

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. SACV 10-00209-JVS(RNBx) Date August 2, 2010

Title GT Beverage Company LLC v The Coca Cola Compay

Present: The James V. Selna
Honorable

Julie Barrera for Karla J. Tunis
Deputy Clerk

Sharon Seffens
Court Reporter

Attorneys Present for Plaintiffs:
David G. Duckworth

Attorneys Present for Defendants:
Robert N. Phillips

Proceedings: PLAINTIFF'S MOTION TO DISMISS COUNTERCLAIMS (Filed
6/28/10)

Cause called and counsel make their appearances. The Court's tentative ruling is issued. The parties make their arguments. The Court DENIES the plaintiff's motion and rules in accordance with the tentative ruling as follows:

Order re Motion to Dismiss

Plaintiff GT Beverage Company, LCC ("GT") moves to dismiss Defendant The Coca-Cola Company's ("TCCC") counterclaims pursuant to Federal Rule of Civil Procedure Rule 12(b)(6), on the grounds that TCCC's claims are precluded under the doctrine of judicial estoppel. TCCC opposes.

I. Background

GT is a beverage company that sells sports drinks in the United States, South Africa, and Mexico. In May 2008, GT began selling its *Sportastic*® line of sport drinks in various sports-themed spherical bottles. (Mot. Br. 1:4-5, Docket No. 18.) GT owns Trademark Registration No. 3,687,817, which is directed to a beach-ball-themed spherical bottle for use in the sale of sports drinks.¹ (1st Am. Compl., Ex. 3, Docket No. 9.) In March 2009, GT filed twenty-three trademark applications for its sports-themed,

¹ For the purposes of this motion, the Court accepts as true the factual allegations set forth by GT regarding the development and sale of its *Sportastic*® products in a spherical bottle.

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fruit-themed, and holiday-themed spherical bottles. (Id. ¶ 14.) In September 2009, TCCC sent GT a cease-and-desist letter, alleging that TCCC possesses the trademark for the naked, unmarked sphere bottle and that TCCC is a clear prior user of the sphere bottle design. (Id., Ex. 6.)

TCCC is a global beverage company most known for its *Coca-Cola*® (“Coke”) brand soft drink. TCCC first developed the sphere bottle in 2005, and began selling Coke packaged in the sphere bottle in Mexico during the 2006 World Cup Soccer tournament.² (Opp’n Br. 4:17-18, Docket No. 26.) TCCC began selling Coke in a sphere bottle with a Christmas ornament design during the 2007 holiday season. (Id. at 4:21-25.) It sold these bottles again in 2008 and 2009. (Id.) TCCC uses the spherical bottle for its other soft-drink brands as well.

TCCC currently owns United States Trademark Registration No. 3,692,638, which is a registration for a plain, undecorated sphere bottle. (See Countercl., Exs. D, E.) TCCC acquired this trademark from the Dutch beverage company, O-Company N.V. (“O-Company”), in a global settlement that concluded various legal proceedings between the two companies. (See Mot. Br. 3-8.) Prior to the settlement, TCCC and O-Company were engaged in six legal proceedings—two in Belgium, one in The Netherlands, one in Spain, and two in the United States. These legal proceedings began in 2006, when O-Company sued TCCC in Belgium, alleging that TCCC infringed its trademark rights to the sphere bottle by selling Coke in sphere bottles. (RJN No. 3, Ex. 2 at 9.) TCCC asserted arguments of invalidity, non-infringement, and fair use in response to O-Company’s allegations. (See Opp’n Br. 3:4-7.)

On February 19, 2010, GT filed this action seeking a declaratory judgment that TCCC’s trademark is invalid and that GT’s use of the sphere bottle does not constitute trademark or trade dress infringement. (1st Am. Compl. 9:11-18, Docket No. 9.) TCCC filed an answer and counterclaim on June 3, 2010. (Docket Nos. 10, 11.) In its counterclaim, TCCC alleges that GT’s use of the sphere bottle constitutes false designation, trademark infringement, and unfair competition. (Countercl. ¶¶ 20-37.) On June 28, 2010, GT filed this motion to dismiss TCCC’s counterclaims on the grounds that judicial estoppel precludes TCCC from asserting its claims against GT. (Mot. Br. 14:22-

² The Court also accepts as true the factual allegations set forth by TCCC regarding the development and sale of its Coke soft drink products in the spherical bottle.

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23, Docket No. 18.)

