UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	CV 22-6049 PA (PLAx)	Date	October 17, 2022
Title	Juanita's Foods v. Dominguez Family Enterprises, Inc.		

Present: The Honorable PERCY ANDERSON, UNITED STATES DISTRICT JUDGE

Kamilla Sali-Suleyman	Not Reported	N/A
Deputy Clerk	Court Reporter	Tape No.

Attorneys Present for Plaintiffs:	Attorneys Present for Defendants:
None	None

Proceedings: IN CHAMBERS - COURT ORDER

Before the Court is a Motion for Preliminary Injunction ("Motion") filed by plaintiff Juanita's Foods ("Plaintiff"). (Docket No. 17). Plaintiff seeks an Order enjoining defendant Dominguez Family Enterprises, Inc. ("Defendant") from (1) selling products with Plaintiff's Juanita's trademark in states other than Alaska, Idaho, Wyoming, Nevada, Montana, Oregon, and Washington (the "Pacific Northwest States"), (2) using Plaintiff's "Juanita's" mark on products other than certain "Mexican bakery and snack food products," (3) filing or soliciting a federal registration for the Juanita's mark, as well as ordering Defendant to (4) withdraw its October 25, 2021 application for the Juanita's mark within three days and (5) notify all stores and retailers retailers to whom Defendant has provided or sold any Juanita's-branded products outside of the Pacific Northwest States to stop selling any such products and pull all such products from their shelves within seven days.

Pursuant to Rule 78 of the Federal Rules of Civil Procedure and Local Rule 7-15, the Court finds that this matter is appropriate for decision without oral argument. The hearing calendared for October 17, 2022 is vacated, and the matter taken off calendar.

I. Factual and Procedural Background

Plaintiff is a family-owned, Los Angeles-based business that specializes in ready-to-serve Mexican foods. (Compl. ¶ 2.) Founded in 1946, Plaintiff is now a large, nationwide producer, distributor, and seller of consumer packaged Mexican food products such as nacho cheese sauce, menudo, pozole, albondigas, hot sauces, and more. (Id.) Plaintiff's products are sold under it's registered trademark and trade name, "JUANITA'S" (hereinafter the "Juanita's" mark). (Id. ¶¶ 2–3.) Although Plaintiff has used the Juanita's mark since the 1950s, Plaintiff registered the trademark in 1984. (Docket No. 17-22 ¶ 3; Docket No. 17-13 ¶¶ 4, 7.) Plaintiff maintains that it has spent millions of dollars promoting Juanita's product and that its brand and trademark have developed significant goodwill among the consuming public. (Docket No. 17-3 ¶¶ 7–8.) Its products are sold to, and in, a variety of consumer retail establishments, including large stores such as Target, Wal-Mart, Costco, Kroger, etc., as well as independently owned shops. Plaintiff asserts that its retail sales exceed $130 million annually. (Docket No. 17-19 ¶7.) To date, Plaintiff has five valid trademark registrations for the Juanita's mark, which cover goods such as "menudo (beef tripe and hominy stew), Mexican entrees (beef tripe, hominy stew), food stuffs (soup), and prepared Mexican entrees." (Docket No. 17-22 ¶¶ 3–4, Exs. A–F.)

Defendant is a family-owned, Oregon-based business that produces, distributes, and sells certain Mexican foods, namely, Mexican bakery and snack food products such as tortilla chips, throughout the Pacific Northwest States. (Docket No. 24-2 ¶¶ 2–6, 13–18.) Incorporated in Oregon in 1986, Defendant uses, and has always used, a "Juanita's" logo on its products. (Id. ¶¶ 5–6.) The logo consists of the word "Juanita's" in capitalized, black-outlined letters, filled in with red and green colors. (Id. Ex. A.)

It was not until about September of 1988 that Plaintiff became aware Defendant was using the Juanita's mark to sell its own food products. (Docket No. 17-13 ¶ 9.) After learning this, Plaintiff sent Defendant a cease-and-desist letter, informing Defendant that Plaintiff could file a trademark infringement lawsuit but that it was willing to, instead, resolve the matter amicably and, thus, Plaintiff and Defendant ("the parties") entered into negotiations. (Docket No. 17-22 ¶ 5, Ex. G.) The result of these negotiations was a contract, signed by both parties in 1992, and titled the "Trade Mark and Trade Name Consent Agreement" ("Consent Agreement"). (Id. ¶ 6, Ex. H; Docket No. 17-13 ¶¶ 11–17, Ex. 5.) Plaintiff claims that Defendant agreed to the following by signing the Consent Agreement:

1. Defendant would not sell or offer for sale any product under the Juanita's mark outside of the Pacific Northwest States (Alaska, Idaho, Wyoming, Nevada, Montana, Oregon, and Washington).

2. Defendant would limit its use of the Juanita's mark to only certain "Mexican bakery and snack food products," specifically, "corn and flour tortillas, sweet bread (pan dulce), sour dough, Mexican pastries, nacho corn and potato chips, fried pork rinds, and tortilla and taco shells."

3. Defendant "would never file for or solicit a federal registration for the Juanita's mark."

(Docket No. 17-13 ¶ 13; Compl. ¶ 3.)

Despite the Consent Agreement, Defendant admits that it has been selling its products with the "Juanita's" mark outside of the Pacific Northwest States since 1995 – i.e. in California.

