Courtesy of www.iptrademarkattorney.com

Lynda J. Zadra-Symes (Bar No. 156511)
ljs@kmob.com
KNOBBE, MARTENS, OLSON & BEAR, LLP
2040 Main Street, 14th Floor
Irvine, CA 92614
Telephone: 949-760-0404
Facsimile: 949-760-9502

John W. Holcomb (Bar No. 172121)
jholcomb@kmob.com
KNOBBE, MARTENS, OLSON & BEAR, LLP
3403 Tenth Street, Suite 700
Riverside, CA 92501
Telephone: 951-781-9231
Facsimile: 949-760-9502

Attorneys for Defendant FACTORY FIVE
RACING, INC.

IN THE UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

WESTERN DIVISION

CAROLL SHELBY, CARROLL HALL SHELBY TRUST, and CARROLL SHELBY LICENSING, INC., a Texas Corporation, Plaintiffs, v. FACTORY FIVE RACING, INC., a Massachusetts corporation; LK MOTORSPORTS, a California corporation, and INTERNET COMMUNITY PARTNERS, LLC dba FFCOBRA.COM, a limited liability company, state of organization unknown, Defendants.	Case No. CV08-7881 CAS (JTLx) **MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION OF DEFENDANT FACTORY FIVE RACING, INC. TO DISMISS OR, IN THE ALTERNATIVE, TO TRANSFER VENUE TO THE DISTRICT OF MASSACHUSETTS** Hearing: Date: February 23, 2009 Time: 10:00 a.m. Ctrm. 5 – 2nd Floor Hon. Christina A. Snyder

Courtesy of www.iptrademarkattorney.com

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF CONTENTS

Page #s

I. BACKGROUND FACTS 1

A. The Parties 1

B. Shelby's Prior Litigation in the District Court of Massachusetts 2

C. The District Court of Massachusetts Held Shelby's Alleged Trade Dress to Be Invalid 4

D. Shelby's New Lawsuit in California Violates the Massachusetts District Court's Order 5

II. ARGUMENT 6

A. Shelby's Claims against Factory Five Are Barred by the Doctrine of Res Judicata, or Are Moot 6

B. Shelby's Case Should Be Dismissed Because It Failed to Give the Notice and Opportunity to Cure Required by the Massachusetts Order 8

C. Shelby's Case Should Be Dismissed to Allow the District of Massachusetts to Interpret and Enforce Its Own Judgment 8

D. In the Alternative, the Case Should Be Transferred to the District of Massachusetts 11

III. CONCLUSION 13

Courtesy of www.iptrademarkattorney.com

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF AUTHORITIES

Page #s

Allen v. McCurry,
449 U.S. 90 (1980) 6

Alltrade, Inc. v. Uniweld Products, Inc.,
946 F.2d 622 (9th Cir. 1991) 12

Bryant v. Oxxford Express, Inc.,
181 F. Supp. 2d 1045 (C.D. Cal. 2000) 12

California v. Randtron,
69 F. Supp. 2d 1264 (E.D. Cal. 1999) 9

Carroll Shelby Licensing, Inc. v. Superformance Int'l., Inc.,
251 F. Supp. 2d 983 (D. Mass. 2002),
435 F.3d 42 (1st Cir. 2006) 1, 4, 12

Charlton v. Estate of Charlton,
841 F.2d 988 (9th Cir. 1988) 9

In re Chicago, Milwaukee, St. Paul & Pacific R.R.,
974 F.2d 775 (7th Cir. 1992) 10

Commodity Futures Trading Com. v. Savage,
611 F.2d 270 (9th Cir. 1979) 11

Decker Coal Co. v. Commonwealth Edison Co.,
805 F.2d 834 (9th Cir. 1986) 11

DirecTV, Inc. v. EQ Stuff, Inc.,
207 F. Supp. 2d (C.D. Cal. 2002) 12

Flanagan v. Arnaiz,
143 F.3d 540 (9th Cir. 1998) 9

Goodyear Tire & Rubber Co. v. McDonnell Douglas Corp.,
820 F. Supp. 503 (C.D. Cal. 1992) 11

Hal Roach Studios, Inc. v. Richard Feiner & Co.,
896 F.2d 1542 (9th Cir. 1989) 7

Courtesy of www.iptrademarkattorney.com

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF AUTHORITIES
(Cont'd.)

