

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

* * *

HOFBRÄUHAUS OF AMERICA, LLC, a
Nevada limited liability company,

Plaintiff,

v.

OAK TREE MANAGEMENT
SERVICES, INC., a Missouri
corporation, WILLIAM GUY CROUCH,
as Successor in Interest or Receiver
for Oak Tree Management Services,
Inc.,

Defendants.

Case No. 2:22-cv-000421-ART-DJA

ORDER

Pending before the Court are Defendants William G. Crouch, Oak Tree Management Services, Inc.’s (“Oak Tree”) Motion to Dismiss, Stay, or Transfer Amended Complaint (ECF No. 10), Plaintiff Hofbräuhaus of America, LLC.’s (“Hofbräuhaus”) Motion for Preliminary Injunction (ECF No. 18), Oak Tree’s Motion for Leave to File Excess Pages (ECF No. 29) and Oak Tree’s Motion for Leave to File Sur-Reply (ECF No. 41). The Court finds that it has subject matter jurisdiction over this action, personal jurisdiction over the defendants, that a stay pursuant to a Missouri receivership order is inappropriate, and that abstention is likewise inappropriate. The Court finds that the interests of justice are served by a discretionary transfer of venue to the Southern District of Illinois and grants, in part, Oak Tree’s motion (ECF No. 10) to the extent that the Court transfers venue to the Southern District of Illinois.

This case has been stayed since July 1, 2022 for the parties to engage in settlement negotiations. (ECF No. 49.) Settlement negotiations have now broken

1 down and Hofbräuhaus requests that the Court adjudicate the question of venue,
2 set a briefing schedule for Hofbräuhaus to supplement the latest defaults that
3 impact the pending emergency motion for a preliminary injunction, and set a
4 discovery schedule to resolve remaining issues. (ECF No. 54.) Because this Court
5 finds that a discretionary transfer of venue to the Southern District of Illinois is
6 in the interests of justice, it declines to set a discovery schedule or resolve
7 remaining issues.

8 **I. Background**

9 Hofbräuhaus, a Nevada limited liability company with its principal place of
10 business in Clark County, Nevada. Hofbräuhaus brings this action as a
11 franchisor to assert claims against its franchisee, Defendant Oak Tree, which
12 operates a Hofbräuhaus-branded franchise (the “the Brewpub”) in Belleville,
13 Illinois. Oak Tree is a Missouri corporation with offices in Illinois. (ECF No. 1.)
14 Oak Tree’s purpose is to own and operate the Brewpub in Illinois. (ECF No. 22 at
15 3.) The Brewpub is part of a 33-acre parcel of land in Illinois developed by the
16 Keller Family of Effingham Illinois as a multiuse property that was designed to
17 include upscale restaurants, a winery, a hotel, and the Brewpub. The entire Keller
18 Family development in Illinois, including the Brewpub, through Oak Tree, is
19 financed by the Royal Banks of Missouri (“Royal Bank”).

20 Oak Tree and Hofbräuhaus have entered multiple contracts over the years
21 governing their franchise relationship relative to the Brewpub in Illinois. They
22 first entered into a franchise agreement in December 2014. (ECF No. 11 at 208.)
23 They entered into a second franchise agreement in February 2017. *Id.* They
24 entered into a third Franchise Agreement effective January 3, 2018 (the
25 “Franchise Agreement”). (ECF No. 1 at 1-2.) The contracts differ in various
26 respects and interpreting them individually and collectively is beyond the scope
27 of this Order. The Court merely notes that the 2018 Franchise Agreement, which
28 the Complaint identifies as the relevant, albeit expired, agreement, contains a

1 choice of law provision in favor of Nevada law and forum selection clause in favor
2 of the United States District Court for the District of Nevada or the state court in
3 Clark County, Nevada should a federal court decline to exercise jurisdiction. (ECF
4 No. 11 at 167; 154). The 2017 contract contains language acknowledging that
5 version of the agreement between the parties is subject to the Illinois Franchise
6 Disclosure Act (“IDFA”), is governed by the Illinois state law except to the extent
7 federal law applies and specifies that any legal proceedings shall be filed and
8 maintained by a federal court in Illinois. (ECF No. 22-2 at 69-70.)