(Docket No. 24-2 ¶¶ 13–18.) Additionally, on March 21, 2011, Defendant filed an application with the United States Patent and Trademark Office ("USPTO") for a mark consisting of "the words JUANITA'S BRAND along with the design of a Spanish female, wearing a sombrero riding a donkey paused alongside a cactus." (Docket No. 17-22 ¶ 12, Ex. K.) In its application, Defendant indicated that the mark would cover various Mexican snack and bakery foods, including "tortilla shells, tortilla chips, taco shells, tortillas, masas, Mexican pastries, Mexican candies, spices, vegetable-based snack foods[,]" and "fried pork rinds." (Id.) Also in the application, Defendant indicated that it had been using the applied-for mark on its products since 1977. (Id.) This application was flagged by the USPTO as "likely to cause consumer confusion as to source" because of its similarity to the six Juanita's marks registered by Plaintiff. Defendant, therefore, never obtained ownership of the mark. (Id. ¶ 13, Ex. L.)

About ten years later, on October 25, 2021, Defendant, again, applied for a trademark with the USPTO, this time for the mark "JUANITA'S," with no claim to any font size, style, or color, and to cover salsa, corn chips, and tortilla chips. (Id. ¶ 9, Ex. I.)

Plaintiff alleges that it first became aware that Defendant had filed any application for the Juanita's mark in late 2021. (Docket No. 17-1 at p. 14; Compl. ¶ 41; Docket No. 17-22 ¶ 9.) Plaintiff's intellectual property attorney, Gary Anderson, declares that he "was doing a routine check of the status of a trademark application that Juanita's Foods filed for a microwave bowl food product" when he came across Defendant's October 25, 2021 application. (Docket No. 17-22 ¶ 9.) Mr. Anderson declares that this discovery prompted him to then search further in the USPTO records, where he found Defendant's March 21, 2011 application for the "JUANITA'S BRAND" mark. (Id. ¶¶ 12–13.) After discovering Defendant's trademark applications, Mr. Anderson visited Defendant's website (https://juanitasfinefoods.com), which indicated that Defendant was selling its products in California, Arizona, Utah, Colorado, and Hawaii – all of which are outside the Pacific Northwest States specified in the Consent Agreement. (Id. ¶ 15.) Plaintiff alleges that it first became aware that Defendant was selling products with the Juanita's mark outside the agreed-upon Pacific Northwest States in early 2022. (Docket No. 25-1 ¶ 6.)

Defendant, however, claims that sometime in 2009 was when Plaintiff first became aware that Defendant was selling products with the Juanita's mark in California. (Docket No. 24-2 ¶ 19.) A representative of Defendant attended a trade show in Long Beach, California and while there, he was approached by Plaintiff's then-regional manager who wanted to discuss an opportunity to cross-promote Defendant's tortilla chips and Plaintiff's nacho cheese sauce. (Id.) Defendant's representative declares that he then attended the same trade show in 2010 and, again, was approached by Plaintiff's regional manager about the same collaboration, but that nothing ever came of these discussions. (Id. ¶ 20.) Plaintiff denies that these 2009 and 2010 discussions occurred. (Docket No. 25-1 ¶¶ 3–6.) Plaintiff's then co-CEO, Aaron de la Torre, declares Plaintiff had "no internal or external discussions of any kind about such a collaboration" with Defendant and that Plaintiff has no emails, notes or other records showing a collaboration was considered. (Id. ¶ 3.) The Court need not resolve this dispute at this stage in the case.

On August 18, 2022, Plaintiff sent Defendant a cease-and-desist letter demanding that Defendant, among other things, stop selling or offering for sale its products with the Juanita's mark in states outside the Pacific Northwest and demanding that Defendant confirm it would notify all non-Pacific Northwest retailers to desist selling such products. (Docket No. 17-2 ¶ 2, Ex. A.) Defendant responded to the cease-and-desist letter on August 23, 2022, indicating that it was reviewing the matter and would get back to Plaintiff shortly. (Id. ¶ 3, Ex. B.) Plaintiff received no further response from Defendant and proceeded to file its complaint with the Court on August 25, 2022. (Id. ¶¶ 4–5.)

Plaintiff's complaint asserts claims for (1) breach of contract (specific performance and damages), (2) federal trademark infringement (15 U.S.C. § 1125(a)), (3) trademark dilution (15 U.S.C. § 1125(c)), and (4) unfair competition and false designation of origin (15 U.S.C. § 1125(a)). (Compl. ¶¶ 59–79.)

Plaintiff's overall argument is that Defendant breached the parties' Consent Agreement and infringed upon Plaintiff's registered "Juanita's" mark by selling products with the "Juanita's" mark outside of the Pacific Northwest States, twice filing applications for the "Juanita's" mark (albeit one was for "JUANITA'S BRAND"), and selling, or preparing to sell, salsa products, which are "not among the approved Mexican bakery and snack food products" in the Consent Agreement. (Docket No. 17-1.)

Defendant makes no argument that it did not breach the parties' Consent Agreement, but instead claims that laches prevents Plaintiff from succeeding on the breach of contract and trademark violation claims. (Docket No. 24.) Defendant also argues that its use of the mark is not likely to cause consumer confusion and, therefore, Defendant is not infringing upon Plaintiff's Juanita's mark. (Id.)

