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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

VAN WELL NURSERY, INC.,
a Washington Corp., HILLTOP
FRUIT TREES, LLC,

Plaintiffs,

vs.

MONY LIFE INSURANCE
COMPANY, a New York
corporation, et al.,

Defendants.

MONY LIFE INSURANCE
COMPANY, a New York
corporation,

Third-Party Plaintiff,

vs.

NATIONAL LICENSING ASSOC.,
LLC, a Washington limited liability
company (f/k/a Nursery Licensing
Association),

Third-Party Defendant.

No. CV-04-0245-LRS

**ORDER DENYING
MOTION FOR “EXCEPTIONAL”
CASE FINDING**

BEFORE THE COURT is the Motion For “Exceptional Case” Finding by

1 MONY Life Insurance Company (MONY), against National Licensing
2 Association, LLC (NLA). MONY submits the exhibits, facts, and rulings of
3 record in this matter provide a basis for an “exceptional case” finding under 15
4 U.S.C. §1117 (Lanham Trademark Act) and 35 U.S.C. §285 (Patent Act).

5 Oral argument was heard on January 28, 2008. David T. Hunter, Esq.,
6 argued on behalf of MONY. Scott A. Bruns, Esq., argued on behalf of NLA.

7
8 **I. DISCUSSION**

9 35 U.S.C. §285 and 15 U.S.C. §1117(a) are identical in providing that “[t]he
10 court, in exceptional cases, may award reasonable attorney fees to the prevailing
11 party.”

12 The “threshold issue” is whether MONY is a “prevailing party” vis-a-vis the
13 NLA. *Inland Steel Co. v. LTV Steel Co.*, 364 F.3d 1318, 1321 (Fed. Cir. 2004).
14 To be a “prevailing party” pursuant to 35 U.S.C. §285, “one must receive some
15 relief on the merits which alters the legal relationship of the parties.” *Id.* at 1320.
16 The standard is the same pursuant to 15 U.S.C. §1117(a). *True Center Gate*
17 *Leasing, Inc. v. Sonoran Gate, L.L.C.*, 427 F.Supp.2d 946. 950 (D. Ariz. 2006).
18 This standard is consistent with the “prevailing party” criteria established by the
19 U.S. Supreme Court in *Buckhannon Board & Care Home, Inc. v. West Virginia*
20 *Dep’t of Health and Human Resources*, 532 U.S. 598, 603-04, 121 S.Ct. 1835
21 (2001), specifically that a party must have prevailed on the merits of at least some
22 of its claims, whether that be by obtaining a court-ordered consent decree based on
23 a settlement, an enforceable judgment on the merits, or even an award of nominal
24 damages.

25 On May 25, 2004 in CT-02-5077-LRS, *NLA v. MONY Life Ins. Co., et al.*,

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28 **“EXCEPTIONAL” CASE FINDING- 2**

1 (the *NLA* action), this court issued an order dismissing *NLA*'s complaint without
2 prejudice based upon *NLA*'s lack of standing and this court's lack of subject
3 matter jurisdiction. (Ct. Rec. 54 in CT-02-5077-LRS).¹ In its complaint, *NLA*
4 alleged patent and trademark infringement by the defendants, including *MONY*.
5 Subsequently, on November 19, 2004, the court entered an order in CT-02-5077-
6 LRS (Ct. Rec. 75) denying *MONY*'s motion for summary judgment on its
7 counterclaims for patent and trademark misuse and for unfair business practices
8 under the Washington Consumer Protection Act. The court dismissed those
9 counterclaims without prejudice, noting that *MONY* had reasserted them in the
10 form of third-party claims in the captioned matter, CV-04-245-LRS. The court
11 declined to award *MONY* attorney's fees under the "exceptional case" theory
12 because no ruling had been made on the merits of *NLA*'s infringement claims or
13 *MONY*'s counterclaims. (See p. 9 of Ct. Rec. 75).

14 CV-04-245-LRS (the *Van Well* action) was commenced by Van Well
15 Nursery (Van Well) and Hilltop Nurseries (Hilltop) against *MONY* and other
16 defendants on July 9, 2004.² After the dismissal of *NLA*'s complaint in CT-02-
17 5077-LRS for lack of standing, Van Well and Hilltop re-filed the same substantive
18 claims in CV-04-245-LRS that had been asserted by *NLA* against *MONY* in CT-
19 02-5077-LRS. *MONY* asserted counterclaims against Van Well and Hilltop, in
20

21 ¹ Dismissal was called for because of an April 15, 2004 decision in *NLA v.*
22 *Inland-Joseph Fruit*, CY-03-3079-LRS, in which the patent and trademark
23 infringement claims of *NLA* were dismissed for lack of standing and lack of
24 subject matter jurisdiction. The dismissal in CT-02-5077-LRS was accomplished
sua sponte without any motion being filed by the parties.

25 ² Hilltop Fruit Trees, LLC, was later substituted for Hilltop Nurseries.
26

1 addition to third-party claims against NLA.

