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8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**

10 SUNDESA, LLC, a Utah limited liability company, 11 12 Plaintiff, 13 v. 14 IQ FORMULATIONS, LLC, a Florida limited liability company, d/b/a 15 Metabolic Nutrition, 16 Defendant.	Case No. 2:19-cv-06467-AB-MAA **ORDER DENYING DEFENDANT'S MOTION TO DISMISS OR TRANSFER**

17 Before the Court is Defendant IQ Formulations' Motion to Dismiss Pursuant to
18 28 U.S.C. § 1404(b) and Federal Rule of Civil Procedure 12(b)(3) or to Transfer to the
19 Southern District of Florida Pursuant to 28 U.S.C. § 1404(a). ("MTD," Dkt. No. 61).
20 Plaintiff Sundesa LLC ("Plaintiff") filed an opposition ("Opp'n," Dkt. No. 55) and
21 Defendant filed a reply. ("Reply," Dkt. No. 64). Defendant's Motion is **DENIED**.

22 **I. BACKGROUND**

23 Plaintiff Sundesa is a limited liability company incorporated in Utah with its
24 principal place of business in Lehi, Utah, and is the exclusive licensee of U.S. Pat. No.
25 D510,235, shaker cups ("'235 patent"). First Amended Complaint ("FAC," Dkt. No.
26 39) ¶ 1, Ex. B. Defendant IQF is a limited liability company incorporated in Florida
27 with its principal place of business previously in Sunrise, Florida and presently in
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Tamarac, Florida. Declaration of Jay Cohen ("Cohen Decl.," Dkt. No. 61), ¶ 2, Ex. A. Defendant manufactures and sells nutritional supplements and fitness related products and accessories. FAC ¶ 11.

Plaintiff alleges that in 2013, Defendant sold shaker cups that looked substantially similar to Plaintiff's '235 patent. *Id*. Soon thereafter, on December 20, 2013, Sundesa sued IQF (collectively, "the parties") in the Central District of California for infringement of the '235 patent. *Id*. at ¶ 12; *see also* Declaration of David J. Williams ("Williams Decl."), Dkt. No. 55-1, ¶ 2.

In July 2014, the parties entered a confidential settlement agreement ("Agreement") which included a forum selection clause identifying the Central District of California as the venue with exclusive jurisdiction "of any action regarding this [a]greement." FAC, Ex. A § 2.9; Williams Decl. ¶ 4-5.[1]

Plaintiff alleges that in 2018, four years after the parties entered the Agreement, Defendant "was again [] in material breach of Section 1.6 of the Agreement [by] importing, making, using, offering for sale, or selling shaker cups in the United States that looked substantially similar to the '235 [d]esign [p]atent …." FAC ¶ 16.

Subsequently, on July 25, 2019, Plaintiff commenced a second suit—this action—in the Central District of California, alleging (1) breach of contract; (2) infringement of the '235 patent; (3) false advertising; (4) violation of California Business and Professions Code § 17500; and (5) violation of California Business and Professions Code § 17200. FAC at 6–10. Plaintiff alleges that because of the Agreement's forum selection clause, the Central District of California is the proper venue for this matter and "[t]his Court" has personal jurisdiction over IQF. FAC ¶ 5.

In response, Defendant filed the instant motion to dismiss for improper venue or, alternatively, to transfer to the Southern District of Florida. Defendant argues that,

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[1] The parties were granted leave to file the Agreement under seal. However, upon review, sealing is not warranted for any portions of the Agreement referenced in this Order.

irrespective of the forum selection clause in the Agreement, the Central District of California is not the proper venue for this litigation under 28 U.S.C. § 1400(b). (*Id*).

II. LEGAL STANDARDS

A. Dismissal for Improper Venue Pursuant to Fed. R. Civ. P. 12(b)(3) and 28 U.S.C. § 1400(b)

Rule 12(b)(3) allows a party to seek dismissal of a lawsuit for improper venue. Fed. R. Civ. P. 12(b)(3). In patent infringement litigation, 28 U.S.C. § 1400(b) is "the exclusive provision" controlling venue. *TC Heartland L.L.C. v. Kraft Foods Grp. Brands L.L.C.*, 137 S. Ct. 1514, 1518 (2017) (quoting *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942)). Under § 1400(b), a patent infringement action "may be brought in the judicial district where the defendant (1) resides, or (2) has committed acts of infringement and has a regular and established place of business." *Id*. at 1514.