II. Preliminary Injunction Standard

"A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest." Winter v. Natural Resources Defense Council, 555 U.S. 7, 20 (2008). "A preliminary injunction is an extraordinary remedy never awarded as of right." Id. The Ninth Circuit employs a "sliding scale" approach to preliminary injunctions as part of this four-element test. Alliance for the

Wild Rockies v. Cottrell, 632 F.3d 1127, 1135 (9th Cir. 2011). Under this "sliding scale," a preliminary injunction may issue "when a plaintiff demonstrates . . . that serious questions going to the merits were raised and the balance of hardships tips sharply in the plaintiff's favor," as long as the other two Winter factors have also been met. Id. (internal citations omitted). "[A] preliminary injunction is an extraordinary and drastic remedy, one that should not be granted unless the movant, by a clear showing, carries the burden of persuasion." Mazurek v. Armstrong, 520 U.S. 968, 972 (1997).

III. Analysis

A. Likelihood of Success on the Merits

A plaintiff need only show that success on the merits is likely for one claim, not all claims, to meet the first burden of establishing an entitlement to a preliminary injunction. See Fin. Express LLC v. Nowcom Corp., 564 F.Supp.2d 1160, 1169 (C.D. Cal. 2008) (granting preliminary injunction where plaintiff demonstrated likelihood of success on one, but not all, of its claims); see also Californians for Alternatives to Toxics v. Troyer, 2005 U.S. Dist. LEXIS 37270 at *8, n. 8, 2005 WL 2105343 (E.D. Cal. Aug. 31, 2005) ("plaintiffs need only show a likelihood of success on the merits/serious questions as to one of their claims") (emphasis omitted). Thus, the Court begins here with an analysis of Plaintiff's likelihood of success on the merits of its federal claim, trademark infringement.

To succeed on its trademark infringement claim, Plaintiff must show: (1) its superior right to use the name or mark in question; and (2) a likelihood of "consumer confusion" in the defendant's use of its allegedly infringing mark. Rearden LLC v. Rearden Com., Inc., 683 F.3d 1190, 1202 (9th Cir. 2012) (citations omitted); see also Wells Fargo & Co. v. ABD Ins. & Fin. Servs., Inc., 758 F.3d 1069, 1072 (9th Cir. 2014).

Here, Plaintiff has demonstrated its superior right to use the Juanita's mark because it has produced multiple certificates of registration for various versions of the mark. See 15 U.S.C. § 1057(b); Coca-Cola Co. v. Overland, Inc., 692 F.2d 1250, 1254 (9th Cir. 1982) ("Federal registration of a trademark endows it with a strong presumption of validity."). Thus, the first element of Plaintiff's trademark infringement claim is met. Defendant also does not contest that Plaintiff has established this first element.

To determine whether there would be a "likelihood of confusion," Courts consider the following "Sleekcraft factors":

> (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines.

M2 Software, Inc. v. Madacy Ent., 421 F.3d 1073, 1080 (9th Cir. 2005) (citing AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979) abrogated in part on other grounds by Mattel, Inc. v. Walking Mountain Prods., 353 F.3d 792, 810 n.19 (9th Cir. 2003)). "[T]he relative importance of each individual factor will be case-specific." Brookfield Commc'ns, Inc. v. W. Coast Ent. Corp., 174 F.3d 1036, 1054 (9th Cir. 1999).

In essence, the test for likelihood of confusion is "whether a 'reasonably prudent consumer' in the marketplace is likely to be confused as to the origin of the good or service bearing one of the marks." Dreamwerks Prod. Group, Inc. v. SKG Studio, 142 F.3d 1127, 1129 (9th Cir. 1998). Moreover, "at the preliminary injunction stage," a plaintiff need only "establish that it is likely to be able to show such a likelihood of confusion." Brookfield, 174 F.3d at 1053 n.15. And "[i]n a close case amounting to a tie, doubts are resolved in favor of the senior user." Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc., 109 F.3d 1394, 1404 n.14 (9th Cir. 1997). With this in mind the Court assesses the Sleekcraft factors in turn.

1. Strength of the mark

Plaintiff argues that the Juanita's mark is strong due to Plaintiff's long, continued use of the mark, national recognition and sales, as well as Plaintiff's significant commercial investment in promoting the mark. Plaintiff is correct that these factors strengthen a mark. "The more likely a mark is to be remembered and associated in the public mind with the mark's owner, the greater protection the mark is accorded by trademark laws." GoTo.com, Inc. v. Walt Disney Co., 202 F.3d 1199, 1207 (9th Cir. 2000). In Garden of Life, Inc. v. Letzer, 318 F. Supp. 2d 946 (C.D. Cal. 2004), the Court found that the plaintiff's mark was strong, in part based on the plaintiff's "four years of doing business [and] the $6,000,000 that it has spent promoting products under its mark," as well as the plaintiff's "success as a business," having "grossed more than $40,000 since its inception" four years prior. Id. at 967. Plaintiff alleges that it grosses $130 million annually and spends $17 million annually on sales, marketing, and advertising. (Docket No. 17-19 ¶¶ 7–8.)

Defendant claims that the Juanita's mark is weak, or at least neutral, for two, primary reasons. First, Defendant argues that Plaintiff's mark is "conceptually weak" because it consists of a personal name. (Docket No. 24 at pp. 11–12.) Second, Defendant claims that Plaintiff's mark exists in a "crowded field" due to the fact that there are multiple other marks that use the term "Juanita's." (Id.)

