

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. 8:21-cv-02121-JVS (ADSx) Date September 28, 2022

Title AK Futures LLC v. LCF Labs Inc. et al.

Present: The **James V. Selna, U.S. District Court Judge**  
Honorable

Lisa Bredahl

Not Present

Deputy Clerk

Court Reporter

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Not Present

Not Present

**Proceedings: [IN CHAMBERS] Order Regarding Motion to Dismiss First Amended Amendment (“FAA1”) to Complaint [121]**

Before the Court is Defendant Mothership Technologies, Inc.’s (“Mothership”) Motion to Dismiss Plaintiff/Counter-Defendant AK Futures LLC (“AKF”) “First Amended and Verified Amendment No. 1” (“FAA1”), Dkt. No. 118, to AKF’s Original Verified Complaint (“Complaint”) for failure to state a claim. Mot., Dkt. 121. AKF filed an Opposition and Request for Judicial Notice in support of its Opposition. Dkt. 133, 134. Mothership filed a Reply. Reply, Dkt. 136.

For the following reasons, the Court **GRANTS** the Motion.

**I. REQUEST FOR JUDICIAL NOTICE**

AFK requests judicial notice of one document: a letter dated February 28, 2019 from the Food and Drug Administration (“FDA”), Office of Compliance and Enforcement Center for Tobacco Products, which is addressed to the CEO of Defendant LCF Labs, Inc. (“LCF”). Request, Dkt. 134 ¶ 1. Courts generally may not look beyond the complaint for additional facts, but may consider certain materials, including exhibits, documents incorporated by reference in the complaint, and matters of judicial notice, without converting the motion to dismiss into a motion for summary judgment. United States v. Ritchie, 342 F.3d 903, 908 (9th Cir. 2003). A court may “consider a document the authenticity of which is not contested, and upon which the plaintiff’s complaint necessarily relies.” Parrino v. FHP, Inc., 146 F.3d 699, 706 (9th Cir. 1998). To the extent that the Court does not rely on this document in this motion, the request is **DENIED** as moot.

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**II. BACKGROUND**

This case arises out of dispute over alleged counterfeiting and willful copyright infringement of e-cigarette and vaping products. In December 2021, AKF filed suit against LCF Labs, Inc. (“LCF”), Homesun HK Co. Limited (“Homesun”) (collectively “Defendants”), and other individuals, claiming that they were unlawfully manufacturing, importing, advertising, marketing, selling, and distributing unauthorized, counterfeit versions of its popular CAKE™ brand of hemp-derived Delta-8 products. Compl., Dkt. 1.

*A. Relevant Factual Background*

AKF is a manufacturer of e-cigarette and vaping products that produces popular “Cake”-branded products containing delta-8 tetrahydrocannabinol (“delta-8 THC”), a chemical compound derived from hemp.<sup>1</sup> FAA1 ¶ 15. AKF devised its popular “Cake” brand to market these delta-8 products. *See id.* The “Cake” brand is known by a logo depicting a two-tiered, solid colored cake overlaid with a curved, stylized “C,” *see* Compl. ¶ 25:



The logo is registered with the U.S. Copyright Office and China’s respective copyright office. *Id.* AFK has pending trademark applications for its Cake™ marks before the U.S.P.T.O. *Id.* ¶ 31.

In May 2021, AKF entered into contractual agreements with Defendants ALD Group and LCF. FAA1 ¶ 17. Pursuant to those agreements, AKF would submit large purchase orders to ALD Group, “designate[] Defendants as AKF’s third-party fulfillment intermediaries” on these purchase orders, and deliver goods to LCF. *Id.* In exchange, “Defendants” would “perform all importation, fulfillment and co-packing services . . .

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<sup>1</sup> Delta-8 THC is a chemical compound that occurs naturally in the cannabis plant, *Cannabis sativa* L., which can be grown into either hemp or marijuana.

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consisting of several hundred thousand units of disposable vaping devices, batteries and related goods.” Id.

In early August 2021, AKF discovered that Defendants secretly launched their own infringing “PIE” brand of Delta-8 vaping products. Id. ¶ 20. AKF alleges that Defendants were palming these products off as AKF’s “latest” spinoff brand of the Cake™ branded delta-8 product.

AKF contends that since May 2021, Defendants utilized a counterfeiting network (“Cake Counterfeiting Network”) consisting of “cover up” entities, including Mothership, of “master suppliers,” “shippers,” and “distros”<sup>2</sup> to import, manufacture, sell, advertise, market, import, assemble, package, distribute, ship as many as 125,000 counterfeit units a day. Id. ¶¶ 26–27. According to AKF, Mothership is a “cover up business” that does not “actually do the transporting itself” but “provides ‘cover’ for a massive transportation operation consisting substantially of third-party contractors who provide distribution services for the Cake Counterfeit Network.” Id. ¶ 35.