Page #s

Harnett v. Billman,
800 F.2d 1308 (4th Cir. Va. 1986),
480 U.S. 932, 107 S. Ct. 1571, 94 L. Ed. 2d 763 (1987) 7

Jones v. GNC Franchising, Inc.,
211 F.3d 495 (9th Cir. 2000) 11

Keith v. Volpe,
965 F. Supp. 1337 (C.D. Cal. 1996) 9

Kokkonen v. Guardian Life Ins. Co. of America,
511 U.S. 375 (1994) 9

Langton v. Hogan,
71 F.3d 930 (1st Cir. 1995) 7

Lapin v. Shulton, Inc.,
333 F.2d 169 (9th Cir. 1964) 10

Lee v. City of Los Angeles,
250 F.3d 668 (9th Cir. 2001) 7

McCall-Bey v. Franzen,
777 F.2d 1178 (7th Cir. 1985) 11

Mir v. Little Co. of Mary Hospital,
844 F.2d 646 (9th Cir. 1988) 7

Monegro v. Rosa,
211 F.3d 509 (9th Cir. 2000) 12

O'Connor v. Colvin,
70 F.3d 530 (9th Cir. 1995) 9

Reebok Int'l v. McLaughlin,
49 F.3d 1387 (9th Cir. 1995) 10

Saga Int'l v. John D. Brush & Co.,
984 F. Supp. 1283 (C.D. Cal. 1997) 10

Courtesy of www.iptrademarkattorney.com

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

TABLE OF AUTHORITIES
(Cont'd.)

Page #s

Stewart Org., Inc. v. Ricoh Corp.,
487 U.S. 22 (1988) 11

Tahoe-Sierra Pres. Council v. Tahoe Reg'l Planning Agency,
322 F.3d 1064 (9th Cir. 2003) 6

Thomas v. GMC,
522 U.S. 222 (1998) 10

White Mountain Apache Tribe v. Hodel,
784 F.2d 921 (9th Cir. Ariz. 1986),
479 U.S. 1006 (1986) 7

OTHER AUTHORITIES

28 U.S.C. § 1404 .... 1, 11

28 U.S.C. § 1406 .... 1, 11, 12

28 U.S.C. § 1651 9

Fed. R. Civ. P. 12 1

Courtesy of www.iptrademarkattorney.com

Defendant FACTORY FIVE RACING, INC. ("Factory Five") hereby moves to dismiss this case pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure or, in the alternative, to transfer it to the United States District Court for the District of Massachusetts pursuant to 28 U.S.C. §§ 1404 & 1406.

Plaintiffs' lawsuit seeks relief for conduct that is the subject of an Injunction and Final Judgment entered by the District of Massachusetts in prior litigation between Plaintiffs and Factory Five: *Carroll Shelby, et al. v. Factory Five Racing, Inc.,* CA 00-CV-10409 RWZ. Shelby's trade dress claims against Factory Five should be dismissed on the grounds that they have already been litigated and adjudicated in Massachusetts; and its remaining claims are moot. In the alternative, the case should be transferred to the District of Massachusetts to allow the ordering court to enforce its own order.

I. BACKGROUND FACTS

A. The Parties

Factory Five is a Massachusetts corporation with its principal place of business in Wareham, Massachusetts. (Complaint ¶ 3.) Factory Five has engaged in the manufacture and sale of replica kit cars since the mid-1990's. Among other things, Factory Five sells replica kits of cars raced by Carroll Shelby in the 1960's, including the Factory Five 427 Roadster and Type 65 Coupe. Factory Five is just one of "dozens of companies" that have manufactured and sold such replicas, beginning in the late 1970's. *Carroll Shelby Licensing, Inc. v. Superformance Int'l., Inc.*, 251 F. Supp. 2d 983, 985 (D. Mass. 2002) ("By the late 1970s, dozens of companies had begun to advertise, manufacture and sell Cobra replicas."), *appeal dismissed*, 435 F.3d 42 (1st Cir. 2006).