B. Waiving An Improper Venue Objection

Courts routinely hold that venue can be waived by the parties. *Leroy v. Great W. United Corp.*, 443 U.S. 173, 180 (1979); *see also Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472 n.14 (1985) ("parties frequently stipulate in advance to submit their controversies for resolution within a particular jurisdiction." Enforcing freely negotiated forum selection clauses that are not unreasonable and unjust "does not offend due process"); *see also Nat'l Equip. Rental, Ltd. v. Szukhent*, 375 U.S. 311, 316 (1964) ("parties to a contract may agree in advance to submit to the jurisdiction of a given court"). Accordingly, a forum selection clause can operate as a waiver of § 1400(b) because it shows that the parties consented to litigate in a particular forum. 5 Annot. Patent Digest (Matthews), § 36:152.40 (2020).

C. Enforceability of Forum Selection Clause

Federal law governs the enforceability of forum selection clauses. *Manetti-Farrow, Inc. v. Gucci Am. Inc.*, 858 F.2d 509, 513 (9th Cir. 1988). Forum selection clauses are "prima facie valid" and should be enforced unless the challenging party

demonstrates enforcement is unreasonable under the circumstances. *M/S Bremen v. Zapata Off-Shore Co.*, 407 U.S. 1, 10 (1972). Forum selection clauses are unreasonable, and should be set aside, if (1) the inclusion of the clause was the product of fraud or overreaching; (2) enforcing the clause would deprive the challenging party of their day in court; or (3) "enforcement contravenes a strong public policy of the forum in which suit is brought, whether declared by statute or judicial decision." *Id*. at 15–16. The challenging party bears the "heavy burden" of establishing one of these three grounds. *Jones v. GNC Franchising, Inc.*, 211 F.3d 495, 497 (2000).

Absent a strong showing that the forum selection clause should be set aside, the forum selection clause controls. *M/S Bremen*, 407 U.S. at 15. And while the preselected forum may be "seriously inconvenient," inconvenience is an insufficient reason to not enforce the forum selection clause because the parties voluntarily entered and freely bargained for the contract terms. *Id*. at 16.

D. Transfer Pursuant to § 1404(a)

When the original federal district is the proper venue for a proceeding, a party may seek transfer under is 28 U.S.C. § 1404(a), a codification of the doctrine of forum *non conveniens*. Wright, Miller & Cooper, 14D Fed. Prac. & Proc. Juris., § 3803.1 (4th ed. 2020); *see also Atl. Marine Constr. Co. v. U.S. D. for the W.D. of Tex.*, 571 U.S. 49, 59 (2013) (comparing different procedures to challenge venue).

Under § 1404(a), a district court may transfer any civil action to any other district or division where the action might have been brought or to any district or division which all parties have consented to, in the interest of justice and for the convenience of parties and witnesses. 28 U.S.C. § 1404(a). District courts have discretion to adjudicate transfer motions based on a "individualized, case-by-case consideration of convenience and fairness." *Jones*, 211 F.3d at 498. Absent a valid forum selection clause, courts weigh the private and public interest factors in a § 1404(a) analysis. *Atl. Marine*, 571 U.S. at 62.

However, a forum selection clause is a "significant factor" that impacts the court's § 1404(a) analysis in three distinct ways. *Jones*, 211 F.3d at 498; *Atl. Marine*, 571 U.S. at 63. First, the party challenging the forum selection clause bears the burden of demonstrating that maintaining the action in the bargained-for forum is unwarranted. *Atl. Marine*, 571 U.S at 63–64. Second, the existence of a forum selection clause disallows courts to consider the parties' private interests; rather, courts may only consider public interest factors in its determination and must "deem the private [] interest factors to weigh entirely in favor of the preselected forum." *Id*. at 64. While the parties may be inconvenienced by litigating in the preselected forum, this inconvenience is "clearly foreseeable" at the time of contracting. *Id*. Third, a venue transfer will not "carry with it the original venue's choice of law rules" if the challenging party is bound by a forum selection clause and nonetheless files suit in a different forum. *Id*.

Relevant public interest factors include (1) administrative difficulties from court congestion; (2) local interest in having localized controversies adjudicated at home; and (3) interests in having the trial of a diversity case in a forum that is at home with the law. *Id*. at n.6. "Because public-interest factors will rarely defeat a transfer motion, the practical result is that forum-selection clauses should control except in unusual cases." *Id*. at 64. The party seeking to avoid the forum selection clause bears the burden of showing the public interest factors "overwhelmingly" favor transfer. *Id*. at 67.

Courts should not unnecessarily disrupt the expectations of parties who have agreed to litigate in a particular forum and, as a result, enforcing forum selection clauses comports with serving the interest of justice, "in all but the most unusual cases." *Id*. at 66.