2 On January 24, 2005, the court granted partial summary judgment to MONY
3 in CV-04-245-LRS on the claim that it had infringed the 4,839 Patent (the Scarlet
4 Spur patent). (Ct. Rec. 52 reported at 362 F.Supp.2d 1223 (E.D. Wash. 2005)).
5 The court found as a matter of law that MONY had not infringed that patent.

6 Subsequently, MONY moved for summary judgment seeking dismissal of
7 the remaining claims asserted against it by Van Well and Hilltop, cancellation of
8 trademarks, and a finding that plaintiffs had misused the patent and trademark
9 statutes so as to qualify this as an “exceptional case.” In an order dated March 16,
10 2006 (Ct. Rec. 121), the court granted MONY’s motion for summary judgment,
11 finding as a matter of law that the terms “Scarlet Spur” and “Smoothee” were
12 “generic terms.” The court ordered cancellation of the Scarlet Spur trademark, but
13 did not order cancellation of the “Smoothee” trademark as the owner of that
14 trademark was not a party before the court.

15 In conjunction with this motion for summary judgment, MONY sought an
16 award of attorney’s fees against the NLA, Van Well and Hilltop “jointly and
17 severally” pursuant to the Lanham Act “exceptional case” provision (15 U.S.C.
18 §1117(a)). This court ordered that the aspect of MONY’s motion dealing with
19 attorney’s fees be denied without prejudice, subject to renewal in a separately
20 filed motion brought at the conclusion of the case. (Ct. Rec. 121 at p. 23).

21 On February 5, 2007, Van Well and Hilltop and MONY settled their
22 differences and stipulated that all claims and counterclaims asserted between them
23 be dismissed with prejudice and without attorney’s fees or costs awarded to any of
24 them. (Ct. Rec. 174). The court entered an order to that effect on March 8, 2007
25 (Ct. Rec. 182), leaving only the third-party claims asserted by MONY against

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27 **“EXCEPTIONAL” CASE FINDING- 4**

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1 NLA. Those claims, in the nature of anti-trust claims, include the following: 1)
2 unfair business practices pursuant to RCW 19.86.020 (Washington Consumer
3 Protection Act); 2) improper and illegal restraint of trade pursuant to RCW
4 19.86.030 (Washington Consumer Protection Act) and 15 U.S.C. §1 (Sherman
5 Act); and 3) misuse of the patent and trademark statutes.

6 On March 6, 2007 (Ct. Rec. 181), this court entered an order denying
7 MONY's motion for summary judgment on the third-party claims finding that
8 "[a]s to the antitrust claim, the record does not demonstrate the impact on the
9 relevant market and effects from the alleged anticompetitive conduct for
10 entitlement to summary judgment." Furthermore, the court found "[t]he record
11 presents fact issues as to patent misuse, which, together with fact issues as to the
12 antitrust claim, preclude summary judgment."

13 It is clear that MONY is a "prevailing party" on the merits of some of its
14 claims by virtue of the summary judgment orders dated January 24, 2005 and
15 March 16, 2006 entered in CV-04-245-LRS. The court recognized this in its
16 March 16 order ("in light of the Court's ruling on summary judgment herein,
17 Mony Life is a prevailing party, having received at least "some relief on the
18 merits"). (Ct. Rec. 121 at p. 22). The court also recognized, however, that not all
19 of the claims and counterclaims were adjudicated on the merits.³

21 ³ In the March 16, 2006 order (Ct. Rec. 121 at p. 19 n. 2), this court stated
22 that because of the finding as a matter of law that Scarlet Spur and Smoothee were
23 generic trademarks, it was "unnecessary to consider whether Mony Life is entitled
24 to summary judgment on the additional grounds that the registration was
25 fraudulently obtained, that the trademark has been abandoned, nominative fair use,
26 and lack of standing." In the March 6, 2007 order (Ct. Rec. 181 at p. 14), the court
27 specifically stated that fact issues remained as to alleged patent misuse.

1 The more difficult question is whether MONY can be considered a
2 “prevailing party” vis-a-vis NLA which in CV-04-245-LRS was not a named party
3 with regard to the patent and trademark infringement claims asserted by Van Well
4 and Hilltop. With regard to the aforementioned summary judgment orders,
5 MONY prevailed only against Van Well and Hilltop. Subsequently, MONY
6 entered into a settlement with those entities only, stipulating to a dismissal with
7 prejudice of the action and “without attorneys’ fees or costs to **any party.**” (Ct.
8 Rec. 182)(emphasis added). NLA was not a party to this settlement and MONY
9 obviously did not intend NLA to benefit from the “no attorney’s fees or costs”
10 provision.

