

Case No. 18-3500

IN THE UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

SNUGGLYCAT INC.,
Plaintiff - Appellee,

vs.

OPFER COMMUNICATIONS, *et alia*,
Defendants - Appellants.

Appeal from the U.S. District Court
for the Western District of Missouri
Honorable Stephen R. Bough, District Judge
Case No. 6:18-cv-03110-SRB

BRIEF OF THE APPELLEE

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Summary and Statement Regarding Oral Argument

After Defendants used Plaintiff's mark in a nationwide advertising campaign for Defendants' product, attempting to pass off Plaintiff's product as Defendants', and then took orders for their counterfeit product from consumers, Plaintiff sued Defendants under the Lanham Act. Early in discovery, Plaintiff moved to dismiss without prejudice, explaining it was a small company and could not afford the cost of litigation in the face of Defendants' aggressive defense. The district court agreed, held Plaintiff's request was in good faith, and disagreed with Defendants that they were prejudiced solely because they would not be able to seek attorney fees.

Defendants now appeal the "without prejudice" designation of the dismissal, arguing for a *per se* rule that whenever a plaintiff sues under a statute that allows the prevailing party to seek attorney fees, the district court cannot allow a dismissal without prejudice and instead only may dismiss with prejudice. Defendants' argument is without merit. No federal appellate court ever has recognized the rule for which they argue, and this Court already has disagreed with their argument. The district court properly exercised its broad discretion under Fed. R. Civ. P. 41(a)(2) to allow Plaintiff to dismiss without prejudice.

Defendants' sole issue on appeal is straightforward and uncomplicated. The parties' briefs are sufficient to show that it is meritless. Oral argument is unnecessary.

Corporate Disclosure Statement

Appellee SnugglyCat Inc. has no parent corporation, and no publicly-held corporation owns 10% or more of its stock.

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Statement of the Issue

The district court properly exercised its broad discretion to allow SnugglyCat to dismiss its amended complaint without prejudice. No *per se* rule bars district courts from permitting claims to be dismissed without prejudice when they are brought under a statute that allows a prevailing party to seek attorney fees, such a rule would run contrary to the express language of Fed. R. Civ. P. 41(a)(2), and even in such cases district courts retain discretion to allow dismissal without prejudice. The district court properly considered and denied the defendants' claim of legal prejudice and properly exercised its discretion to find the reason for SnugglyCat's request was proper and in good faith early on due to the cost of litigation.

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In re Oak Grove Farm, 16 F. App'x 536 (8th Cir. 2001)
(per curiam)

Statement of the Case

A. SnugglyCat’s amended complaint

Plaintiff/Appellee SnugglyCat, Inc., is a New York corporation owned by Fred and Natasha Ruckel (Aplt.Appx. 12-13).¹ In March 2018, SnugglyCat filed a complaint in the U.S. District Court for the Western District of Missouri against ten defendants, but ultimately only four in its first amended complaint: Opfer Communications, Inc., a Missouri corporation, Opfer Communications’ owner and director, Scott Opfer, Lori Robertson, an employee of Opfer Communications, and The Bargain Show, LLC, a Missouri Limited Liability Company of which Opfer Communications is 80% owner (Aplt.Appx. 1-3, 12-13).

The defendants’ short, conclusory recitation in its brief of SnugglyCat’s allegations below (Brief of the Appellants [“Aplt.Br.”] 3-5) is insufficient and plainly is designed to cut down on SnugglyCat’s claims. The following is what SnugglyCat actually alleged in its amended complaint:

1. SnugglyCat and the Ripple Rug

Mr. Ruckel invented a product for cats named the “Ripple Rug”, which is sold and marketed under the Ripple Rug® trademark and service mark (Aplt.Appx. 13). SnugglyCat is the sole owner of Federal Trademark Registration No. 4912510 for the Ripple Rug® mark and

¹ This brief cites the appellants’ appendix as “Aplt.Appx.” and the appellee’s appendix as “Aple.Appx.”

logo design, published on the Federal Principal Register with a first use date of April 1, 2015 (Aplt.Appx. 13). The Ripple Rug is a high-quality, award-winning, American-made product made of recycled materials (Aplt.Appx. 14). It consists of two pieces of carpet, with a bottom half lined with a thermally insulating non-slip coating and a top half that allows “ripples” to be created, and holes located in the top rug allow a cat to interact with toys, their owners, and other companion animals (Aplt.Appx. 14). A photograph of the Ripple Rug is in SnugglyCat’s amended complaint (Aplt.Appx. 14).

SnugglyCat launched the Ripple Rug in September 2015 to great fanfare, including features on “The TODAY Show” and QVC (Aplt.Appx. 14). SnugglyCat sells the Ripple Rug throughout the United States and internationally, both online (including on its own websites riplerug.com and snugglycat.com) and in brick-and-mortar stores (Aplt.Appx. 15). SnugglyCat has spent substantial sums of money developing and marketing the Ripple Rug (Aplt.Appx. 15). Between September and December 2015, the Ripple Rug was the number-one best-seller on Amazon.com in the “Cat Bed Mats” category, achieving sales in excess of \$500,000 (Aplt.Appx. 15).

2. Defendants’ scheme to infringe on SnugglyCat’s trademark

Because of its success with the Ripple Rug product, SnugglyCat became a target for unscrupulous individuals and entities who wished to take a free ride on the goodwill, reputation, and fame it built up in its

product and its intellectual property (Aplt.Appx. 15). Starting in late 2015, Rutledge & Bapst, a direct response television marketer, and B&D Solutions, a Florida company that works in online direct response telemarketing, entered into a scheme to pass off SnugglyCat's Ripple Rug product as their own knockoff version named "Purr N Play" (Aplt.Appx. 15). Rutledge & Bapst and B&D created a website, purrnplaysale.com, which displayed SnugglyCat's photographs of its Ripple Rug and contained SnugglyCat's marketing language (Aplt.Appx. 15).

In December 2015, during the holiday season, SnugglyCat noticed a significant drop in sales growth for the Ripple Rug (Aplt.Appx. 16). This was due to an e-mail blast that Rutledge & Bapst and B&D sent out to 963,026 targeted recipients that month, which directed recipients to the purrnplaysale.com website (Aplt.Appx. 16). Rutledge & Bapst and B&D Solutions had not yet produced the actual "Purr N Play" but sent the e-mail to determine the extent of consumer interest in the product (Aplt.Appx. 16). Based on responses to the emails, they took orders for the "Purr N Play" and took credit card information, but never fulfilled those orders (Aplt.Appx. 16).

After sending the email blast in December 2015 and completing the successful order-collecting test on the purrnplaysale.com website, around August 2016 Opfer Communications, Rutledge & Bapst, and B&D entered into a Product Promotion Agreement (the "Three-Way

Agreement”) (Aplt.Appx. 16). A copy of the Three-Way Agreement is in the record at Aple.Appx. 115-34. Rutledge & Bapst and B&D first had contacted Mr. Opfer in February 2016, and he signed the Three-Way Agreement on behalf of Opfer Communications (Aplt.Appx. 16).

In the Three-Way Agreement, the three companies agreed to share profits equally and that Opfer Communications would write a script and shoot an infomercial for the “Purr N Play” (Aplt.Appx. 16). Rutledge & Bapst planned to sell 100,000 Ripple Rug knockoffs manufactured by a Chinese factory and expected to have samples from the Chinese factory to use in the infomercial (Aplt.Appx. 16). But because the Chinese factory failed to produce a satisfactory “Purr N Play” in time to shoot the infomercial, Rutledge & Bapst and Opfer Communications agreed to use an actual Ripple Rug in the infomercial instead (Aplt.Appx. 16).

3. Defendants’ false infomercial attempting to pass off SnugglyCat’s Ripple Rug as their own product

Opfer Communications then worked with Rutledge & Bapst and B&D to create a nationwide advertising campaign purporting to sell the “Purr N Play” product (Aplt.Appx. 17). In conjunction with Rutledge & Bapst and B&D, Opfer developed commercials, a website, and a social media campaign that incorporated SnugglyCat’s Ripple Rug to sell the “Purr N Play” product to consumers (Aplt.Appx. 17).

The infomercial that Opfer Communications, Mr. Opfer, Ms. Robertson, and The Bargain Show created marketed what was purported to be the “Purr N Play” but actually was SnugglyCat’s Ripple Rug (Aplt.Appx. 17). This was false advertising, because it misrepresented the product sold and included false testimonials, as the “Purr N Play” did not exist at the time, so the testimonials had to be about the Ripple Rug (Aplt.Appx. 17).

Opfer Communications, Mr. Opfer, Ms. Robertson, and The Bargain Show colluded and conspired to market an inferior version of the Ripple Rug product made in China (Aplt.Appx. 18). The Chinese factory was to create up to 100,000 counterfeit or knockoff units at a price of \$4.70 per unit, whereas SnugglyCat’s product – which the infomercial showed – cost more than \$15 per unit to make in the United States (Aplt.Appx. 18).

