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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

KIVA HEALTH BRANDS LLC,  
Plaintiff,  
v.  
KIVA BRANDS INC., et al.,  
Defendants.

Case No. [19-cv-03459-CRB](#)

**ORDER DENYING MOTION FOR  
PRELIMINARY INJUNCTION AND  
CROSS-MOTION FOR  
PRELIMINARY INJUNCTION, AND  
GRANTING MOTION TO DISMISS**

In this trademark case, Plaintiff Kiva Health Brands LLC (“KHB”), a maker of natural foods and health supplements, brings suit against Defendant Kiva Brands Inc. (“KBI”), a maker of cannabis-infused chocolate and other “edibles.” Both companies claim the right to the KIVA mark. KHB has held a federally-registered trademark in the KIVA mark since 2014. However, KBI claims to have inherited the KIVA mark from predecessors who have been using it to make cannabis-infused edibles in California since 2010. Now pending are (1) KHB’s Motion for a Preliminary Injunction, see KHB MPI (dkt. 21-1); (2) KHB’s Motion to Dismiss two of KBI’s counterclaims, see KHB MTD (also dkt. 21-1); and (3) KBI’s Cross-Motion for a Preliminary Injunction, see KBI MPI (dkt. 25-1).

Because the Court concludes that neither party has met its burden for a preliminary injunction, the Court DENIES both such motions. The Court GRANTS KHB’s motion to dismiss the two counterclaims in light of KBI’s manufacture of a product that is illegal under federal law.

1       **I.       BACKGROUND**

2               **A.       Plaintiff Kiva Health Brands LLC**

3               Plaintiff KHB is a Nevada corporation, created in 2010, with a principal place of  
4 business in Hawaii. Henderson Decl. (dkt. 21-2) ¶ 2. KHB distributes and sells “health  
5 and wellness foods and food supplements, sourced from farmers that practice sustainable  
6 and eco-friendly farming methods.” *Id.* ¶ 3. KHB registered the kivahealthbrands.com  
7 domain name in 2009, and developed a KIVA logo and its first KIVA product (berry  
8 powder) in early 2010. *Id.* ¶ 5. KHB sold KIVA-branded reusable grocery bags as of mid-  
9 2010, and sold KIVA-branded food products and food supplements as of February 2013.  
10 *Id.* ¶¶ 7, 8. KHB’s first online sales were on Amazon.com in June 2013; as of September  
11 2013, KHB also made sales through its website, [www.kivahealthfood.com](http://www.kivahealthfood.com). *Id.* ¶ 8. KHB  
12 has been selling continuously using the KIVA mark since 2013, in California, interstate,  
13 and internationally. *Id.* ¶ 8.

14               In September 2013, KHB filed an application with the USPTO to register the KIVA  
15 mark in connection with food products. *Id.* ¶ 9. The USPTO issued that registration in  
16 April 2014. *Id.*, Ex. A.<sup>1</sup> In 2015 and 2016, KHB obtained two other trademark  
17 registrations for the mark KIVA to be used on additional food and cosmetic products. *Id.*  
18 ¶ 9, Exs. B and C.<sup>2</sup>

19               According to KHB’s Managing Member, Tchad Henderson, KHB is “associated  
20 with quality products, and is well known as a source of safe, healthy, and environmentally  
21 friendly food products and food supplements.” *Id.* ¶ 10. KHB spent \$245,000 in 2016,  
22 \$720,000 in 2017, and \$1,360,000 in 2018 to promote its KIVA-branded products. *Id.*

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27 <sup>1</sup> “For: Organic Foods, Namely Maqui Berry Powder, and Wheatgrass Powder, in Class 29. . . .  
28 For: Organic Foods, Namely, Cacao Powder; Organic Spices, Namely, Saffron, Vanilla, Black  
Pepper, and Seasoned Salts, in Class 30. . . . The Mark Consists of Standard Characters Without  
Claim to Any Particular Font, Style, Size, or Color.” *Id.* Ex. A (Registration No. 4,514,257).

<sup>2</sup> In particular, Registration No. 5,108,487 includes “Class 30: Candy” with a First Use in  
Commerce of February 15, 2013. *See id.* Ex. C.

1           **B. Defendant Kiva Brands Inc.**

2           Defendant KBI is a leading provider of cannabis-infused chocolates and  
3 confections. Palmer Decl. (dkt. 24-1) ¶ 4. KBI started in November 2010 as a California  
4 not-for-profit mutual benefit corporation named Indica. Id. ¶¶ 6, 8. Founders Scott Palmer  
5 and Kristi Knoblich brainstormed potential trade names for the company, and decided on  
6 “Kiva Confections.” Id. ¶ 7, Ex. A. Indica manufactured, sold, and distributed products  
7 bearing the names KIVA and/or KIVA CONFECTIONS with permission from Palmer and  
8 Knoblich. Id. ¶ 9.

9           The contract that purports to govern that arrangement is the TM License  
10 Agreement, between Palmer and Knoblich, Licensors, on the one hand, and Indica,  
11 Licensee, on the other. See id. Ex. B. It states that Licensors own the trademark Kiva and  
12 are granting to Licensee “an exclusive, royalty-bearing right and license to use the  
13 Licensed Rights in the Territory for the processing, production, and sale of the Products.”  
14 Id. at 1, 3. The TM License Agreement states that it is “entered into as of November 23,  
15 2010,” and also that the Execution Date of the contract is November 23, 2010. See id.  
16 Palmer acknowledged in the course of this litigation that the “TM License Agreement was  
17 signed in or around October 2018,” though he asserts that it “memorialized the agreement  
18 that had existed since November 2010.” Palmer Decl. ¶ 9B.<sup>3</sup> The TM License Agreement  
19 is signed by Palmer and Knoblich, and there is a typewritten signature for “Matt Desano,  
20 Director” on behalf of “Indica, Inc. (DBA Kiva Confections).” See id. Ex. B at 20.

21           Palmer and Knoblich formed KBI in 2014. Palmer Decl. ¶ 10. Palmer asserts that  
22 “[b]etween approximately 2014 through 2017, Indica and related entities were reorganized  
23 into KBI and its wholly-owned subsidiaries.” Id.<sup>4</sup> As part of that reorganization, Palmer  
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25 \_\_\_\_\_  
26 <sup>3</sup> Palmer testified in his deposition that it appeared that the license agreement was signed in  
27 November 2010. See Miller Decl. (dkt. 21-4) ¶ 8. In subsequent correspondence, Palmer  
28 corrected that testimony to say that it was signed around October 2018, effective November 23,  
2010. Id., Ex. L

<sup>4</sup> KHB points out that Indica still exists as a California company. KHB Opp’n to KBI (dkt. 28) at  
10, Johnson Decl. Ex. 9 (California Secretary of State Business Search Entity Detail of June 5,  
2019, showing that Indica is “Active”).

1 and Knoblich transferred “all rights, title, and interest (including but not limited to, all  
2 registration rights, all rights to prepare derivative works, all goodwill and all other rights,  
3 in and to the intellectual property” to KBI pursuant to an Intellectual Property and Sale  
4 Agreement (“IP Sale Agreement”) dated October 30, 2014. Id. ¶ 11, Ex. C. That  
5 agreement listed the California trademark for KIVA and the trademark application for  
6 KIVA among the intellectual property being sold. Id. Schedule A.

7 Palmer and Knoblich co-founded KBI, Indica, and all of their affiliates. Palmer  
8 Decl. ¶ 12. They have been the majority and controlling owners/members since the  
9 entities’ inception. Id. “The main activity of all of these businesses has always been to  
10 manufacture, distribute, and sell and promote ‘Kiva Confections’ and its products.” Id.

11 Indica made its first sales in Northern California in December 2010, and expanded  
12 to Southern and Central California in 2011. Id. ¶ 13. By 2015, KBI was also selling in  
13 Arizona, Nevada, Illinois, Hawaii and Michigan. Id. ¶ 14. Palmer declares that since  
14 2010, KBI has used both “KIVA” and “KIVA CONFECTIONS” on its products, and that  
15 there has never been a strategic change in how often KBI uses one or the other. Id. ¶ 15.  
16 KBI has continuously sold products with the KIVA mark since December 2010. Id. ¶ 18.  
17 In that time, KBI has sold millions of units, including 1,705,000 units in California in  
18 2018. Id. It has a marketing budget of \$6.5 million for the 2019 year. Id. “Over the past  
19 several years,” KBI registered the KIVA mark on the state level in California and other  
20 states. Id. ¶ 20, Ex. H.<sup>5</sup> A California trademark issued on January 20, 2018 for the mark  
21 KIVA for “Chocolate and confections, all of the foregoing containing cannabis,” with a  
22 date of first use of December 1, 2010. Palmer Decl. Ex. H.

23 **C. The Conflict Between the Parties**

24 Palmer and KBI first became aware of KHB’s use of the KIVA mark in August  
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26  
27 <sup>5</sup> KBI also filed a USPTO “intent to use” application in 2017, seeking a registration for the KIVA  
28 mark for “a website featuring health, wellness and nutrition information . . . all in the field of  
herbal remedies, medical benefits of cannabis, medical cannabis strains . . . and effects of  
medic[al] cannabis.” See Amended Counterclaim ¶ 28.

1 2017. Palmer Decl. ¶ 21. Henderson and KHB first became aware of KBI in 2015.  
2 Henderson Decl. ¶ 12. Henderson understood at the time, apparently wrongly, “that [KBI]  
3 was selling marijuana-containing products, exclusively or primarily in the San Francisco  
4 Bay Area, and that its products were labeled ‘Kiva Confections.’” Id. Henderson learned  
5 “more recently” that KBI was selling some of its products without the “Confections”  
6 identifier, and that KBI was selling throughout the state of California and in other states.  
7 Id. In late 2016 or early 2017, KHB became aware that some of its consumers were  
8 confusing KHB’s brand with KBI’s. Id. ¶ 13. In January 2017, KHB staff began making a  
9 consumer confusion log. Id., Ex. E. KHB contends that the consumer confusion is  
10 causing KHB “economic damage and injury to its reputation and good will.” Henderson  
11 Decl. ¶ 15. Henderson asserts that “[KHB’s] products are environmentally friendly,  
12 unadulterated and healthy, but consumers will be confused by the similar marks, and will  
13 likely [] become worried, or erroneously assume, that [KHB’s] KIVA-brand food products  
14 are infused with marijuana.” Id.