"While personal names used as trademarks are not inherently distinctive, they are treated as strong marks upon a showing of secondary meaning.... Secondary meaning is the consumer's association of the mark with a particular source or sponsor." E. & J. Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280, 1291 (9th Cir. 1992). Here, Plaintiff has shown that its mark has a "secondary meaning" due to Plaintiff's nationwide, long-time use of, and investment in, the mark.

Regarding Defendant's second argument, the use of "similar marks" by third-parties "in the relevant industry weakens [a] mark." Stark v. Diageo Chateau & Est. Wines Co., 907 F. Supp. 2d 1042, 1062 (N.D. Cal. 2012). Although the Court finds some merit to Defendant's argument that Plaintiff's mark exists in a "crowded field," this is not enough to significantly weaken the mark in light of Plaintiff's long-time (over 70 years), extensive, nationwide use of, and investment in, the mark. (Docket No. 17-13 ¶¶ 2, 7.)

Thus, the Court finds that the first Sleekcraft element weighs in favor of a likelihood of confusion.

2. Proximity of the goods and services

"Related goods are those 'products which would be reasonably thought by the buying public to come from the same source if sold under the same mark.'" Sleekcraft, 599 F.2d at 348 n.10 (citation omitted). The proximity of goods is measured by whether the products are: (1) complementary; (2) sold to the same class of purchasers; and (3) similar in use and function. Id. at 350. Additionally, a plaintiff "need not establish that the parties are direct competitors to satisfy the proximity or relatedness factor." Rearden LLC v. Rearden Com., Inc., 683 F.3d 1190, 1212 (9th Cir. 2012).

Defendant argues that its and Plaintiff's goods are not close in proximity because the goods belong to different food categories and are sold in separate sections of the grocery store, and because, in the parties' Consent Agreement, they agreed that they have "distinctly different food products" and "utilize disparate advertising channels." (Docket No. 17-13, Ex. 5.) The Court is not persuaded by these arguments. While the food products Plaintiff sells (i.e. menudo, nacho cheese sauce, etc.) are indeed different foods than those of Defendant (i.e. tortilla chips, corn chips, etc.), the products are still "related." Moreover, although Plaintiff and Defendant's advertising channels may have been proximate at the time of the signing of the Consent

Agreement, much has changed since then – namely Defendant's expansion of product sales to states outside the Pacific Northwest.

The Court here finds that the parties' goods are similar in use and function, are sold to the same class of purchasers, and – at least Plaintiff's nacho cheese sauce and Defendant's tortilla chips—are complementary. Goods and services are complementary when it is likely that they will be used together. See E. & J. Gallo Winery, 967 F.2d at 1291. In Gallo, the Ninth Circuit affirmed the district court's finding that wine and cheese were complementary products because they are "frequently served and promoted together in wine and cheese tasting parties." Id. Moreover, courts have found to be complementary goods such as bread and cheese, In re Martin's Famous Pastry Shoppe, Inc., 748 F.2d 1565 (Fed. Cir. 1984), deli meats and beer, Frank Brunckhorst Co. v. G. Heilman Brewing Co., 875 F. Supp. 966 (E.D.N.Y. 1994), and computer programs and modems, Octocom Sys., Inc. v. Houston Computer Servs., Inc., 918 F.2d 937 (Fed. Cir. 1990).

The second Sleekcraft factor, therefore, also weighs in favor a likelihood of confusion.

3. Similarity of the mark

The Ninth Circuit has "developed three axioms that apply to the 'similarity' analysis: 1) Marks should be considered in their entirety and as they appear in the marketplace; 2) Similarity is best adjudged by appearance, sound, and meaning; and, 3) Similarities weigh more heavily than differences." Entrepreneur Media, Inc. v. Smith, 279 F.3d 1135, 1144 (9th Cir. 2002). As explained by Plaintiff, this factor weights decisively in its favor because the mark Defendant has applied for and used for many years ("Juanita's") is identical in appearance, sound, and meaning to Plaintiff's Juanita's mark. Additionally, the term "Juanita's" is the "dominant element" of both marks. E. & J. Gallo, 967 F.2d at 1292 ("[I]t does not appear that the district court committed clear error in relying on the dominant element GALLO for its finding of similarity in sight, sound and meaning.").

While Defendant's version varies somewhat from that of Plaintiff's mark, i.e. in color and font, the similarities weigh more heavily than these differences. The cases Defendant cites to support its argument that the marks are dissimilar, Monster Energy Co. v. BeastUp LLC, 395 F. Supp. 3d 1334 (E.D. Cal. 2019) and Glow Indus., Inc v. Lopez, 252 F. Supp. 2d 962 (C.D. Cal. 2002) are distinguishable from the present matter because they involve marks with differing text, specifically, "Beast" vs. "BEASTUP" and "GLOW BY J.LO" vs. "GLOW." This cannot be analogized to "Juanita's" vs. "Juanita's."

Therefore, the Court finds that the third Sleekcraft factor weighs in favor of a likelihood of confusion.

4. Evidence of actual confusion

"To constitute trademark infringement, use of a mark must be likely to confuse an appreciable number of people as to the source of the product." Entrepreneur Media, 279 F.3d at1151. Importantly, "failure to prove instances of actual confusion is not dispositive against a trademark plaintiff, because actual confusion is hard to prove; difficulties in gathering evidence of actual confusion make its absence generally unnoteworthy." Brookfield, 174 F.3d at 1050. Moreover, courts have acknowledged that evidence of actual confusion is "rarely available at the Preliminary Injunction stage." Electropix v. Liberty Livewire Corp., 178 F. Supp. 2d 1125, 1132 (C.D. Cal. 2001).

