UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

Impossible Foods Inc. v. Impossible X LLC, et al.

Impossible Foods Inc. v. Impossible X LLC, No. 21-cv-02419-BLF (SVK) (N.D. Cal. June 30, 2025) · No. 21-cv-02419-BLF (SVK) · Decided June 30, 2025

OPINION

Impossible Foods Inc. v. Impossible X LLC
PER CURIAM.
1 2 3
4 UNITED STATES DISTRICT COURT
5 NORTHERN DISTRICT OF CALIFORNIA
6 7 IMPOSSIBLE FOODS INC., Case No. 21-cv-02419-BLF (SVK) 8 Plaintiff,
ORDER FOLLOWING IN CAMERA
9 v. REVIEW
10 IMPOSSIBLE X LLC, et al., Re: Dkt. Nos. 175, 222 11 Defendants. 12 On April 15, 2025, Plaintiff Impossible Foods, Inc. (“IF”) filed a discovery statement 13 seeking in camera review of certain emails between Defendant Joel Runyon and his trademark 14 prosecution counsel to assess whether the crime-fraud exception required their production. See
15 Dkt. 175. After a discovery hearing, an initial denial and other submissions, on June 4, 2025, the
16 Honorable Beth L. Freeman granted IF’s request for in camera review. Dkt. 222. Having now 17 conducted in camera review, and considering the relevant law, the record in this action and for the 18 reasons that follow, the Court hereby ORDERS production of the document submitted to the 19 Court as Tab 6 (INT_IMP_00011214).
20 I. RELEVANT BACKGROUND
21 This action is a trademark dispute between IF and Defendants Impossible X, LLC 22 (“IXLLC”) and Runyon. See, generally, Dkt. 151 (“TAC”). IF argues that IXLLC and Mr. 23 Runyon committed fraud on the United States Patent and Trademark Office (“PTO”) by 24 submitting false, sworn statements of use as to the “IMPOSSIBLE FITNESS” word and design 25 marks (Reg. Nos. 5,590,801 and 5,603,025), the “IMPOSSIBLE” word mark (Reg. No. 5,620,625) 26 and the “IMPOSSIBLE” motion mark (Reg. No. 6,571,603). Dkt. 176-2 at 2. In seeking in 27 camera review, IF relied on a number of materials, including for example: (1) IXLLC’s April 4, 1 connection with” these marks, it “was not yet using [the marks] in connection with each category 2 of apparel listed in the” statements, (id.; Dkt. 168 (“Answer to TAC”), ¶¶ 59, 66); and (2) the 3 testimony elicited at the April 10, 2025 deposition of Mr. Runyon, (id. at 4-5; Dkt. 207 (Sealed 4 Transcript)). 5 In her June 4, 2025 order granting in camera review, Judge

Freeman explained that, “considering only the material relied upon by IF in support if its threshold Zolin showing,” the portions of Mr. Runyon’s testimony were sufficient “to support a good faith belief by a reasonably person[] that in camera review of the materials may reveal evidence to establish the claim that the crime-fraud exception applies.” Dkt. 222 at 7 (internal quotation marks and citation omitted). Pursuant to the undersigned’s subsequent order, (Dkt. 224), Defendants then submitted for review communications between Mr. Runyon and his counsel concerning the statement of use and incontestability declaration filed with the PTO.

II. LEGAL STANDARDS

A. The Crime-Fraud Exception

“While the attorney-client privilege is ‘arguably [the] most fundamental of the common law privileges recognized under Federal Rule of Evidence 501,’ it is ‘not absolute.’” In re Grand Jury Investigation, 810 F.3d 1110, 1113 (9th Cir. 2016) (quoting In re Napster, Inc. Copyright Litig., 479 F.3d 1078, 1090 (9th Cir.2007), abrogated in part on other grounds by Mohawk Indus., Inc. v. Carpenter, 558 U.S. 100 (2009)). Communications are not privileged under the crime-fraud exception when a client consults an attorney for advice in to further a fraud or a crime. Id. To invoke the crime-fraud exception, a party must satisfy a two-part test: First, the party must show that the client was engaged in or planning a criminal or fraudulent scheme when it sought the advice of counsel to further the scheme. Second, it must demonstrate that the attorney-client communications for which production is sought are sufficiently related to and were made in furtherance of the intended, or present, continuing illegality. Id. (emphasis in original) (cleaned up). Fraud on the PTO may qualify as a fraudulent scheme. See, e.g., Starsight Telecast, Inc. v. Gemstar Dev. Corp., 158 F.R.D. 650, 655-56 (N.D. Cal. 1994) (applying the crime-fraud exception in the context of fraud “[i]n the patent application context”), 15-cv-02113-SI, 2018 WL 4600291, at *1 (D. Or. Sept. 25, 2018) (applying the crime-fraud exception in the context of “[f]raud in procuring a trademark registration or renewal”).