Plaintiffs CARROLL SHELBY, CARROLL HALL SHELBY TRUST, and CARROLL SHELBY LICENSING, INC. (collectively, "Plaintiffs" or "Shelby") allegedly own, are the authorized licensees of, or have used various

Courtesy of www.iptrademarkattorney.com

1 registered and unregistered trademarks including "COBRA." (Complaint ¶¶ 11-
2 19.) Plaintiffs also claim purported trade dress rights in various automobiles
3 identified as "Shelby Cobras," including the alleged Daytona Coupe Trade
4 Dress. (Complaint ¶ 10.) The Carroll Hall Shelby Trust allegedly owns a
5 United States registration for the Daytona Coupe Trade Dress under
6 Registration No. 2,958,927. (Complaint ¶ 11.)

7 **B. Shelby's Prior Litigation in the District Court of Massachusetts**

8 In 2000, Carroll Shelby, Carroll Shelby Licensing, Inc. and Shelby
9 American, Inc. sued Factory Five in the U.S. District Court for the District of
10 Massachusetts. *Carroll Shelby, et al. v. Factory Five Racing, Inc.*,
11 CA 00-CV-10409 RWZ (the "2000 Litigation"). Ford Motor Company was
12 also a party to the litigation. The 2000 Litigation alleged that Factory Five was
13 using certain Ford and/or Shelby trademarks, including the alleged Cobra mark,
14 or confusingly similar trademarks in connection with Factory Five's marketing,
15 sale and distribution of kit cars, and asserted claims for trademark infringement,
16 counterfeiting, dilution and unfair competition under the Lanham Act and
17 Massachusetts law. The 2000 Litigation also alleged that Factory Five's 427
18 Roadster kit car infringed on the alleged trade dress of Shelby's 427 S/C
19 automobile.

20 On February 11, 2002, the parties settled the 2000 Litigation. As part of
21 the settlement, the parties negotiated and agreed to the entry of an Injunction
22 and Final Judgment by Consent as to Claims by Ford Motor Company and
23 Carroll Shelby, et al. ("Injunction and Final Judgment"). (Ex. 1.[1])

24 The Injunction and Final Judgment enjoined Factory Five from
25 using through any medium, including the Internet, the names or
26 marks COBRA, FORD, COBRA snake design, 427 COBRA, 427

27

28 [1] All exhibits referenced herein are attached to the Declaration of Robert K. Taylor filed concurrently herewith, unless otherwise noted.

Courtesy of www.iptrademarkattorney.com

1 S/C, 427 S/C COBRA, SHELBY, SHELBY COBRA, DAYTONA
2 COUPE, DAYTONA COUPE COBRA, FIA 289, FIA 289
3 COBRA, GT350, 289 COBRA, GT350 COBRA, any confusingly
4 similar design of a snake, or any other confusingly similar name or
5 mark, or derivative of the Ford/Shelby Marks, as a trademark, trade
6 name or domain name, on or in connection with the marketing, sale
7 or distribution of motor vehicles, kit cars, parts and accessories for
8 kit cars, automotive parts and accessories, or any other products not
9 made by Ford or Shelby or their duly authorized licensees.

10 (*Id.* at ¶ 3.1.) The Injunction and Final Judgment also enjoined Factory Five
11 from "using the Ford/Shelby Marks and names or any similar name or mark that
12 is likely to dilute the distinctiveness of the Ford/Shelby Marks and names or
13 likely to tarnish the goodwill of the Ford/Shelby Marks and names" (*id.* at
14 ¶ 3.2), and "using the Ford/Shelby Marks and names or any similar name or
15 mark in a way that is likely to induce the belief that FFR's business or products
16 are in any way connected with Ford's or Shelby's businesses, products or
17 services or are sponsored or approved by Ford or Shelby." (*Id.* at ¶ 3.3).