15 In May 2018, KHB’s counsel sent a cease and desist letter to KBI. Henderson Decl.  
16 Ex. F. KBI responded in May 2018 that it had been making continuous use of the KIVA  
17 mark for seven years. Johnson Decl. Ex. 1 (dkt. 27-1). It stated that it was not aware of  
18 any consumer confusion, but that it nonetheless wished to “take appropriate steps to  
19 minimize, if not eliminate[] misdirected contact to KHB.” Id. KBI asserted that it had  
20 common law rights to the mark in California that predated KHB’s USPTO registration,  
21 suggested that the KHB trademarks were vulnerable, and concluded by seeking “to discuss  
22 an amicable resolution.” Id. KBI wrote to KHB’s counsel again in late July 2018. See  
23 Johnson Decl. Ex. 2. That letter continued to assert KBI’s common law rights to the  
24 KIVA mark, and stated that a KHB proposal to mediate or arbitrate the dispute “may be  
25 premature.” Id.

26 KHB brought suit in September 2018 for trademark infringement, unfair  
27 competition in violation of the Lanham Act, declaratory relief, and unfair and deceptive  
28 trade practices under state law. See generally Compl. (dkt. 1). It served the Complaint in

1 December 2018, see Waiver of Service Executed (dkt. 4), after the parties participated in a  
2 structured mediation in November and December 2018, see KHB Reply re MPI (dkt. 27) at  
3 4. KBI filed counterclaims. See Counterclaims (dkt. 8); Amended Counterclaims (dkt.  
4 10). KHB then filed for a motion for preliminary injunction in March 2019, seeking to  
5 enjoin KBI from any further use of the KIVA mark. See KHB MPI at 18. That same  
6 filing includes a motion to dismiss two of KBI’s counterclaims. See KHB MTD. In May  
7 2019, KBI filed a cross-motion for preliminary injunction, seeking to enjoin KHB from  
8 using the KIVA mark within California. See KBI MPI at 1.

9 This Court received this case in June when it was transferred in from the Southern  
10 District of California. See Case Transferred In (dkt. 31).

11 **II. LEGAL STANDARD**

12 A preliminary injunction should issue where the plaintiff establishes that “he is  
13 likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of  
14 preliminary relief, that the balance of equities tips in his favor, and that an injunction is in  
15 the public interest.” See Rodriguez v. Robbins, 715 F.3d 1127, 1133 (9th Cir. 2013)  
16 (citing Winter v. Natural Res. Def. Council, Inc., 555 U.S. 7, 20 (2008)). The Ninth  
17 Circuit has adopted a “sliding scale approach,” such that “‘serious questions going to the  
18 merits’ and a balance of hardships that tips sharply towards the plaintiff can support  
19 issuance of a preliminary injunction, so long as the plaintiff also shows that there is a  
20 likelihood of irreparable injury and that the injunction is in the public interest.” Alliance  
21 for the Wild Rockies v. Cottrell, 632 F.3d 1127, 1134–35 (9th Cir. 2011). The  
22 “[l]ikelihood of success on the merits ‘is the most important’ Winter factor[.]” Disney  
23 Enters., Inc. v. VidAngel, Inc., 869 F.3d 848, 856 (9th Cir. 2017).

24 Motions to dismiss are governed by Federal Rule of Civil Procedure 12(b)(6).  
25 Courts adjudicating such motions must ask whether the complaint “contain[s] sufficient  
26 factual matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’”  
27 Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (quoting Bell Atl. Corp. v. Twombly, 550 U.S.  
28 544, 570 (2007)). All material factual allegations must be construed in favor of the non-

1 moving party. W. Reserve Oil & Gas Co. v. New, 765 F.2d 1428, 1430 (9th Cir. 1985).  
2 However, courts “are not bound to accept as true a legal conclusion couched as a factual  
3 allegation.” Iqbal, 556 U.S. at 678 (quoting Twombly, 550 U.S. at 555).

4 **III. DISCUSSION**

5 This Order discusses the three motions now pending: (A) KHB’s Motion for a  
6 Preliminary Injunction, (B) KHB’s Motion to Dismiss two of KBI’s counterclaims, and  
7 (C) KBI’s Cross-Motion for a Preliminary Injunction.

8 **A. KHB’s Motion for Preliminary Injunction**

9 The first and most substantial motion is KHB’s Motion for Preliminary Injunction.  
10 As discussed below, KHB has not demonstrated that it is likely to succeed on the merits, it  
11 has failed to demonstrate irreparable harm, and the balance of the hardships weighs against  
12 KHB, although the public interest weighs in its favor. Accordingly, the motion falls short.

13 **1. Likelihood of Success**

14 The first requirement for injunctive relief is a likelihood of success on the merits.  
15 See Rodriguez, 715 F.3d at 1133. To prevail on a claim of trademark infringement, a  
16 plaintiff must show (a) ownership of a valid mark and (b) use by defendant in commerce of  
17 a mark likely to cause consumer confusion. Network Automation, Inc. v. Advanced Sys.  
18 Concepts, Inc., 638 F.3d 1137, 1144 (9th Cir. 2011). Both prongs are in dispute here.

19 **a. Ownership of the Mark**

20 KHB has three USPTO trademarks for KIVA. See Henderson Decl. Exs. A, B, C  
21 (trademarks from 2014, 2015, 2016). A federal trademark registration is prima facie  
22 evidence of: (1) the validity of the registered mark; (2) the registration of the mark; (3) the  
23 registrant’s ownership of the mark; and (4) the registrant’s exclusive right to use the  
24 registered mark in commerce on or in connection with the goods or services specified. 15  
25 U.S.C. § 1057(b); 3 McCarthy on Trademarks and Unfair Competition, § 19:9 (5th ed.  
26 2018); Rolley, Inc. v. Younghusband, 204 F.2d 209, 211 (9th Cir. 1953). KHB thus argues  
27  
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1 that it has shown a protectable ownership interest in the KIVA mark. KHB MPI at 7.

2 KBI does not dispute the validity of KHB’s trademarks per se; instead, KBI argues  
3 that it “has a protectable ownership interest in the KIVA mark under California [common]  
4 law dating back to December 2010 that covers all of California.” KBI Opp’n to KHB MPI  
5 at 18. KBI contends that its common law right to the KIVA mark in California “precludes  
6 an injunction in favor of KHB covering all of California.” See id. In sum, then: KHB  
7 seeks an injunction to prevent KBI from using the KIVA mark anywhere, and KBI  
8 challenges KHB’s ownership of the KIVA mark in California only.

9 KHB disputes that KBI has a common law right to the KIVA mark. See KHB MPI  
10 Reply (dkt. 27) at 4. It does so on two grounds. First, KHB argues that KBI does not have  
11 a valid chain of title in the KIVA mark. Id. at 4–5. Second, KHB argues that KBI cannot  
12 demonstrate “first use” in commerce because its product is illegal. Id. at 4–6 (citing  
13 Sengoku Works Ltd. v. RMC, Int’l, Ltd., 96 F.3d 1217, 1219 (9th Cir. 1996) (“To acquire  
14 ownership of a trademark it is not enough to have invented the mark first or even to have  
15 registered it first; the party claiming ownership must have been the first to actually use the  
16 mark in the sale of goods or services.”) (emphasis added)). The second ground is  
17 persuasive.

18 **i. Chain of Title**

19 KHB’s argument as to chain of title is that KBI has only existed since 2014 and so  
20 can only claim to have been the first user of the KIVA mark if it has a valid chain of title  
21 in the mark before then. KHB MPI Reply at 4. KHB notes that the only evidence of chain  
22 of title dating back to 2010 is the TM License Agreement. Id. at 5. KHB then argues that  
23 the TM License Agreement is fatally flawed because, after stating in his deposition that the  
24 agreement was signed on November 23, 2010, Palmer later admitted that it “was signed in  
25 or around October 2018, effective November 23, 2010.” Id.; see also Miller Decl. Ex L  
26 (May 2, 2019 letter from KBI counsel submitting errata to deposition transcript); Palmer  
27 Decl. ¶ 9B (“The TM License Agreement was signed in or around October 2018, but  
28 memorialized the agreement that had existed since November 2010.”). KHB contends that



1 KBI’s admission that the license agreement was signed in 2018, after litigation had begun,  
2 “strips it of any significance.” See KHB MPI Reply at 5.

3 KBI correctly responds that a backdated agreement can be valid. See KBI MPI at 4  
4 (citing Du Frene v. Kaiser Steel Corp., 231 Cal. App. 2d 452, 458 (1964) (“a party of a  
5 contract may retroactively adopt prior acts or fix retroactive dates of execution for a  
6 contract.”) and Hotel Corp. of Am. v. Inn Am., Inc., 153 U.S.P.Q. 574, at \*5 (T.T.A.B.  
7 1967) (backdated trademark agreements executed during litigation were no less “sufficient  
8 on their face to meet the essential requirements of a nunc pro tunc assignment” given  
9 “stockholders and officials of the original [applicant] and those of [subsequent corporate  
10 form of applicant] were for the most part the same”). Du Frene is not altogether relevant,  
11 but like the more recent Raceway Ford Cases, 2 Cal. 5th 161, 175–76 (2016), it suggests  
12 that California courts do not reject backdated contracts out of hand. The court in the more  
13 factually analogous Hotel Corp. of America observed that nunc pro tunc assignments are  
14 intended “to make the record show something which actually occurred, but has been  
15 omitted from the record through inadvertence or mistake.” 153 U.S.P.Q. at \*5.