The primary source of evidence of actual confusion that Plaintiff puts forth here is a declaration by its Chief Revenue Officer, Ruben Morales, in which he attests that Plaintiff's customer service department "often gets calls from major food retailers" complaining that deliveries of Plaintiff's products are late, but then Plaintiff investigates and confirms that the late deliveries are actually Defendant's products. (Docket No. 17-19 ¶ 13.) Mr. Morales also declares that some of Plaintiff's business partners have confused Plaintiff's business with that of Defendant. (Id. ¶¶ 14–16.)

Defendant argues that the contents of Mr. Morales' declaration, and exhibits thereto, does not constitute sufficient evidence of confusion. However, in Ironhawk Techs., Inc. v. Dropbox, Inc., 2 F.4th 1150 (9th Cir. 2021), the Ninth Circuit found that the plaintiff's CEO's declaration was sufficient at the summary judgment stage for purposes of demonstrating actual confusion. Id. at 1166. Although the CEO's declaration was self-serving, it "was not devoid of specific facts." Id. The Court explained that "[t]he lack of certain specific details goes to the weight of the testimony, not its admissibility" and that "'the weight is to be assessed by the trier of fact at trial, not to be the basis to disregard the evidence at the summary judgment stage.'" Id. Ultimately, the court found that the plaintiff had offered "evidence of actual confusion among actual or potential customers," but also stated: "While we have some doubt that the jury will find this factor to be in Ironhawk's favor, it is evidence a reasonable jury could rely on to support a finding of actual confusion or when assessing a likelihood of confusion under the totality of the circumstances." Id. Such is the case here. Through Mr. Morales' declaration, Plaintiff has put forth sufficient evidence, for now, of actual confusion for the purposes of a motion for a preliminary injunction.

The fourth Sleekcraft factor, therefore, weighs in favor of a likelihood of confusion.

5. Marketing channels used

Defendant argues that the parties use different marketing channels because the Consent Agreement specifically recognizes that the parties "utilize disparate advertising channels." However, the Consent Agreement was drafted and signed in 1991/1992 and, since then, Defendant has expanded its marketing channels by selling its products in states outside the agreed upon Pacific Northwest States. Further, Plaintiff and Defendant currently sell their products at some of the same grocery stores, for example, WinCo Foods. In CSC Brands LP v. Herdez Corp., 191 F. Supp. 2d 1145 (E.D. Cal. 2001), the court founds that the parties were "using identical channels to market their products since both sell to consumers at retail through distributors and vending channels" and noted that "[b]oth sell to supermarket chains including Ralph's, Vons, Safeway, Albertson's, A & P, Winn–Dixie, Food Lion, Hi Vee, and Wal–Mart." Id. at 1149. The same is true here. Plaintiff and Defendant sell their product to consumers through distributors, and their products are sold by some of the same or similar retailers.

Thus, the fifth Sleekcraft factor weighs in favor of a likelihood of confusion.

6. Type of goods and the degree of care likely to be exercised by the purchaser

"The standard to be used by the Court in assessing this factor is 'the typical buyer exercising ordinary caution' in purchasing the products at issue." Globefill Inc. v. Elements Spirits, Inc., No. 210CV02034CBMPLAX, 2016 WL 8944644, at *5 (C.D. Cal. Sept. 20, 2016) (quoting Sleekcraft, 559 F.2d at 353). "The rationale behind considering this factor is that where the degree of care in choosing what product to buy is low, consumers will pay less attention to their product selections." Conversive, Inc. v. Conversagent, Inc., 433 F. Supp. 2d 1079, 1092 (C.D. Cal. 2006). In assessing this factor, courts largely focus on the cost of the goods at issue. See, e.g., Sleekcraft, 559 F.2d at 353 ("When the goods are expensive, the buyer can be expected to exercise greater care in his purchases; again, though, confusion may still be likely."); Globefill, 2016 WL 8944644, at *5 ("There is evidence before the Court that the parties' sell "super premium" white spirits at relatively high price points. The Court therefore finds this factor weighs in favor of Defendants."). The Ninth Circuit has recognized that "[c]onsumer care for inexpensive products is expected to be quite low" and that "[l]ow consumer care, in turn, increases the likelihood of confusion." Playboy Enterprises, Inc. v. Netscape Commc'ns Corp., 354 F.3d 1020, 1028 (9th Cir. 2004) (citations omitted).

Here, Plaintiff has demonstrated – and Defendant has not disagreed – that both its and Defendant's products are inexpensive and their price-points are generally similar. (Docket No. 17-1 at p. 23; Docket No. 17-2 ¶ 10, Exs. G–J.) Thus, customers are likely to exercise a lower degree of care.

Therefore, this Sleekcraft factor weighs in favor of a likelihood of conclusion.

7. Defendant's intent in selecting the mark

An "intent to deceive is strong evidence of a likelihood of confusion." One Indus., LLC v. Jim O'Neal Distrib., Inc., 578 F.3d 1154, 1163 (9th Cir. 2009) (internal quotation marks and citations omitted); Interstellar Starship Servs., Ltd. v. Epix Inc., 184 F.3d 1107, 1111 (9th Cir. 1999). "When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived." Id. (internal quotation marks and citations omitted). Additionally "[a]dopting a designation with knowledge of its trademark status permits a presumption of intent to deceive." Interstellar Starship, 184 F.3d at1111 (9th Cir. 1999); see also Sleekcraft, 599 F.2d at 354 ("When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived.").