18 The Injunction and Final Judgment was intended to permanently end all
19 disputes between Factory Five and Shelby relating to the Ford/Shelby Marks (as
20 defined by the Injunction and Final Order) and Factory Five's manufacture of its
21 427 Roadster and Type 65 Coupe kit cars. Shelby agreed to dismiss with
22 prejudice all trade dress claims, whether asserted or unasserted, relating to those
23 vehicles:

24 All claims and defenses that have been asserted or could have been
25 asserted as of this date for use of the Ford/Shelby Marks and names
26 or any confusingly similar name, mark or domain name, are hereby
27 satisfied and extinguished and dismissed with prejudice, subject
28 only to each party's right to assert those names or marks in an

Courtesy of www.iptrademarkattorney.com

> attempt to enforce compliance with this Final Judgment. ***Shelby dismisses with prejudice all claims that have been asserted or could have been asserted relative to the trade dress or designs of FFR's kits, including but not limited to the kits known as the 427 Roadster and the Type 65 Coupe.***

(*Id.* at ¶ 9 (emphasis added).)

To avoid future litigation based on trivial alleged violations of the Injunction and Final Judgment, Shelby was required to give 30 days notice and an opportunity to cure any alleged violation by Factory Five:

> In the event that Ford or Shelby believes that FFR has violated any of the terms and conditions of this Final Judgment, judicial enforcement of this Final Judgment may not be pursued unless Ford or Shelby first give written notice to FFR of the alleged violation and FFR fails to cure or remedy the situation to Ford's or Shelby's satisfaction within thirty (30) days of FFR's receipt of notice.

(*Id.* at ¶ 10.)

C. <u>The District Court of Massachusetts Held Shelby's Alleged Trade Dress to Be Invalid</u>

In 2002, Shelby filed another lawsuit in the District of Massachusetts against a replica car manufacturer named Superformance International. *Carroll Shelby Licensing, Inc. v. Superformance Int'l., Inc.*, 251 F. Supp. 2d 983, 986 (D. Mass. 2002). In 2004, the Massachusetts District Court granted Superformance's summary judgment against Shelby on its alleged trade dress claims in the Cobra vehicle design. The court ruled that Shelby had "failed to present any evidence that consumers associate the Cobra design with Shelby, and Shelby alone as source." *Id.* The court also ruled that "[b]ecause Shelby is

/ / /

Courtesy of www.iptrademarkattorney.com

unable to establish that the Cobra shape is distinctive, his dilution claims also fail as a matter of law." *Id.* at 987.

Following the District Court's decision, Shelby settled its lawsuit against Superformance, and asked the District Court to vacate the summary judgment, but the District Court declined. *Id.* at 44. Shelby then tried to have the First Circuit Court of Appeals overturn the District Court's order, without advising the First Circuit that the case was moot. Once made aware of this omission, the First Circuit strongly criticized Shelby as "disingenuous," *id.* at 46, and further criticized his "evasiveness," *id.* at 47.

D. <u>Shelby's New Lawsuit in California Violates the Massachusetts District Court's Order</u>

On December 1, 2008, Shelby filed this lawsuit in the Central District of California. As to Factory Five, the lawsuit alleges (1) that Factory Five "utilizes the trademarks owned by and licensed to Plaintiffs in the metatags[2] of its website to draw Internet traffic to the site," including the trademark "COBRA" (Complaint ¶ 22); (2) that Factory Five's web site includes a link to a web site with the domain name <u>www.ffcobra.com</u>, which is allegedly operated by defendant Internet Community Partners, LLC (Complaint ¶ 23); and (3) that Factory Five "markets and sells 'replicas' of Shelby Cobra vehicles, including kit cars bearing designs confusingly similar to the Daytona Coupe Trade Dress," that is, Factory Five's Type 65 Coupe (Complaint ¶ 20). Shelby further alleges that Factory Five, LK Motorsports and Internet Community Partners are "agents of one another, and at all times each entity was acting within the course and scope of such agency." (Complaint ¶ 6.) Based on these allegations, Plaintiffs

/ / /

[2] A "metatag" is a piece of text in the source code of a web page that provides information to a search engine about the contents of the web page. A metatag is not displayed to a visitor to the site.