16 Even so, this Court would have more confidence that the TM License Agreement  
17 was created as a legitimate, backdated agreement had it explicitly stated that it was a nunc  
18 pro tunc agreement written in 2018 to reflect what was meant in 2010. That seems to be  
19 more akin to what happened in Du Frene, 231 Cal. App. 2d at 458, where the document at  
20 issue was a “Change Order” signed by all parties, and stating, “The foregoing [o]rder . . . is  
21 hereby approved and accepted as of November 4, 1957,” and the Raceway Ford Cases, 2  
22 Cal. 5th at 164, where Raceway Ford would enter into a “subsequent finance contract”  
23 with a buyer and backdate the second contract to the date of the first contract. Even the  
24 assignments in Hotel Corp. of Am., 153 U.S.P.Q. at \*5, appear to have been explicitly  
25 nunc pro tunc.

26 Two further facts undermine the TM License Agreement. First, the TM License  
27 Agreement states that “Licensee shall pay Licensors a nonrefundable licensing fee of  
28 Twenty-Five Thousand Dollars (\$25,000) on the following basis: (a) on the Execution

1 Date, Licensee shall pay to Licensors Fifteen Thousand Dollars (\$15,000). . . .” Palmer  
2 Decl. Ex. B ¶ 4.1 (“License Fee”). When asked at his deposition whether he actually  
3 received \$15,000 on the day the agreement was made [in 2010], Palmer answered, “Based  
4 on our financial situation at the time it’s doubt[ful]. I don’t think so.” Miller Decl. Ex. L.  
5 He subsequently changed that answer to “I don’t think so.” *Id.* Second, the TM License  
6 Agreement bears the handwritten signatures of Knoblich and Palmer, as Licensors, but the  
7 signature for the representative of the Licensee, Indica, was typewritten: it says simply “/s/  
8 Matt Desano, Matt Desano, Director.” Palmer Decl. Ex. B at 20. KHB asserts that  
9 “Palmer testified under oath that Matt Desano was a director of Indica who had joined  
10 when it was formed, in 2010, and who had left Indica by 2014 or 2015.” KHB Opp’n to  
11 KBI MPI (dkt. 28) at 12 (citing Palmer Depo. at 46–20 to 50–7). If Desano was no longer  
12 at Indica when the TM License Agreement was signed in 2018, then the Court cannot  
13 know that Desano actually agreed to the agreement’s terms on behalf of Indica in 2010.<sup>6</sup>

14 “If [an] alleged ‘senior user’ traces rights through an assignment, the assignment is  
15 subject to judicial scrutiny to be sure it was in fact a valid assignment.” *See* McCarthy  
16 § 26:5; *see also* Sarieddine v. Alien Visions E-Juice, Inc., No. CV 18-3658 PA (MAAx),  
17 2019 WL 1966661, at \*6 (C.D. Cal. April 12, 2019) (slip op.) (“courts must be cautious in  
18 scenarios that do not involve clear written documents of assignment. Requiring strong  
19 evidence to establish an assignment is appropriate both to prevent parties from using self-  
20 serving testimony to gain ownership of trademarks and to give parties incentive to identify  
21 expressly the ownership of the marks they employ.”) (quoting Doebler’s Pa. Hybrids, Inc.  
22 v. Doeblor, 442 F.3d 812, 822 (3d Cir. 2006)); TMT N. Am., Inc. v. Magic Touch GmbH,  
23 124 F.3d 876, 884 (7th Cir. 1997) (same).<sup>7</sup> Given the irregularities with the TM License  
24 Agreement, the Court is inclined to reject it as proof of a 2010 assignment of the KIVA  
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26 <sup>6</sup> KBI answers in its reply that Palmer and Knoblich were controlling members of Indica in 2010  
27 and 2018 “and had authority to enter into agreements on its behalf.” KBI Reply re MPI (dkt. 45-  
28 1) at 6. But they did not sign their names on Indica’s behalf; they signed the name of a former  
employee who was no longer there. This is no small discrepancy.

<sup>7</sup> KHB incorrectly attributes these quotes to Dep’t of Parks & Rec. v. Bazaar Del Mundo, Inc., 448  
F.3d 1118, 1131 (9th Cir. 2006). *See* KHB MPI at 12; KHB Reply re MPI at 5.

1 mark from Palmer and Knoblich to Indica.

2           Nevertheless, KBI argues that “even if the TM License Agreement is invalid . . . a  
3 license to use a trademark may be implied by the conduct of the parties.” KBI MPI at 5.  
4 This is true. ““If there is no documentary evidence of an assignment, it may be proven by  
5 the clear and uncontradicted oral testimony of a person in a position to have actual  
6 knowledge.”” Sarieddine, 2019 WL 1966661, at \*6 (quoting Doebler’s Pa. Hybrids, 442  
7 F.3d at 822); see also Kane on Trademark Law (6th ed. 2018) § 21:2 (“Trademarks, like  
8 other forms of property, can be transferred orally or in writing. An oral assignment may be  
9 proven by the clear and uncontradicted testimony of a person with knowledge. For ease of  
10 proof, of course, you are much better off with a written assignment.”).

11           KBI argues that it has demonstrated an “implied license” between Palmer and  
12 Knoblich, and Indica. KBI MPI at 5. To show an implied license, there must be “evidence  
13 of an agreement or course of conduct by the parties to contract for a trademark license.”  
14 Bazaar Del Mundo, Inc. 448 F.3d at 1130. Moreover, “it is imperative for a licensor to  
15 have ‘maintain[ed] control over the quality of the finished product or service to guarantee  
16 to the public that the goods or services are of the same, pre-license quality.’” Henderson v.  
17 Lindland, No. CV 11-01350 DDP DTBX, 2013 WL 1181957, at \*5 (C.D. Cal. Mar. 21,  
18 2013) (quoting Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001, 1017 (9th  
19 Cir. 1985)). Here there was no “pre-license quality,” as Palmer and Knoblich never used  
20 the KIVA mark in commerce until Indica did so in December 2010, see Palmer Decl. ¶ 13,  
21 but no matter, see TAP Mfg., LLC v. Signs, No. 2:15-cv-00797-SVW-PJW, 2015 WL  
22 12752874, at \*6 (C.D. Cal. July 23, 2015) (trademark use by licensee “inures to the benefit  
23 of the licensor.”). Given Palmer’s uncontested testimony that the main business of Indica  
24 and KBI has always been to sell KIVA confections, that he and Knoblich maintained full  
25 control over Indica, KBI, and their affiliates, and that they were the “majority and  
26 controlling owners/members since the entities’ inception,” see Palmer Decl. ¶ 12, there is  
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1 probably a sufficient basis to conclude that there was an implied assignment.<sup>8</sup>

2 Accordingly, while the TM License Agreement does not necessarily demonstrate a  
3 valid assignment of the KIVA mark from Palmer and Knoblich to Indica in 2010, the  
4 doctrine of implied license likely establishes a chain of title, in California only.

5 **ii. First Use**

6 KHB's second argument in opposing KBI's assertion of a common law right to the  
7 KIVA mark is that one cannot claim first use based on an illegal product. KHB MPI at 12.  
8 There is a paucity of trademark authority addressing what happens when a product's  
9 legality differs under state and federal law, but what authority there is favors KHB.

10 To register a trademark, an applicant must show that the mark "is in use in  
11 commerce" or that the applicant has a "bona fide intention to use the mark in commerce[.]"  
12 15 U.S.C. § 1051(a)(3)(C); 15 U.S.C. § 1051(b)(3)(B). "[P]riority ordinarily comes with  
13 earlier use of a mark in commerce." Grupo Gigante SA De CV v. Dallo & Co., Inc., 391  
14 F.3d 1088, 1093 (9th Cir. 2004). Importantly, though, the USPTO and the Ninth Circuit  
15 have held that the "use in commerce" must be a lawful use. See, e.g., S. Cal. Darts Ass'n  
16 v. Zaffina, 762 F.3d 921, 931 (9th Cir. 2014) ("only lawful use in commerce can give rise  
17 to trademark priority"); CreAgri, Inc. v. USANA Health Scis., Inc., 474 F.3d 626, 630 (9th  
18 Cir. 2007) (agreeing with "the PTO's policy . . . that only lawful use in commerce can give  
19 rise to trademark priority"); In re Morgan Brown, 119 U.S.P.Q. 2d 1350 (T.T.A.B. July 14,  
20 2016) ("We have consistently held that, to qualify for a federal service mark registration,  
21 the use of a mark in commerce must be 'lawful'. . . . Thus, any goods or services for which  
22 the mark is used must not be illegal under federal law."). The Ninth Circuit explained that  
23 "to hold otherwise would be to put the government in the 'anomalous position' of  
24 extending the benefits of trademark protection to a seller based upon actions the seller took  
25 in violation of that government's own laws." CreAgri, 474 F.3d at 630 (quoting In re

26  
27  
28 <sup>8</sup> KBI further argues that it has a right to the KIVA mark dating back to 2010 under the "related companies" doctrine. KBI MPI at 5. The Court does not reach this argument.

1 Stellar Int'l, 159 U.S.P.Q. 48, at \*3 (T.T.A.B. July 30, 1968)).<sup>9</sup> The lawful use  
2 requirement is applicable to senior user claims. See id. at 634. It is also applicable to a  
3 claim for cancellation of a registered mark. See GoClear LLC v. Target Corp., No. C 08-  
4 2134 MMC, 2009 WL 160624, at \*3 (N.D. Cal. Jan. 22, 2009).

5 KHB asserts that the KBI and Indica products bearing the KIVA mark were “all  
6 infused with cannabis.” KHB MPI at 13 (quoting Amended Counterclaim ¶ 5). And it  
7 asserts that, whatever its status under state law, “marijuana remains illegal for all purposes  
8 under federal law.” See id. (citing Trademark Laundering, Useless Patents, and Other IP  
9 Challenges for the Marijuana Industry, 73 Wash. & Lee L. Rev. 217, 219 (Winter, 2016);  
10 Trademark Manual of Examining Procedure § 907 (2018) (“Use of a mark in commerce  
11 must be lawful use to be the basis for federal registration of the mark. . . . [the Controlled  
12 Substances Act] makes it unlawful to manufacture, distribute, or dispense a controlled  
13 substance [or] possess a Schedule I controlled substance. . . . regardless of state law,  
14 marijuana [and] marijuana extracts . . . remain Schedule I controlled substances under  
15 federal law and are subject to the CSA’s prohibitions”); 21 U.S.C. § 812(c)(10) (listing  
16 “[m]arihuana” in Schedule I)).