III. DISCUSSION

A. The Motion to Dismiss for Improper Venue is DENIED.

Defendant argues that this action should be dismissed under Rule 12(b)(3) because the Central District of California not a proper venue for this patent infringement litigation under § 1400(b). (MTD at 10). Plaintiff does not argue that venue is proper under § 1400(b), but argues that the parties' forum selection clause should control. Defendant argues that the forum selection clause should not be enforced on several grounds. Given that a party's consent to a forum selection clause may be construed as a waiver of venue objections[2], this motion turns on the enforceability of the forum selection clause. The Court turns to that question.

1. The 2014 Forum Selection Clause is Enforceable.

Defendant argues that the forum selection clause is overreaching, would deprive Defendant of its day in court, and contravenes public policy established in *TC Heartland*. Plaintiff argues that the forum selection clause is valid and enforceable.

Upon review, Defendant fails to establish that "fraud, undue influence, overweening bargaining power, or such *serious* inconvenience in litigating in the selected forum so as to deprive that party of a meaningful day in the court, the provision should be respected as the expressed intent of the parties." *Pelleport Inv'r, Inc. v. Budco Quality Theatres, Inc.*, F.2d 273, 280 (9th Cir. 1984) (citing *Bremen*, 407 U.S. at 18) (emphasis added).

Nor does Defendant cite to any authority, binding or persuasive, for its contention that the forum selection clause is overreaching and instead simply states "the forum selection clause … is overreaching primarily because the venue in the case

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[2] Defendant does not meaningfully rebut the caselaw holding that an enforceable forum selection clause waives venue objections. Defendant simply contends in a single sentence without further argument or support that "IQF has not waived its venue defense, either by the actions it has taken in this case or under the Agreement." Reply 10:10-11. This is plainly inadequate to rebut or distinguish the above-cited caselaw on waiver.

that Sundesa filed back in 2013 against IQF was the result of Sundesa having gone forum shopping." (Reply 8:23-26.) Although Defendant contends that the Central District of California would not be a proper forum under *TC Heartland*, it fails to show how that the parties should not be bound by their prior Agreement. And, it is unpersuasive to characterize the forum selection clause as overreaching when the forum it selected was proper at the time of the Agreement. Having failed to establish that the forum selection clause here is overreaching, this argument is meritless.

Defendant's argument that litigating in this forum would deprive it of its day in court is also unsupported and unavailing. In *Atlantic Marine*, the Supreme Court expressly held that courts should not consider the parties' "mere inconvenience" when determining a forum selection clause's enforceability. Once parties have agreed to a forum selection clause, "they waive the right to challenge the preselected forum as inconvenient or less convenient for themselves or their witnesses, or for their pursuit of the litigation." *Atl. Marine*, 571 U.S. at 64. Though Defendant is not expressly arguing that it would be inconvenienced, Defendant's argument that "[f]orcing IQF to litigate this matter in a district that is nearly 3,000 miles from IQF's place of business . . . is exceptionally absurd and inequitable" is little more than an inconvenience argument. (Reply 9:12-19.) As such, this argument carries no weight in the Court's analysis of the forum selection clause's enforceability. Defendant does not, for example, contend that certain defenses are not available in this forum, or show that venue here would result in a bone fide *deprivation* of Defendant's day in court.

Finally, Defendant argues that the public interest weighs against the clause because venue is improper in this district under the patent venue statute § 1400(b) and its narrowed construction in *TC Heartland*. Defendant argues in effect that *TC Heartland* renders forum selection clauses "illegal" for patent cases. *See* Reply 3:21-24. But Defendant presents no substantial authority for this bold claim, and has not done anything to *demonstrate* that the public interest reflected in either § 1400(b) or *TC Heartland* is strong enough to overcome the factors favoring enforcement, or that

any public interest factor renders this an extraordinary case. To the contrary, *TC Heartland* turned on statutory interpretation without any recourse to any particular public policy concerns. This suggests that venue objections in patent actions are waivable just as they are in other civil actions.

Accordingly, because Defendant failed to meet its heavy burden of establishing at least one of the three aforementioned grounds for avoiding the forum selection clause, the Court finds the forum selection clause is enforceable.

2. Defendant Waived Its Improper Venue Objection.

Second, Plaintiff argues that Defendant waived any objection that venue is improper under § 1400(b) because Defendant consented to the forum selection clause identifying the Central District of California. (MTD Opp'n at 5). Defendant, in opposition, states "IQF has not waived its venue defense…." (MTD at 10).

