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8 **UNITED STATES DISTRICT COURT**
9 **SOUTHERN DISTRICT OF CALIFORNIA**

10
11 MILLENNIUM LABORATORIES,
12 INC., a California Corporation,

13 Plaintiff,

14 vs.

15 AMERITOX, LTD., a Texas limited
16 partnership,

17 Defendant.

CASE NO. 12CV1063-MMA (JMA)

**ORDER DENYING
DEFENDANT'S MOTION FOR
ATTORNEYS' FEES AND
NONTAXABLE COSTS**

[Doc. No. 91]

18 Presently before the Court is Defendant Ameritox, Ltd's ("Defendant" or
19 "Ameritox") motion for attorneys' fees and nontaxable costs. [Doc. No. 91.]
20 Plaintiff Millennium Laboratories, Inc. ("Plaintiff" or "Millennium") filed an
21 opposition to the motion, to which Defendant replied. [See Doc. Nos. 100, 109.]
22 Having considered the briefs, and for the reasons stated herein, the Court **DENIES**
23 Defendant's motion.

BACKGROUND

24 The parties are competitors in the market for drug testing and medication
25 monitoring services. A key service of both parties is providing test reports to
26 physicians relating to the results of laboratory tests. A detailed discussion of the
27 parties' test reports is included in the Court's August 27, 2013, summary judgment
28 order. [See Doc. Nos. 78, 98.]

1 In this case, Plaintiff Millennium sued Defendant Ameritox for trade dress
2 infringement and violation of California's unfair business competition law.
3 Ameritox moved to dismiss Millennium's complaint pursuant to Federal Rule of
4 Civil Procedure 12(b)(6), but the Court found that Millennium had sufficiently stated
5 a claim for trade dress infringement. [See Doc. No. 21.] Ultimately, however, the
6 Court granted summary judgment for Ameritox. [See Doc. Nos. 78, 98.] Ameritox
7 then filed the pending motion for attorneys' fees and costs in the amount of
8 \$551,300.93, claiming that the attorney fee provision of the Lanham Act justifies
9 awarding Ameritox its reasonably incurred costs and fees. Millennium argues that
10 Ameritox's fee request is inappropriate and should be denied.

11 LEGAL STANDARD

12 The Lanham Act provides that a district court may award attorneys' fees to a
13 prevailing party, but only in "exceptional cases." 15 U.S.C. § 1117(a). The courts
14 construe the "exceptional cases" requirement narrowly. *Classic Media, Inc. v.*
15 *Mewborn*, 532 F.3d 978, 990 (9th Cir. 2008). A case is exceptional "when the
16 non-prevailing party's case is groundless, unreasonable, vexatious, or pursued in bad
17 faith." *Gracie v. Gracie*, 217 F.3d 1060, 1071 (9th Cir. 2000).

18 DISCUSSION

19 Defendant Ameritox argues that Plaintiff Millennium's case was groundless
20 and unreasonable from inception because Millennium knew before filing the action
21 that it could not establish the nonfunctionality of its alleged trade dress. [Mot. at 9.]
22 Ameritox claims that "[s]worn depositions of Plaintiff's corporate designee and
23 senior executives, Plaintiff's website and scores of Plaintiff's internal
24 communications note the functionality of the alleged trade dress and all existed well
25 before this case was filed." [Id.] Ameritox further asserts that Millennium presented
26 no admissible evidence to support nonfunctionality in opposing summary judgment.
27 [Id. at 12.] Ameritox argues that Millennium's purpose in bringing the trade dress
28 infringement claim against Defendant was to run up the costs of its chief competitor.

1 [Id. at 14.]

2 Millennium contends that this case is not exceptional. It argues that it relied
3 upon sound legal precedent and that it raised “debatable” legal and factual issues in
4 its effort to protect its alleged trade dress. [Opp. at 11.] Millennium contends it had
5 a good faith basis that its side-by-side layout incorporating two graphs qualified for
6 trade dress protection. Millennium asserts that Supreme Court and Ninth Circuit
7 authority supported its argument that its trade dress was not functional. [See id. at
8 14-16.]

9 **1. Groundless or Unreasonable**

10 A claim is groundless or unreasonable if it fails to raise “debatable issues of
11 law and fact.” *Stephen W. Boney, Inc. v. Boney Servs., Inc.*, 127 F.3d 821, 827 (9th
12 Cir. 1997). Upon review of the pertinent facts of the case, the Court finds that
13 Millennium’s case was not groundless or unreasonable in the sense of the Lanham
14 Act.

15 To begin, Millennium stated a cognizable claim for trade dress infringement.
16 Indeed, the Court previously denied Ameritox’s motion to dismiss Millennium’s
17 complaint, finding that Millennium alleged facts to support a plausible inference that
18 its claimed trade dress was nonfunctional, that it had acquired distinctiveness
19 through secondary meaning, and that there existed a likelihood of consumer
20 confusion. [See Doc. No. 21 at 4-7.]