17 KHB is correct. See, e.g., Trademark Laundering, 73 Wash. & Lee L. Rev. at 245–  
18 46 (“The illegality doctrine thus poses great, possibly insurmountable, problems for the  
19 marijuana industry. So long as marijuana remains illegal under federal law, marijuana  
20 businesses cannot demonstrate that they are engaged in lawful commerce, and their  
21 applications for trademarks are now routinely denied. . . .”). In re Morgan Brown, 119  
22 U.S.P.Q. 2d at \*2–3, involved an attempt to register the mark “HERBAL ACCESS” for  
23 “retail store services featuring herbs” where the store’s services included the provision of  
24 marijuana, “an illegal substance . . . in violation of the [CSA].” The Trademark Trial and  
25 Appeal Board explained that “[r]egardless of individual state laws that may provide for  
26

27 <sup>9</sup> The Ninth Circuit later clarified that “trademark protection might not be withheld on account of  
28 unlawful conduct that is ‘collateral,’ namely where there is an insufficient nexus between the  
unlawful behavior and the use of the mark in commerce.” S. Cal. Darts Ass’n, 762 F.3d at 931  
(quoting CreAgri, 474 F.3d at 631–32). Collateral illegality is not an issue here.

1 legal activities involving marijuana, marijuana . . . remain[s a] Schedule I controlled  
2 substance[] under federal law[.]” Id. at \*3. Because a store selling a good that is illegal  
3 under federal law is “a use that is unlawful,” the Board affirmed the refusal to register the  
4 mark. Id. at \*5. In a similar case, the Board also affirmed the refusal to register the marks  
5 “POWERED BY JUJU” and “JUJU JOINTS” for smokeless marijuana or cannabis  
6 vaporizing apparatuses, “based upon lack of lawful use of the mark in commerce[.]” In re  
7 JJ206, LLC, DBA Juju Joints, 120 U.S.P.Q. 2d 1568, at \*1 (T.T.A.B. Oct. 27, 2016). The  
8 Board explained that “where the identified goods are illegal under the federal [CSA], the  
9 applicant cannot use its mark in lawful commerce[.]” Id. at \*2. It reiterated that even if  
10 the goods are lawful under state law, that is “irrelevant to the question of federal  
11 registration when it is unlawful under federal law.” Id. at \*3 (quoting In re Morgan  
12 Brown, 119 U.S.P.Q. 2d 1350, at \*1). Though the applicant argued that a series of policy  
13 ills would follow the refusal to grant trademark protection to marijuana-related goods and  
14 services, including that such businesses would suffer infringement, the Board responded  
15 that it “cannot simply disregard the requirement of lawful use[.]” Id. at \*4.

16 KBI concedes, as it must, that marijuana is illegal under federal law. See KHB  
17 Reply re MPI at 6. It responds, though, that the illegality of its products under federal law  
18 “would be relevant if KBI were seeking federal trademark registration of the KIVA mark  
19 for use on its products,” but is irrelevant to KBI’s having invoked its “common law rights  
20 under California law.” KBI Opp’n to KHB MPI at 22; see also KBI MPI at 8. KBI  
21 contends that KHB’s trademark does not trump the valid rights KBI acquired under state  
22 law. KBI MPI at 7 (citing Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426,  
23 436 (9th Cir. 2017) (“the geographic scope of . . . rights in a registered trademark [under  
24 15 U.S.C. § 1057] looks like Swiss cheese: it stretches throughout the United States with  
25 holes cut out where others acquired common-law rights prior to the registration.”)).

26 In Stone Creek, 875 F.3d at 436, a defendant asserted that its use of the plaintiff’s  
27 trademark was protected under the Tea Rose-Rectanus doctrine, which provides that  
28 “common-law trademark rights extend only to the territory where a mark is known and

1 recognized, so a later user may sometimes acquire rights in pockets geographically remote  
 2 from the first user’s territory.” The court explained that a defendant’s “common-law  
 3 rights, if they exist, are not wiped out merely because [the plaintiff] later filed a federal  
 4 registration. Although federal registration presumptively entitles the senior user to  
 5 nationwide protection, 15 U.S.C. § 1057(b), the Lanham Act preserves legal and equitable  
 6 defenses that could have been asserted prior to registration, *id.* § 1115(a).”<sup>10</sup> *Id.* Here, no  
 7 one claims that the Tea Rose-Rectanus doctrine applies. Nor does it seem that KBI’s use  
 8 of the KIVA mark on a product that is illegal under federal law is a “legal and equitable  
 9 defense[] that could have been asserted prior to [KHB’s federal trademark] registration.”  
 10 *See id.*; *see also In re JJ206, LLC, DBA Juju Joints*, 120 U.S.P.Q. 1568, at \*3 (that a good  
 11 is lawful under state law is “irrelevant to the question of federal registration when it is  
 12 unlawful under federal law.”) (quoting *In re Morgan Brown*, 119 U.S.P.Q. 1350, at \*1).  
 13 KBI’s earlier use of the mark on an illegal product would have carried no sway with the  
 14 USPTO. *See Trademark Laundering*, 73 Wash. & Lee L. Rev. at 245–46.

15 KBI also relies on Headspace Int’l LLC v. Podworks Corp., 428 P.3d 1260, 1264  
 16 (Wash. Ct. App. 2018), as “recognizing a cannabis business’[s] state trademark rights  
 17 within Washington state because cannabis activity is lawful there.” KBI MPI at 8. But  
 18 Headspace dealt only with Washington state law. *See* 428 P.3d at 1262. The court  
 19 recognized by way of analogy that the Lanham Act requires a lawful use in commerce, and  
 20 it cited to the Ninth Circuit’s opinion in CreAgri. *Id.* at 1263–64. It held that because the  
 21 California-based plaintiff had alleged the lawful use of its mark in Washington (i.e., a use  
 22 that did not necessarily violate Washington’s Uniform Controlled Substances Act), the trial  
 23 court should not have dismissed the plaintiff’s claims against a competing Washington-  
 24 based marijuana business. *Id.* at 1262. Headspace did not involve a company with a  
 25 federal trademark bringing a claim of federal trademark infringement against a state-legal

26  
 27  
 28 <sup>10</sup> 15 U.S.C. § 1115(a) states in part that a registration “shall not preclude another person from proving any legal or equitable defense or defect . . . which might have been asserted if such mark had not been registered.”

1 marijuana company.

2 While KBI is only asserting California common law rights to the KIVA mark, see  
 3 KBI MPI at 7, it is doing so as a defense to a federal trademark claim, see Compl. ¶¶ 24–  
 4 33 (trademark infringement claim); KHB MPI at 6 (asserting likelihood of success on  
 5 trademark infringement claim). That defense relies on KBI’s prior use of the mark. See  
 6 Sengoku Works, 96 F.3d at 1219 (“To acquire ownership of a trademark . . . the party  
 7 claiming ownership must have been the first to actually use the mark in the sale of goods  
 8 or services.”); CreAgri, 474 F.3d at 630 (“only lawful use in commerce can give rise to  
 9 trademark priority”). KBI’s prior use was illegal under federal law. See Palmer Decl. ¶ 4  
 10 (all KBI products contain cannabis); In re Morgan Brown, 119 U.S.P.Q. 2d at \*3  
 11 (“Regardless of individual state laws that may provide for legal activities involving  
 12 marijuana, marijuana . . . remain[s a] Schedule I controlled substance[] under federal law  
 13 . . .”). KBI therefore did not make lawful prior use of the mark. See S. Cal. Darts Ass’n,  
 14 762 F.3d at 931. To hold that KBI’s prior use of the KIVA mark on a product that is  
 15 illegal under federal law is a legitimate defense to KHB’s federal trademark would “put the  
 16 government in the anomalous position of extending the benefits of trademark protection to  
 17 a seller based upon actions the seller took in violation of that government’s own laws.”  
 18 See CreAgri, 474 F.3d at 630 (internal quotation marks omitted).

19 Although the parties have not identified, and the Court has not seen, any directly  
 20 relevant authority about the interplay of state marijuana laws and federal trademark law,<sup>11</sup>

21 \_\_\_\_\_  
 22 <sup>11</sup> Two further cases merit discussion.

23 KBI argues that in Lochirco Fruit & Produce Co., Inc. v. Tarukino Holdings, Inc., No.  
 24 C18-763-RAJ, 2019 WL 157939 (W.D. Wash. Jan. 9, 2019), “a court recognized trademark rights  
 25 associated with state-legal cannabis goods without any consideration as to the federal illegality of  
 26 the products.” KBI Reply (dkt. 45-1) at 4. It is true that the district court in the case did not  
 27 address—one way or another—the issue of the defendant’s federally-illegal marijuana-laced apple  
 28 beverage on the plaintiff (a caramel apple company)’s federal and state trademark claims. See  
 generally Lochirco Fruit & Produce Co., 2019 WL 157939. It is not clear from the opinion  
 whether the parties raised the issue of illegal prior use in commerce. See generally id. However,  
 the court there decided that the defendant company did not infringe on plaintiff’s Happy Apple  
 trademark because there was no likelihood of confusion between the two products. See id. at \*3.  
 It did not need to reach the issue of first use.

KBI also alerted the Court to Woodstock Ventures LC v. Woodstock Roots, LLC, 387 F.  
 Supp. 3d 306 (S.D.N.Y. 2019). See Statement of Recent Decisions (dkt. 50, Ex. A). In that case,



1 the Court is persuaded that the illegality of KBI’s products under federal law renders KBI  
2 unable to challenge KHB’s federal trademark. Accordingly, as of this stage in the case,  
3 KHB has demonstrated ownership of the mark nationally, including in California.

4 Even assuming that KHB prevails on this prong of the likelihood of success  
5 requirement, however, it has not demonstrated a likelihood of confusion.