Courtesy of www.iptrademarkattorney.com

1 assert various federal and state law causes of action including trademark
2 infringement, dilution and unfair competition.
3 Shelby did not give Factory Five or its alleged agents LK Motorsports
4 and Internet Community Partners the 30 day notice and opportunity to cure
5 required by the Injunction and Final Judgment prior to filing suit. Instead,
6 Shelby issued the required notice on December 23, 2008. (Ex. 2.) Shelby's
7 demand letter explicitly referred to the Injunction and Final Judgment, and
8 threatened to move for an order of contempt if Factory Five, LK Motorsports
9 and Internet Community Partners did not comply. (*Id.*)
10 In response to Shelby's notice letter, Factory Five within thirty days
11 removed from its web site the allegedly infringing metatags. Factory Five also
12 removed the allegedly infringing link to Defendant Internet Community
13 Partners' web site. Factory Five also demanded that Shelby dismiss its lawsuit
14 in light of its failure to give advance notice and an opportunity to cure, as
15 required by the District of Massachusetts order. (Ex. 3.) To date, Shelby has
16 not withdrawn its lawsuit.

17 **II. ARGUMENT**

18 **A. Shelby's Claims against Factory Five Are Barred by the Doctrine of**
19 **Res Judicata, or Are Moot**

20 "Under res judicata, a final judgment on the merits of an action precludes
21 the parties or their privies from relitigating issues that were or could have been
22 raised in that action." *Allen v. McCurry*, 449 U.S. 90, 94 (1980). *Res judicata*
23 or claim preclusion applies to bar a subsequent action "whenever there is (1) an
24 identity of claims, (2) a final judgment on the merits, and (3) privity between
25 parties." *Tahoe-Sierra Pres. Council v. Tahoe Reg'l Planning Agency,* 322 F.3d
26 1064, 1077 (9th Cir. 2003).
27 Shelby's trade dress claims against Factory Five should be dismissed
28 because they are barred by the doctrine of *res judicata*. The Massachusetts

Courtesy of www.iptrademarkattorney.com

1 Injunction and Final Order expressly states that Shelby "dismisses with
2 prejudice all claims that have been asserted or could have been asserted relative
3 to the trade dress or designs of FFR's kits, including but not limited to the kits
4 known as the 427 Roadster and the Type 65 Coupe." (Ex. 1 at ¶ 9.[3]) A consent
5 judgment is considered to be a final judgment on the merits for purposes of res
6 judicata. *See, e.g.*, *White Mountain Apache Tribe v. Hodel,* 784 F.2d 921, 925-
7 26 (9th Cir. Ariz. 1986), *cert. denied*, 479 U.S. 1006 (1986) (judgment on
8 settlement stating that it finally disposed of all rights that could have been
9 asserted with respect to the subject matter precluded further action on the
10 claim); *Langton v. Hogan*, 71 F.3d 930, 935 (1st Cir. 1995) ("A judgment that is
11 entered with prejudice under the terms of a settlement, whether by stipulated
12 dismissal, a consent judgment, or a confession of judgment, is not subject to
13 collateral attack by a party or a person in privity, and it bars a second suit on the
14 same claim or cause of action."); *Harnett v. Billman*, 800 F.2d 1308, 1312 (4th
15 Cir. Va. 1986), *cert. denied*, 480 U.S. 932, 107 S. Ct. 1571, 94 L. Ed. 2d 763
16 (1987) (dismissal with prejudice pursuant to settlement precluded second action
17 to the extent it involved the same claims).

18 Shelby filed for trade dress protection for its Daytona Coupe with the
19 U.S. Patent and Trademark Office on June 28, 2001, several months before the
20 Injunction and Final Judgment entered in February 2002. (Ex. 4.) Therefore, it
21 is clear that Shelby was well aware of the purported trade dress rights it is now
22 asserting in this lawsuit when it entered into the Injunction and Final Judgment
23 with Factory Five in 2002. There is no question that these claims can not be
24 relitigated.

25

26 [3] While ordinarily a court may not consider material beyond the pleadings in evaluating a motion to dismiss, a court may consider judicially noticed
27 matters of public record. *Lee v. City of Los Angeles*, 250 F.3d 668, 688-89 (9th Cir. 2001); *Hal Roach Studios, Inc. v. Richard Feiner & Co.*, 896 F.2d 1542,
28 1555 n.19 (9th Cir. 1989); *Mir v. Little Co. of Mary Hospital*, 844 F.2d 646, 649 (9th Cir. 1988).