II. Legal Standard

A motion to dismiss may be granted on the basis of judicial estoppel. See New Hampshire v. Maine, 532 U.S. 742, 756 (2001). Judicial estoppel prevents a party from assuming a contrary position after that party “assumes a certain position in a legal proceeding, and succeeds in maintaining that position.” Id. at 742. “The purpose of the doctrine is to protect the integrity of the judicial process by prohibiting parties from deliberately changing positions according to the exigencies of the moment.” Id. Judicial estoppel is an equitable doctrine to be applied by a court at its discretion. Russell v. Rolfs, 893 F.2d 1033, 1037 (9th Cir. 1990).

The Supreme Court outlined three factors to consider when applying judicial estoppel: (1) whether a party’s current position is clearly inconsistent with its previous position; (2) whether the court accepted the party’s previous position, such that there is the perception that either the first or second court was misled; and (3) whether the party would gain an unfair advantage or impose an unfair detriment on the opposing party by asserting its inconsistent position . New Hampshire, 532 U.S. at 750-51. Courts in the Ninth Circuit regularly consider these three factors when applying judicial estoppel. See, e.g., United Nat’l Ins. Co. v. Spectrum Worldwide, Inc., 555 F.3d 772, 779 (9th Cir. 2009); Hamilton v. State Farm Fire & Cas. Co., 270 F.3d 778, 783 (9th Cir. 2001).

III. Discussion

GT argues that TCCC’s counterclaims should be dismissed on the basis of judicial estoppel. Specifically, GT asserts that judicial estoppel precludes TCCC’s counterclaims because: (1) in previous litigation with O-Company, TCCC assumed positions that are ‘clearly inconsistent’ with its positions in this case; (2) the courts in the prior litigation accepted and relied upon TCCC’s previous position; and (3) TCCC stands to gain an unfair advantage over GT. (Mot. Br. 14:22-26.) TCCC maintains that the preclusion of its claims under judicial estoppel is unwarranted. (Opp’n Br. 15:22-23.)

A. Judicial Notice

In support of its motion, GT requests that the Court take judicial notice of: (1)

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documents from TCCC's prior litigation with O-Company; (2) translations of foreign court decisions; (3) U.S. Trademark Registrations pertinent to this case; (4) U.S. Patent and Trademark Office records; and (5) relevant European Trademark Registrations. (See RJN, Nos. 1-5, Docket Nos. 19-23.) TCCC opposes these requests, arguing that the documents presented by GT are not properly subject to judicial notice on a motion to dismiss. (Opp'n Br. 11:6-12.)

TCCC's argument that this Court may not take notice of anything outside the pleadings on a motion to dismiss is incorrect. Courts "may take [judicial] notice of proceedings in other courts, both within and without the federal judicial system, if those proceedings have a direct relation to matters at issue." Bias v. Moynihan, 508 F.3d 1212, 1225 (9th Cir. 2007). Courts "may take judicial notice of matters of public record without converting the motion to dismiss into a motion for summary judgment, so long as facts noticed are not subject to reasonable dispute." Intri-Plex Tech. v. Crest Group, Inc., 499 F.3d 1048, 1052 (9th Cir. 2007). The court documents from TCCC's litigation with O-Company, the U.S. Trademark Registration, the U.S. Patent and Trademark records, and the European Trademark Registrations are all matters of public record. The existence of the trademarks and the court documents from prior litigation are not subject to reasonable dispute. Thus, the Court takes judicial notice of these documents.

However, the Court declines to take notice of the English translations of: (1) the Commercial Court of Brussels ("Brussels Court") decision, The Coca-Cola Company v. The O-Company, N.V., Case No. 03130/2006, (RJN No. 3, Ex. 2, Docket No. 23), and (2) the Court of Breda decision, The Coca-Cola Company v. The O-Company, N.V., Case No. 07-695, (RJN No. 4, Ex. 2, Docket No. 21). GT argues that the Brussels Court accepted and relied on TCCC's previous position when it held that the sphere bottle trademark was invalid. (Mot. Br. 16.) However, it is not clear from the translation that the Brussels Court actually held this. Though the court dismissed O-Company's claims, the basis for the dismissal is unclear. (See RJN No. 3, Ex. 2 at 45-47.) This ambiguity raises a reasonable dispute as to the accuracy of the translation. Thus, TCCC deserves an opportunity provide its own translation. Moreover, while the original decisions are matters of public record, their English translations are not. For these reasons, the Court declines to take judicial notice of the English translations of the Brussels Court decision

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and the Court of Breda decision.³

B. Inconsistent Positions

GT argues that TCCC's current positions are clearly inconsistent with those it took in prior litigation with O-Company. (Mot. Br. 15:2-3.) A party must assume inconsistent positions for judicial estoppel to apply. New Hampshire, 532 U.S. at 750. However, judicial estoppel is not appropriate merely because a litigant takes inconsistent positions; rather, the inconsistency must be "so blatant as to demonstrate that a claimant is playing fast and loose with the courts." Fredenburg v. Contra Costa Dept. of Health Servs., 172 F.3d 1176, 1179 (9th Cir. 1999) (internal quotation marks omitted).