In other words, Mothership’s operation is akin to Uber: it “matches an ever-changing array of third-party transportation companies . . . to shipments needed on a regular basis” to distribute enormous volume of counterfeited products from the West Coast to hundreds of “distros” across twenty-five states. Id. ¶¶ 36–37. Mothership facilitated “Bills of Lading” on behalf a shipper. Id. These bills contained pervasive discrepancies with respect to the identities of the account holders, shippers, and consignees. Id. ¶ 36.

*B. Relevant Procedural History*

On December 21, 2021, AKF filed its initial Complaint against Defendants LCF, Homesun, Quasay Al Qaza, and Does Defendants (Does 1–10) alleging five cases of action. Id. On the same day, AKF filed an emergency motion under seal for an ex parte order to seize Defendants’ goods and records. Dkt. 3. On January 18, 2022, the Court issued an order granting AK Futures, in relevant part, “leave to amend the Complaint to name additional parties as Defendants, to correct misnomers, and to identify other

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<sup>2</sup> Distributors who purchase products wholesale, mark that price up for sale to consumers, and sell to consumers or other distributors in smaller areas of operations. See FAA1 ¶ 28.

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copyrights or trademarks alleged to have been infringed by Defendants.” Dkt. 14, at 4.

Pursuant to that order, AKF filed “Amendment No. 1”<sup>3</sup> to its Complaint on May 13, 2022, identifying the former Doe Defendants as ten named entities, one of which was Mothership. Amendment No. 1, Dkt. 67, at 2–3. On July 29, 2022, Mothership timely filed a Motion to dismiss the Amendment No. 1. See Mot. Dkt. 113, at 1; see also Order Approving Stip., Dkt. 101 (granting parties’ stipulation to continue Mothership’s deadline to answer or otherwise respond to the complaint to July 29, 2022).

On August 9, 2022, within twenty-one days of Mothership’s motion to dismiss, AK Futures filed its “First Amended Amendment No. 1” (“FAA1”). Dkt. 118. On August 24, 2022, the Court denied Mothership’s motion as moot because AKF’s FAA1 “was submitted within 21 days of Mothership’s 12(b) motion,” citing Federal Rule of Civil Procedure 15(a)(1). Order, Dkt. 122, at 2. In its order, the Court found that the “FAA1 . . . is now the operative pleading.” Id.

In its FAA1,<sup>4</sup> AKF alleges seven claims against Defendants: (1) Copyright Infringement; (2) Federal Unfair Competition and False Designation of Origin; (3) California False Advertising under Cal. Bus. & Prof. Code § 17600; (4) California Unfair Competition under Cal. Bus. & Prof. Code § 17200; (5) Fraud against Defendant ALD Group (“ALD”); (6) Contributory Copyright Infringement; and (7) Contributory False Designation or Origin. FAA1, Dkt. 118. AKF names Mothership in the first, second, fourth, sixth, and seventh claims.

Mothership moves to dismiss AKF’s first, second, fourth, sixth, and seventh claims against Mothership pursuant to Federal Rules of Civil Procedure 12(b)(6) and 8. See Mot., Dkt. 121, at 2, 7.

**III. LEGAL STANDARDS**

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<sup>3</sup> Mothership refers to this as the First Amended Complaint (“FAC”) in its Motion. Mot., Dkt. 121, at 9.

<sup>4</sup> Mothership refers to this as the Second Amended Complaint (“SAC”) in its Motion. Mot., Dkt. 121, at 10.

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*A. Notice Pleading under FRCP 8*

Under Rule 8, a complaint must contain a “short and plain statement of the claim showing that the pleader is entitled to relief,” and “[e]ach allegation must be simple, concise, and direct.” Fed. R. Civ. P. 8(a), (d). “[T]he short and plain statement must provide the defendant with *fair notice* of what the plaintiff’s claim is and the grounds upon which it rests.” Dura Pharms., Inc. v. Broudo, 544 U.S. 336, 346 (2005) (emphasis supplied) (internal quotations and citations omitted). “Experience teaches that, unless cases are pled clearly and precisely, issues are not joined, discovery is not controlled, the trial court’s docket becomes unmanageable, the litigants suffer, and society loses confidence in the court’s ability to administer justice.” Bautista v. Los Angeles Cnty., 216 F.3d 837, 841 (9th Cir. 2000) (citations and internal quotation marks omitted).