9 What is undisputed is the brand and marks licensed exclusively to
10 Hofbräuhaus are owned by Staatliches Hofbräuhaus in München, which owns
11 the world-famous Hofbräuhaus brewery and beer hall in Munich, Germany.
12 Hofbräuhaus owns the exclusive rights in North America to franchise the Hofbräu
13 München brand, including its related trade dress and marks. As part of its trade
14 dress and franchise experience, Hofbräuhaus offers a distinctive architectural
15 design, atmosphere, and dining experience.

16 Under the Franchise Agreement, Oak Tree has a limited license to use
17 Hofbräuhaus’s copyrights, trade names, trademarks, and trade dress. In
18 exchange, it must preserve Hofbräuhaus’s brand by: (1) maintaining daily
19 operating hours; (2) being open seven days a week; (3) conforming to a specific
20 menu; (4) employing a band using a specific style of music for a certain number
21 of hours every evening; and (5) employing a general manager approved by and
22 trained by Hofbräuhaus. Oak Tree was also obliged to provide monthly financial
23 reports and pay royalties to Hofbräuhaus. (ECF No. 22 at 6-7). There are specified
24 events that constitute material breaches giving Hofbräuhaus the right to
25 terminate the Franchise Agreement including the appointment of a receiver over
26 the franchisee.

27 Oak Tree began operating the Brewpub in Illinois in spring of 2018. The
28 Brewpub is a replica of the world-famous Hofbräuhaus in Munich, Germany. It

1 displays Hofbräuhaus’s distinctive architectural features such as blue and white
2 coloring, checkerboard patterns, and uses trade names, marks, logos, and
3 branding throughout the building, including on service ware, employee dress,
4 and marketing materials.

5 Oak Tree struggled with its obligations as a franchisee and by mid-2019 is
6 alleged to have defaulted on financial and operational obligations. The Keller
7 Family never finished the development in Illinois. The Brewpub is open to the
8 public, but it stands alone in an undeveloped plot of land in Illinois. In November
9 2019, Royal Banks, Oak Tree’s lender and the lender to the Keller Family’s other
10 entities, offered to pay royalty fees to attempt to extend the life of the Franchise
11 Agreement, but Hofbräuhaus declined. (ECF No. 21 at 8.) In December 2019,
12 Royal Banks moved a Missouri court for appointment of a receiver to take over
13 the business operations of its borrowers, including Oak Tree. The Missouri court
14 appointed Crouch as receiver and stayed Hofbräuhaus from terminating the
15 Franchise Agreement or enforcing it until further order of the court. (ECF No. 22
16 at 9.) The Receiver Order was entered pursuant to the Missouri Commercial
17 Receivership Act (Mo. Rev. Stat. §§515.500, et seq.) (the “MCRA”).

18 Hofbräuhaus is not a party to the receivership action. Nor does it operate
19 a franchise in Missouri. The franchise at issue is in Illinois. The Missouri action,
20 brought by lender Royal Banks, alleges various causes of action against Keller
21 Family entities and specifically Oak Tree, including breach of contract and
22 receivership because these entities allegedly defaulted on various loans.
23 Hofbräuhaus has attempted to work with Crouch, as receiver for Oak Tree, to
24 cure various defaults. The Brewpub, however, was not able to produce sufficient
25 income to hire a qualified general manager, hire a band, or train a brew master.
26 Hofbräuhaus took the position that if defaults were not cured by February 2022
27 the Franchise Agreement would expire by its own terms. Hofbräuhaus was, and
28 is, of the position that the defaults were not cured, and has advised Crouch, as

1 receiver for Oak Tree, that it must shut down operations and de-brand the
2 Brewpub to remove all indicia of its brand. Crouch has refused, and the Brewpub
3 remains open to the public.

4 While motion practice was ongoing in Nevada, on April 12, 2022, the Oak
5 Tree Receiver filed a second lawsuit before the State Court in St. Louis, Missouri
6 alleging causes of action mirroring its defenses in this lawsuit. Hofbräuhaus
7 removed that case to the United States District Court, Eastern District of
8 Missouri, Eastern Division, Case No. 4:22-cv-00527-AGF. (ECF No. 54.) At the
9 present moment both the federal Missouri action and this action are stayed
10 because the parties requested stays to engage in meaningful settlement
11 negotiations. Hofbräuhaus represents that it recently learned that the Brewpub
12 is serving domestic beer, including non-Hofbräuhaus products, which are not the
13 approved Hofbräuhaus branded beer and has installed an arcade and pool tables
14 on the premises in violation of the Franchise Agreement.

