persons, statements made, explanation of why or how such statements are false or misleading." In re GlenFed, Inc. Securities Litigation, 42 F.3d at 1547 and fn. 7. Moreover, the allegations do not contain the requisite "statement

of the facts upon which the belief is founded" required of allegations made "on information and belief" under Rule 9(b).[6] See Tandem Computers, 818 F.2d at 1439.

Second, HBC contends that the sixth counterclaim for relief should be dismissed because EMF's allegations also fail to state a claim upon which relief may be granted pursuant to any of the additional grounds available under section 14281. Mot. at 10; Reply at 11-13. EMF responds that its allegations support its counterclaim for cancellation on the grounds that "the registrant is not the owner of the mark" and that "the registration was granted improperly" under section 14281(b) & (c). Opp. at 7. EMF argues that "because of the lack of a proper chain of title to Registration to No. 27, 817, as detailed in EMF's [counter]claim, it is certainly in dispute as to whether HBC is the owner of the State registration, and thus, it is in dispute as to whether HBC is the owner of the mark as set forth in the registration." Id.

However, the basis for cancellation under section 14281(b) is that "the registrant is not the owner of the mark." Cal. Bus. & Prof. Code. § 14281(b). Plaintiffs argue that EMF alleges only that HBC does not own the California Registration, but that lack of ownership of the registration is not a ground for relief under section 14281. Mot. at 10. As such, plaintiffs argue that "EMF's allegation . . . fails to state a complete basis for invalidation recognized under [Section 14281(b)]."[7] Reply at 12. The Court agrees that to meet the literal requirements of section 14281(b), EMF must plead more than that HBC is not the owner of the California Registration, especially in light of the fact that there may be other ways HBC may have obtained ownership rights in the Mark. Therefore, the Court concludes that EMF's allegations are not sufficient to state a counterclaim for cancellation under section 12418(b).

Finally, with respect to cancellation pursuant to section 14281(c), EMF points to no allegations that support its claim that the registration was "granted improperly"; the closest thing EMF alleges is that HBC "improperly claims rights to the . . .

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[6] Additionally, EMF has not alleged that this is a situation in which it is entitled to make its fraud allegations "on information and belief" in the first place. See Tandem Computers, 818 F.2d at 1439.

[7] In their reply brief on page 12, plaintiffs repeatedly cite to "section 14217(b)" although it appears that they intend to cite to section 14281(b).

mark in California." Counterclaim ¶ 41. However, the Court concludes that EMF's allegations are not sufficient to state a counterclaim for cancellation under section 1428l(c).

III. MOTION TO STRIKE

A. Legal Standard

A motion to strike material from a pleading is made pursuant to Fed. R. Civ. P. 12(f). Under Rule 12(f), the Court may strike from a pleading any "insufficient defense" or any material that is "redundant, immaterial, impertinent or scandalous." A Rule 12(f) motion is not a motion to dismiss for failure to state a claim upon which relief may be granted, and, where not involving a purportedly insufficient defense, simply tests whether a pleading contains inappropriate material. The Court may also strike under Rule 12(f) a prayer for relief which is not available as a matter of law. Tapley v. Lockwood Green Engineers, 502 F.2d 559, 560 (8th Cir. 1974). The essential function of a Rule 12(f) motion is to "avoid the expenditure of time and money that must arise from litigating spurious issues by dispensing with those issues prior to trial." Fantasy, Inc. v. Fogerty, 984 F.2d 1524, 1527 (9th Cir. 1993), rev'd on other grounds, 510 U.S. 517 (1994). Because of "the limited importance of pleadings in federal practice," motions to strike pursuant to Rule 12(f) are disfavored. Bureerong v. Uvawas, 922 F. Supp. 1450, 1478 (C.D. Cal. 1996).

B. Analysis

Because the Court herein has granted EMF leave to amend its counterclaim, the motion to strike allegations of fraud in paragraphs 14, 39 and 42 from the counterclaim is moot. Therefore, the Court denies plaintiffs' motion to strike.

IV. CONCLUSION

As set forth above, plaintiffs' motion to dismiss defendant-counterclaimant's sixth counterclaim for relief is GRANTED. Plaintiffs' motion to strike paragraphs 14, 39 and 42 from the counterclaim is DENIED.

Defendant-counterclaimant shall file a First Amended Counterclaim curing the defects noted herein within 30 days hereof.

IT IS SO ORDERED.