Courtesy of www.iptrademarkattorney.com

1 In addition to Shelby's trade dress claims, Shelby's complaint alleges that
2 (1) Factory Five utilizes trademarks owned by and licensed to Shelby in the
3 metatags of Factory Five's web site; and (2) Factory Five's website includes a
4 link to a web site with the domain name www.ffcobra.com. (Complaint ¶¶ 22-
5 23.) However, Factory Five removed the allegedly infringing metatags and web
6 site link within 30 days of receiving Shelby's cease-and-desist letter dated
7 December 23, 2008. The Massachusetts Injunction and Final Judgment requires
8 that Shelby give Factory Five a 30 day opportunity to cure any alleged
9 infringement before filing suit. (Ex. 1, ¶ 10.) Because Factory Five has cured
10 the alleged trademark infringements, the rest of Shelby's claims against Factory
11 Five are moot and should be dismissed.

12 **B. Shelby's Case Should Be Dismissed Because It Failed to Give the**
13 **Notice and Opportunity to Cure Required by the Massachusetts**
14 **Order**

15 Shelby's lawsuit should also be dismissed because Shelby failed to give
16 the notice and opportunity to cure required by the Injunction and Final
17 Judgment entered by the District of Massachusetts in 2002. Paragraph 10 of
18 that order provides that "judicial enforcement of this Final Judgment may not be
19 pursued unless Ford or Shelby first give written notice to FFR of the alleged
20 violation and FFR fails to cure . . . ." Shelby filed this lawsuit on December 1,
21 2008, over three weeks before it issued the mandatory cease and desist notice to
22 Factory Five and its alleged agents, LK Motorsports and Internet Community
23 Partners. Shelby's premature "judicial enforcement" violates the District of
24 Massachusetts order and should be dismissed.

25 **C. Shelby's Case Should Be Dismissed to Allow the District of**
26 **Massachusetts to Interpret and Enforce Its Own Judgment**

27 Shelby's claims should also be dismissed because the proper venue for its
28 infringement claims against Factory Five and its alleged agents is the District of

Courtesy of www.iptrademarkattorney.com

Massachusetts. The Massachusetts court has already entered an order setting out Factory Five's rights and obligations relating to Shelby's alleged trademarks, including COBRA. The Massachusetts order also dismissed with prejudice claims that Shelby brought or could have brought against Factory Five relating to Shelby's alleged trade dress rights in the shape of Factory Five's Type 65 Coupe, a replica of Shelby's Daytona Coupe.

It is well established that a court has continuing jurisdiction to enforce the terms of a settlement agreement if the agreement (1) is incorporated into the court's final judgment; or (2) provides expressly for continuing jurisdiction over disputes arising out of the settlement. *Kokkonen v. Guardian Life Ins. Co. of America,* 511 U.S. 375, 381 (1994); *Flanagan v. Arnaiz*, 143 F.3d 540, 544 (9th Cir. 1998) (subject matter jurisdiction "may be furnished by separate provision (such as a provision 'retaining jurisdiction' over the settlement agreement) or by incorporating the terms of the settlement agreement in the order"); *O'Connor v. Colvin*, 70 F.3d 530, 533 (9th Cir. 1995) (no jurisdiction over lawsuit to enforce settlement where "the Dismissal neither expressly reserves jurisdiction nor incorporates the terms of the settlement agreement"); *Keith v. Volpe*, 965 F. Supp. 1337, 1347 (C.D. Cal. 1996) ("Federal courts retain power to assert ancillary jurisdiction to enforce a consent decree when that decree has explicitly reserved continuing federal court jurisdiction or when the district court has incorporated the terms of the settlement agreement into its decree.").[4]

/ / /

[4] Even if a court does not have jurisdiction on the basis of a consent decree, subject matter jurisdiction exists under the All Writs Act, 28 U.S.C. § 1651. *California v. Randtron*, 69 F. Supp. 2d 1264, 1269 (E.D. Cal. 1999) ("The Act has been interpreted to 'empower a district court to issue injunctions to enforce judgments and to reinforce the effects of the doctrines of res judicata and collateral estoppel.'"), citing *Charlton v. Estate of Charlton*, 841 F.2d 988, 989 (9th Cir. 1988); *see also Keith v. Volpe*, 965 F. Supp. 1337, 1348 (C.D. Cal. 1996) ("federal courts have long held a recognized power to enforce their judgments").