Defendant has failed to proffer a compelling argument as to why it did not waive its venue objection and, additionally, failed to cite to any authority, binding or persuasive, to support its contention. Defendant simply states "IQF has not waived its venue defense, either by the actions it has taken in this case or under the [a]greement (Dkt. No. 39, at ¶ 2.9)." (MTD at 10). Defendant does not elaborate on this contention in its Motion or in its Reply. Again, absent support for this statement, Defendant's argument is conclusory and, thus, unavailing.

Plaintiff points to *Bettcher Indus., Inc. v. Hantover, Inc.*, No. 3:14-cv-406, 2018 WL 1942179, at *3–4 (N.D. Ohio Apr. 25, 2018) in support of its contention that Defendant waived its venue objection which, although is not binding authority, is instructive and persuasive given the similar procedural and substantive posture.

In *Bettcher*, the court denied defendant's motion to transfer from the Northern District of Ohio, the preselected venue in the forum selection clause, because defendant's assent to the forum selection clause constituted a waiver of the improper venue objection. *Id*. at *4. Though defendant argued it did not waive its right to assert an improper venue objection, the court found that defendant "was aware disputes

arising from the agreement would be brought in the Northern District of Ohio." *Id*. at. *3. Thus, defendant "waived its objections to venue by virtue of its assent to the 2007 Settlement Agreement." *Id*. at *4.

Like in *Bettcher*, here, Defendant has known since July 14, 2014, when the parties entered the Agreement, that all disputes arising from the Agreement would be adjudicated in the Central District of California. Moreover, the first litigation between the parties took place in the Central District of California in 2013. The instant litigation, arising from Defendant's alleged breach of the Agreement was filed in this district, as expected and as the parties agreed.

Thus, the Court finds that Defendant waived its objection to improper venue by virtue of its assent to the forum selection clause in the parties' 2014 Agreement. Therefore, the Court **DENIES** Defendant's motion to dismiss for improper venue.

B. The Motion to Transfer Pursuant to § 1404(a) is DENIED.

Defendant next argues that transfer to the Southern District of Florida is warranted under § 1404(a). (MTD at 2). Having found the forum selection clause enforceable, the Court finds *all* private interest factors to weigh in favor of the Central District of California. Thus, the next relevant inquiry is whether the public interest factors nonetheless warrant transfer to the Southern District of Florida.

Defendant argues that the "public interest alone favors dismissal" because (1) the Central District of California is more congested than the Southern District of Florida, and (2) California does not have an interest in this case. (MTD at 12–13). Plaintiff's central rebuttal argument is that the forum selection clause should be given controlling weight. (MTD Opp'n at 8).

As Plaintiff correctly points out, a proper § 1404(a) analysis "requires that a forum-selection clause be 'given controlling weight in all but the most exceptional cases.'" *Atl. Marine*, 571 U.S. at 59–60 (quoting *Stewart Org. Inc. v. Ricoh Corp.*, 487 U.S. 22, 33 (1988) (KENNEDY, J., concurring). Defendant fails to proffer compelling evidence that would render this an "exceptional case." The fact of the matter is

Defendant voluntarily agreed to litigate this action in the Central District of California and is now seeking to avoid its contractual obligation.

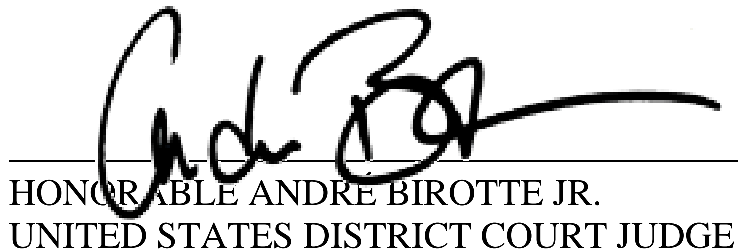
As the party seeking to challenge the forum selection clause, and avoid its enforcement, Defendant has failed to meet its burden of establishing that the public interest factors warrant transfer. "In all but the most unusual cases … 'the interest of justice' is served by holding parties to their bargain. *Id*. at 66. Accordingly, the Court **DENIES** Defendant's Motion to Transfer to the Southern District of Florida.

IV. CONCLUSION

For the foregoing reasons, the Court **DENIES** Defendant's Motion to Dismiss Pursuant to Rule 12(b)(3) or to Transfer to the Southern District of Florida Pursuant to § 1404(a).

IT IS SO ORDERED.

Dated: August 19, 2020



HONORABLE ANDRE BIROTTE JR.
UNITED STATES DISTRICT COURT JUDGE