6 **b. Likelihood of Confusion**

7 Likelihood of confusion exists “when consumers are likely to assume that a product  
8 or service is associated with a source other than its actual source because of similarities  
9 between the two sources’ marks or marketing techniques.” Int’l Jensen, Inc. v.  
10 Metrosound U.S.A., Inc., 4 F.3d 819, 825 (9th Cir. 1993) (internal quotation marks  
11 omitted). Courts in the Ninth Circuit analyzing likelihood of confusion look to the eight  
12 factors identified in AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979),  
13 abrogated on other grounds by Mattel, Inc. v. Walking Mountain Prods., 353 F.3d 792 (9th  
14 Cir. 2003): (i) the strength of the mark; (ii) the similarity of the marks; (iii) the proximity  
15 of the goods sold; (iv) the similarity in the marketing channels used; (v) the type of  
16 goods/services and the degree of care likely to be exercised by purchasers; (vi) the  
17 evidence of actual confusion; (vii) defendant’s intent in selecting its mark; and (viii) the  
18 likelihood of expansion into other markets. These factors are mixed in this case.

19 **i. Strength of the Mark**

20 “The stronger a mark—meaning the more likely it is to be remembered and  
21

22  
23 the defendants, who owned a trademark of the WOODSTOCK mark for smokers’ articles and  
24 related goods, sought a preliminary injunction against the plaintiff, producer of the 1969  
25 Woodstock music festival, which used the WOODSTOCK mark on a variety of products,  
26 including “WOODSTOCK-branded recreational marijuana.” See Woodstock Ventures, 387 F.  
27 Supp. 3d at 310–13. But in that case, too, the court decided that it “need not resolve the issue of . .  
28 . priority rights in the WOODSTOCK mark,” because the defendants had failed to show a  
likelihood of confusion. Id. at 315. When the defendants argued that they intended to expand into  
the area of selling recreational marijuana, the court cited CreAgri and explained that it could not  
give any weight to such intent “because the sale of recreational marijuana is illegal under federal  
law.” Id. at 318–19.

Accordingly, neither case (nor the Eastern District of Arkansas case also included in KBI’s  
Statement of Recent Decisions) offers useful guidance on this issue.

1 associated in the public mind with the mark’s owner—the greater the protection it is  
 2 accorded by the trademark laws.” Brookfield Commc’ns., Inc. v. W. Coast Entm’t Corp.,  
 3 174 F.3d 1036, 1058 (9th Cir. 1999). Strong marks are inherently distinctive and are  
 4 “afforded the widest ambit of protection,” whereas a “descriptive mark tells something  
 5 about the product . . . [and] will be protected only when secondary meaning is shown.”  
 6 Sleekcraft, 599 F.2d at 349. KHB argues in conclusory fashion that its mark is “‘strong,’  
 7 and is not descriptive or generic.” KHB MPI at 10. The Court agrees that the mark is not  
 8 descriptive: the word Kiva does not describe anything about the KHB’s health foods. See  
 9 Lahoti v. Vericheck, 586 F.3d 1190, 1198 (9th Cir. 2009) (“‘primary criterion’ for  
 10 distinguishing between a suggestive and a descriptive mark ‘is the imaginativeness  
 11 involved in the suggestion, that is, how immediate and direct is the thought process from  
 12 the mark to the particular product.’”) (quoting Self-Realization Fellowship Church v.  
 13 Ananda Church of Self-Realization, 59 F.3d 902, 911 (9th Cir. 1995)). Moreover,  
 14 “[f]ederal trademark registration alone may be sufficient . . . to satisfy . . . distinctiveness.”  
 15 Network Automation, 638 F.3d at 1149 (internal quotation marks omitted).

16 KBI argues that “[w]hile the KIVA mark may have some conceptual strength, it is  
 17 commercially weak in the context of KHB’s products.” KBI Opp’n to KHB MPI (dkt. 24)  
 18 at 10. Indeed, the other relevant measurement for the strength of the mark is its  
 19 commercial strength. Network Automation, 638 F.3d at 1149. “Commercial strength is  
 20 based on ‘actual marketplace recognition,’ and thus ‘advertising expenditures can  
 21 transform a suggestive mark into a strong mark.’” Id. (citing Brookfield, 174 F.3d at  
 22 1058). There is little in the record on this point—just that KHB’s products have been  
 23 commercially available since February 2013, Henderson Decl. ¶¶ 7, 8, and that KHB spent  
 24 \$245,000 in 2016, \$720,000 in 2017, and \$1,360,000 in 2018 to promote its KIVA-  
 25 branded products, id. ¶ 10.<sup>12</sup> This evidence is insufficient to gauge the KHB mark’s

26 \_\_\_\_\_  
 27 <sup>12</sup> The Court is unpersuaded by KBI’s argument that other companies using the name Kiva for  
 28 other kinds of products undermines KHB’s commercial strength. See KBI Opp’n to KHB MPI at  
 10, Schuman Decl. (dkt. 24-3) Ex. 4. None of the companies cited appear to operate in the same  
 space as KHB. Id.

1 commercial strength, especially as it might compare to the KBI mark’s commercial  
2 strength, see, e.g. Palmer Decl. ¶ 18 (millions of units sold since December 2010,  
3 including 1,705,000 units in California in 2018, marketing budget of \$6.5 million for the  
4 year 2019); id. ¶ 5 (KBI’s consumer and industry awards).

5 Given the current state of the record, the mark is conceptually strong, though  
6 perhaps not as commercially strong. This factor weighs in favor of confusion.

7 **ii. Similarity of the Marks**

8 “Similarity of the marks is tested on three levels: sight, sound, and meaning,” and  
9 “[e]ach must be considered as they are encountered in the marketplace.” Sleekcraft, 599  
10 F.2d at 351. KHB argues that “the marks are identical.” KHB MPI at 8. It notes that the  
11 mark it registered is simply the four-letter name KIVA, and “consists of standard  
12 characters without claim to any particular font, style, size, or color.” Henderson Decl. Ex.  
13 A (trademark No. 4,514, 257). But the sight of the marks as encountered in the  
14 marketplace are slightly different: KHB’s website and its products display the word KIVA  
15 in all-capital, sans-serif, black letters, with two slim, green leaves (one dark, one light) in  
16 the shape of a V in place of the letter V. See [www.kivahealthfood.com](http://www.kivahealthfood.com) (last visited  
17 8/19/2019). It looks like this:



20 The KBI website and products display the word KIVA in all-capital, sans-serif, bolded  
21 black letters with a shadow behind them. See, e.g., Henderson Decl. Ex. D (KBI vanilla  
22 chai milk chocolate sample). It looks like this:



25 KBI notes that its mark is further distinguishable because it must clearly label its products  
26 as containing cannabis, stating “CANNABIS INFUSED” and bearing a symbol with a  
27 marijuana leaf and the letters CA. KBI Opp’n to KHB MPI at 13. So the packaging of the  
28 two companies also varies. The sound of the two marks is of course the same, as is the

1 meaning, because both have fanciful meanings. The marks are therefore similar but not  
2 identical. This factor also weighs in favor of confusion.

3  
4 **iii. Proximity of the Goods Sold**

5 “For related goods, the danger presented is that the public will mistakenly assume  
6 there is an association between the producers of the related goods, though no such  
7 association exists.” Sleekcraft, 599 F.2d at 350. “Related goods are those ‘products which  
8 would be reasonably thought by the buying public to come from the same source if sold  
9 under the same mark.’” Id. at 348 n.10 (quoting Standard Brands, Inc. v. Smidler, 151  
10 F.2d 34, 37 (2d Cir. 1945)). KHB argues that “the proximity of the goods is established  
11 [because] they are in the same USPTO goods classification.” KHB MPI at 8–9. KHB’s  
12 trademark is in Classification No. 30, for candy, chocolate powder, honey, syrups, natural  
13 sweeteners, and sweets. Id. at 9; see also Miller Decl. ¶ 5, Ex. J (Trademark ID Manual).  
14 But as KBI explains, “[t]he PTO’s classifications exist solely for administrative purposes,  
15 and do[] not affect the substantive rights of a mark’s owner in any way.” See KBI Opp’n  
16 to KHB MPI at 10–11 (quoting Patsy’s Italian Rest., Inc. v. Banas, 658 F.3d 254, 269 (2d  
17 Cir. 2011); Nat’l Football League v. Jasper All. Corp., 16 U.S.P.Q.2d 1212, at \*4 n.5  
18 (T.T.A.B. 1990) (“Applicant is also mistaken in its belief that the classification system  
19 within the [PTO] has some bearing on the question of likelihood of confusion. This is  
20 simply not so.”)).

21 “To determine whether goods are related, courts may consider whether the goods  
22 are complementary, whether the products are sold to the same class of purchasers, and  
23 whether the goods are similar in use and function.” Groupion, LLC v. Groupon, Inc., 859  
24 F. Supp. 2d 1067, 1074 (N.D. Cal. 2012). At a high enough level of abstraction, the goods  
25 are related: they are both food items, sold to people looking for food. But upon any closer  
26 examination, they are quite different. One is candy combined with a recreational drug, the  
27 other is health food. While KHB’s products are used for nutrition, see KHB MPI at 1  
28 (“eco-friendly, unadulterated health food products”), KBI’s products are used to ingest

1 cannabis, see id. at 4, Palmer Decl. ¶ 4. Unlike wine and cheese, or salami and cheese,  
2 there is no evidence that KBI’s cannabis-infused confections (like a cannabis-infused  
3 espresso dark chocolate bar), and either KHB’s health supplements (like berry powder) or  
4 its pantry items (like Spanish saffron) are complementary. See E. & J. Gallo Winery v.  
5 Gallo Cattle Co., 967 F.2d 1280, 1291 (9th Cir. 1992). And KHB has submitted no  
6 evidence that the companies serve the same customers. In fact, KHB’s products are  
7 available on the internet, while KBI’s products are only available to adults over 21 years  
8 old and/or approved medical marijuana users, and then only through state-licensed  
9 dispensaries and delivery services. See Henderson Decl. ¶ 8, KBI Opp’n to KHB MPI at  
10 11 (citing. e.g., Cal. Bus. & Prof. Code §§ 26140(a)(1) and (c)(1)).