During the latter half of 2016 and into January 2017, Opfer Communications copied SnugglyCat’s marketing materials to develop and produce its infomercial for the purported “Purr N Play” product (Aplt.Appx. 18). The production value of the “Purr N Play” infomercial was about \$30,000 (Aplt.Appx. 18). Mr. Opfer directed his employees and others to fabricate false advertising claims in the infomercial and they did so, including by writing the script for it, posting casting calls for it, filming it, fabricating testimonials for it, and directing it (Aplt.Appx. 18-19). Ms. Robertson was Opfer Communications’ studio

manager (Aplt.Appx. 19). She copied information directly from the Ripple Rug website to include in the script for the false infomercial and obtained or created a “Purr N Play” logo for use on the infomercial (Aplt.Appx. 19).

The “Purr N Play” infomercial was filmed in the Opfer Communications “The Bargain Show” studio and stage, which is located in the same office building as Opfer Communications and imitates one of the stages QVC used to sell products on live television, where SnugglyCat’s Ripple Rug was sold at the time (Aplt.Appx. 20). Any consumer easily could be deceived and confuse “The Bargain Show” studio set for a QVC on-air set (Aplt.Appx. 20).

The infomercial attempted to pass off the Ripple Rug as the “Purr N Play” (Aplt.Appx. 17). The product used, demonstrated, and filmed during the “Purr N Play” infomercial was SnugglyCat’s Ripple Rug (Aplt.Appx. 21). During the infomercial, the Ripple Rug mark was visible on the product displayed (Aplt.Appx. 21). SnugglyCat’s amended complaint includes a frame from the infomercial, with a magnified view clearly showing that the label on the product shown in the infomercial was the Ripple Rug mark (Aplt.Appx. 21). The infomercial showed kittens playing in SnugglyCat’s Ripple Rug product and their owner, Marci Bowling, claiming her cats loved the “Purr N Play” product, which was false because both Ms. Bowling and her cats only had seen a Ripple Rug (Aplt.Appx. 19).

The infomercial never provided specific dimensions of the “Purr N Play”, and while the infomercial featured SnugglyCat’s Ripple Rug, the actual dimensions of the counterfeit versions of the prototyped “Purr N Play” were 25% smaller than SnugglyCat’s Ripple Rug featured in the infomercial (Aplt.Appx. 21). This baited consumers with a larger Ripple Rug product, all the while the defendants falsely intended to switch and ship a much smaller “Purr N Play” (Aplt.Appx. 21-22).

Near and after completion of the infomercial, Mr. Opfer’s stepbrother twice contacted SnugglyCat representing “The Bargain Show” to solicit from SnugglyCat the opportunity to sell the Ripple Rug on “The Bargain Show” (Aplt.Appx. 20). SnugglyCat did not respond (Aplt.Appx. 20). “The Bargain Show” knew the other defendants sought to use SnugglyCat’s Ripple Rug and its images in the infomercial and assisted in their efforts to do so wrongfully (Aplt.Appx. 21).

An employee of Opfer Communications uploaded the final master “Purr N Play” infomercial to a media trafficking company on January 19, 2017 (Aplt.Appx. 22). Twelve versions of the “Purr N Play” TV infomercial were created, with the aim of tracking buying patterns across the United States (Aplt.Appx. 22). The infomercial aired in various markets on television, locally and nationally, during February 2 to 15, 2017, and targeted a demographic of senior citizens (Aplt.Appx. 22-23). It received over 200,000 impressions during the first six days of the campaign (Aplt.Appx. 22).

During February 2017, concomitant with the infomercial's airing, SnugglyCat again experienced a significant drop in demand (Aplt.Appx. 17). Sales of the Ripple Rug dwindled in the following months due to the impact of the "Purr N Play" campaign, which created consumer confusion by suggesting the availability of a 75% cheaper version of SnugglyCat's Ripple Rug, enticing budget-sensitive consumers (Aplt.Appx. 17). This stalled Ripple Rug sales and necessitated layoffs at SnugglyCat's factory, as SnugglyCat's volume no longer could be sustained (Aplt.Appx. 18).

At the same time, multiple senior citizens who had purchased the "Purr N Play" contacted SnugglyCat expressing confusion about the infomercial, including asking for a refund believing that they had purchased SnugglyCat's Ripple Rug product instead (Aplt.Appx. 23). The defendants' scheme was aimed to capture seniors' credit card information and was conducted without inventory to ship or a source to procure that inventory (Aplt.Appx. 23).

In late February 2017, SnugglyCat sent Opfer Communications and the other defendants a cease-and-desist letter (Aplt.Appx. 27). In a response on March 1, Opfer Communications stated it "has discontinued all efforts to market, promotion and sale of its PURR N PLAY™ [*sic*] product" (Aplt.Appx. 27). But to this day, the 60-second cut-down version of the "Purr N Play" infomercial remains available online at www.ispot.tv/brands/ngm/purr-n-play (Aplt.Appx. 27).

4. Defendants' other attempts to pass off SnugglyCat's Ripple Rug as their own product

In February 2017, the "Purr N Play" product also was marketed using the website purnnplay.com, a screenshot of which is in SnugglyCat's amended complaint (Aplt.Appx. 23-24). But the product that appeared on the website in fact was SnugglyCat's Ripple Rug, the photographs of which were produced, photographed, and delivered by Opfer Communications (Aplt.Appx. 23). An Opfer Communications employee even was featured on the website (Aplt.Appx. 23).

The "Purr N Play" product also was marketed through multiple fraudulent review websites, which also advertised it using the Ripple Rug product (Aplt.Appx. 23). Opfer Communications produced those photographs displayed on those websites, too, an example of which also is included in SnugglyCat's amended complaint (Aplt.Appx. 24-25).

The "Purr N Play" product also was marketed on Facebook using a photograph of SnugglyCat's Ripple Rug, which was digitally retouched to remove the Ripple Rug logo (Aplt.Appx. 26). In one instance, an Opfer Communications employee asked another if he could digitally add a cat's head and make it poke out of a hole of the Ripple Rug on each shot, in so doing resembling many of SnugglyCat's Ripple Rug product images (Aplt.Appx. 26). SnugglyCat's amended complaint shows the original Ripple Rug image alongside the digitally retouched "Purr N Play" image with added cat (Aplt.Appx. 26-27).

5. SnugglyCat's legal claims

Based on the above allegations, SnugglyCat brought five counts for relief against the defendants (Aplt.Appx. 28-33):

- Under 15 U.S.C. §§ 1114 and 1125, the defendants infringed SnugglyCat's trademark with a counterfeit mark and did so intentionally, willfully, and maliciously (Aplt.Appx. 28-29);
- Under 15 U.S.C. § 1125(a), the defendants passed off, and attempted to pass off, SnugglyCat's product as the defendants' own, which was unfair competition, and did so willfully and intentionally (Aplt.Appx. 29-30);
- Under 15 U.S.C. § 1125(a), the defendants falsely advertised using SnugglyCat's product in interstate commerce and did so intentionally and willfully (Aplt.Appx. 30-31);
- A common law unfair competition claim (Aplt.Appx. 31-32); and
- A civil conspiracy claim (Aplt.Appx. 32-33).

SnugglyCat sought a permanent injunction against the defendants, plus an award of all the defendants' profits, SnugglyCat's damages, treble and statutory damages for use of a counterfeit mark, enhanced damages, attorney fees, and punitive damages (Aplt.Appx. 33-36).

B. Course of litigation

All defendants answered SnugglyCat's initial complaint, and discovery began (Aplt.Appx. 5-6). The defendants admitted "that the

infomercial used an actual Ripple Rug” but claimed as a defense “that Rutledge & Bapst sent Opfer the Ripple Rug but told Opfer it was the Purr N’ Play product” (Aple.Appx. 7).

The district court ordered the case set on its “mediation and assessment program” (Aplt.Appx. 4, 6-7). That order included a directive that “[a]ny communication not under oath made in connection with any proceeding in [the mediation program] shall not be disclosed to anybody unrelated to the Program by the parties, their counsel, Mediators or any other participant in the program” (Aple.Appx. 9, 97, 100). Mediation was held July 18 in Springfield, Missouri, though the lawsuit did not settle (Aplt.Appx. 6; Aple.Appx. 7).

Five days later, the defendants filed a 15-page motion seeking to hold SnugglyCat and Mr. Ruckel in contempt, to which they attached 70 pages of exhibits (Aple.Appx. 1-96). They alleged that Mr. Ruckel had described to a reporter what had happened during the mediation, violating the court’s order (Aple.Appx. 8-9). They alleged this was intentional and legally amounted to contempt (Aple.Appx. 9, 11-13). In the course of the motion, the defendants also called Mr. Ruckel “a believer in the ‘Deep State’” and “irrational” and said he “subscribes to the conspiracy-a-day theory”, was “obsessed with proving conspiracies”, and exhibits “hysterical behavior” (Aple.Appx. 1, 3-4, 10-11).

The district court ordered SnugglyCat and Mr. Ruckel to show cause why they should not be held in contempt (Aple.Appx. 97-98). In

response, SnugglyCat and Mr. Ruckel argued that while Mr. Ruckel did speak with the reporter, nothing he stated and nothing the defendants showed he stated contained any communication from the mediation, and so did not violate the court's order (Aple.Appx. 100-10). They also complained about the "nastiness" of the defendants' character attacks, pointing out that the first seven pages of the defendants' motion had nothing to do with their contempt allegations, and then reiterated the gravity of SnugglyCat's claims in its complaint and argued how the defendants' defense made no sense (Aple.Appx. 101, 106-08).