Here, Defendant asserts that it was unaware the Juanita's mark was registered to Plaintiff until 1989. However, Defendant admits that it has been aware of Plaintiff's ownership of the mark since 1989. Therefore, Defendant was aware that Plaintiff owned the Juanita's mark when it applied for the "JUANITA'S BRAND" mark in 2011 and the "JUANITA'S" mark in 2021.

Thus, the Court finds that this seventh Sleekcraft factor weighs in favor of a likelihood of confusion.

8. Likelihood of expansion of the product lines

Plaintiff has shown that Defendant is likely to expand its product lines. A prominent indicator of the likelihood of Defendant's product expansion is Defendant's inclusion of "salsa" in its most recent application for the "Juanita's" mark. Defendant did not deny, or otherwise address, its likelihood of expansion in its Opposition.

Therefore, the Court finds that this eighth Sleekcraft factor, in addition to the other seven factors, weighs in favor of a likelihood of confusion. Overall, Plaintiff has demonstrated that it is likely to succeed on the merits of its trademark infringement claim and, therefore, the Court need not determine whether Plaintiff is likely to succeed on the merits of its breach of contract claim as well.

B. Irreparable Harm

To be entitled to a preliminary injunction, a Plaintiff must also demonstrate a likelihood that, absent the injunction, it will be irreparably harmed by the defendant's alleged infringing conduct. Winter, 555 U.S. at 21–22. A plaintiff seeking a preliminary injunction is entitled to a rebuttable presumption of irreparable harm upon a finding of likelihood of success on the merits. 15 U.S.C. § 1116(a). "While there is no rigid formula to rebut the presumption of irreparable harm, courts have generally found certain types of evidence to be particularly forceful in the inquiry." Vital Pharms. v. PhD Mktg., Inc., No. CV 20-6745-RSWL-JCX, 2021 WL 6881866, at *5 (C.D. Cal. Mar. 12, 2021). One type of evidence that courts have found can rebut the presumption is plaintiff's undue delay in seeking a preliminary injunction. Id.; R. Josephs Licensing, Inc. v. J.L.J., Inc., No. CV 10-1581 PSG (CWX), 2010 WL 11595789, at *2 (C.D. Cal. Aug. 5, 2010) ("Even where that presumption applies, however, a defendant may rebut it by demonstrating that the plaintiff unduly delayed in bringing its motion for a preliminary injunction.").

Here, Plaintiff has demonstrated a likelihood of success on the merits of its trademark infringement claim. However, Plaintiff also delayed in seeking this preliminary injunction. Plaintiff's claim that "late 2021" was when it first became aware that Defendant was attempting to register the Juanita's mark and "early" 2022 was when Plaintiff first became aware that Defendant was selling "Juanita's"-marked products in states outside the Pacific Northwest States. (Docket No. 17-22 ¶ 9; Docket No. 25-1 ¶ 6.) Nonetheless, Plaintiff did not contact Defendant about this until August 18, 2022. (Docket No. 17-2 ¶ 2, Ex. A.) Plaintiff then filed the present lawsuit on August 25, 2022 and, twelve days later, filed this Motion. Thus, even assuming that Plaintiff discovered Defendant's Consent Agreement violations on the last day of 2021, Plaintiff still waited nine months to seek a preliminary injunction. The Court finds that this delay is sufficient to rebut the presumption of irreparable harm.

The Ninth Circuit has established that "delay is but a single factor to consider in evaluating irreparable injury; courts are loath to withhold relief solely on that ground." Arc of California v. Douglas, 757 F.3d 975, 990 (9th Cir. 2014) (internal quotation omitted)." Thus, the Court's analysis of irreparable harm continues, just without the presumption in favor of Plaintiff.

"Potential damage to reputation constitutes irreparable injury for the purpose of granting [Plaintiff's request for] a preliminary injunction." Brooklyn Brewery Corp. v. Black Ops Brewing, Inc., 156 F. Supp. 3d 1173, 1185 (E.D. Cal. 2016) (internal quotations and citations omitted). "Trademarks serve as the identity of their owners and in them resides the reputation and goodwill of their owners." CytoSport, Inc. v. Vital Pharms., Inc., 617 F. Supp. 2d 1051, 1080 (E.D. Cal.), aff'd, 348 F. App'x 288 (9th Cir. 2009). Therefore, if the mark is infringed upon, the owner of the mark is no longer in control of their own reputation. Id. "A trademark owner's loss of the ability to control its marks, thus, creates the potential for damage to its reputation." Id.

Evidence of irreparable harm in trademark law cannot be mere "conclusory or cursory allegations." Brooklyn Brewery, 156 F. Supp. 3d at 1185. In Brooklyn Brewery, the court found that the plaintiff put forth evidence that the defendant's use of the mark would "cause Plaintiff to lose its ability to control its brand reputation and goodwill, since what could be perceived by consumers as the quality of Plaintiff's product risks no longer being within Plaintiff's control." Id. This was sufficient to constitute irreparable harm. Id. Such is the situation here as well, especially given that Plaintiff has put forth evidence of actual confusion under the Sleekcraft analysis and demonstrated that it is likely to succeed on the merits of its trademark infringement claim. Thus, the Court finds that Plaintiff has made a sufficient showing of irreparable harm at this stage of the proceedings absent a preliminary injunction.