TCCC's current argument regarding the validity of the sphere bottle trademark is inconsistent with its previous argument against O-Company. In its motion for summary judgment filed against O-Company in the District Court for the Middle District of Tennessee, TCCC argued that its use of the sphere bottle constituted fair use: "the round bottle shape is not being used as a trademark. Rather the trademark is on the bottle. . . . [C]onsumers see the white-ribbon, red background, and the COCA-COLA lettering, and that is what tells them it is a Coca-Cola product—not the round, ornament shape of its bottle." (RJN No. 1, Ex. 11 at 13.) In contrast, TCCC adopts the opposite position here: "TCCC's Sphere Bottle design is inherently distinctive and of great value to TCCC. It serves to identify and distinguish TCCC's goods from the goods of others" (Countercl. ¶ 12.) It is evident that TCCC has presented inconsistent arguments.

However, TCCC's other arguments are not necessarily inconsistent with those it asserted against O-Company. TCCC's secondary meaning arguments are a particular example. To establish secondary meaning, a party must demonstrate that consumers recognize that products connected with a mark are associated with the same source. Art Attacks Ink, LLC v. MGA Entm't Inc., 581 F.3d 1138, 1145 (9th Cir. 2009) (emphasis added). TCCC's prior argument that the sphere bottle did not acquire secondary meaning is specific to whether consumers associate sphere bottles with the O-Company brand, not whether they associate sphere bottles with any brand. Thus, it is not inconsistent for

³ The opinion of the Court of Breda would appear to be irrelevant in any event, given that it deferred to the Brussels Court. (RJN No.4, Ex. 2 at 6:3.13.)

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TCCC to argue that consumers associate sphere bottles with the Coke brand, but not with the O-Company brand.

Likewise, TCCC's previous argument regarding the likelihood of confusion is also not inconsistent. In assessing likelihood of confusion, courts in the Ninth Circuit consider the Sleekcraft factors: (1) similarity of the marks, (2) proximity of the goods, (3) strength of the defendant's mark, (4) marketing channels used, (5) evidence of actual confusion, (6) type of goods and the degree of care likely to be exercised by the purchaser, (7) defendant's intent in using the mark, and (8) likelihood of expansion in the product lines. Brookfield Commc'ns, Inc. v. West Coast Entm't Corp., 174 F.3d 1036, 1053-54 (9th Cir. 1999) (citing AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979)). Thus, whether GT's use of the sphere bottle is likely to cause confusion with TCCC's bottle requires considering facts that are specific to GT's use of the mark. The likelihood of confusion between GT and TCCC's sphere bottles is an issue that is independent of whether consumers are likely to confuse O-Company with TCCC's sphere bottles. Therefore, it is not inconsistent for TCCC to argue that GT's use of the sphere bottle is likely to cause confusion while O-Company's use would not.

C. Judicial Acceptance

In addition to the litigant's assumption of inconsistent positions, a court must accept the litigant's previous position for judicial estoppel to apply. New Hampshire, 532 U.S. at 750; United, 555 F.3d at 779. GT offers three arguments on this issue. First, GT argues that because TCCC and O-Company settled, "TCCC's favorable settlement constitutes judicial reliance to satisfy this prong of the test." (Mot. Br. 17:17-18.) Second, GT argues that acceptance of TCCC's prior position is evidenced by the Commercial Court of Brussels' decision in TCCC's prior litigation with O-Company. (Id. at 18:18-20.) Third, GT argues that judicial estoppel may apply even if there is no judicial acceptance of a prior inconsistent position. (Mot. Br. 13:20-21, Reply Br. 17:22-23.)