The defendants filed a ten-page reply, attaching more exhibits (Aple.Appx. 140-60). In the reply, they said Mr. Ruckel had a "tactic of painting himself as a victim" and sought "to gather ammunition for his 'pity party'" (Aple.Appx. 144).

The district court held a 45-minute hearing in August 2018 (Aplt.Appx. 9), at which Mr. Ruckel was present (Aug. 22 Transcript 1). Addressing the defendants' statements about him, the court stated, "I get a lot of pleadings all day long, right; so if I believed everything that was in every pleading or I needed every bit of it rebuffed, then I'd be here all day" (Aug. 22 Tr. 5). It remarked that Mr. Ruckel "doesn't look like some crazy radical. He seems to be breathing like all the other human beings on the face of the earth; so I'm going to try to treat him like a human being until it's been proven otherwise" (Aug. 22 Tr. 5).

After hearing arguments, the court ordered SnugglyCat to pay the defendants a sanction of \$1,200, which was the defendants' share of the cost of the mediator (Aug. 22 Tr. 26). It cautioned the parties, "In this type of justice system, we talk calmly, and we work through disputes in a very measured, calm tone. And so for both parties, I'm going to keep an eye out" (Aug. 22 Tr. 28). It set a series of discovery dispute hearings, but stated it hoped the parties would not be back for that (Aug. 22 Tr. 27-28, 31). It stated to the defendants' counsel: "You are welcome to be here. I warn you it's going to be just as calm and lack of hyperbole as this hearing. We're not going to have yelling or screaming at all throughout this litigation. We're just going to calmly work through it" (Aug. 22 Tr. 32).

In the meantime, discovery disputes ensued (Aplt.Appx. 8-10). At a telephone conference over some of these disputes on September 25, which was held on the record, this became contentious and the district court interrupted, "You guys just quit poking each other" (Sept. 25 Tr. 7). Later, it stated, "I'll order you guys quit poking each other. I've got a freshman in high school that we can do the poking with" (Sept. 25 Tr. 7). Then, it stated,

Because I am highly confident that you guys will not be able to stop poking each other, I'm going to read to you a long list of dates, and we'll just have in-person hearings every month. And we will keep this case going nice and smooth and productive. If both parties certify that there's nothing to be done, then I won't drag you in here, but, otherwise, I want to

be on top of it, and I want to try to get us playing nice with each other.

(Sept. 25 Tr. 8). It then set the dates and reiterated, “If there’s any disputes, we’ll just get them all teed up then and in person calmly and professionally” (Sept. 25 Tr. 8).

C. Motions to dismiss, judgment, and appeal

SnugglyCat filed an amended complaint with leave in August 2018 (Aplt.Appx. 9, 12).

The defendants did not answer, but instead moved to dismiss the amended complaint under Fed. R. Civ. P. 12(b)(6) for failure to state a claim (Aplt.Appx. 9-10, 38). They argued that by admitting that the “Purr N Play” never actually was produced, SnugglyCat’s amended complaint failed to allege its mark was “used in commerce” within the meaning of the Lanham Act, 15 U.S.C. § 1114(1)(a), and that by alleging the “Purr N Play” advertisements used SnugglyCat’s actual product and mark, that use could not have been “counterfeit” under that same statute (Aplt.Appx. 67-73). They then argued that because those claims failed, SnugglyCat’s pendent state claim and conspiracy claim failed, too (Aplt.Appx. 73-74). They sought the court to dismiss SnugglyCat’s amended complaint with prejudice, arguing that any further amendment should be barred due to delay, futility, bad faith, and prejudice, based largely on more personal attacks against Mr. Ruckel (Aplt.Appx. 38, 74-78).

SnugglyCat responded, explaining that the defendants' advertising of the false "Purr N Play" product using its Ripple Rug mark and then using that advertisement to take fraudulent orders for their false product qualified as "use in commerce", as did the defendants' transportation of the Ripple Rug for that purpose (Aplt.Appx. 85-89). SnugglyCat also explained that by using the Ripple Rug – including its mark – in the infomercial and its other advertisements so as to deceive the public, the defendants used it as a counterfeit (Aplt.Appx. 89-92). Finally, it argued that if the court found any shortcomings in its first amended complaint, it should be allowed to file a second amended complaint (Aplt.Appx. 92-93). It also responded to the defendants' personal attacks against Mr. Ruckel (Aplt.Appx. 93-94).

Days later, SnugglyCat moved to dismiss its amended complaint without prejudice under Fed. R. Civ. P. 41(a)(2). In their brief, the defendants barely mention SnugglyCat's reasons (Aplt.Br. 6).

SnugglyCat explained that discovery was "still in the early stages, and no depositions have been scheduled or taken" (Aplt.Appx. 117). It stated,

Based on the events that have occurred in this litigation thus far, SnugglyCat has determined that, despite the merits of the claims that it has plead [*sic*] and the good faith basis it has for filing those claims, SnugglyCat's efforts and resources are insufficient to proceed with its claims against Defendants. SnugglyCat is a small company. It believes the

cost of continuing the suit against Defendants' aggressive defense is unsustainable.

(Aplt.Appx. 117).

SnugglyCat also stated that it had informed the defendants' counsel of its intent to dismiss without prejudice the same day it filed its response to the defendants' motion to dismiss, but still filed its response "in order to demonstrate that it has a good faith legal basis to state a claim" (Aplt.Appx. 117). It also stated it had offered to agree to dismiss with prejudice if the defendants agreed not to move for attorney fees (Aplt.Appx. 118). Finally, it stated,

SnugglyCat also advises that the Court may want to consider this voluntary Motion to Dismiss prior to Defendants' Motion to Dismiss (Dkt. 68), as the relief requested herein will moot the issues in Defendants' Motion to Dismiss and avoid needless effort by the Court in considering Defendants' Motion to Dismiss. SnugglyCat also respectfully asserts that its Suggestions in Opposition to Defendants' Motion to Dismiss (Dkt. 76) demonstrate SnugglyCat's good faith basis for asserting its claims.

(Aplt.Appx. 119).

The defendants opposed dismissal without prejudice, arguing they would suffer "plain legal prejudice" because they would be unable to bring a claim for attorney fees under the Lanham Act as prevailing parties (Aplt.Appx. 121). They also reargued their "use in commerce" argument and argued SnugglyCat had known from an earlier lawsuit against Rutledge & Bapst that the "Purr N Play" had not actually been produced, which meant SnugglyCat should have known it had no

Lanham Act claim before bringing this case (Aplt.Appx. 128-30). It compared SnugglyCat to a “kid on the playground who announces he is taking his ball and going home when he suddenly realizes he is losing” (Aplt.Appx. 130).

On October 23, 2018, the district court granted SnugglyCat’s motion to dismiss without prejudice and denied as moot the defendants’ Rule 12(b)(6) motion to dismiss. It stated:

Federal Rule of Civil Procedure 41(a)(2) provides that “an action may be dismissed at the plaintiff’s request only by court order, on terms the court considers proper.” Plaintiff moves the Court to dismiss this case without prejudice based on Plaintiff’s inability to sustain the cost of continuing suit. Defendants urge the Court to dismiss the case with prejudice, arguing that dismissal without prejudice would deprive them of the ability to recover attorney’s fees as a prevailing party. The Court finds Plaintiff’s motion to be made in good faith and acknowledges that discovery in this case is still in the early stages. The Court further finds that Defendants will not be prejudiced by dismissal without prejudice.

(Aplt.Appx. 147) (record citations omitted). It then entered judgment accordingly (Aplt.Appx. 148).

The defendants then timely appealed to this Court (Aplt.Appx. 149).

Summary of the Argument

The district court properly exercised its broad discretion under Fed. R. Civ. P. 41(a)(2) to allow SnugglyCat to dismiss its claims against the defendants without prejudice.

As long as the plaintiff's reason for seeking a voluntary dismissal is not improper on its face, the district court considers that reason and the defendant's claim of prejudice, and the motion comes before trial, the district court does not abuse its discretion in allowing the plaintiff to dismiss without prejudice.

The defendants argue for a *per se* rule under which whenever a plaintiff sued under a statute or other instrument that allows a prevailing party to claim attorney fees, the plaintiff could not be allowed to dismiss without prejudice, and instead the district court would be bound as a matter of law to dismiss with prejudice. But this circuit does not recognize such a rule, and indeed expressly has disagreed with the defendants' argument. *See United States v. Thirty-two thousand eight hundred twenty dollars & fifty-six cents (\$32,820.56) in U.S. Currency*, 838 F.3d 930, 936-37 (8th Cir. 2016). Moreover, such a rule would run contrary to the express language of Rule 41(a)(2).

This case was in an early stage, SnugglyCat's reason for seeking a voluntary dismissal without prejudice was proper, and the district court properly considered both that reason and the defendants' claim of prejudice. This Court should affirm the district court's judgment.