*B. Motion to Dismiss for Failure to State a Claim under FRCP 12(b)(6)*

Under Rule 12(b)(6), a defendant may move to dismiss for failure to state a claim upon which relief can be granted. A plaintiff must state “enough facts to state a claim to relief that is plausible on its face.” Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570 (2007). A claim has “facial plausibility” if the plaintiff pleads facts that “allow[] the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009).

In resolving a 12(b)(6) motion under Twombly, the Court must follow a two-pronged approach. First, the Court must accept all well-pleaded factual allegations as true, but “[t]hreadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice.” Iqbal, 556 U.S. at 678. Nor must the Court “accept as true a legal conclusion couched as a factual allegation.” Id. at 678–80 (quoting Twombly, 550 U.S. at 555). Second, assuming the veracity of well-pleaded factual allegations, the Court must “determine whether they plausibly give rise to an entitlement to relief.” Id. at 679. This determination is context-specific, requiring the Court to draw on its experience and common sense, but there is no plausibility “where the well-pleaded facts do not permit the court to infer more than the mere possibility of misconduct.” Id.

#### IV. DISCUSSION

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A. *Mothership's Arguments Regarding the Entire FAA1*

Essentially, Mothership argues that the entire FAA1 must be dismissed for two separate reasons: (1) by lumping together Mothership with other “New Defendants,” the FAA1 fails to allege the basis of its claims against Mothership or what role Mothership played in the alleged misconduct; (2) AKF has failed to allege any nonconclusory facts plausibly showing that Mothership had any active involvement or constructive knowledge of the alleged counterfeiting network. Mot. at 6.

1. *Whether AKF's Amended Pleadings Are Procedurally Improper*

There appears to be confusion as to the procedural posture of AKF's filing of FAA1.<sup>5</sup> AKF first amended its Complaint with leave from the Court pursuant to the Court's January 18, 2022 order. Then, AKF then amended its Complaint a second time within twenty-one days of Mothership's Motion to Dismiss. The Court found that this was procedurally proper pursuant to Fed. R. Civ. P. 15(a)(1)(B).

Fed. R. Civ. P. 15(a)(1)(A)–(B) (emphasis added) states that:

A party may amend its pleading *once as a matter of course* within: (A) 21 days after serving it, or (B) if the pleading is one to which a responsive pleading is required, 21 days after service of a responsive pleading *or 21 days after service of a motion under Rule 12(b), (e), or (f), whichever is earlier.*

“In all other cases, a party may amend its pleading only with the opposing party's written consent or the court's leave. The court should freely give leave when justice so requires.” Fed. R. Civ. P. 15(a)(2).

Because AKF amended its Complaint within twenty-one days of Mothership's 12(b)(6) Motion, AKF has exhausted its one opportunity to amend as a matter of course

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<sup>5</sup> Mothership argues that there is a contradiction between the Court's January 18, 2022 order (granting AKF “leave to amend the Complaint” without a deadline) and the Court's March 29, 2022 order (ordering that all motions to amend pleadings be served within sixty days and noticed for hearing). Thus, it implies that AKF should have sought leave from the Court to file its FAA1 on May 13, 2022, which was filed within forty-five days of the Court's order. See Mot. at 8 (“Rather than file a motion seeking leave to amend its complaint . . . AKF filed [its FAA1].”).



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under Federal Rule of Civil Procedure 15(a)(1). To amend its Complaint further, AKF must seek the court’s leave or the opposing party’s written consent.

AKF’s FAA1 adds new, specific allegations as to Mothership’s alleged wrongful conduct in paragraphs 10, 27, 33, and 35 through 37. See generally FAA1. However, instead of being complete in and of itself, the FAA1 references and incorporates allegations from its original Complaint. Id. This makes it difficult for the Court to understand and assess which allegations are supplanted, deleted, or otherwise amended.

While Mothership takes “no position on whether the form of [AKF]’s amendments are procedurally improper,” as a matter of clarity, the Court finds that AKF’s FAA1 fails to comply with Local Rule 15-2, which requires that amended pleadings “shall not refer to the prior, superseded pleading.” C.D. Cal. L.R. 15-2 (“Every amended pleading filed as a matter of right or allowed by order of the Court shall be complete including exhibits. The amended pleading shall not refer to the prior, superseding pleading.”). Similarly, district courts have denied motions for leave to amend for failure to comply with Local Rule 15-2. See, e.g., Washington v. County of Los Angeles, No. cv- 20-0129, 2020 U.S. Dist. LEXIS 193350, at \*4–5 (C.D. Cal. Sept. 18, 2020).