Courtesy of www.iptrademarkattorney.com

1 Furthermore, it is well established that the issuing court is the court that
2 should interpret and enforce its own injunctions. *Baker by Thomas v. GMC,* 522
3 U.S. 222, 236 (1998) ("Sanctions for violations of an injunction, in any event,
4 are generally administered by the court that issued the injunction."); *Reebok*
5 *Int'l v. McLaughlin*, 49 F.3d 1387, 1390 (9th Cir. 1995) ("District courts do, and
6 must, have the authority to punish contemptuous violations of their orders.");
7 *Saga Int'l v. John D. Brush & Co.*, 984 F. Supp. 1283, 1288 n.1 (C.D. Cal.
8 1997) (court has continuing jurisdiction to enforce a permanent injunction,
9 regardless of any express reservation).
10 The issuing court is in the best position to interpret and apply the terms of
11 its own injunction. *See In re Chicago, Milwaukee, St. Paul & Pacific R.R.*, 974
12 F.2d 775, 789 (7th Cir. 1992) ("the reorganization court was in a better position
13 . . . to interpret and apply the terms of [its] consummation order"). Courts
14 refrain from interpreting and enforcing injunctions entered by other courts for
15 reasons of comity, judicial efficiency, and the desire to avoid potentially
16 conflicting results. *See Lapin v. Shulton, Inc.*, 333 F.2d 169, 172 (9th Cir. 1964)
17 (for nonissuing court to entertain an action to modify an injunction "would be
18 seriously to interfere with, and substantially to usurp, the inherent power of the
19 issuing court . . . . We do hold that considerations of comity and orderly
20 administration of justice demand that the nonrendering court should decline
21 jurisdiction of such an action and remand the parties for their relief to the
22 rendering court, so long as it is apparent that a remedy is available there.").
23 Shelby apparently believes that the wrongful conduct it is alleging in this
24 lawsuit is within the scope of the Injunction and Final Judgment, as it has sent a
25 cease and desist letter threatening Factory Five, LK Motorsports and Internet
26 Community Partners with contempt proceedings. (Ex. 2.) Shelby's remedy is
27 with the District of Massachusetts, where it is free to institute a summary
28 proceeding against Factory Five and its alleged agents to address Shelby's

Courtesy of www.iptrademarkattorney.com

claims. There is no basis for bringing a "fresh suit" against Factory Five in California, when Shelby already has a "swift and effective remedy" elsewhere. *See McCall-Bey v. Franzen*, 777 F.2d 1178, 1183 (7th Cir. 1985) ("No one wants an injunction that cannot be enforced, or that can be enforced only by bringing a fresh suit . . . . An injunction is supposed to be a swift and effective remedy, summarily enforceable through contempt or other supplementary proceedings in the court that issued the injunction."). This Court should dismiss Shelby's wasteful and potentially conflicting litigation over issues that have been already addressed in the Massachusetts Injunction and Final Judgment.

D. In the Alternative, the Case Should Be Transferred to the District of Massachusetts

In the alternative, Shelby's lawsuit should be transferred to the District of Massachusetts pursuant to 28 U.S.C. §§ 1404 & 1406. Under 28 U.S.C. § 1404, a case may be transferred to another judicial district where it may have been brought "[f]or the convenience of parties and witnesses, in the interest of justice." *See Goodyear Tire & Rubber Co. v. McDonnell Douglas Corp.*, 820 F. Supp. 503, 506 (C.D. Cal. 1992). The decision to transfer is within the discretion of the court. *See, e.g.*, *Commodity Futures Trading Com. v. Savage*, 611 F.2d 270, 279 (9th Cir. 1979) ("[w]eighing of the factors for and against transfer involves subtle considerations and is best left to the discretion of the trial judge"); *Decker Coal Co. v. Commonwealth Edison Co.*, 805 F.2d 834, 842 (9th Cir. 1986). In exercising this discretion, the court should consider all relevant factors and circumstances. *Jones v. GNC Franchising, Inc.*, 211 F.3d 495, 498 (9th Cir. 2000) ("the district court has discretion to adjudicate motions for transfer according to an 'individualized, case-by-case consideration of convenience and fairness'"), citing *Stewart Org., Inc. v. Ricoh Corp.*, 487 U.S. 22, 29 (1988).