Argument

The district court properly exercised its broad discretion to allow SnugglyCat to dismiss its amended complaint without prejudice. No *per se* rule bars district courts from permitting claims to be dismissed without prejudice when they are brought under a statute that allows a prevailing party to seek attorney fees, such a rule would run contrary to the express language of Fed. R. Civ. P. 41(a)(2), and even in such cases district courts retain discretion to allow dismissal without prejudice. The district court properly considered and denied the defendants’ claim of legal prejudice and properly exercised its discretion to find the reason for SnugglyCat’s request was proper and in good faith early on due to the cost of litigation.

Standard of Review

This Court “review[s] a district court’s decision to allow a plaintiff to voluntarily dismiss an action for an abuse of discretion.” *Blaes v. Johnson & Johnson*, 858 F.3d 508, 512 (8th Cir. 2017) (citation omitted). This Court “will not disturb a district court’s discretionary decision if such decision remains within the range of choice available to the district court, accounts for all relevant factors, does not rely on any irrelevant factors, and does not constitute a clear error of judgment.” *Enerplus Resources (USA) Corp. v. Wilkinson*, 865 F.3d 1094, 1097 (8th Cir. 2017) (citation omitted).

* * *

In their sole issue on appeal, the defendants argue that the district court abused its discretion in granting SnugglyCat’s request to voluntarily dismiss its amended complaint without prejudice. They

argue this is because the “without prejudice” designation deprived them of “prevailing party” status under the Lanham Act so as to seek an award of attorney fees, which was a “plain legal prejudice”, and the district court did not address that claim of prejudice.

The defendants’ argument is without merit. Accepting their argument would create a *per se* rule that anytime a party sued under a statute or contract allowing an attorney fee to the prevailing party, no district court ever would have discretion to grant a dismissal without prejudice. That is not and never has been the law in this circuit – or any other circuit. Such a rule would run contrary to the express language of Fed. R. Civ. P. 41(a)(2), and indeed this Court has rejected exactly the defendants’ argument before.

The district court appropriately weighed the defendants’ claim of prejudice due to lack of “prevailing party” status and found they would not be prejudiced. It also had seen and remarked on the defendants’ aggressive litigation tactics firsthand and was well within its discretion to find that SnugglyCat sought dismissal without prejudice in good faith at an early stage due to the cost of litigation.

The “without prejudice” designation was a proper exercise of the district court’s broad discretion under Rule 41(a)(2). This Court should affirm the district court’s judgment.

A. As long as (1) the plaintiff's reason for seeking a voluntary dismissal is not improper on its face, (2) the district court considers that reason and the defendant's claim of prejudice, and (3) the motion comes before trial, the district court does not abuse its discretion in allowing the plaintiff to dismiss without prejudice.

Fed. R. Civ. P. 41(a)(2) provides in relevant part that after a defendant has served an answer, “an action may be dismissed at the plaintiff's request only by court order, on terms that the court considers proper. ... Unless the order states otherwise, a dismissal under this paragraph (2) is without prejudice.”

In exercising its discretion whether to allow a dismissal without prejudice, the “district court should consider ... ‘whether the party has presented a proper explanation for its desire to dismiss; whether a dismissal would result in a waste of judicial time and effort; and whether a dismissal will prejudice the defendants.’” *Blaes*, 858 F.3d at 512 (citations omitted).

“The law allows a court to grant a voluntary motion to dismiss” under Rule 41(a)(2) “so long as it is not wasteful or prejudicial or for the purpose of forum shopping.” *Id.* at 513. “[T]he district court must address the plaintiff's purported reason for the voluntary motion to dismiss.” *Id.* The court also must “consider” the defendant's claim of prejudice. *Donner v. Alcoa, Inc.*, 709 F.3d 694, 697 (8th Cir. 2013). But “the expense and effort of drafting and responding to discovery prior to

dismissal does not constitute legal prejudice.” *Mullen v. Heinkel Filtering Sys., Inc.*, 770 F.3d 724, 728-29 (8th Cir. 2014).

Factors supporting this also include the timing of the motion to dismiss. *Blaes*, 858 F.3d at 513 (affirming dismissal without prejudice, noting that though discovery was complete, trial had not commenced and district court had not yet ruled on pending pretrial motions). “‘The time and effort invested by the parties, and the stage to which the case had progressed’ are the most important factors to consider when the court decides whether to grant a dismissal with conditions.” *Id.* at 516 (quoting *Kern v. TXO Productions Corp.*, 738 F.2d 968 (8th Cir. 1984)).

Considering and addressing these concerns does not have to be onerous or detailed. As long as the district court “stated that [the plaintiff’s] reason was proper, would not waste judicial time and effort, and would not prejudice defendants”, that is sufficient, as it “implicitly rejected” the defendant’s counterarguments. *Blaes*, 858 F.3d at 515.

So, and especially given the deferential nature of abuse-of-discretion review, of the 16 challenges to a “without prejudice” dismissal under Rule 41(a)(2) in this Court that SnugglyCat’s counsel can find, twelve – all but four – were affirmed. They are:

- *Blaes*, 858 F.3d at 514-15 (affirming dismissal without prejudice in diversity-jurisdiction tort case);²

² In *Blaes*, the Court affirmed the “with prejudice” designation, but remanded because the district court had failed to address the

- *United States v. Thirty-two thousand eight hundred twenty dollars & fifty-six cents (\$32,820.56) in U.S. Currency*, 838 F.3d 930, 937 (8th Cir. 2016) (affirming dismissal without prejudice in Civil Asset Forfeiture Reform Act (“CAFRA”) case, where the Government offered a valid reason for seeking dismissal of its *in rem* action and trial was months away);
- *Mullen*, 770 F.3d at 726-29 (affirming dismissal without prejudice in diversity-jurisdiction tort case, where little discovery had occurred, no depositions had been taken, and the plaintiff sought to refile in state court against a diversity-destroying defendant);
- *Gannon Intern., Ltd., v. Blocker*, 684 F.3d 785, 791 (8th Cir. 2012) (affirming dismissal without prejudice in diversity-jurisdiction tort case, where while the defendant had obtained partial summary judgment, the dismissal had been sought after the summary judgment motion was filed but before it was granted);
- *Cahalan v. Rohan*, 423 F.3d 815, 818 (8th Cir. 2005) (affirming dismissal without prejudice in diversity action under New Jersey workers’ compensation law, where while the claim failed, the

defendant’s request in opposition to the plaintiff’s motion to dismiss without prejudice that the court “at least condition the dismissal on [plaintiff] paying defendants’ costs and expenses.” *Id.* at 516. The defendants did not make that request here (Aplt.Appx. 130).

plaintiff also had a right to proceed under Minnesota workers' compensation law and sought to bring that claim separately);

- *In re Oak Grove Farm*, 16 F. App'x 536, 538 (8th Cir. 2001) (per curiam) (affirming dismissal without prejudice in contract action, where little discovery had been taken and the plaintiff sought to dismiss because "it lacked 'readily available funds necessary to cover costs ... to prosecute the claim'");
- *Metro. Fed. Bank of Iowa, F.S.B. v. W.R. Grace & Co.*, 999 F.2d 1257, 1262-63 (8th Cir. 1993) (affirming dismissal without prejudice in diversity-jurisdiction tort case, where though the defendant's summary judgment motion was pending, the district court had broad discretion to allow a dismissal without prejudice);
- *Kern*, 738 F.2d at 971 (affirming dismissal without prejudice in contract case, where even though trial had commenced and the district court had suggested it would grant the defendant a directed verdict, the plaintiff had not yet rested, the defendant had not yet moved for a directed verdict, and the dismissal would allow for a state-law issue to be decided by a state court);
- *Denny Concrete Co. v. Mo. Portland Cement Co.*, 472 F.2d 1040, 1042-43 (8th Cir. 1973) (affirming dismissal without prejudice in antitrust case);

- *United States v. Gunc*, 435 F.2d 465, 467 (8th Cir. 1970) (affirming dismissal without prejudice in tax suit, where purpose was to avoid discovery problems in simultaneous criminal case);
- *Johnston v. Cartwright*, 355 F.2d 32, 40 (8th Cir. 1966) (affirming dismissal without prejudice in defamation case); and
- *N.Y., Chi. & St. Louis R.R. Co. v. Vardaman*, 181 F.2d 769, 770-72 (8th Cir. 1950) (affirming dismissal without prejudice in FELA case where little discovery had been taken; also held that the district court was not bound to require payment of the defendant’s attorney fees as a condition of dismissal without prejudice).