However, even if the Court does not dismiss the FAA1 on this basis, it finds Mothership’s 12(b)(6) Motion should be granted for the reasons stated further below.

2. *Whether the FAA1 Improperly Lumps Mothership Together with Other Defendants*

Mothership contends that the FAA1 is deficient because all of its claims improperly lump Mothership together with other Defendants in violation of Rule 8(a) of Federal Rules of Civil Procedure. Mot. at 15. Because this argument alone does not warrant a complete dismissal of the entire FAA1, the Court considers the sufficiency of each claim in turn below.

B. *Sufficiency of Individual Claims*

1. *Copyright Infringement*

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To prove copyright infringement, a plaintiff must demonstrate “(1) ownership of the allegedly infringed work and (2) copying of the protected elements of the work by the defendant.” Pasillas v. McDonald’s Corp., 927 F.2d 440, 442 (9th Cir. 1991). A “certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate.” 17 U.S.C. § 410(c)). “Copying” is shorthand for infringement “of any of the copyright owner’s [six] exclusive rights” granted to copyright holders under 17 U.S.C. § 106. S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1085 n.3 (9th Cir. 1989). This includes the exclusive right to “distribute copies” of the copyrighted work “by sale or other transfer of ownership, or by rental, lease, or lending.” § 106(3) (emphasis added). This exclusive distribution right does not include the mere transportation of goods without a transfer or sale of ownership interest in the goods. See New Name, Inc. v. Walt Disney Co., No. cv-07-5034, 2007 U.S. Dist. LEXIS 97855, at \*9 (C.D. Cal. Dec. 3, 2007) (“[T]he mere transportation of infringing goods inside the United States is not, in and of itself, an act of infringement.”).

“Member[s] of distribution chain” of allegedly infringing products “can be ‘jointly and severally liable’ for the alleged misconduct.” Adobe Sys. v. Blue Source Grp. Inc., 125 F. Supp. 3d 945, 973 (N.D. Cal. 2015) (citing Unicolors, Inc. v. Macy’s, Inc., No. cv-14-08611, 2015 U.S. Dist. LEXIS 28645, at \*4 (C.D. Cal. Mar. 6, 2015) (quoting Costello Publishing Co. v. Rotelle, 670 F.2d 1035, 1043, 216 U.S. App. D.C. 216 (D.C. Cir. 1981))). However, each member must still commit an act of infringement under Section 106 of the Copyright Act. See id. (finding that defendant, as a member of the distribution chain, committed copyright infringement for selling unauthorized copies of software). A party who merely facilitates the infringing activity cannot be directly liable for copyright infringement. See id.

Here, in its FAA1, AKF advances a theory of “distribution-chain” liability, under the Copyright Act, a theory which is based on a district court’s opinion in Adobe Systems, Inc. See FAA1 ¶¶ 41–46. The Court expresses doubt as to the validity of this theory. Operating under this theory, AKF alleges that Mothership is directly liable for copyright infringement because it “manufactured, distributed, offered for sale, and sold infringing reproductions of AKF’s Cake™ products, including unauthorized reproductions of AKF’s copyrighted cake design logo.” Id. ¶ 43. In doing so, Mothership “either directly caused each cause of action; or acted as an aider and abettor



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of such violations of law; or acted as a co-conspirator . . . and so is jointly and severally liable for all damages.” Id. ¶ 44.

Mothership argues AKF’s claim for direct copyright infringement must be dismissed because “Mothership clearly does not sell or transfer ownership of goods and is not alleged to have violated any of the enumerated rights.” Reply, Dkt. 136, at 10. This is because (1) it is a “freight broker” “whose sole function is to connect third party shippers with third party motor carriers,” and (2) there is no distribution-chain direct liability for freight brokers. Mot. at 19; Reply at 9–13. In its response, AKF argues that (1) Mothership improperly introduces facts not alleged in the FAA1 and (2) there is authority to support “distribution chain” liability. See Response at 14–15, 18–22.

First, the Court must assume the veracity of well-pleaded factual allegations and construe the pleadings in a light most favorable to AKF. Twombly, 550 U.S. at 555. It is therefore not in a position at this stage to decide whether or not Mothership is in fact a “freight broker” or a “shipper,” “freight forwarder,” “customs broker,” and so on.<sup>6</sup> Indeed, the FAA1 does not classify Mothership as a any of these entities; it simply alleges that Mothership “causes” the transportation of counterfeited goods. See FAA1 ¶¶ 35–38.