11 This factors weighs heavily against confusion.

12 **iv. Similarity in the Marketing Channels Used**

13 “Convergent marketing channels increase the likelihood of confusion.” Sleekcraft,  
14 599 F.2d at 353. KHB argues only that the two companies “have promoted and marketed  
15 their products over the internet.” KHB MPI at 9. But this argument also fails. “[T]he  
16 shared use of the internet as a marketing channel is ubiquitous and, thus, does not shed  
17 much light on the likelihood of consumer confusion.” Groupion, 859 F. Supp. 2d at 1077;  
18 see also Network Automation, 638 F.3d at 1151 (“Today, it would be the rare commercial  
19 retailer that did not advertise online, and the shared use of a ubiquitous marketing channel  
20 does not shed much light on the likelihood of consumer confusion.”). Moreover, though  
21 there is no evidence on this point in the record, it seems likely that the two companies  
22 advertise in different places outside of the internet. KHB has failed to demonstrate that  
23 this factor weighs in favor of confusion.

24 **v. Type of Goods and Degree of Care Likely to be**  
25 **Exercised by Purchasers**

26 “In assessing the likelihood of confusion to the public, the standard used by the  
27 courts is the typical buyer exercising ordinary caution.” Sleekcraft, 599 F.2d at 353.  
28

1 “When the buyer has expertise in the field, a higher standard is proper though it will not  
2 preclude a finding that confusion is likely.” Id. “Similarly, when the goods are expensive,  
3 the buyer can be expected to exercise greater care in his purchases; again, though,  
4 confusion may still be likely.” Id. KHB does not address this point, and there is little  
5 evidence in the record to assist the Court with it. The products at issue are relatively  
6 inexpensive, which would suggest that purchasers would not exercise a high degree of  
7 care. See id. However, KBI cites to a few cases suggesting that purchasers might exercise  
8 a higher degree of care when ingesting something for health purposes. See KBI Opp’n to  
9 KHB MPI at 14 (citing, e.g., Reeves v. Gen. Nutrition Ctrs., Inc., No. SA CV 10-01653  
10 JAK (FFMx), 2012 WL 13018362, at \*7 (C.D. Cal. Apr. 2, 2012) (“The relevant  
11 consumers are either looking for a diet plan or shopping for a protein drink, and in both  
12 scenarios, the consumers are seeking to reach their health goals through the use of these  
13 products, which leads to a higher level of care.”). That point applies less well to KHB’s  
14 honey and cinnamon than it does to its health food supplements.<sup>13</sup> Accordingly, this factor  
15 just slightly weighs in favor of confusion.

16 **vi. Evidence of Actual Confusion**

17 “Evidence that use of the two marks has already led to confusion is persuasive proof  
18 that future confusion is likely,” but “[p]roving actual confusion is difficult[.]” Sleekcraft,  
19 599 F.2d at 352. KBI asserts that it “has not received any reports of actual confusion  
20 between its products and KHB’s products.” KBI Opp’n to KHB MPI at 15 (citing Palmer  
21 Decl. ¶¶ 22–23, Palmer Depo. at 74–76, 78–79).<sup>14</sup> KHB asserts, however, that beginning  
22 in late 2016 or early 2017 (and continuing through March 26, 2019, see KHB Opp’n to  
23 KBI MPI at 14), KHB “became aware of a substantial, and increasing, number of  
24

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25 <sup>13</sup> As to KBI’s products, it stands to reason that consumers intending to ingest cannabis would  
26 exercise a higher degree of care in selecting their product, and that customers might study a  
27 product’s label to determine how potent they wish their confection to be.

28 <sup>14</sup> KHB argues that KBI is aware of customer confusion, because KBI once received an email  
from an ingredients supplier on which KHB was mistakenly copied. See KHB Opp’n to KBI MPI  
at 16–17, Johnson Opp’n Decl. Ex. 12 (dkt. 28-1). But this email from a supplier does not speak  
to customer confusion.

1 complaints and questions indicating that consumers were confusing Kiva Health’s KIVA  
 2 brand with Kiva Confections.” Henderson Decl. ¶ 13. KHB staff began making entries  
 3 into a consumer confusion log. Id., Ex. E (log). The log purportedly reflects phone calls  
 4 and emails received from consumers, Henderson Depo. at 110, and includes nine pages of  
 5 lines like “April 2017 – questions regarding if we switch our company to medical THC  
 6 now – John,” see Henderson Decl. Ex. E at 1.

7 KBI asserts, persuasively, that the log does not satisfy the business records  
 8 exception to the hearsay rule. KBI Opp’n to KHB MPI at 16. “Rule 803(6) requires that  
 9 ‘making the record was a regular practice of’ the business,” ADT Security Servs. v.  
 10 Security One Int’l, Inc., No. 11-cv-5149 YGR, 2013 WL 4766401, at \*2–3 (N.D. Cal.  
 11 Sept. 5, 2013), which it was not here, see Henderson Depo. at 99. A log also indicates “a  
 12 lack of trustworthiness” if it was created as a record for litigation, see ADT Security  
 13 Servs., 2013 WL 4766401, at \*2–3; Henderson Depo. at 88–89 (log started after consulting  
 14 with current litigation counsel); but see Henderson Depo. at 145–46 (claiming to have  
 15 independently had the idea of creating a consumer confusion log).

16 On the other hand, courts in this circuit generally hold that the testimony of a  
 17 plaintiff’s employees that consumers were confused is not hearsay at all, because it is not  
 18 offered to prove the truth of the consumer’s assertions, only that the callers made the  
 19 assertions. See, e.g., Mustang Motels, Inc. v. Patel, 226 U.S.P.Q. 526, 1985 WL 72659, at  
 20 \*1 n.1 (C.D. Cal. Mar. 1, 1985); Sinhdarella, Inc. v. Vu, 85 U.S.P.Q. 2d 2007, 2008 WL  
 21 410246, at \*4 (N.D. Cal. Feb. 12, 2008); Lahoti v. Vericheck, Inc., 636 F.3d 501, 509, 97  
 22 U.S.P.Q. 2d 1878 (9th Cir. 2011) (applying the state of mind exception); see also  
 23 McCarthy § 23:15 (“In my view, it is clear that testimony from . . . employees or others  
 24 about what customers have told them about their mistaken beliefs should not be excluded  
 25 from evidence as ‘hearsay’. . . . it is only being offered to prove . . . state of mind”).

26 The Court agrees with the weight of the authority in this circuit that the log is not  
 27 hearsay. See also Herb Reed Enters., LLC v. Fla. Ent. Mgmt., Inc., 736 F.3d 1239, 1250  
 28 n.5 (9th Cir. 2013) (“Due to the urgency of obtaining a preliminary injunction at a point

1 when there has been limited factual development, the rules of evidence do not apply  
2 strictly to preliminary injunction proceedings.”). Nonetheless, the Court still views the log  
3 with some skepticism. As KBI has demonstrated, KHB did not record any of the phone  
4 calls reflected in the log, it deleted all of the voicemails, and it did not retain any of the  
5 underlying emails. Henderson Depo. at 111, 122–23; see also id. at 120 (“Q: And, to be  
6 clear, there’s no other record that shows the last name. It’s just first names on this list, but  
7 you don’t have any other record that shows anybody’s last name? A: Correct.”). Nor did  
8 Henderson, the KHB 30(b)(6) witness, have an “independent recollection of any of the log  
9 entries.” Id. at 126. Accordingly, the log is some evidence of actual confusion, but it is  
10 not entirely reliable. This factor therefore does not weigh as heavily in favor of confusion  
11 as KHB insists.

12 **vii. Defendant’s Intent in Selecting its Mark**

13 “When the alleged infringer knowingly adopts a mark similar to another’s,  
14 reviewing courts presume that the defendant can accomplish his purpose: that is, that the  
15 public will be deceived.” Sleekcraft, 599 F.2d at 354. There is no evidence here that KBI  
16 intentionally selected the KIVA mark to infringe on KHB; in fact, the evidence is that KBI  
17 chose the mark in 2010 in ignorance of KHB. See Palmer Decl. ¶¶ 7, 8, 21, Ex A. This  
18 factor does not weigh in favor of confusion.

19 **viii. Likelihood of Expansion into Other Markets**

20 “Inasmuch as a trademark owner is afforded greater protection against competing  
21 goods, a ‘strong possibility’ that either party may expand his business to compete with the  
22 other will weigh in favor of finding that the present use is infringing.” Sleekcraft, 599  
23 F.2d at 254. “When goods are closely related, any expansion is likely to result in direct  
24 competition.” Id. There is no evidence that KHB intends to expand its product line to  
25 become any more closely related to KBI’s, or vice versa. The only threatened expansion is  
26 that KBI continues to expand its marketing of cannabis-infused goods to other states. See  
27 KHB MPI at 9. Because the goods are not closely related, however, KBI’s expansion to  
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1 other states does not weigh heavily in favor of confusion.

2 All in all, although KHB’s mark is at least conceptually strong, and the marks are  
3 similar, the differences in the goods sold and (likely) the marketing channels used mean  
4 that there is not a significant likelihood of confusion here. See Brookfield, 174 F.3d at  
5 1054 (“Some factors are much more important than others, and the relative importance of  
6 each individual factor will be case-specific.”). While there is some evidence of actual  
7 confusion, that evidence is not entirely reliable. The Court therefore concludes that KHB  
8 has failed to demonstrate a likelihood of confusion, and therefore also failed to  
9 demonstrate a likelihood of success on the merits (notwithstanding its probable ability to  
10 show ownership of the mark).

## 11 2. Irreparable Harm

12 The second requirement for injunctive relief is that the plaintiff is likely to suffer  
13 irreparable harm in the absence of preliminary relief. See Rodriguez, 715 F.3d at 1133.  
14 Irreparable harm is no longer presumed where there is a strong case of trademark  
15 infringement. See Herb Reed Enters., 736 F.3d at 1249. Loss of goodwill and the ability  
16 to control one’s mark can amount to irreparable harm, but a plaintiff must point to actual  
17 evidence on these points. See id. at 1250 (“court’s pronouncements [must be] grounded in  
18 . . . evidence. . . .”); see also SunEarth, Inc. v. Sun Earth Solar Power Co., Ltd., 846 F.  
19 Supp. 2d 1063, 1083 (N.D. Cal. 2012) (“Ninth Circuit has recognized that the potential  
20 loss of good will or the loss of the ability to control one’s reputation may constitute  
21 irreparable harm or purposes of preliminary injunctive relief.” (citation omitted)).

