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

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

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

I. DISCUSSION

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

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

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

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

CV-04-245-LRS (the *Van Well* action) was commenced by Van Well Nursery (Van Well) and Hilltop Nurseries (Hilltop) against MONY and other defendants on July 9, 2004.[2] After the dismissal of NLA's complaint in CT-02-5077-LRS for lack of standing, Van Well and Hilltop re-filed the same substantive claims in CV-04-245-LRS that had been asserted by NLA against MONY in CT-02-5077-LRS. MONY asserted counterclaims against Van Well and Hilltop, in

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

[2] Hilltop Fruit Trees, LLC, was later substituted for Hilltop Nurseries.

addition to third-party claims against NLA.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. CONCLUSION

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

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

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

DATED this 10th day of March, 2008.

s/Lonny R. Suko

LONNY R. SUKO
United States District Judge