B. Fraud on the PTO

“Fraud in procuring a trademark registration or renewal occurs when an applicant knowingly makes false, material representations of fact in connection with his application.” In re Bose Corp., 580 F.3d 1240, 1243 (Fed. Cir. 2009). The Ninth Circuit has described the relevant elements of fraud on the PTO as: “1) a false representation regarding a material fact; 2) the registrant’s knowledge or belief that the representation is false; 3) the registrant’s intent to induce reliance upon the misrepresentation; [and] 4) actual, reasonable reliance on the misrepresentation; and 5) damages proximately caused by that reliance.” OTR Wheel Eng’g, Inc. v. W. Worldwide Servs., Inc., 897 F.3d 1008, 1019 (9th Cir. 2018). Under the Lanham Act, as relevant to this case, an application for registration of a trademark requires, inter alia, the submission of a “a verified statement that the mark is in use in commerce and specifying the date of the applicant’s first use of the mark in commerce and those goods or services specified in the notice of allowance on or in connection with which the mark is used in commerce. 15 U.S.C. § 1051(d). The standard for a substantive finding of fraud on the PTO is clear and convincing evidence. In re Bose Corp., 580 F.3d at

1243; OTR Wheel Eng’g, 897 F.3d at 1020 (“We agree and join the Federal Circuit in requiring clear and convincing evidence for the elements of fraud on the PTO.”).

III. DISCUSSION

A. Whether Mr. Runyon Was Engaged in Fraud on the PTO

In order to determine whether the crime-fraud exception applies, the Court must first determine whether Defendants were engaged in fraud on the PTO. In re Grand Jury Investigation, 810 F.3d at 1113. The Court’s framework for this analysis has three notable features. First, while the ultimate merits of a claim for fraud on the PTO must be established by clear and convincing evidence, at this stage the Court need only determine whether there is a prima facie case that Mr. Runyon was engaged in fraud on the PTO. In re Grand Jury Investigation, 810 F.3d at 1113; In re Napster, 479 F.3d at 1094-95. The appropriate standard for 1095. Accordingly, the undersigned does not decide whether IF will ultimately prevail on its fraud claim. Second, in assessing “step one to establish a prima facie case,” as opposed to step two, a district court may, but need not, rely solely on the in camera review it conducted. Cf. In re Grand Jury Investigation, 810 F.3d at 1114. In making its determination, this Court relies on the in camera review it conducted, as well Defendants’ Answer to the TAC and the deposition testimony of Mr. Runyon. Third, IF asserts fraud on the PTO and sought crime-fraud production based on Defendants’ 2018 Statements of Use, the January 2024 word mark statement of use and the July 2024 declaration of incontestability. Dkt. 175 at 3-4. However, having conducted its review, this Court finds that the only communications that are potentially implicated by the crime-fraud exception relate to the 2018 Statements of Use. Accordingly, the Court need not decide whether Defendants were engaged in fraud on the PTO at the time of IXLLC’s 2024 submissions. For the following reasons, the Court finds that IF has established a prima facie case that Defendants were engaged in fraud on the PTO with regard to the 2018 Statements of Use.

1. A False Representation Regarding a Material Fact

The 2018 Statements of Use for the marks at issue, submitted by IXLLC at the direction of Mr. Runyon, represented to the PTO that the marks were in use in commerce with “[c]lothing and performance apparel, namely, t-shirts, sweatshirts, pants, shorts, tank tops, yoga pants, [and] tights.” See Dkts. 151-18, 151-22; Answer to TAC, ¶¶ 58, 65 (admitting to the submission of the 2018 Statements of Use). Defendants admit that, although they sold t-shirts bearing the marks, in fact, IXLLC “was not yet using [the marks] in connection with each category of apparel listed in the SOU[s].” Answer to TAC, ¶¶ 59, 66. In deposition, Mr. Runyon testified that he did not believe IXLLC has ever sold pants and that IXLLC had never sold yoga pants. See Dkt. 207 at 131:2-3, 133:11-16. The Court finds that these admissions, coupled with the deposition testimony of Mr. Runyon, make it more-likely-than-not that the statements in the 2018 Statements of Use were false. covered in an application or registration is material because a mark will not be registered or maintained without proof of use.” Dkt. 175 at 7 (citing 15 U.S.C. §§ 1051(a), 1051(d)). This Court agrees, as the Federal Circuit has affirmed materiality findings in the analogous context of declarations of use for the purposes of renewal under Section 1058. See In re Bose Corp., 580 F.3d at 1242, 1246.

2. Knowledge or Belief that the Representation Was False

IXLLC's knowledge or belief that its representation regarding use was false presents the most challenging question in the crime-fraud analysis. At the outset, as all Parties to this dispute have stressed at various times, including in the discovery hearing on this matter, IXLLC "consists of just one person, Joel Runyon." Dkt. 175 at 7; Dkt. 205 at 32:7-20 ("Mr. Runyon has been running this company by himself for 15 years."). Accordingly, the Court agrees with IF's argument that Mr. Runyon and IXLLC, in submitting the statement, would have had knowledge of whether the marks were being used in connection with each of: t-shirts, sweatshirts, pants, shorts, tank tops, yoga pants and tights. See Dkt. 175 at 7; see also Dkt. 205 at 153:21-154:11 (confirming, for example, Mr. Runyon's knowledge on August 15, 2018, that the Impossible Fitness mark was not being used in connection with pants).