Conversely, the only four times this Court ever has reversed a “without prejudice” determination, it was because (a) the district court wholly failed to consider either the plaintiff’s reason or the defendant’s argument of prejudice, (b) the plaintiff gave no reason for seeking to dismiss, (c) the plaintiff’s admitted reason for seeking the dismissal without prejudice was wholly improper (i.e., forum-shopping), or (d) the motion came too late in the proceedings. And notably, every one of these reversals was not outright, but was with remand either to consider what was missing or to continue on with the case.³

³ Indeed, if the district court desires to rule on the plaintiff’s Rule 41(a)(2) motion by dismissing *with* prejudice instead, it must give the plaintiff notice of its intention to do so and a chance to withdraw the request and proceed with the litigation. *See Jaramillo v. Burkhart*, 59 F.3d 78, 79 (8th Cir. 1995) (reversing dismissal with prejudice where

In *Donner*, a diversity-jurisdiction tort case, the plaintiff stated it sought to bring claims in state court against a diversity-destroying defendant, but the district court granted the plaintiff's motion for voluntary dismissal without considering whether the plaintiff's purported claims against the proposed diversity-destroying defendant "had a reasonable basis in fact and law." 709 F.3d at 697. To the contrary, the "overall circumstances ... strongly suggest[ed the plaintiff] was merely seeking a more favorable forum, and thus the district court should have considered whether [the plaintiff's] proposed claims against [the proposed diversity-destroying defendant] had any merit." *Id.* at 699. The Court remanded the case to the district court with instructions to consider that. *Id.*

Similarly, in *Thatcher v. Hanover Ins. Group, Inc.*, a case removed to federal district court under the Class Action Fairness Act, the plaintiff moved to dismiss without prejudice, claiming it would refile in state court with an amended complaint that would avoid federal jurisdiction. 659 F.3d 1212, 1213 (8th Cir. 2011). The district court granted the plaintiff's request without considering whether the motion "was an improper forum-shopping measure." *Id.* at 1213-14. This

district court failed to afford plaintiff that opportunity). Here, the defendants request this Court to remand with instructions to dismiss with prejudice (Aplt.Br. 39). Per *Jaramillo*, that is not an available remedy for them. 59 F.3d at 79.

Court held that was an abuse of discretion, given that it had “repeatedly stated that it is inappropriate for a plaintiff to use voluntary dismissal as an avenue for seeking a more favorable forum.” *Id.* The Court held that “if the trial court had [considered this], it would have concluded that [plaintiff] was dismissing so he could return to the more favorable state forum.” *Id.* at 1214. It remanded the case to the district court to consider that issue. *Id.* at 1215.

In *Beavers v. Bretherick*, the plaintiff moved to dismiss his action under 42 U.S.C. § 1983 without prejudice, and the district court granted that request. 227 F. App’x 518, 519 (8th Cir. 2007) (per curiam). But the plaintiff “did not present any explanation – much less a sufficient explanation – for his desire to dismiss the complaint.” *Id.* at 522. At the same time, this was in the face of a motion for summary judgment after the close of discovery, and the plaintiff “exhibited a marked lack of diligence in prosecuting his case.” *Id.* The Court reversed the order granting a dismissal without prejudice and remanded for consideration of the pending summary judgment motion.

Finally, in *Williams v. Ford Motor Credit Co.*, a diversity-jurisdiction wrongful repossession case, the plaintiff moved to dismiss without prejudice after

the action had been pending for over eighteen months. Discovery had been conducted on both sides, extensive pretrial preparation and proceedings had been undertaken and a two- and one-half-day jury trial had been held. A jury

deliberated and rendered the verdict. Briefing had been completed on the motion for judgment notwithstanding the verdict.

627 F.2d 158, 159 (8th Cir. 1980). The plaintiff's motion to dismiss also "fail[ed] to disclose the reason for seeking the dismissal without prejudice." *Id.* The district court granted the motion anyway. *Id.* Given the extremely late timing and the plaintiff's lack of any stated reason for seeking a dismissal without prejudice, this Court held this was an abuse of discretion. *Id.* at 159-60. It reversed the grant of dismissal without prejudice and remanded the case with directions to proceed with the post-trial proceedings as normal. *Id.* at 160.

Plainly, per these (many) affirmances and (few) reversals, the well-established law of this Circuit is that as long as the plaintiff gives a reason for seeking a voluntary dismissal that is not on its face improper, the district court considers the plaintiff's reason for seeking a voluntary dismissal and the defendant's claim of prejudice, and the motion comes before trial, the district court does not abuse its discretion in allowing the plaintiff to dismiss without prejudice.

B. There is no *per se* rule that whenever a plaintiff sues under a statute or other instrument that allows a prevailing party to claim attorney fees, the district court is barred from allowing the plaintiff to dismiss without prejudice, and such a rule would run contrary to the express language of Fed. R. Civ. P. 41(a)(2).

Despite the broad discretion that this Court consistently has held district courts have under Rule 41(a)(2) to grant a dismissal without

prejudice, the defendants here urge the Court to adopt a 180-degree shift. They ask the Court to “remand with instructions to dismiss SnugglyCat’s First Amended Complaint with prejudice” (Aplt.Br. 39), something this Court never has done even the only four times it ever reversed a dismissal without prejudice (and which is relief unavailable to the defendants in the first place, *supra* at pp. 26-27 n.3).

Citing a 2008 Alabama district court decision, an unpublished, per curiam Ninth Circuit decision, and several unpublished district court decisions that rely on that Ninth Circuit decision, the defendants argue the district court was *bound* “as a matter of law” to dismiss SnugglyCat’s petition with prejudice (Aplt.Br. 18-24, 27-29, 38).⁴ They say this is because SnugglyCat sued under the Lanham Act, which allows a “prevailing party” to seek an award of attorney fees if the district court finds the case is “exceptional”, 15 U.S.C. § 1117(a), and

⁴ Citing *United States v. Certain Prop.*, 543 F. Supp. 2d 1291 (N.D. Ala. 2008); *United States v. Ito*, 472 F. App’x 841, 841 (9th Cir. 2012) (per curiam); *GDS Indus., Inc. v. Great Am. Ins. Co.*, No. 16-CV-1506-AJB-BLM, 2016 WL 6962866, at *3 (S.D. Cal. Nov. 29, 2016); *Deckers Outdoor Corp. v. Romeo & Juliette, Inc.*, No. 2:15-cv-02812-ODW, 2016 WL 5842187, at *1 (C.D. Cal. Oct. 5, 2016); *United States v. \$107,702.66 in U.S. Currency Seized from Lumbee Guar. Bank Account No. 82002495*, No. 7:14-CV-00295-F, 2016 WL 413093 (E.D.N.C. Feb. 2, 2016); and *United States v. Funds Contained in the Better Bus. Checking Account Numbered 802070987 and the Bus. Sweep Account Numbered 802121715 at Capital Bank, up to \$359,557.25*, No. 5:14-CV-476-FL (E.D.N.C. June 5, 2015).

unless dismissal is *with* prejudice, they cannot be prevailing parties, so that was a “plain legal prejudice” to them (Aplt.Br. 15-24, 27-29).

The only one of these decisions even in a procedural posture that conceivably could support the defendants’ argument is the Ninth Circuit’s decision in *Ito*, 472 F. App’x at 841. The rest are district court decisions *exercising discretion not* to dismiss without prejudice. But the fact “that a district court [in one case] did not abuse its discretion by” taking an action “does not lend measurable support to the contrary position that the district court in this case abused its discretion by refusing to” take that action. *N. Am. Specialty Ins. Co. v. Britt Paul Ins. Agency, Inc.*, 579 F.3d 1106, 1112 (10th Cir. 2009) (joined by Gorsuch, J.); *cf. United States v. Black Cloud*, 101 F.3d 1258, 1262 (8th Cir. 1996) (“It is not necessarily an abuse of discretion to admit testimony in one case when similar testimony has been excluded from another”).

This is “the nature of judicial discretion”, which “precludes rigid standards for its exercise.” *Gordon v. United States*, 383 F.2d 936, 941 (D.C. Cir. 1967) (Burger, J.). Moreover, the California district court decisions the defendants cite all came after – and expressly relied on – *Ito*, by which they were bound. And the Alabama decision begins with a reminder that it was exercising its discretion to dismiss with prejudice. *Certain Prop.*, 543 F. Supp. 2d at 1292.

Also, notably, except for *GDS* and *Deckers*, both of which were unpublished district court decisions that still relied on *Ito* and were not

appealed, the defendants only point to CAFRA cases. Even *Ito*, the sole decision holding it was an abuse of discretion to not dismiss with prejudice, was under CAFRA.

This makes some sense. CAFRA was enacted with the stated Congressional intent “to give owners innocent of any wrongdoing the means to recover their property and make themselves whole after wrongful government seizures.” *United States v. One Lincoln Navigator 1998*, 328 F.3d 1011, 1012 n.1 (8th Cir. 2003) (citation omitted). To allow the Government to drop the seizure but avoid paying attorney fees under CAFRA would thwart this aim.

But not even *Ito* supports the defendants’ argument about some legal bar to discretion to allow a dismissal without prejudice, even in CAFRA cases. Instead, *Ito* just cements that the district court has broad discretion to determine whether the need to seek attorney fees is an unfair legal prejudice in the case at hand.

In *Ito*, the district court incorrectly *thought* that by allowing the Government to dismiss its seizure without prejudice, it *still would* be able to allow the CAFRA claimants to “move for costs and attorney fees under 28 U.S.C. § 2465(b).” *United States v. One 2008 Toyota Rav 4 Sports Utility Vehicle*, No. CV 09-5672 SVW, 2010 WL 11531203, at *3 (C.D. Cal. July 16, 2010). It stated that along with the dismissal without prejudice, it also was “grant[ing] Claimants leave to file a Motion for Costs and Attorneys’ Fees.” *Id.* at *1.