There is a Circuit split on the issue of whether a court must actually adopt an inconsistent position for judicial estoppel to apply: "The majority of circuits recognizing the doctrine hold that it is inapplicable unless the inconsistent statement was actually adopted by the court in the earlier litigation. . . . The minority view, in contrast, holds that the doctrine applies even if the Litigant was unsuccessful in asserting the inconsistent

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position.” Rissetto v. Plumbers & Steamfitters Local 343, 94 F.3d 597, 601 (9th Cir. 1996) (citing Yanez v. United States, 989 F.2d 323, 326 (9th Cir. 1993)). Although the Ninth Circuit has yet to expressly adopt either position, id., it has “restricted the application of judicial estoppel to cases where the court relied on, or ‘accepted,’ the party’s previous inconsistent position,” Hamilton, 270 F.3d at 783.

1. Settlement

GT argues that a favorable settlement is equivalent to the judicial acceptance of a party’s prior inconsistent position. (Mot. Br. 17:17-18, citing Rissetto, 94 F.3d at 605.) GT asserts that in Rissetto, the Ninth Circuit held that judicial estoppel applies in situations where litigants are unsuccessful in asserting a previous position but succeed in obtaining a settlement. (Id. at 14:5-8.) Relying on Rissetto, GT maintains that because TCCC obtained a favorable settlement in its litigation with O-Company, that settlement suffices to invoke judicial estoppel in this case. (Id. at 17:18-21.)

GT’s reading of Rissetto is overly broad. Rissetto held that “a favorable settlement constitutes the success required under the so-called majority view.” Id. at 605 (emphasis added). The majority view is that judicial estoppel applies only when an inconsistent statement is accepted, or relied upon, by a previous court. Id. at 601. In Rissetto, although the plaintiff received a worker’s compensation settlement from her former employer, the settlement was approved by the California Worker’s Compensation Appeals Board. Id. at 600. In approving the settlement, the tribunal relied on the plaintiff’s argument—that she was entitled to worker’s compensation disability benefits. Thus, the precise holding in Rissetto is that a favorable settlement constitutes the success required to invoke judicial estoppel only when a court either adopts or relies upon a litigant’s previous, inconsistent position. Id. at 605.

All the other cases cited by GT are similar to Rissetto. In Kale v. Obuchowski, 985 F.2d 360, 362 (7th Cir. 1993), the Seventh Circuit invoked judicial estoppel to preclude the plaintiff’s claims because he previously asserted an inconsistent argument that led to a favorable court-approved divorce settlement. Similar to Rissetto, judicial estoppel applied in Kale because the court relied on the plaintiff’s previous representations in approving the settlement. Id. at 362.

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Likewise, in Gagne v. Zodiac Maritime Agencies, Ltd., 274 F. Supp. 2d 1144, 1149 (S.D. Cal. 2003), another case cited by GT, (Reply Br. 20:2-3), the settlement was also court-approved. Crucial to the court’s decision to invoke judicial estoppel was that “Magistrate Judge Stiven relied upon Plaintiff’s prior inconsistent position while overseeing APL Korea’s agreement to pay \$50,000 to settle the first case.” Id. Again, like Rissetto and Kale, the settlement in previous litigation was court-approved and therefore judicial estoppel applied.

These cases suggest that even when a party’s previous inconsistent position leads to a settlement, the application of judicial estoppel still depends on whether a previous court actually relied on the prior position. This is consistent with the rationale behind judicial estoppel—which is to prevent litigants from undermining judicial integrity, New Hampshire, 532 U.S. at 750. Absent acceptance or reliance, no perception exists as to whether a court was misled. Without a prior ruling on some motion or a court-approved settlement, there is no judicial reliance. Here, the settlement between TCCC and O-Company in their case before the U.S. District Court for the Middle District of Tennessee was not court-approved and occurred before the court ruled on TCCC’s summary judgment motion. (See Mot. Br. 10:4-9; Opp’n Br. 10:12-21.) In fact, there is no evidence that any of the settlements between TCCC and O-Company were court-approved. Accordingly, because the settlement between TCCC and O-Company was not court-approved, it cannot serve as a basis for judicial estoppel.

2. Foreign Decisions

GT also asserts that judicial estoppel applies because the Commercial Court of Brussels accepted TCCC’s previous position. (Mot. Br. 18:18-20.) Although the Ninth Circuit has not ruled on whether foreign court judgments suffice to invoke judicial estoppel, there is some favorable authority on the issue. In Rapture Shipping, Ltd. v. Allround Fuel Trading B.V., 350 F. Supp. 2d 369, 374 (S.D.N.Y. 2004), the Southern District of New York held that judicial estoppel precluded the plaintiff from claiming that it did not have a valid contract with the defendant. The plaintiff previously asserted that a contract did in fact exist in its case before the Court of First Instance in Rotterdam, The Netherlands. Id. The court explained that “[a]ffording foreign courts a measure of deference brings a degree of predictability to international commerce that is critical to a smooth functioning of business.” Id. at 373; see also A.I. Trade Fin., Inc. v. Centro Internazionale Handelsbank AG, 926 F. Supp. 378, 389 (S.D.N.Y. 1996) (applying

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judicial estoppel to preclude the defendant's claims because it made contrary arguments in a prior case before a court in Vienna).