Second, the Court finds that AKF fails to state a copyright infringement claim against Mothership. AKF concedes that Mothership “does not do the transporting itself.” FAA1 ¶ 35. Instead, AKF complains that much like Uber, Mothership “causes [contraband] to be transported” by “matching . . . transportation companies . . . to shipments needed on a regular basis to distribute contraband to ‘distros.’” Id. ¶ 36. These factual assertions do not support a claim for direct copyright infringement.

As previously explained above, to state a claim for direct infringement under the Copyright Act, Mothership must have engaged in an act itself that constitutes “copying” under Section 106. The only copyright case<sup>7</sup> on which AKF relies to support its

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<sup>6</sup> Mothership contends that there are meaningful differences between a freight broker, a freight forwarder, a customs broker, and a shipper. The Court need not decide this issue at this point.

<sup>7</sup> Copyright infringement and trademark infringement are notably distinct. They involve entirely different statutes and thus involve different rights and protections.

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distribution-chain theory is Adobe Systems, Inc. See Response at 20. In Adobe Systems, Inc., a district court denied a motion to dismiss a copyright infringement claim against a corporation who “specifically *sold* infringing products . . . without authorization from [the copyright holder].” 125 F. Supp. 3d at 965 (emphasis added). Adobe Systems, Inc. is therefore inapplicable here because AKF does not allege that Mothership “sold, offered for sale, and distributed” the counterfeit products as contemplated under Section 106(3). AKF also disputes the applicability of New Name, Inc. because it “deal[s] with the extraterritorial application of copyright laws.” Response at 20–21. However, the court also warned even if the plaintiff’s allegations were sufficient to claim that the “infringing” activities took place in the United States, the allegations that the defendant “transported” the goods “still do not state a claim for copyright infringement.” New Name, Inc., 2007 U.S. Dist. LEXIS 97855, at \*9. “Transportation,” it reasoned, is not listed anywhere in Section 106. Id. The same rationale applies here.

The Court does not see how an amendment to this claim would save it from dismissal in the future. The allegations explicitly state that Mothership “does not actually do the transporting itself,” but “matches an ever-changing array of third-party transportation companies (like individual Uber drivers) to shipments.” FAA1 ¶¶ 35–36. If transportation is insufficient to state a claim for direct copyright infringement, then the Court does not see how the arranging for transportation would suffice.

While the Ninth Circuit has an extremely liberal policy favoring leave to amend, Morongo Band of Mission Indians v. Rose, 893 F.2d 1074, 1079 (9th Cir. 1990), a court may deny leave to amend the complaint if doing so would be futile, DeSoto v. Yellow Freight System, Inc., 957 F.2d 655, 658 (9th Cir. 1992). Because AKF’s claim fails as a matter of law, the Court **DISMISSES** this claim without leave to amend. If AKF still wishes to pursue this claim, it may explain how an amendment would not be futile in a request for hearing.

2. *Unfair Competition and False Designation of Origin*

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1) prohibits any person from “us[ing] in commerce any word, term, name, symbol, or device, or any combination thereof, of any false designation of origin false or misleading description of fact, or false or misleading representation of fact” which is likely to cause customer confusion, deception, or mistake. To prevail under a false designation of origin or federal unfair

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competition claim, plaintiff must establish that it (1) has a valid, protectable trademark that (2) defendant is using in a confusingly similar manner. S. Cal. Darts Ass’n v. Zaffina, 762 F.3d 921, 929 (9th Cir. 2014). The “core element” of trademark infringement is “the likelihood of confusion, i.e., whether the similarity of the marks is likely to confuse customers about the source of the products.” Freecycle Network, Inc. v. Oey, 505 F.3d 898, 902 (9th Cir. 2007) (quotations omitted).

The “likelihood of confusion” inquiry generally considers whether a reasonably prudent consumer in the marketplace is likely to be confused as to the origin or source of the goods or services bearing one of the marks or names at issue in the case.” Rearden LLC v. Rearden Commerce, Inc., 683 F.3d 1190, 1209 (9th Cir. 2012). The eight factors, commonly known as the “Sleekcraft factors,” guide the inquiry: (1) strength of the mark, (2) proximity of the goods, (3) similarity of the marks, (4) evidence of actual confusion, (5) marketing channels used, (6) type of goods and the degree of care likely to be exercised by the purchaser, (7) defendant’s intent in selecting the mark, and (8) likelihood of expansion of the product lines. Id. (citing AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979)).