21 Next, while the Court awarded summary judgment in Ameritox’s favor, this
22 fact alone does not render the case “exceptional.” “[O]therwise, every Lanham Act
23 case in which a summary judgment motion was granted would be considered an
24 ‘exceptional’ case.” *Sand Hill Advisors, LLC v. Sand Hill Advisors, LLC*, 2010 WL
25 8500520, at *3 (N.D. Cal. Sept. 20, 2010). Further, though the Court ultimately
26 determined that Millennium’s alleged trade dress was functional, Millennium’s
27 assertions to the contrary were not groundless. Millennium relied on a series of
28 cases which provide that separately unprotectable functional elements can combine

1 to form a protectable trade dress. [See Millennium’s Opp. to Summ. J. Mot. at 10-11
2 (citing *Clicks Billiards Inc. v. Sixshooters Inc.*, 251 F.3d 1252 (9th Cir. 2001);
3 *Fuddruckers, Inc. v. Doc’s B.R. Others, Inc.*, 826 F.2d 837 (9th Cir. 1987)).]
4 Likewise, Millennium argued, though its graphs were functional in isolation,
5 together they constituted a protectable trade dress. While this argument was not
6 ultimately meritorious,¹ it nonetheless raised “debatable issues of law and fact.”
7 *Stephen W. Boney*, 27 F.3d at 827.

8 Moreover, this case is distinguishable from the “exceptional” cases relied on
9 by Ameritox for an award of fees. For example, in *Secalt S.A. v. Wuxi Shenxi Const.*
10 *Mach. Co., Ltd.*, 668 F.3d 677 (9th Cir. 2012), a hoist manufacturer sued its
11 competitor, claiming trade dress protection in the exterior appearance of its hoist.
12 *Id.* at 681. The manufacturer failed to provide any legitimate evidence to support its
13 trade dress claim after “almost two years” of discovery. *Id.* at 688. Furthermore,
14 months before the summary judgment proceedings, in a separate action regarding the
15 same trade dress, a different court found there was “an utter failure of evidence”
16 because each of the features of the alleged trade dress served a function in the
17 operation of the hoist. *Id.* The manufacturer nonetheless continued prosecuting its
18 claims. *Id.* at 687. The Ninth Circuit found the case was “a conscious, albeit
19 misguided, attempt to assert trade dress rights in a non-protectable machine
20 configuration” and affirmed the award of attorneys’ fees in favor of the competitor.
21 *Id.* at 689.

22 In *Cairns v. Franklin Mint Co.*, 292 F.3d 1139 (9th Cir. 2002), the Ninth
23 Circuit affirmed the finding that the plaintiff’s trademark dilution claim was legally
24 groundless and unreasonable because it was based on the “absurd” and “just short of

25
26 ¹ The Court ultimately distinguished those cases relied on by Millennium because
27 Millennium’s alleged trade dress was nothing more than the “assemblage of functional
28 *Leatherman Tool Group, Inc. v. Cooper Industries, Inc.*, 199 F.3d 1009, 1013 (9th Cir.
1999; *Secalt S.A. v. Wuxi Shenxi Const. Mach. Co., Ltd.*, 668 F.3d 677 (9th Cir. 2012);
Atlas Equip. Co., LLC v. Weir Supply Group, Inc., 2009 WL 4670154, at *10 (W.D.
Wash. 2009)).]

1 frivolous” contention that the words “Diana, Princess of Wales” would no longer
2 primarily identify the individual, Princess Diana, but instead primarily identify her
3 “charitable and humanitarian services.” *Id.*

4 In *Vital Pharmaceuticals, Inc. v. American Body Building Products, LLC*,
5 2007 WL 624329 (S.D. Fla. 2007), fees were warranted because the plaintiff “could
6 not satisfy even one of the elements of a valid trade dress claim, and its case suffered
7 from severe credibility problems and a lack of convincing evidence.” *Id.* at *9. The
8 case “appeared as nothing but a thinly-veiled effort to stifle legitimate competition.”
9 *Id.*

10 In *Designing Health, Inc. v. Erasmus*, 2003 WL 25902463 (C.D. Cal. 2003),
11 the case was exceptional because “there was no evidentiary support for any of
12 Plaintiffs’ three bases for their Lanham Act claim.” *Id.* at *19. For example, with
13 respect to their trademark infringement claim, plaintiffs finally withdrew the claim
14 after the close of evidence at trial, conceding “[w]e don’t have a trademark.” *Id.*

15 Here, Millennium was not previously made aware by another court that its
16 alleged trade dress was unprotectable. Nor was its claim for trade dress protection
17 “absurd.” Rather, Millennium proceeded on a trade dress theory which was
18 ultimately found incongruent to the facts of this case. Ameritox’s argument that this
19 case is exceptional because Millennium conceded its trade dress was nonfunctional
20 prior to filing the case is not persuasive. There is no showing that Millennium knew
21 it could not establish a trade dress claim.

22 Accordingly, the Court finds that Millennium’s case was not groundless or
23 unreasonable for purposes of finding the action “exceptional” under the Lanham
24 Act.

25 **2. Vexatious or Bad Faith**

26 Ameritox further contends that there are grounds to infer that Millennium
27 brought this case for an anti-competitive reason. [See Mot. at 14-15.] Millennium’s
28 decision to prosecute the case was perhaps influenced by the fact that Ameritox is its

1 chief competitor in the market for drug testing and medication monitoring services.
2 Yet Ameritox's assertion of bad faith does not provide compelling proof that
3 Millennium acted unjustifiably in seeking to protect its test report. Thus, while the
4 parties' contentious relationship is unfortunate, the record does not reveal a basis for
5 declaring the case "exceptional."

6 **CONCLUSION**

7 Based on the foregoing, the Court concludes that Defendant Ameritox has not
8 provided compelling proof that Plaintiff Millennium's prosecution of the Lanham
9 Act claim constituted an "exceptional case" within 15 U.S.C. § 1117(a). Therefore,
10 the Court **DENIES** Ameritox's motion for attorneys' fees and costs.

11 **IT IS SO ORDERED.**

12 DATED: October 17, 2013

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14 Hon. Michael M. Anello
15 United States District Judge
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