C. Balance of Equities/Hardships

Where the harm a defendant claims it will suffer would be the result of "being enjoined from engaging in unlawful trademark infringement," such harm does not tip the balance of equities/hardship in that defendants favor. Brooklyn Brewery, 156 F. Supp. 3d at 1186. That is, "when the harm complained of results from a defendant's allegedly infringing conduct, we have nonetheless approved the entry of a preliminary injunction." 2Die4Kourt v. Hillair Cap. Mgmt., LLC, 692 F. App'x 366, 369 (9th Cir. 2017).

Here, the harm Defendant alleges would be the result of its own infringement on Plaintiff's Juanita's mark. This, combined with the fact that Plaintiff has already established evidence supporting actual confusion and irreparable harm, tips the scale of equities/hardships in Plaintiff's favor.

D. Public Interest

Defendant argues that the public interest favors denial of Plaintiff's motion because of "Plaintiff's failure to show a likelihood of confusion," "the lack of evidence that consumers are being deceived," and because "an injunction would severely harm" Defendant and third-parties. The Court disagrees. That is, Plaintiff has demonstrated a likelihood of confusion, evidence of actual confusion, and that the balance of hardships tips in its favor. Additionally, as Plaintiff asserts, the public has an interest in not being deceived by businesses, as well as in the sanctity of contracts. See Vans, Inc. v. Walmart, Inc., No. 8:21-cv-01876-DOC-KES, 2022 WL 1601530, at *14 (C.D. Cal. Mar. 31, 2022) (explaining that the public has a "right not to be deceived or confused"); California Expanded Metal Prod. Co. v. Klein, No. CV1605968DDPMRWX, 2017 WL 1902148, at *5 (C.D. Cal. May 9, 2017) ("[T]he public interest in upholding principles of contract law appear to outweigh any countervailing considerations."). Thus, it is in the public interest to grant Plaintiff's Motion.

In sum, Plaintiff has satisfied all four elements necessary for the Court to grant its Motion.

E. Laches

Defendant argues that laches prevents Plaintiff from bringing its trademark infringement and breach of contract causes of action. "[T]o succeed on a defense of laches, a defendant must prove both: (1) an unreasonable delay by plaintiff in bringing suit, and (2) prejudice to himself." Miller v. Glenn Miller Prods., Inc., 454 F.3d 975, 997 (9th Cir. 2006). However, as Plaintiff argues, "[a] party with unclean hands may not assert laches." Jarrow Formulas, Inc. v. Nutrition Now, Inc., 304 F.3d 829, 841 (9th Cir. 2002). Laches is an equitable defense and "he who comes into equity must come with clean hands." Danjaq LLC v. Sony Corp., 263 F.3d 942, 956 (9th Cir. 2001) (citations omitted). "A plaintiff may demonstrate the defendant has unclean hands by showing he or she willfully infringed on the plaintiff's mark." Bikila v. Vibram USA Inc., 218 F. Supp. 3d 1206, 1211 (W.D. Wash. 2016); see Evergreen Safety Council v. RSA Network Inc., 697 F.3d 1221, 1228 (9th Cir. 2012) ("The doctrine of laches does not apply in cases of willful infringement.").

"The Ninth Circuit held that the Copyright Act's definition of willful infringement – infringement that occurs 'with knowledge that the defendant's conduct constitutes copyright infringement'—is the standard by which courts should assess whether willful infringement bars the application of laches." Fitbug Ltd. v. Fitbit, Inc., 78 F. Supp. 3d 1180, 1195 (N.D. Cal. 2015) (quoting Danjaq, 263 F.3d at 957-58) (internal quotations and citations omitted). Courts within the Ninth Circuit "have applied this standard to trademark infringement." Fitbug, 78 F. Supp. at 1195; see Movie Press, LLC v. Peloton Interactive, 2019 WL 4570018, at *7 (C.D. Cal. Sep. 5, 2019) (applying the Copyright Act's definition of willful infringement to its analysis of a defendant's laches defense in a trademark infringement action).

Here, since at least 1989, Defendant has been aware that Plaintiff owns the registered trademark "Juanita's." (Docket No. 24-2 ¶ 7.) Despite the fact that Defendant was, and still is, using Plaintiff's mark, Plaintiff did not file suit against Defendant when it first learned that Defendant was using the "Juanita's" mark. Rather, Plaintiff engaged in negotiations with Defendant and the parties developed the Consent Agreement, the intent of which was to "avoid consumer and public confusion between the respective usages of the mark...." (Docket No.

17-13 ¶¶ 12–13, Ex. 5.) Defendant admits that, despite the terms of the Consent Agreement, it has been selling its Juanita's-branded products in states outside the Pacific Northwest for many years. (Docket No. 24-2 ¶¶ 13–18.) Defendant has also filed an application for the precise Juanita's mark it knew Plaintiff owned and despite promising not to apply for such a mark. (Docket No. 17-22 ¶ 9, Ex. I.)

Thus, due to Defendant's actual knowledge of Plaintiff's ownership of the Juanita's mark and actual knowledge of the terms of the consent agreement, the Court concludes, at least at this stage of the proceedings, that Defendant's laches defense is not sufficient to justify denying Plaintiff's a preliminary injunction.