For purposes of *registration* of a mark, 15 U.S.C. § 1127 of the Lanham Act specifies that a mark is in “use in commerce” when (1) the mark has been placed in any manner on the goods or their containers, labels, or documents associated with the goods or their sale; or (2) the goods are “sold or transported in commerce.” The “use in commerce” requirement is not limited to the sale of goods, but such use should “contemplate a trading upon the goodwill or of association with the trademark holder.” Karl Storz Endoscopy-Am., Inc. v. Surgical Techs., Inc., 285 F.3d 848, 855 (9th Cir. 2002); see also Marketquest Grp. Inc. v. BIC Corp., 316 F. Supp. 3d 1234, 1285 (S.D. Cal. 2018) (“When a use seeks to establish use in commerce based on transportation, a requirement of ‘public awareness of the use’ is imposed.”).

However, the Ninth Circuit has also recognized “use in commerce” as an element of a trademark infringement claim under 15 U.S.C. §1125(a). Freecycle Network, Inc., 505 F.3d at 903. District courts within the Ninth Circuit have found that shippers, freight forwarders, importers, customs brokers, and consignees who do more than merely facilitate the infringement can be held liable for direct trademark infringement. E.g., Juul Labs, Inc. v. Chou, 557 F. Supp. 3d 1041, 1052 (C.D. Cal. 2021) (defendants, who stored, coordinated, shipped, and managed the handling of infringing goods at the New

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Jersey warehouse were “part of the distribution chain and therefore used the goods in commerce”); Nike, Inc. v. KAL Am., Inc., No. cv-15-5269, 2016 U.S. Dist. LEXIS 141266, at \*7–8 (C.D. Cal. May 2, 2016) (customs broker and freight forwarder could be found to have “used [the mark] in commerce”); Bmw of N. Am. v. S.F. Express Corp., No. 2:20-cv-01574, at \*3, 8 (C.D. Cal. Aug. 6, 2020) (defendants who “transports or arranges the transportation” to warehouses “as the importer or record and/or ultimate consignee” “used” the trademark in commerce). But see BMW of N. Am., LLC v. Win.It Am., Inc., No. cv-17-8826, 2018 U.S. Dist. LEXIS 228740, at \*7 (C.D. Cal. Mar. 14, 2018) (merely facilitating sales and placing shipping labels on counterfeit goods would not have satisfied the “use” requirement).

Some district courts in other circuits have found the same. E.g., Nike, Inc. v. E. Ports Custom Brokers, Inc., No. 2:11-cv-4390, 2018 U.S. Dist. LEXIS 120351, at \*15 (D.N.J. July 18, 2018) (shippers found liable on summary judgment because they arranged for shipment of counterfeit cargo overseas despite never physically transporting the containers); Philip Morris USA Inc. v. U.S. Sun Star Trading, Inc., No. cv-08-0068, 2010 U.S. Dist. LEXIS 52795, 2010 WL 2133937, at \*5 (E.D.N.Y. Mar. 11, 2010) (arrangement of transportation of counterfeit goods sufficient to qualify as “use in commerce”); Philip Morris USA, Inc. v. Lee, 481 F. Supp. 2d 742, 746 (W.D. Tex. 2006) (officer of a company who arranged for importation of counterfeit cigarettes into the U.S. was liable for trademark infringement even though defendants never possessed the counterfeit goods).

Here, Mothership argues that it cannot be held liable because its actions do not amount to “use” as required under 15 U.S.C. § 1125(a)(1). See generally Reply. Mothership argues that this claim must be dismissed because AKF fails to allege any facts that reflect that Mothership ever “participat[ed], either directly or indirectly, in the manufacture, advertisement, marketing, or sale of Cake™-branded—or indeed, any—products.” Mot. at 24.

AKF does not dispute that Mothership never marketed, sold, or advertised the “Cake” mark. See Response at 22–23. Rather, it alleges that Mothership facilitated substantially all “Bills of Lading,” for nationwide unauthorized Cake™-branded products and matched third-party transportation companies to shipments needed to regularly distribute these products across the nation. FAA1 ¶ 50. It pleads that these “acts constitute the use of a false designation of origin, a false description, and a false

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representation” of the goods that are in some way, approved, sponsored, authorized, or affiliated with AKF. FAA1 ¶ 49. Relying on KAL America, Inc., 2016 LEXIS 141266, at \*1, and Phillip Morris USA Inc. v. Shalabi, 352 F. Supp. 2d 1067 (C.D. Cal. 2004), AKF argues that Mothership’s involvement, as pled, is sufficient to establish a claim for direct infringement. See Response at 23.