/ / /

Courtesy of www.iptrademarkattorney.com

1 Under 28 U.S.C. § 1406, "[t]he district court of a district in which is filed
2 a case laying venue in the wrong division or district shall dismiss, or if it be in
3 the interest of justice, transfer such case to any district or division in which it
4 could have been brought."
5 It is well-established that rather than allow parallel proceedings in
6 different federal courts, the earlier filed action will generally take precedence.
7 *Alltrade, Inc. v. Uniweld Products, Inc.*, 946 F.2d 622, 625 (9th Cir. 1991) (the
8 first-to-file rule was developed to "serve [] the purpose of promoting efficiency
9 well and should not be disregarded lightly"); *see also Bryant v. Oxxford*
10 *Express, Inc.*, 181 F. Supp. 2d 1045, 1048 (C.D. Cal. 2000). Under the
11 circumstances, Shelby's own earlier filed Massachusetts action against Factory
12 Five should take precedence and this case (if not dismissed) should be
13 transferred to the District of Massachusetts for further proceedings consistent
14 with the Injunction and Final Judgment. Transfer is in the interest of justice
15 because it promotes comity, efficient use of judicial resources, and avoids
16 potentially inconsistent results.
17 A plaintiff's choice of forum generally deserves deference. *DirecTV, Inc.*
18 *v. EQ Stuff, Inc.*, 207 F. Supp. 2d, 1077, 1082 (C.D. Cal. 2002), citing *Monegro*
19 *v. Rosa*, 211 F.3d 509, 513 (9th Cir. 2000). However, there is no reason to defer
20 to the choice of a plaintiff, where, as here, that plaintiff is engaged in forum
21 shopping. *Alltrade*, 946 F.2d at 628 ("The circumstances under which an
22 exception to the first-to-file rule typically will be made include bad faith,
23 anticipatory suit, and forum shopping." (citations omitted).) Shelby may be
24 forum shopping because it hopes to relitigate in California the trade dress issues
25 which it litigated, and lost, in Massachusetts. In 2004, the Massachusetts court
26 granted summary judgment against Shelby on its trade dress claims involving
27 another kit car manufacturer. *Superformance*, 251 F. Supp. 2d at 986-87 (ruling
28 that Shelby "failed to present any evidence that consumers associate the Cobra

Courtesy of www.iptrademarkattorney.com

design with Shelby, and Shelby alone as source," and that "[b]ecause Shelby is unable to establish that the Cobra shape is distinctive, his dilution claims also fail as a matter of law."). Shelby's previous effort to erase these rulings resulted in an opinion by the First Circuit Court of Appeals that strongly criticized Shelby as "disingenuous," and further criticized its "evasiveness." *Id.* at 46-47.

Shelby initiated its own lawsuit against Factory Five in Massachusetts in 2000, and consented to the entry of a judgment by that court. Thus, Massachusetts is a forum that Shelby has selected in the past. The District of Massachusetts can provide a swift and effective remedy for Defendants' alleged violations of the Injunction and Final Judgment, if appropriate, and is the court that is in the best position to interpret and enforce its own prior order. There is no reason to litigate this case in California at this time.

III. CONCLUSION

For all of the foregoing reasons, Shelby's case should be dismissed, or in the alternative, transferred to the District of Massachusetts. The Injunction and Final Judgment provides a mechanism for the Massachusetts court to police any alleged infringement of Shelby's trademarks by Factory Five or its alleged agents. The Massachusetts court is the proper court to enforce its prior order. There is no reason to allow duplicative litigation against Factory Five in California in light of the Injunction and Final Judgment.

KNOBBE, MARTENS, OLSON & BEAR, LLP

Dated: January 23, 2009 By: */s/ Lynda J. Zadra-Symes*

Lynda J. Zadra-Symes
John W. Holcomb
Attorneys for Defendant FACTORY FIVE RACING, INC.

6522107_1
012309