F. Evidentiary Objections

The parties assert a number of evidentiary objections, contending certain facts supporting their opponent's case are inadmissible. In light of the relaxed evidentiary standard for preliminary injunction proceedings, the Court need not rule on admissibility. See Disney Enterprises, Inc. v. VidAngel, Inc., 224 F. Supp. 3d 957, 966 (C.D. Cal. 2016), aff'd, 869 F.3d 848 (9th Cir. 2017) ("The Court is permitted to consider inadmissible evidence in deciding a motion for a preliminary injunction."). However, the Court has considered the likely admissibility of the evidence in determining whether the Plaintiff demonstrated a likelihood of success on the merits, for purposes of the preliminary injunction. Where the Court has expressly relied on evidence that is subject to an evidentiary objection, the Court has overruled the objection.

G. Scope of Injunctive Relief

Although Plaintiff has satisfied all four elements required for the Court to grant its Motion, the scope of the relief Plaintiff seeks is excessively broad for three reasons.

First, the product-restriction Plaintiff requests goes above and beyond the plain terms of the parties' Consent Agreement. Plaintiff continues to argue that the Consent Agreement contains a "product-line restriction" that limits Defendant's "use of the Juanita's mark to only certain 'Mexican bakery and snack food products'—specifically, 'corn and flour tortillas, sweet bread (pan dulce), sour dough, Mexican pastries, nacho corn and potato chips, fried pork rinds, and tortilla and taco shells." (Compl. ¶ 6; see Docket No. 17-1 at p. 12.) Plaintiff claims that Defendant is in breach of Consent Agreement's "product-line restriction" because "in its October 25, 2021 trademark application, Dominguez identified salsa as one of the goods which it intended to sell under the Juanita's mark and that salsa was "specifically excluded salsa as an allowed product in the Consent Agreement." (Docket No. 17-1 at p. 15). In its Motion, Plaintiff requests that the Court enjoin Defendant from "using the Juanita's mark for any products other than 'Mexican bakery and snack food products' as defined in the Consent Agreement."

However, the Consent Agreement does not contain a provision that limits Defendant's use of the mark on only "Mexican bakery and snack food products." Instead, the provisions concerning the parties' respective product lines are contained in the Consent Agreement's "recitals" section, but are not repeated in the section detailing the parties' agreement and what each party promises to do. At least at this stage, the Court concludes that the equities favor holding the parties to their previous agreement. That agreement, and in particular paragraphs 2 and 4 of the "Agreement" section, limits Defendant to "attempt[ing] to proffer or sell any food product, under the JUANITA'S Mark of Tradename in any geographic area . . . except in the geographic area defined as the Pacific Northwest States" and obligates Defendant not to "intentionally disseminate print advertising, offer for sale (directly or by mail order or catalog sales) or sell any food product under the JUANITA'S Mark and/or Tradename in any geographic area of the United States outside the Pacific Northwest States." (Docket No. 17-18 ¶¶ 2–4.)

Second, Plaintiff's request that the Court order Defendant to withdraw its October 25, 2021 "JUANITA'S" trademark application within three (3) days would constitute a mandatory rather than prohibitory injunction. Because a mandatory injunction alters the status quo, a request for mandatory injunctive relief "is subject to heightened scrutiny and [the injunction] should not be issued unless the facts and law clearly favor the moving party." Dahl v. HEM Pharm. Corp., 7 F.3d 1399, 1403 (9th Cir. 1993). The Ninth Circuit has warned that when "a party seeks mandatory preliminary relief that goes well beyond maintaining the status quo," the court "should be extremely cautious." Martin v. Int'l Olympic Comm., 740 F.2d 670, 675 (9th Cir. 1984). Nowhere in Plaintiff's Motion does it address this heightened level of scrutiny, let alone make a case for why it should prevail under the heightened scrutiny. At this stage in litigation, the Court declines to enjoin Defendant in this mandatory manner. Rather, the Court instead enjoins Defendant from engaging in any further efforts to obtain the "JUANITA'S" mark Defendant sought in its October 25, 2021 application (Serial No. 97091582).

Third, Plaintiff's request that the Court order Defendant to "notify all stores and any retailers to whom [Defendant] has provided or sold any Juanita's-branded products outside of the Pacific Northwest States to stop selling any such products and pull all such products from their shelves within seven (7) days." In addition to seeking mandatory injunctive relief, the Court concludes that Plaintiff's delay in seeking injunctive relief and the effect this provision would have on third-party retailers weigh against including this term in the preliminary injunction the Court will issue.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	CV 22-6049 PA (PLAx)	Date	October 17, 2022
Title	Juanita's Foods v. Dominguez Family Enterprises, Inc.		

Conclusion

For all of the foregoing reasons, the Court grants Plaintiff's Motion for a Preliminary Injunction but limits the scope of the requested injunctive relief. The Court therefore preliminarily enjoins Defendant from:

1. Attempting to proffer or sell any food product, under the JUANITA'S Mark of Tradename in any geographic area except in the geographic area defined in the Consent Agreement as the Pacific Northwest States;

2. Intentionally disseminating print advertising, offering for sale (directly or by mail order or catalog sales) or selling any food product under the JUANITA'S Mark and/or Tradename in any geographic area of the United States outside the Pacific Northwest States; or

3, Taking any steps to obtain a registration for a JUANITA'S Mark during the pendency of this action.

IT IS SO ORDERED.