The Court disagrees. The facts alleged in the FAA1 more appropriately support a claim of contributory trademark infringement, not direct infringement. The facts contained in the FAA1 do not reflect more than a mere facilitation of the alleged trademark infringement. There are no allegations in the FAA1 to support that Mothership, in matching transportation companies to shipments needed, did anything to “trad[e] upon the goodwill or of association with the trademark holder.” Karl Storz Endoscopy-Am., 285 F.3d at 855. For example, the FAA1 does not allege that Mothership, as a corporation that “regularly and systematically conducts business . . . through its repeated and large-scale purchases of, shipments from, or payments to [other defendants],” ever marketed materials that showed it was transporting Cake<sup>TM</sup>-branded products. FAA1 ¶ 10. It does not even allege whether Mothership knew that it was arranging transportation of Cake<sup>TM</sup>-branded products. While AKF relies on KAL America, Inc., 2016 LEXIS 141266, and Shalabi, 352 F. Supp. 2d at 1073, to suggest it need not plead that Mothership knew of the contents or that they were infringing, the Court finds reliance on these cases unpersuasive.

The focus of the “use” analysis under Section 43(a) of the Lanham Act is on the public perception of the association between a product and its producer. The “ultimate test” for claims of false designation of origin or unfair competition “is exactly the same as for trademark infringement: ‘whether the public is likely to be deceived or confused by the similarity of the marks.’” Century 21 Real Estate Corp. v. Sandlin, 846 F.2d 1175, 1178 (9th Cir. 1988) (quoting New W. Corp. v. NYM Co. of Cal., 595 F.2d 1194, 1201 (9th Cir. 1979)). Thus, it must be the case that Mothership’s conduct of providing “Uber-style” transportation services for shipment of the products somehow created confusion in the minds of consumers as to the origin of AKF’s Cake<sup>TM</sup> marks. The FAA1 does not plead any facts to support this claim.

The Court **DISMISSES** this claim without prejudice.

3. *Contributory Copyright Infringement*



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For AKF to state a claim for contributory infringement, it must allege that the Mothership “(1) ha[d] knowledge of a third party’s infringing activity, and (2) ‘induces, causes, or materially contributes to the infringing conduct.’” Perfect 10, Inc. v. Visa Int’l Serv. Ass’n, 494 F.3d 788, 795 (9th Cir. 2007) (quoting Ellison v. Robertson, 357 F.3d 1072, 1076 (9th Cir. 2004)).

The Ninth Circuit has been inconsistent in its case law on the “knowledge” requirement. In Luvdarts, LLC v. AT&T Mobility, LLC, 710 F.3d 1068, 1073 (9th Cir. 2013), it held that only the “actual knowledge” or “willful blindness” mental states could satisfy the knowledge element. To allege willful blindness, a plaintiff must allege that the defendant (1) “subjectively believed that infringement was likely occurring” and (2) took “deliberate actions to avoid learning about the infringement.” Id. But in Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 658 F.3d 936, 943 (9th Cir. 2011) (citing Napster, 239 F.3d at 1020), the Ninth Circuit cited with approval a “know or have reason to know” standard. The Ninth Circuit acknowledged, without resolving the discrepancy, in Erickson Products. v. Kast, 921 F.3d 822, 832 (9th Cir. 2019) that while Luvdarts was decided after Louis Vuitton, it did not “explicitly overrule it.”

Mothership argues that AKF has not pled that Mothership had actual knowledge that “its services were being used to facilitate infringing activity.” Mot. at 24–25. It also contends that FAA1’s willful-blindness claim is devoid of any facts that show that it had any reason to believe that Defendants were likely engaging in copyright infringement. Id. In response, AKF argues that despite not pleading facts supporting actual knowledge or willful blindness of the direct infringement, it has sufficiently pled facts to support that it “knew or should have known” that it was facilitating infringement. See Response at 25.

Under either the “willful blindness” or “constructive knowledge” standard, the Court finds that the facts that the FAA1 contains are insufficient to state a claim against Mothership. AKF alleges that Mothership prepared “Cake-related Bill of Lading” for Defendant Al Ziq, the “shipper” of record on its bills of lading. ¶ 33. AKF alleges that Al Ziq listed its place of business at a residential apartment complex without an apartment number while its actual principal place of business was in Ontario, where the “hub” of the Cake Counterfeit Network was located. Id. It further alleges that Mothership “turned a willfully blind eye” to LCF, who “us[d] false aliases,” and the “highly suspicious contents of the shipments it facilitates.” Id. ¶ 36.