The problem was that the district court was wrong as a matter of law, and it was *that* legal error which the Ninth Circuit was correcting. That is, without a dismissal with prejudice, the district court's stated discretionary aim of allowing the claimants to seek attorney fees was impossible. "The district court did not recognize that dismissal without prejudice precludes prevailing party status." *Ito*, 472 F. App'x at 842. "Without prevailing party status, the Itos were unable to bring their attorney's fees motion under" CAFRA. *Id.* So, its dismissal without prejudice "was based on an erroneous understanding of the law." *Id.*

The defendants' notion that there is a *per se* rule that whenever a plaintiff sues under a statute or other instrument that allows a prevailing party to claim attorney fees, the plaintiff cannot as a matter of law be allowed to dismiss without prejudice is not the holding of *Ito*. Instead, *Ito* holds that *if* the district court exercises its discretion to allow the defendant to seek attorney fees under a "prevailing party" fee-shifting statute, *then* it cannot dismiss without prejudice. It equally follows that the district court may exercise its discretion to find that under the circumstances, not allowing the defendant to seek attorney fees under such a statute *is not* an unfair legal prejudice. Again, that is the nature of discretion. *Supra* at p. 31.

Moreover, the defendants' notion has no support in the law of this circuit. In fact, this Court has rejected exactly that rule, and in a CAFRA case, at that.

The defendants claim that “[t]his circuit has not ruled on this issue, but has favorably cited” *Ito* for their proposition about a *per se* rule (Aplt.Br. 34). For this, they point to the district and appellate proceedings in *\$32,820.56 in U.S. Currency*, 838 F.3d at 938. That is untrue. *\$32,820.56 in U.S. Currency* does not support the defendants’ argument that a district court is bound as a matter of law to dismiss with prejudice whenever the plaintiff has sued under a statute that allows the prevailing party to seek attorney fees. Instead, it holds the opposite.

In *\$32,820.56 in U.S. Currency*, another CAFRA case, despite the aims of CAFRA first the district court, and then this Court, held the Government *could* be allowed to dismiss the seizure without prejudice even though this would mean the claimants could not seek attorney fees as prevailing parties.

There, the Government seized cash in the claimants’ bank account, and the claimants filed a CAFRA claim against the seizure. 79 F. Supp. 3d 927, 928-29 (N.D. Iowa 2015). Before trial, the Government moved to dismiss its *in rem* action without prejudice, stating it “believe[d], in the exercise of its prosecutorial discretion, that allocating its limited resources elsewhere would better serve justice in this case.” *Id.* at 930. The district court agreed this was a proper purpose, held the claimants would not suffer legal prejudice, and granted the Government’s motion to dismiss without prejudice. *Id.* at 931-33.

The claimants moved to reconsider, citing *Ito* and arguing the district court was bound to dismiss with prejudice. 106 F. Supp. 3d. 990, 996 (N.D. Iowa 2015). The court held that this argument had not been timely raised, but even if it had been the court disagreed with it. *Id.* at 997-98. It stated that

the *Ito* holding is not controlling and I find no indication that the Eighth Circuit Court of Appeals is likely to follow it. The Eighth Circuit has found legal prejudice, for purposes of considering a motion to dismiss without prejudice, when dismissal would cause the loss of a material advantage the resisting party would enjoy only if the pending action were to continue. ... The Claimants have cited no Eighth Circuit case, nor have I found one independently, holding that the potential loss of “prevailing party” status under a fee-shifting statute creates legal prejudice so as to preclude a dismissal without prejudice.

Finding plain legal prejudice on that basis would necessarily presume that the party resisting voluntary dismissal would have prevailed on the merits if the case continued to a conclusion. Perhaps that presumption would be appropriate under certain circumstances – such as a plaintiff filing a motion to dismiss without prejudice in response to a clearly-meritorious motion for summary judgment. As a general proposition, however, I cannot conclude that the Eighth Circuit would hold that a motion to dismiss without prejudice should be denied on grounds of legal prejudice simply because the nonmoving party might someday prevail and obtain an award under a fee-shifting statute.

Id. at 997 (internal citation omitted).

The claimants then appealed to this Court, which affirmed. 838 F.3d at 932. In the course of the decision, the Court cited *Ito*. *Id.* at 936. Contrary to the defendants’ argument (Aplt.Br. 36), the Court *did not* cite *Ito* “favorably” for the proposition they now advance – that it is an abuse of discretion to allow a dismissal without prejudice just because this may prevent the defendant from seeking attorney fees. Instead, the Court held exactly the contrary. *Id.* at 936-37. (The defendants conveniently omit that portion from their brief quote of this Court’s decision (Aplt.Br. 36).)

This Court cited *Ito* and a North Carolina district court decision to hold squarely that when *a district court* believes depriving the party of attorney fees would be unfair, as a matter of *its* discretion *it* may deny the motion to dismiss without prejudice, but this is *not a per se* rule, and it retains discretion to grant the dismissal without prejudice, too:

[The claimant] complains that the district court’s interpretation of CAFRA would lead to absurd results and compound the burden that civil forfeiture imposes on innocent claimants. She posits that claimants who are able to show early in litigation that the government’s case is weak would be less likely to obtain fees than claimants who litigate further and secure a dismissal with prejudice. ***The district courts, however, retain discretion to guard against abuse and to dismiss with prejudice in appropriate cases. If a court is convinced that dismissal without prejudice at the government’s request would cause legal prejudice to a claimant by unfairly depriving her of the ability to seek attorney***

fees under CAFRA, then the court may deny the government's motion. See *United States v. \$107,702.66 in U.S. Currency*, No. 7:14-CV-00295-F, 2016 WL 413093, at *3-4 (E.D.N.C. Feb. 2, 2016); see also *United States v. Ito*, 472 Fed.Appx. 841, 842 (9th Cir. 2012) (per curiam). **[The claimant]'s proposed interpretation of CAFRA, on the other hand, is no panacea.** If the government is unable to dismiss a legally meritorious case without prejudice based on the exercise of prosecutorial discretion, then the exposure to liability for attorney fees may deter the government from forbearing litigation that would result in forfeiture of a claimant's property.

Id. at 936-37 (emphasis added).

The point is that even under CAFRA, with its aim of making all people whole who oppose the Government's wrongful seizure of their property, district courts retain discretion to allow a dismissal without prejudice even of a claim under a fee-shifting statute. This Court cited *Ito* favorably not because it was adopting a *per se* rule that whenever a party could seek attorney fees if it were a prevailing party, the district court must dismiss with prejudice, which is not even the holding of *Ito*. Rather, the Court clearly cited *Ito* because it was observing that the district court in *Ito* had found the party deserved to seek attorney fees. So, too, did the district court in the North Carolina case cited. The point is that district courts have discretion to decide this, and just as in *\$32,820.56 in U.S. Currency* a district court does not *ipso facto* abuse that discretion by denying the defendant "prevailing party" status.

And this also makes sense because the *per se* rule for which the defendants argue here – and which the Court rejected in *\$32,820.56 in U.S. Currency* – would run contrary to the express language of Rule 41(a)(2). The Rule provides that “an action may be dismissed at the plaintiff’s request only by court order, on terms that the court considers proper” and “[u]nless the order states otherwise, a dismissal under this paragraph (2) is without prejudice.”

So, Rule 41(a)(2) expressly applies to all actions and makes dismissal without prejudice the default. But the defendants’ *per se* rule would mean that Rule 41(a)(2), with its “without prejudice” default, no longer would apply to causes of action under statutes or contracts that allow prevailing parties attorney fees. Instead, *all* such dismissals would have to be with prejudice as a matter of law and the district court would have no discretion to do otherwise.

Whatever the merits of the defendants’ proposed rule, it is not Rule 41(a)(2), nor has any circuit – even in *Ito* – ever applied Rule 41(a)(2) to hold that district courts are bound as a matter of law to dismiss actions “with prejudice” when they are brought under statutes that allow prevailing parties to seek attorney fees. This Court held the opposite in *\$32,820.56 in U.S. Currency* and also has held “the expense and effort of drafting and responding to discovery prior to dismissal does not constitute legal prejudice.” *Mullen*, 770 F.3d at 728-29.

The defendants’ argument otherwise is without merit.

C. The district court properly exercised its broad discretion in allowing SnugglyCat to dismiss without prejudice, as the case was in an early stage, SnugglyCat’s reason for seeking dismissal without prejudice was proper, and the district court considered both SnugglyCat’s reason seeking a voluntary dismissal and the defendants’ claim of prejudice.

Under these principles, the district court here plainly did not abuse its discretion in granting SnugglyCat’s request for dismissal without prejudice.

First, the case was in the early stages of litigation. “The time and effort invested by the parties, and the stage to which the case had progressed’ are the most important factors to consider when the court decides whether to grant a dismissal with conditions.” *Blaes*, 858 F.3d at 512 (quoting *Kern*, 738 F.2d at 968). This goes to “whether a dismissal would result in a waste of judicial time and effort” *Id.* (citation omitted). As SnugglyCat explained, discovery was “still in the early stages, and no depositions have been scheduled or taken” (Aplt.Appx. 117). The district court agreed, stating it “acknowledges that discovery in this case is still in the early stages” (Aplt.Appx. 147).