If the Commercial Court of Brussels did in fact hold that O-Company's sphere bottle trademark is invalid, such a decision would likely constitute the judicial acceptance required to preclude TCCC's claims. However, because the Court declines to take judicial notice of the English translation of the Brussels Court decision, the Court is unable to decide whether that court accepted TCCC's prior position. Thus, the Court does not decide whether the Brussels Court decision may serve as a basis for judicial estoppel.

3. Lack of Judicial Acceptance

Lastly, GT argues that judicial estoppel can apply even if a previous court never adopted, accepted, or relied upon a party's inconsistent position. (Reply Br. 17-18.) GT directs the Court to a recent Central District of California decision where the district court applied judicial estoppel even though a court never adopted the defendant's prior position. Milne ex rel. Coyne v. Slesinger, No 2:02-cv-08508-FMC-PLAx, 2009 WL 3140439 (C.D. Cal. Sept. 25, 2009).

In Milne, the court granted summary adjudication in favor of Plaintiff the Walt Disney Company ("Disney") on Defendant Stephen Slesinger, Inc.'s ("SSI") counterclaims for copyright, trademark, and trade dress infringement regarding the Winnie the Pooh characters. Id. at *1. Although a court never accepted SSI's previous position, the court held that because SSI sought royalties from Disney on the premise that it granted Disney all rights in the Winnie the Pooh characters, judicial estoppel precluded SSI from presenting copyright, trademark, and trade dress infringement claims against Disney. Id. at *5. Specifically, the Court noted that although "SSI did not prevail in its earlier litigation[,] . . . [it] vigorously pursued its royalty claims for some 13 years, in an effort to persuade the Court that Disney's uses of the works were royalty-producing." Id. Judicial estoppel applied because SSI was merely engaging in "a blatant effort to salvage its lawsuit against Disney by an [sic] taking entirely inapposite and inconsistent posture in this case." Id.

There is no Ninth Circuit rule expressly barring judicial estoppel in absence of judicial acceptance. However, Milne stands against Ninth Circuit authority that has

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applied judicial estoppel only in cases where a court does accept a prior position. See Hamilton, 270 F.3d at 783. More importantly, Milne is distinguishable from this case. SSI's attempt to assert an argument that was contrary to the one it maintained for thirteen years against Disney weighed heavily in persuading the court that SSI was attempting to undermine the integrity of the courts. Milne, 2009 WL 3140439, at *5. In contrast, TCCC did not maintain its prior position against O-Company for very long. Also, a completely different party is involved in this case. TCCC's raised its prior arguments to defend itself against claims of trademark infringement. It now exerts a good faith effort to protect its sphere bottle trademark. These contrary arguments are born out of TCCC's altered position with respect to the sphere bottle trademark, not out of a desire to mislead or play 'fast and loose' with the courts. So even if this Court were to adopt the minority position in Milne—one that is rarely applied in the Ninth Circuit—the facts of this case simply fail support the application of judicial estoppel.

D. Unfair Advantage

Lastly, judicial estoppel is appropriate if the party asserting an inconsistent position stands to gain an unfair advantage or cause unfair detriment to the opposing party. New Hampshire, 523 U.S. at 751. Allowing TCCC's counterclaims to survive the pleading stage does not prejudice GT. GT still has the opportunity to refute and disprove these claims.

Given the facts, the Court finds it premature to preclude TCCC from asserting claims in defense of its sphere bottle trademark. The primary purpose of judicial estoppel is to prevent the "use of inconsistent assertions that would result in an 'affront to judicial dignity.'" Rockwell Int'l Corp. v. Hanford Atomic Metal Trades Council, 851 F.2d 1208, 1210 (9th Cir. 1988). The Court fails to see how allowing TCCC's claims to survive this motion would undermine the integrity of the judicial system.

IV. Conclusion

For the foregoing reasons, the Court DENIES Plaintiff's motion to dismiss.

IT IS SO ORDERED.

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