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But AFK does not assert facts in its FAA1 to explain why the foregoing actions would alert Mothership to Al Ziq or LCF's purported acts of infringement. It does not allege why Mothership would have reason to suspect that the contents would be highly suspicious. It does not allege that Mothership ever handled, saw, or had reason to know what the contents contained. Nor does it allege that Mothership knew of the discrepancy in Al Ziq's business addresses or why this would alert Mothership to Al Ziq's acts of infringement. It fails to explain how preparing bills of lading would have or should have alerted Mothership to the fact that it was facilitating its client's infringement. It is possible that AFK has a claim against Mothership for contributory infringement, but as pled, the FAA1 is deficient.

The Court **DISMISSES** this claim without prejudice.

4. *Contributory Trademark Infringement*

Contributory liability under the Lanham Act is based on the theory that one who intentionally induces another to directly violate the Act is contributorily liable. ADT Sec. Servs., Inc. v. Security One Int'l, Inc., No. 11-CV-05149, 2012 U.S. Dist. LEXIS 131724, at \*3 (N.D. Cal. Sept. 14, 2012) (citing Perfect 10, Inc., 494 F.3d 788). Pleading a contributory violation of the Lanham Act requires allegations that the defendant "(1) intentionally induced the primary Lanham Act violation; or (2) continued to supply an infringing product to an infringer with knowledge that the infringer is mislabeling the particular product supplied." Id. (citing Perfect 10, 494 F.3d at 807). A defendant "supplies a product" when it has "direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark." Lockheed Martin Corp. v. Network Sols., Inc., 194 F.3d 980, 984 (9th Cir. 1999).

Mothership argues that AKF does not even allege the "basic elements" of contributory trademark infringement: it does not allege that Mothership "intentionally induced" any other parties to infringe AKF's trademark, had "actual or constructive knowledge" of infringing activities, or "controlled or monitored the instrumentality of infringement." Mot. at 27.

In response, AKF argues that Mothership had constructive knowledge "LCF was selling counterfeit Cake<sup>TM</sup> branded products" but the FAA1 does not contain facts that reflect this for the reasons discussed above. Response at 26. Further, AFK attempts to

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add new allegations in its briefing not contained in the FAA1 by claiming that Mothership “provided false documents.” *Id.* A party may not amend its pleadings in briefs filed in opposition to a motion to dismiss. *Schneider v. Cal. Dep’t of Corrs.*, 151 F.3d 1194, 1197 n.1 (9th Cir. 1998). AKF further argues that Mothership was “in direct control” by means of “physical shipments of counterfeit products in tucks [sic] it assigned.” Response at 26. But the FAA1 does not contain such factual allegations to support this contention. Without more, this is simply a conclusory allegation.

The Court **DISMISSES** this claim without prejudice.

5. *Unfair Competition under California Bus. & Prof. § 17200*

California prohibits any unlawful, unfair or fraudulent business act or practice. Cal. Bus. & Prof. Code § 17200. California also prohibits any unfair, deceptive, untrue or misleading advertising. *Cal. Bus. & Prof. Code* § 17500. The same test is used for false designation under the Lanham Act and California’s common law and statutory unfair competition claims: whether there was a “likelihood of confusion.” *Walter v. Mattel, Inc.*, 210 F.3d 1108, 1111 (9th Cir. 2000); *Quidel Corp. v. Siemens Med. Sols. USA, Inc.*, No. 20-55933, 2021 U.S. App. LEXIS 30144, at \*2 n.1 (9th Cir. Oct. 7, 2021).

Because the Court has dismissed AKF’s federal claim, the Court also dismisses this state claim without prejudice.

**V. CONCLUSION**

For the foregoing reasons, the Court **GRANTS** the motion to dismiss with leave to amend, except as noted. The Court finds that oral argument would not be helpful in this matter. Fed R. Civ. P. 78; L.R. 7-15.

If AKF still wishes to pursue this action, it shall file a “Third Amended Complaint” in compliance with L.R. 15-2 no more than twenty (20) days from the date of this Order. The Third Amended Complaint must cure the pleading defects discussed above and shall be complete on its face, without any incorporation by reference to any prior pleadings. *See* L.R. 15-2 (“Every amended pleading filed as a matter of right or allowed by order of the Court shall be complete including exhibits. The amended pleading shall not refer to

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the prior, superseded pleading.”). This requires AKF to allege and plead any viable claims against all defendants again because an amended pleading supersedes the prior complaint, which is treated as nonexistent. If AKF wishes to include exhibits with its amended complaint, it must reattach them to the Third Amended Complaint.

**IT IS SO ORDERED.**