11 There is certainly evidence in the record that NLA was “pulling the strings”
12 with regard to the claims asserted by Van Well and Hilltop against MONY. The
13 Stratton Ballew law firm which filed the *NLA* action (CT-02-5077-LRS), also filed
14 the *Van Well* action (CV-04-245-LRS) on behalf of the nurseries. In addition to
15 acting as counsel for the NLA, Rex Stratton and Patrick Ballew are the managers
16 of the NLA. *See National Licensing Ass’n, LLC v. Inland Joseph Fruit Co.*, 361
17 F.Supp.2d 1244, 1246 (E.D. Wash. 2004). Excerpts from the depositions of Rex
18 Stratton and Peter Van Well confirm that the NLA was responsible for the filing of
19 the *Van Well* action. Stratton acknowledged that the *Van Well* action was filed
20 under the agreement between NLA and Van Well and Hilltop, and that NLA
21 retained a law firm (Stratton and Ballew) to pursue the action. (See p. 20 to Ct.
22 Rec. 69-2 in CV-04-245-LRS). Van Well corroborated this in his deposition
23 testimony. (See p. 29 to Ct. Rec. 69-2 in CV-04-245-LRS).

24 The *Van Well* action was filed on July 9, 2004, a little over one month after
25 the court had dismissed NLA’s claims against MONY in the *NLA* action on May

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1 25, 2004. Stratton Ballew remained as counsel for Van Well and Hilltop until
2 October 25, 2005, when Scott Bruns was substituted as counsel. (Ct. Rec. 59 in
3 CV-04-245-LRS).⁴ This was after the January 24, 2005 order granting MONY’s
4 cross-motion for partial summary judgment, but before the March 16, 2006 order
5 granting summary judgment to MONY finding the “Scarlet Spur” and “Smoothee”
6 trademark to be generic and cancelling Van Well’s registration for the trademark
7 “Scarlet Spur.”

8 On January 29, 2007, Bruns withdrew as counsel for Hilltop and George F.
9 Velikanje, Esq., was substituted as counsel. (Ct. Rec. 168). On February 5, 2007,
10 Bruns withdrew as counsel for Van Well and Erik K. Wahlquist, Esq., substituted
11 as counsel. On February 5, the stipulated motion to dismiss with prejudice was
12 filed by the parties, with Velikanje and Wahlquist signing the same on behalf of
13 Van Well and Hilltop.

14 Van Well and Hilltop immediately settled with MONY once the NLA and
15 its counsel (Stratton Ballew and Mr. Bruns), withdrew from representation of Van
16 Well and Hilltop. It is understandable why Van Well and Hilltop promptly settled
17 with MONY considering the summary judgment orders on which MONY had
18 already prevailed. At oral argument, counsel for the NLA (Mr. Bruns)
19 acknowledged that the NLA paid (or were obligated to pay) the settlement
20 amounts to which Van Well and Hilltop had obligated themselves. The amounts
21 (\$75,000 from Van Well and \$75,000 from Hilltop) were intended to compensate
22 MONY for attorney’s fees it had incurred in defending against the claims brought
23

24 ⁴ In the *Van Well* action, Bruns appeared as counsel for NLA on the third-
25 party claims from the outset of the litigation, filing a notice of appearance and an
26 answer to those claims on October 13, 2004 (Ct. Rec. 22 and 23).

1 by Van Well and Hilltop. MONY acknowledges that the damages it is seeking in
2 conjunction with its third-party claims against NLA represent attorney's fees it has
3 incurred in CV-04-245-LRS.

4 Despite the fact that NLA was "pulling the strings" and "working behind the
5 scenes" in the lawsuit brought by Van Well and Hilltop against MONY, the
6 fundamental stumbling block is the fact that NLA was not a party in that lawsuit.
7 To be a "prevailing party," one must receive some relief on the merits "which
8 alters the legal relationship of the **parties.**" *Inland Steel*, 364 F.3d at 1320
9 (emphasis added). See also *Kentucky v. Graham*, 473 U.S. 159, 168, 105 S.Ct.
10 3099 (1985) ("That a plaintiff has prevailed against one party does not entitle him to
11 fees from another party, let alone from a nonparty"). The court cannot say that
12 NLA was effectively a real party in interest in the claims asserted by Van Well and
13 Hilltop against MONY in CV-04-245-LRS because to do so would be contrary to
14 the court's holding in CT-02-5077-LRS that NLA did not have standing to pursue
15 those very same claims. MONY has effectively realized this by filing third-party
16 claims against the NLA, thereby making NLA a party to those particular claims
17 which, as noted, have yet to be adjudicated.

18 19 **II. CONCLUSION**

20 MONY is not a "prevailing party" vis-a-vis NLA with regard to those claims
21 which have already been adjudicated on the merits in favor of MONY against Van
22 Well and Hilltop. Accordingly, MONY's Motion For "Exceptional Case" Finding
23 (Ct. Rec. 205) is **DENIED**. MONY will be a "prevailing party" vis-a-vis NLA
24 only if MONY prevails on the merits of the third-party claims it has asserted
25 against NLA. A telephonic status conference will be conducted on April 15, 2008

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1 at 8:30 a.m. for the purpose of rescheduling the bench trial on those third-party
2 claims.

3 **IT IS SO ORDERED.** The District Executive is directed to enter this order
4 and forward copies to counsel.

5 **DATED** this 10th day of March, 2008.

6 *s/Lonny R. Suko*

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LONNY R. SUKO
United States District Judge