### 22 a. Evidence of Harm

23 KHB argues that it has demonstrated the loss of “control over its business  
24 reputation” in light of “the evidence of consumer confusion.” KHB MPI at 16. It adds  
25 that KBI’s expansion to Hawaii and Michigan “and presumably beyond” further endangers  
26 KHB’s brand. Id. But those are just references to the consumer confusion log and KBI’s  
27 likelihood of expansion. Arguing that they demonstrate irreparable harm is akin to arguing  
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1 that a clear-cut case of trademark infringement leads to a presumption of irreparable harm.  
2 That is not the law. See Herb Reed Enters., 736 F.3d at 1249.

3 The only other evidence that KHB has identified that is relevant to irreparable harm  
4 is Henderson’s declaration. Henderson declared that in his “opinion,” KHB “is suffering  
5 economic damage and injury to its reputation and good will, and that this damage and  
6 injury will continue as long as [KBI] sells products with the KIVA mark.” Henderson  
7 Decl. ¶ 15. A conclusory and self-serving declaration by the head of a plaintiff’s company  
8 is, standing alone, weak evidence of irreparable harm. Compare VBS Distrib., Inc. v.  
9 Nutrivita Labs., Inc., No. SACV 16-01553-CJCDMX, 2017 WL 2404919, at \*5 (C.D.  
10 Cal. Jan. 19, 2017) (insufficient showing where plaintiff “offered only the self-serving  
11 declaration of its CEO”), rev’d on other grounds, 697 F. App’x 543 (9th Cir. 2017); with  
12 SolarEdge Techs. Inc. v. Enphase Energy, Inc., No. 17-CV-04047-YGR, 2017 WL  
13 3453378, at \*6 (N.D. Cal. Aug. 11, 2017) (“bare, threshold showing” of irreparable harm  
14 where plaintiff offered sworn statement of senior executive but no data to support her  
15 conclusions). Moreover, as KBI points out, the evidence in the record reflects that KHB’s  
16 sales have nearly tripled in the time that KHB has been recording instances of customer  
17 confusion, increasing from 108,000 units in 2016 to 294,000 units in 2018. See KBI  
18 Opp’n to KHB MPI at 8 (citing Palmer Decl. ¶ 11).<sup>15</sup>

19 KHB’s evidence of irreparable harm is therefore not substantial.

20 **b. Delay**

21 A further, significant problem with KHB’s claim of irreparable harm is that KHB  
22 waited as long as it did to seek a preliminary injunction. “[L]ong delay before seeking a  
23 preliminary injunction implies a lack of urgency and irreparable harm.” Oakland Tribune,  
24 Inc. v. Chronicle Pub. Co., 762 F.2d 1374, 1377 (9th Cir. 1985). In Oakland Tribune, the  
25 Ninth Circuit held that “[w]here no new harm is imminent, and where no compelling  
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28 <sup>15</sup> KHB responds that it has experienced an increase in sales in spite of the customer confusion,  
and that its success is due to KHB’s increase in advertising. KHB Reply re MPI at 2–3. This  
assertion might be correct, but it is unproven.

1 reason is apparent, the district court was not required to issue a preliminary injunction  
2 against a practice which has continued unchallenged for several years.” Id. “[A]lthough a  
3 particular period of delay may not rise to the level of laches and thereby bar a permanent  
4 injunction, it may still indicate an absence of the kind of irreparable harm required to  
5 support a preliminary injunction.” Ctr. for Food Safety v. Schafer, No. C 08-00484 JSW,  
6 2010 WL 964017, at \*4 (N.D. Cal. Mar. 16, 2010) (quoting Quince Orchard Valley  
7 Citizens Ass’n, Inc. v. Hodel, 872 F.2d 75, 80 (4th Cir. 1989)). The Ninth Circuit has  
8 explained that “delay is but a single factor to consider in evaluating irreparable injury” and  
9 that “courts are ‘loath to withhold relief solely on that ground.’” Arc of Cal. v. Douglas,  
10 757 F.3d 975, 990 (9th Cir. 2014) (quoting Lydo Enters., Inc. v. City of Las Vegas, 745  
11 F.2d 1211, 1214 (9th Cir. 1984). In addition, where there are “ongoing, worsening  
12 injuries,” delay is not terribly probative. Id.; see also Garcia v. Google, Inc., 766 F.3d 929,  
13 938 (9th Cir. 2014), on reh’g en banc, 786 F.3d 733 (9th Cir. 2015) (plaintiff not dilatory  
14 in bringing suit where she “took legal action as soon as . . . she began receiving death  
15 threats—in other words, as soon as there was a ‘need for speedy action.’”).

16 KHB has known about KBI and its use of the KIVA mark since June 2015.  
17 Henderson Depo. at 65. June 2015 is also when KHB first consulted with litigation  
18 counsel about KBI. Schuman Decl. Ex. 1 at 7 (interrogatory response). But KHB did not  
19 send a cease and desist letter to KBI until May 2018, see Henderson Decl. Ex. F, it did not  
20 bring suit until September 2018, see generally Compl., and it did not file its motion for a  
21 preliminary injunction until March 2019, see generally KHB MPI.

22 KHB responds that it did not act unreasonably by not bringing suit in June of 2015,  
23 because Henderson believed at first that KBI was only selling its KIVA-branded products  
24 in San Francisco, and he believed that KBI’s products initially used the name “Kiva  
25 Confections” rather than “Kiva.” KHB MPI at 4–5 (citing Henderson Decl. ¶ 12); KHB  
26 Reply re MPI at 3. But asked for the basis of his belief that KBI only sold its products in  
27 San Francisco, Henderson responded “I don’t know.” Henderson Depo. at 68–69. KBI  
28 was in fact selling in all of California as of 2011. See Palmer Decl. ¶ 13, Ex. E. KBI also

1 submits that there has been no change in how often it uses the word “Confections” since  
2 June 2015. See Palmer Decl. ¶¶ 15, 18. And KBI asserts that a June 2015 search of its  
3 website would have shown the quotation “KIVA™ A Higher Chocolate Experience” on its  
4 landing page—without “Confections” following the word “KIVA”—and the exact same  
5 product packaging that Henderson now asserts reflects a change. See KBI Opp’n to KHB  
6 MPI at 7–8 (citing Palmer Decl. ¶ 16, Ex. F, id. ¶ 17, Ex. G).<sup>16</sup>

7 KHB next asserts that it began to receive complaints and questions from customers  
8 in late 2016 or early 2017, only then “had reason to re-investigate,” and sent a cease and  
9 desist letter in May 2018. KHB Reply re MPI at 3; KHB Opp’n to KBI MPI at 5. It then  
10 exchanged correspondence with KBI until August 2018, and was, it suggests, lulled into  
11 inaction by KBI’s counsel’s mention of an “amicable resolution” and suggestion that  
12 mediation might be “premature.” KHB Opp’n to KBI MPI at 6, Johnson Reply Decl. Exs.  
13 1, 2. KHB argues that “Even a slow, steady ‘progressive encroachment’ by the defendant  
14 who edges closer and closer to plaintiff might excuse delay.” KHB Opp’n to KBI MPI at 5  
15 (citing McCarthy § 31:19). It also notes that “a delay in moving for a preliminary  
16 injunction can be excused by . . . settlement negotiations.” Id. at 6 (quoting McCarthy  
17 § 31:32; Warner Bros. Entm’t v. Glob. Asylum, Inc., 107 U.S.P.Q.2d 1910, 1927, 2012  
18 WL 6951315, at \*21 (C.D. Cal. Dec. 10, 2012) (four month delay applying for TRO  
19 excused by investigation and settlement negotiations)).

20 KHB’s reasons for delaying between June 2015 (when it first learned of KBI and  
21 first consulted with counsel) and early 2017 (when it began collecting evidence of  
22 consumer confusion) are questionable given the available evidence about KBI’s sales  
23 throughout California and about KBI’s packaging. However, even assuming that KHB  
24 properly delayed taking action to protect its mark until early 2017, KHB then waited until  
25 May of 2018 to send a cease and desist letter. KHB nowhere explains this year and a half  
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28 <sup>16</sup> KBI apparently showed these pages to Henderson in his deposition and he did not recall seeing  
them, see Henderson Depo. at 83–85, but what matters is what KHB should have seen through a  
reasonable investigation, see Grupo Gigante Sa De CV, 391 F.3d at 1102.

1 delay. And even assuming that it was justifiable to delay between May 2018 (the cease  
2 and desist letter) and December 2018 (when, after bringing this suit in September 2018 and  
3 participating in a mediation, KHB served the complaint on KBI), it is also not clear why  
4 KHB waited from December 2018 to March 2019 to bring this motion.

5 Although the case law varies as to how much delay is permissible, KHB's delay  
6 here was certainly substantial. See, e.g., Polymer Techs., Inc. v. Bridwell, 103 F.3d 970,  
7 976 (Fed. Cir. 1996) (four month delay between beginning of infringing activities and  
8 bringing of suit did not rebut presumption of irreparable harm); High Tech Med.  
9 Instrumentation, Inc. v. New Image Indus., Inc., 49 F.3d 1551, 1557 (Fed. Cir. 1995)  
10 (“Absent a good explanation . . . 17 months is a substantial period of delay that militates  
11 against the issuance of a preliminary injunction by demonstrating that there is no apparent  
12 urgency to the request for injunctive relief”); Alacritech, Inc. v. Microsoft Corp., No. 04-  
13 03284 JSW, 2005 WL 850729, at \*7 (N.D. Cal. Apr. 12, 2005) (delay of a little over three  
14 months between filing lawsuit and filing motion for preliminary injunction does not rebut  
15 presumption of irreparable harm); First Franklin Fin. Corp. v. Franklin First Fin., Ltd., 356  
16 F. Supp. 2d 1048, 1055 (N.D. Cal. 2005) (three month delay “undercuts . . . claims of  
17 urgency and irreparable harm”); Playboy Enters., Inc. v. Netscape Commc’ns Corp., 55 F.  
18 Supp. 2d 1070, 1090 (C.D. Cal. 1999) (five month delay “in seeking injunctive relief  
19 further demonstrates the lack of any irreparable harm”).