However, Defendants have consistently maintained that although Mr. Runyon may have known whether the marks were used on certain apparel, he did not know or belief that the representation was false, because he believed that the qualifier "namely" in the 2018 Statements of Use meant "for example." E.g., Dkt. 205 at 27:9-15; Dkt. 207 at 161:5-14. In essence, Defendants argue that Mr. Runyon misunderstood what he was declaring and what was required.

While the Court cannot say, on the record before it, that Mr. Runyon definitely knew his statements were false, the Court's in camera review identifies one email (Tab 6; August 14, 2018 email chain between Mr. Runyon and counsel)[1] that suggests, more-likely-than-not, that Mr. Runyon knew what he was declaring. As a result, the Court finds that IF has made its prima facie case that Mr. Runyon in fact knew his representations in the 2018 Statements of Use were false.

3. Intent to Induce Reliance by the PTO

As to the third element, based on Mr. Runyon's deposition testimony, there is no doubt that Mr. Runyon and IXLLC intended for the PTO to rely on the representations in the 2018 Statements of Use. Dkt. 207 at 160:18-21 ("Q. Did you intend for the USPTO to rely on the accuracy of the statements in this statement of use when you submitted it? A. Sure."); id., 165:19-21 ("Q. And did you intend for the USPTO to rely upon that representation? A. Yeah.").

4. Actual, Reasonable Reliance on the Misrepresentation

Although the record before the Court as to the motivations of the PTO is sparse, the Court concludes that, more-likely-than-not, the PTO relied on Defendants' representations as to "use in commerce" in the 2018 Statements of Use because the PTO did, in fact, register the marks at issue. "If a trademark owner … applies for and receives registration on an intent-to-use basis under § 1051(b), the trademark owner must, within six months, supply 'a verified statement … [under] § 1051(d)(1)," after which, '[s]ubject to examination and acceptance of the statement of use,' the USPTO then registers the trademark." Teeter-Totter, LLC v. Palm Bay Int'l, Inc., 344 F. Supp. 3d 1100, 1109 (N.D. Cal. 2018) (citing 15 U.S.C. § 1051). Accordingly, while something like a statement as to the date of first use may or may not ultimately be relied upon so long as the mark is in use, misrepresentations that bear directly on

an applicant's "right to register the mark" are 18 material and relied upon. Id. 19 5. Damages 20 Finally, it is not clear that the damages element need actually be resolved to make a crime- 21 fraud, as opposed to merits, determination. See, e.g., Adidas, 2018 WL 4600291, at *1 (D. Or.
22 Sept. 25, 2018) (reciting damages as one of the five elements but not analyzing it). Nonetheless,
23 to the extent it is required, the Court concludes that, assuming the PTO registered the mark based 24 on the alleged fraud, IF has a prima facie case that it is damaged based on the assertions by 25 Defendants in this litigation. 26 //// 27 //// 1 B. Which Communications, If Any, Were in Furtherance of the Fraud? 2 Having determined that IF has established a prima facie case that Defendants were 3 engaged in fraud on the PTO, the "court must examine the individual documents themselves to 4 || determine that the specific attorney-client communications for which production is sought are 5 "sufficiently related to" and were made "in furtherance of the intended, or present, continuing 6 || illegality." In re Grand Jury Investigation, 810 F.3d at 1114. 7 Of the documents which the Court has examined, only one document appears to be 8 "sufficiently related to" the fraud and made "in furtherance of" the intended fraud, i.e., the 9 submission of the false 2018 Statements of Use. This email, submitted to the Court as Tab 6, 10 || begins with an email on August 14, 2018 from Mr. Runyon's attorney seeking information to 11 advance the intent-to-use applications. The communications that follow are directly related to the 12 submission of the 2018 Statements of Use and consist of Mr. Runyon providing information, in E 13. || Tesponse to attorney inquiries, about the status of goods in use. The other emails submitted by 5 14 || Defendants are either insufficiently related to the alleged fraud or do not appear to be intended by 3 15. || Mr. Runyon or IXLLC to further the fraud. 16 Accordingly, the Court orders production of Tab 6 only. 17 av. coNcLUsION 5 18 For the forgoing reasons, the Court finds that IF has made a prima facie case of fraud on 19 the PTO as to the 2018 Statements of Use and that, under the crime-fraud exception, the email 29 || submitted to the Court at Tab 6 is not privileged and must be produced. IXLLC is to produce the 71 document to IF immediately. 22 23 SO ORDERED. 24 Dated: June 30, 2025 25 26 Sess yer
SUSAN VAN KEULEN
27 United States Magistrate Judge 28