Second, SnugglyCat “presented a proper explanation for its desire to dismiss” *Blaes*, 858 F.3d at 512 (citation omitted). It stated,

Based on the events that have occurred in this litigation thus far, SnugglyCat has determined that, despite the merits of the claims that it has plead and the good faith basis it has for filing those claims, SnugglyCat’s efforts and resources are insufficient to proceed with its claims against

Defendants. SnugglyCat is a small company. It believes the cost of continuing the suit against Defendants' aggressive defense is unsustainable.

(Aplt.Appx. 117). The district court considered this, stated SnugglyCat's request was "based on [SnugglyCat]'s inability to sustain the cost of continuing suit", and found that this request was "made in good faith" (Aplt.Appx. 147).

This Court has approved financial inability to continue suit as a proper reason to dismiss without prejudice. *See Oak Grove Farm*, 16 F. App'x at 538. In *Oak Grove Farm*, a contract action, the plaintiff stated "it lacked 'readily available funds necessary to cover costs, including essential expert witness fees, to prosecute the claim.'" *Id.* The district court granted dismissal without prejudice, and this Court affirmed. *Id.*

And the "events that have occurred in this litigation thus far" to which SnugglyCat referred as "Defendants' aggressive defense" are supported by the record and were well-known to the district court. Despite not having reached even the deposition stage of discovery, the defendants already had prosecuted a contempt proceeding against SnugglyCat and Mr. Ruckel replete with personal attacks against him, (which despite its tenor, volume, and cost resulted in a mere \$1,200 sanction), and the district court was forced to set up monthly discovery-dispute telephone conferences and then in-person hearings. *Supra* at pp. 12-14. The court cautioned counsel to be measured and calm.

Supra at pp. 14-15. It remarked with disappointment about the parties “poking each other” in discovery. *Supra* at pp. 14-15.

The district court saw all of this for itself and was entitled to draw its own conclusions and agree with SnugglyCat that its stated “inability to sustain the cost of continuing suit” was “made in good faith” (Aplt.Appx. 147).

The defendants complained below that SnugglyCat’s motion to dismiss was not actually for its stated reason, but instead was to avoid the court granting their Fed. R. Civ. P. 12(b)(6) motion to dismiss (Aplt.Br. 31). But the district court was entitled to believe SnugglyCat and not the defendants, and instead hold SnugglyCat’s reason for seeking dismissal was in good faith.

That the defendants’ Rule 12(b)(6) motion to dismiss was pending is not dispositive. The defendants cite the district court in *\$32,820.56 in U.S. Currency* remarking that its discretionary decision to grant dismissal without prejudice may have been different under other circumstances “such as a plaintiff filing a motion to dismiss without prejudice in response to a clearly-meritorious motion for summary judgment” (Aplt.Br. 35-36) (quoting 106 F. Supp. 3d at 997). But as this quote suggests, a pending dispositive motion merely goes to the district

court's consideration of how to exercise its discretion to rule on a Rule 41(b)(2) motion. It is not a legal bar to its exercising that discretion.⁵

Indeed, this Court has affirmed dismissals without prejudice in the face of summary judgment motions – even ones that had been granted. *See Gannon*, 684 F.3d at 791 (the defendant had obtained partial summary judgment, but the Rule 41(a)(2) motion to dismiss was filed after the summary judgment motion was filed but before it was granted); *Metro. Fed. Bank of Iowa*, 999 F.2d at 1262-63 (even though the defendant's summary judgment motion was pending, the district court had broad discretion to determine the plaintiff was not forum shopping and to allow dismissal without prejudice). The pendency of that motion is merely one factor for the district court to weigh in its discretion. *See also Kern*, 738 F.2d at 971 (affirming dismissal without prejudice even where trial had commenced and the district court had suggested it would grant defendant directed verdict on some claims).

Finally, the district court considered “whether a dismissal will prejudice the defendants.” *Blaes*, 858 F.3d at 512. The defendants suggest the district court did not consider this, because it did not produce a full-blown analysis of *why* it was deciding the defendants would not be prejudiced (Aplt.Br. 37-38). But they cite no authority requiring such an analysis. This is because the law does not require

⁵ Moreover, even if this somehow mattered, the defendants' motion to dismiss here was not “clearly meritorious.” *Infra* at pp. 44-53.

that, only that the district court show it considered – and rejected – their argument. *Blaes*, 858 F.3d at 515. All it need do is “stat[e] that [the plaintiff’s] reason was proper, would not waste judicial time and effort, and would not prejudice defendants”, because this shows it “implicitly rejected” the defendant’s arguments. *Id.* at 515.

Here, the district court clearly considered the defendants’ argument. It stated, “Defendants urge the Court to dismiss the case with prejudice, arguing that dismissal without prejudice would deprive them of the ability to recover attorney’s fees as a prevailing party” (Aplt.Appx. 147). It then considered and rejected this argument: “The Court further finds that Defendants will not be prejudiced by dismissal without prejudice” (Aplt.Appx. 147).

This is all this Court requires, *Blaes*, 858 F.3d at 515, and holding it was not unfair for the defendants not to have “prevailing party” status at this early stage of litigation – and in the face of SnugglyCat’s proper reason for dismissal – was well within the district court’s discretion. It was not “convinced that dismissal without prejudice at [SnugglyCat]’s request would cause legal prejudice to [the defendants] by unfairly depriving [them] of the ability to seek attorney fees”, just as it had discretion not to be. *\$32,820.56 in U.S. Currency*, 838 F.3d at 936-37. Indeed, all the defendants even could seek would be their “expense and effort of drafting and responding to discovery prior to

dismissal”, which “does not constitute legal prejudice.” *Mullen*, 770 F.3d at 728-29.

“The law allows a court to grant a voluntary motion to dismiss so long as it is not wasteful or prejudicial or for the purpose of forum shopping.” *Blaes*, 858 F.3d at 513. The district court properly exercised its discretion to determine that SnugglyCat’s voluntary motion to dismiss without prejudice was not wasteful, prejudicial, or for the purpose of forum shopping, and it properly considered both SnugglyCat’s purpose and the defendants’ claim of prejudice.

The district court’s decision to allow SnugglyCat to dismiss without prejudice was “within the range of choice available to [it], account[ed] for all relevant factors, d[id] not rely on any irrelevant factors, and d[id] not constitute a clear error of judgment.” *Enerplus*, 865 F.3d at 1097. It was a proper exercise of discretion. This Court should affirm its judgment.

D. The defendants’ Rule 12(b)(6) motion to dismiss would have failed on the merits.

Toward the end of their brief, the defendants briefly suggest they would have won on their motion to dismiss under Rule 12(b)(6) because “SnugglyCat could not satisfy the ‘use in commerce’ requirement of the Lanham Act considering the admission in its First Amended Complaint that the Purr N’ Play was ‘never produced or sold’” (Aplt.Br. 31) (citing

Aplt.Appx. 17, 68).⁶ It says SnugglyCat therefore must have “believ[ed] that the District Court would likely grant the Defendants’ motion to dismiss” (Aplt.Br. 31).

As SnugglyCat already explained, the substance of that motion has nothing to do with whether the district court abused its discretion. *Supra* at pp. 41-42. *See Gannon*, 684 F.3d at 791; *Metro. Fed. Bank of Iowa*, 999 F.2d at 1262-63.

Moreover, even if the merits of the defendants’ Rule 12(b)(6) motion somehow mattered, the defendants offer no argument in support of their contention that they would have won their motion to dismiss. They offer no argument or authority how SnugglyCat’s allegations, taken as true, did not constitute a “use in commerce” that infringed on its mark (Aplt.Br. 31-34). And because of this, they cannot do so for the first time in a reply brief. This Court “do[es] not consider an argument raised for the first time in a reply brief”, especially where it may “implicat[e] an unsettled area of the law in our circuit.” *Cutliff v. Reuter*, 791 F.3d 875, 883 n.3 (8th Cir. 2015). Just as in *Cutliff*, the Court should not consider such an argument here.

But just to be sure, SnugglyCat’s claims against the defendants plainly were proper under the Lanham Act and would have survived the defendants’ Rule 12(b)(6) motion.

⁶ The defendants apparently abandon the other Rule 12(b)(6) arguments, *supra* at p. 15, which their brief does not even mention.

“This [C]ourt reviews ... a motion to dismiss [under Rule 12(b)(6)] *de novo*.” *BNSF R.R. Co. v. Seats, Inc.*, 900 F.3d 545, 546 (8th Cir. 2018). “The complain[t] ‘must show the plaintiff is entitled to relief, by alleging sufficient factual matter, accepted as true, to state a claim to relief that is plausible on its face.’” *Id.* (citations omitted). The Court “tak[es] all facts alleged in the complaint as true, and mak[es] reasonable inferences in favor of the nonmoving party.” *Smithrud v. City of St. Paul*, 746 F.3d 391, 397 (8th Cir. 2014).