20 Between the lack of evidence of damage to KHB's good will and to its ability to  
21 control its mark, and KHB's delay in pursuing this litigation, KHB has failed to  
22 demonstrate that it is facing a likelihood of irreparable harm warranting urgent injunctive  
23 relief.

### 24 3. Final Requirements

25 The third and fourth requirements for injunctive relief are that the balance of  
26 equities tips in the plaintiff's favor, and that an injunction is in the public interest. See  
27 Rodriguez, 715 F.3d at 1133.  
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1                                   **a.       Balance of Hardships**

2                   As to balance of hardships, KHB argues that if no injunction issues, it will continue  
3 to experience customer confusion and damage to its good will, but if an injunction issues,  
4 KBI “will only be inconvenienced by having to undertake the effort and expense to re-  
5 brand.” KHB MPI at 16–17. It notes that KBI has had actual notice of KHB since August  
6 2017, and that rather than re-brand, it has denied wrongdoing and continued to expand. Id.  
7 at 17. And it argues that KBI brought “upon itself” any hardship that would come with an  
8 injunction. Id. (citing McCarthy § 30:51).

9                   This is not a case where an infringing defendant has intentionally usurped another’s  
10 mark. Rather, KBI and its predecessor company, Indica, have been using the KIVA mark  
11 since 2010, before KHB first used the mark on a food product in February 2013. See  
12 Henderson Decl. ¶¶ 7, 8; Palmer Decl. ¶¶ 6, 8. Though KBI continued to grow its business  
13 and use the KIVA mark over the years, even after receiving a cease-and-desist letter from  
14 KHB in May 2018, it had a nonfrivolous legal defense to KHB’s infringement claim in a  
15 novel area of the law. So KHB’s argument that KBI brought any hardship onto itself is not  
16 particularly compelling.

17                   Moreover, KBI asserts that it spent “almost eight years on product development,  
18 sales, brand recognition, and geographic expansion before KHB filed this lawsuit.” KBI  
19 Opp’n to KHB MPI at 20; see also McCarthy § 30:51 (“when a plaintiff delays in filing  
20 suit in a case closely balanced on the merits, a preliminary injunction may be denied on the  
21 basis that the harm to the defendant increases with the passage of time.”). KBI also  
22 submits that the cost for it to rebrand would exceed \$3 million. See KBI Opp’n to KHB  
23 MPI at 20 (citing Grablick Decl. (dkt. 24-2) ¶¶ 6–8). The hardship to KBI in granting an  
24 injunction and forcing it to undergo a massive rebranding of a name it has built up for  
25 about nine years would therefore be much greater than the hardship to KHB in denying an  
26 injunction and thereby maintaining the status quo.

**b. Public Interest**

As to public interest, “[p]reventing consumer confusion serves the public interest.” Stark v. Diageo Chateau & Estate Wines Co., 907 F. Supp. 2d 1042, 1067 (N.D. Cal. 2012). There is some risk of confusion here—and the customer confusion log is some evidence of existing confusion—but, as discussed above, the Court is not persuaded that the risk is significant. KHB’s additional claim to the public interest, that an injunction would “protect[] the public from purchasing and using marijuana infused food products, when they intend to purchase and use GMO free, pure, healthy food products sourced from eco-friendly farmers,” is nonsensical, and actually underscores the differences in the products. See KHB MPI at 18. KBI’s products are only available at licensed dispensaries and mobile delivery services; there is no evidence that any reseller sells both KHB and KBI products. See KBI Opp’n to KHB MPI at 20–21 (citing Henderson Depo. at 14–15; Cal. Bus. & Prof. Code § 26140(a)(1) and (c)(1), 16 C.C.R. § 5407). It is hard to imagine a customer wanting to order some Omega 3 Fish Oil from KHB and ending up with—and mistakenly ingesting—a cannabis-infused confection by mistake. The public interest factor therefore favors KHB, though not as strongly as it suggests.

In conclusion then, because KHB has not demonstrated that it is likely to succeed on the merits, because KHB has failed to demonstrate irreparable harm, and because while the public interest favors KHB, the balance of the hardships does not, the Court DENIES KHB’s MPI.

**B. KHB’s Motion to Dismiss Two Counterclaims**

KHB next moves to dismiss KBI’s two federal counterclaims, specifically the second counterclaim, which argues that KHB’s registered trademarks should be cancelled, and the third counterclaim, which argues that KHB infringed KBI’s marks under the Lanham Act. See KHB MTD at 18–19; Amended Counterclaims at ¶¶ 45–56 (Second Cause of Action: Petition to Cancel the KHB Marks), ¶¶ 57–65 (Third Cause of Action:

1 Infringement of Unregistered Marks and Federal Unfair Competition).<sup>17</sup> KHB argues that  
2 both claims require KBI to demonstrate that it acquired a right to the KIVA mark through  
3 lawful first use in commerce, but because KBI used the mark for marijuana-based  
4 products, KBI's use was not lawful. See KHB MTD at 20–22. KBI responds that KHB's  
5 argument “would be relevant if KBI were seeking federal trademark registration” but is not  
6 relevant to KBI's having “invoked its common law rights under California state law.” KBI  
7 Opp'n to KHB MTD at 22.

8 As discussed above, the Court disagrees with KBI's position. Both of KBI's  
9 counterclaims depend upon KBI being the senior user of the mark under federal law. See  
10 id. at 23 (“KBI has also established that it is the senior user of the KIVA mark”) and id. at  
11 24 (citing requirement that plaintiff be “senior user of the mark”). Because KBI's products  
12 are illegal under federal law, KBI cannot demonstrate that it made lawful use of the mark  
13 in commerce prior to KHB. See CreAgri, 474 F.3d at 634 (lawful use requirement is  
14 applicable to senior user claims); GoClear, 2009 WL 160624, at \*3 (lawful use  
15 requirement is applicable to claim for cancellation of a registered mark); In re JJ206, LLC,  
16 DBA Juju Joints, 120 U.S.P.Q. 1568, at \*2 (“where the identified goods are illegal under  
17 the federal [CSA], the applicant cannot use its mark in lawful commerce”).

18 Accordingly, the Court GRANTS KHB's MTD and DISMISSES KBI's second and  
19 third counterclaims.

### 20 C. KBI's Cross-Motion for Preliminary Injunction

21 Finally, KBI has filed a cross-motion for a preliminary injunction based on its  
22 California counterclaims. See KBI MPI at 1, 2, 7. KBI argues that “if the Court grants  
23 KHB's request for a preliminary injunction, over KBI's opposition, then it also should  
24 grant KBI's cross-motion for a preliminary injunction enjoining KHB from using the  
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27 <sup>17</sup> The remaining counterclaims are for declaratory judgment, trademark infringement under  
28 California statutory law, unfair competition under California statutory law, and trademark  
infringement and unfair competition under California common law. See generally Amended  
Counterclaim. The Court does not address those counterclaims now.



1 KIVA mark in California.” See id. at 9. The Court is denying KHB’s MPI, so, with that  
2 prerequisite unmet, the Court also DENIES KBI’s motion. Even standing on its own,  
3 however, KBI’s motion is unavailing. Although the motion cites the Winter factors, see id.  
4 at 1, its discussion of those factors is wanting.

5  
6 **1. Irreparable Harm**

7 KBI’s discussion of irreparable harm is all of one paragraph, and it is titled, “If  
8 KHB Has Established A Likelihood of Irreparable Harm, So Has KBI.” Id. at 2. KBI  
9 argues only that it has delayed for less time than KHB delayed. Id. It offers no evidence  
10 of, or even argument about, injury, such as damage to its brand or to its ability to control  
11 its mark. Contra Herb Reed Enters., 736 F.3d at 1249. This is an inadequate showing.

12 **2. Likelihood of Success**

13 KBI’s showing as to likelihood of success on the merits is also inadequate. KBI  
14 correctly identifies the two necessary components to a claim of trademark infringement in  
15 California—ownership of the mark and likelihood of confusion. See KBI MPI at 2. But it  
16 makes no arguments at all as to likelihood of confusion, arguing only that “if the Court  
17 finds that likelihood of confusion exists, then KBI is likely to succeed on its California  
18 trademark infringement claims against KHB.” Id. It does so despite having argued that  
19 the KHB customer confusion log is untrustworthy and improper, see KBI Opp’n to KHB  
20 MPI at 15–18, and that it is unaware of any confusion caused by the parties’ concurrent  
21 use of the KIVA mark, see Johnson Opp’n Decl. Ex. 8 (KBI Resp. to Interrogs. no. 7). In  
22 any case, this Order concludes that KHB did not make a convincing case for likelihood of  
23 confusion. KBI has therefore also failed to demonstrate likelihood of confusion,<sup>18</sup> and  
24 accordingly has failed to demonstrate likelihood of success on the merits.

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<sup>18</sup> Given KBI’s failure to demonstrate likelihood of confusion, the Court does not reach KBI’s  
arguments as to the second component of a California infringement claim, a protectable ownership  
interest. See KBI MPI at 3–8.

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**3. Final Requirements**

If a party fails to demonstrate irreparable harm or a likelihood of success on the merits, a court need not consider the other factors. See Jumbo Bright Trading Ltd. v. Gap, Inc., No. CV 12-08932 DDP (MANx), 2012 WL 5289784, at \*1 (C.D. Cal. Oct. 25, 2012). The Court does not reach the balance of the hardships or the public interest factors.

In conclusion, because KBI’s motion was contingent upon the Court’s granting of KHB’s motion, and because KBI has failed to demonstrate irreparable harm or a likelihood of success on the merits, the Court DENIES KBI’s MPI.

**IV. CONCLUSION**

For the foregoing reasons, the Court DENIES both parties’ motions for preliminary injunction, and GRANTS KHB’s motion to dismiss the two KBI counterclaims that are based on federal law.

**IT IS SO ORDERED.**

Dated: September 6, 2019



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CHARLES R. BREYER  
United States District Judge