SnugglyCat alleged that the defendants used its mark, affixed to the Ripple Rug, to create an infomercial and websites to (successfully) entice consumers into giving their credit card numbers to place orders, getting those consumers falsely to believe they were purchasing the Ripple Rug from the defendants. The law of the United States is that this was more than sufficient to allege claims under the Lanham Act that the defendants had used SnugglyCat’s mark in commerce, regardless of whether the defendants actually wound up producing or shipping their knockoff product.

Under 15 U.S.C. § 1114(1)(a), a defendant is liable for “infringement” under the Lanham Act (§ 32) if it “use[s] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods ...” Under 15 U.S.C. § 1125(a), a defendant is liable for “false designations” under the Lanham Act (§

43) if it “uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact”

15 U.S.C. § 1127 (§ 45 of the Lanham Act) provides that

The term “use in commerce” means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce.

§ 1127 then defines “commerce” as “all commerce which may lawfully be regulated by Congress.”

In their motion to dismiss, while apparently admitting that they used SnugglyCat’s trademarked Ripple Rug product (with the mark visible), the defendants argued that their creating, directing, producing, and disseminating an infomercial and related advertising for the “Purr N Play” product could not meet the Lanham Act’s “use in commerce” requirement (Aplt.Appx. 67-73). They argued that to have been used in commerce, under § 1127 the goods must have been sold or transported in commerce, and because the defendants never actually produced or

shipped the “Purr N Play”, there was never a transfer of property, so there was no “use in commerce” (Aplt.Appx. 67-73).

Taking all of SnugglyCat’s allegations as true, and according it all reasonable inferences in its favor, the defendants’ argument is without merit. The Lanham Act’s “use in commerce” requirement is not so inflexible as to prevent SnugglyCat from recovering. The Supreme Court has characterized “in commerce” to be broad and have a “sweeping reach.” *See Steele v. Bulova Watch Co.*, 344 U.S. 280, 283-84, 287 (1952). And the Lanham Act’s express purpose in part is to “mak[e] actionable the deceptive and misleading use of marks in ... commerce; ... [and] to protect persons engaged in such commerce against unfair competition.” § 1127.

“The owner of ‘a registered mark ... has a civil action against anyone employing an imitation of it in commerce when ‘such use is likely to cause confusion, or to cause mistake, or to deceive.’” *ZW USA, Inc. v. PWD Sys., LLC*, 889 F.3d 441, 445-46 (8th Cir. 2018) (quoting *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117 (2004) (quoting § 1114(1)(a))). “The plaintiff mark owner has the burden of ‘showing that the defendant’s actual practice is likely to produce confusion in the minds of consumers about the origin of the goods or services in question.’” *Id.* (quoting *KP*, 543 U.S. at 117).

Below (Aplt.Appx. 69), the defendants relied on *Sensient Techs. Corp. v. SensoryEffects Flavor Co.*, 613 F.3d 754 (8th Cir. 2010), for the

proposition that “advertising – without accompanying actual sales of goods – does not satisfy the Lanham Act’s ‘in commerce’ requirement” (Aplt.Appx. 106). This is without merit.

First, the Court in *Sensient* recognized that there presently is an unsettled question whether the § 1127 definition of “use in commerce” on which the defendants relied below even applies to trademark infringement cases (as opposed to trademark registration cases) after the 1988 amendment to the statute that added in the predicate of “the bona fide use of a mark in the ordinary course of trade”, because infringing use never would be “bona fide”. 613 F.3d at 761-62 (discussing *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123, 1280-29 (2d Cir. 2009) (suggesting § 1127 may well not apply to infringement); and 4 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:11.50 (4th ed.) (“The Lanham Act § 45 narrowing definition of what constitutes ‘use in commerce’ is just a relaxed remnant of trademark law's once-hyper-technical ‘affixation’ requirement. This statutory anachronism certainly was never intended to limit the scope of ‘uses’ that would constitute infringement”)).

In the end, this Court in *Sensient* held that the parties had not properly brought this issue before it, and “express[ed] no view as to whether [§ 1127]’s ‘use in commerce’ definition continues to properly apply in infringement cases.” *Id.* But if whether what SnugglyCat alleged constitutes a “use in commerce” were an issue here, SnugglyCat

would argue that the Second Circuit's suggestion in *Rescuecom*, discussed in *Sensient*, is the correct view, and infringement cases now simply should apply the plain meaning of "use in commerce". The defendants plainly used SnugglyCat's mark and did so in commerce that Congress can regulate: on broadcast television, over the internet, over telephone lines, and to run credit card wire transactions.

Regardless, even under § 1127 the defendants' use of SnugglyCat's mark qualified as a "use in commerce", and the defendants' argument otherwise is without merit. *Sensient* is inapposite. In *Sensient*, the district court found the mark at issue was not used in commerce. 636 F. Supp. 2d 891, 898 (E.D. Mo. 2009). It noted the defendants ceased use of the name at issue after the lawsuit was filed and used the plaintiff's mark for approximately one month. *Id.* It found the defendants merely had conducted two presentations to customers, used the name on correspondence, released the name via a press release, and did not do so on their website, which always just indicated it was under construction. *Id.* This Court affirmed, noting that no goods bearing the mark were ever sold or transported, and "mere advertising is not enough to constitute 'use in commerce' because 'a mark is used in commerce only if it accompanies services rendered in commerce.'" 613 F.3d at 762.

The same is not true here. Taking SnugglyCat's allegations as true, the defendants did far more than merely "advertise" the "Purr N Play." First, the advertisements were far more pervasive than the two

presentations, correspondence, and press release in *Sensient*. To the contrary, the defendants created a nationwide advertising campaign to sell the “Purr N Play” that included the development (and broadcast) of an infomercial, a website, and a social media campaign, all of which, though advertising the “Purr N Play”, used the Ripple Rug (and its mark). *Supra* at pp. 5-10. Opfer Communications even entered into a Three-Way Agreement with Rutledge & Bapst and B&D Solutions, as part of which those three parties agreed to sell knockoff versions of the Ripple Rug and to split profits equally. *Supra* at pp. 4-5.

Moreover, while the fact that the “Purr N Play” did not exist meant the defendants did not transport it, itself, in commerce, they certainly sold their fraudulent product in commerce: they took customer credit card information and shipping information. *Supra* at p. 9. The defendants took orders from “Purr N Play” customers, lured to the defendants via telephone and the internet because of the defendants’ use of the Ripple Rug mark. *Supra* at p. 9. These are critical facts that distinguish this case from *Sensient*.

This is more than enough to constitute “use in commerce.” *ZW*, 889 F.3d at 445 n.1. Where a party places a mark on an advertisement from which customers can order that product, “[t]hat is a use in commerce.” *Id.* In *ZW*, the defendant “placed the phrase ‘one-pull’ – the protected mark – “prominently on the webpage describing the

products in question” and “customers can order the products from the same webpage.” *Id.* This Court held, “That is a use in commerce.” *Id.*

That is exactly what the defendants did here: placed SnugglyCat’s Ripple Rug product (and its mark) prominently in their infomercial for the “Purr N Play”, listed a telephone number and website (that also displayed the Ripple Rug) from which customers could order the “Purr N Play”, and then customers did place those orders. That the “Purr N Play” was an entirely fraudulent product that never wound up existing does not mean that the defendants did not use SnugglyCat’s mark in commerce even under § 1127’s traditional definition.

As well, the defendants plainly transported SnugglyCat’s Ripple Rug (and its mark) to make the fraudulent infomercial and pass the Ripple Rug off as their nonexistent “Purr N Play”. *Supra* at pp. 6-8. They also transported the Ripple Rug (and its mark) when working with their cohorts and a Chinese factory to produce 100,000 “Purr N Play” knockoffs. *Supra* at p. 5. This counterfeited SnugglyCat’s mark “in connection with the sale, offering for sale, distribution, or advertising of any goods ...” § 1114(1)(a). It also used the mark and its words, symbol, and device, and multiple false and misleading descriptions and representations of fact, *supra* at pp. 7-9, which violated § 1125(a). This transportation alone was enough to establish liability under the Lanham Act.

Taking SnugglyCat's allegations as true and according them the benefit of all reasonable inferences, the defendants used its mark in commerce. That the defendants lied to the public in doing so is a distinction without a difference. At this stage, the (lack of) substance of the defendants' motion to dismiss is not a consideration. *Supra* at pp. 41-42. But if it somehow were, the district court rightly would have denied the defendants' motion to dismiss.

Conclusion

The Court should affirm the district court's judgment.

Respectfully submitted,

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I further certify that this brief complies with the typeface requirements of Rule 32(a)(5) and typestyle requirements of Rule 32(a)(6), because this brief has been prepared in a proportionally-spaced typeface, Century Schoolbook size-14 font, using Microsoft Word for Office 365.

I further certify that the electronic copies of both this brief and its addendum filed via the Court's ECF system are exact, searchable PDF copies of the originals, that they were scanned for viruses using Microsoft Windows Defender, and that according to that program they are free of viruses.

/s/Jonathan Sternberg
Attorney

Certificate of Service

I certify that on February 19, 2019, I electronically submitted the foregoing to the Clerk of the Court for the United States Court of Appeals for the Eighth Circuit for review by using the CM/ECF system.

/s/Jonathan Sternberg
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