15 **II. Procedural History**

16 Hofbräuhaus brings a Complaint against Oak Tree regarding its continuing
17 operation of the Brewpub in Illinois despite the alleged expiration of the Franchise
18 Agreement. Specifically, Hofbräuhaus brings trademark, trade dress, and
19 copyright infringement action pursuant to 28 U.S.C. § 1331 and 28 U.S.C. §
20 1338(a), involving violations of the Lanham Act, 15 U.S.C. § 1051 et. seq., and
21 the Copyright Act, 17 U.S.C. § 101 et. seq. Hofbräuhaus's trademark claims relate
22 to Oak Tree's continued use of Hofbräuhaus's trademarks, trade dress
23 infringement for the distinctive design of the Brewpub. Its copyright claim relates
24 to the continued operation of the Illinois Brewpub using distinctive Hofbräuhaus
25 architecture. Hofbräuhaus brings a Nevada state law claim for declaratory relief
26 claim pursuant to 28 U.S.C. § 1367(a) because the claim is so related to the
27 trademark, trade dress, and copyright infringement claims as to form part of the
28 same case or controversy. (ECF No. 1.) Hofbräuhaus also seeks emergency relief

1 in a motion for preliminary injunction requesting that the Court stop Oak Tree
2 from operating the Brewpub in Illinois. (ECF No. 18.)

3 Oak Tree moves do dismiss, stay, or transfer venue. (ECF No. 10.) It argues
4 that this Court lacks subject matter jurisdiction because the IFDA provides that
5 any provision in a franchise agreement that designates jurisdiction or venue
6 outside of Illinois is void. 815 Ill. Comp. Stat. Ann. 705/4. It claims the Missouri
7 court has sole jurisdiction over the Receiver and the property at issue. Oak Tree
8 notes, however, the United States District Court for the Southern District of
9 Illinois has jurisdiction over Oak Tree (if jurisdiction is otherwise appropriate and
10 satisfied). (ECF No. 27 at 16.) Oak Tree also argues that the District of Nevada
11 lacks personal jurisdiction because the Brewpub is in Illinois and subject to a
12 Missouri receivership. Performance of the Franchise Agreement occurred in
13 Illinois. Oak Tree also argues that this action should be stayed under the Missouri
14 receivership order, which, inter alia, prohibits Hofbräuhaus from filing an action
15 without leave of the Missouri court and are time barred. In the alternative Oak
16 Tree argues that the Court should abstain from hearing the case in deference to
17 the Missouri receivership court.

18 Following briefing on Hofbräuhaus's motion for a preliminary injunction
19 (ECF No. 18) the parties requested that this Court stay this action so that they
20 could engage in settlement negotiations (ECF No. 48). The Court stayed the action
21 (ECF No. 49) and extended the stay (ECF No. 51) at the request of the parties. On
22 December 16, 2022, Hofbräuhaus filed a status report advising the Court that
23 settlement had broken down and requested that this Court lift the stay. (ECF No.
24 54.)

25 **III. Analysis**

26 This Court addresses only the issues necessary to its decision to transfer
27 this case to the Southern District of Illinois without reaching issues more
28 appropriately resolved by that court. The Court has subject matter jurisdiction

1 because the claims at issue arise under federal law, specifically copyright and
2 trademark law. The Court has personal jurisdiction over Oak Tree, albeit specific,
3 not general, jurisdiction. The Court will neither stay the case nor abstain from
4 hearing the case as it is properly brought in a federal court. The Court transfers
5 venue to the Southern District of Illinois because the Brewpub is in Illinois,
6 because the likelihood of consumer confusion is in Illinois, and an Illinois court
7 is best positioned to order and enforce injunctive relief if such relief is
8 appropriate.

9 **A. Subject Matter Jurisdiction**

10 Oak Tree argues, in a factual attack, that the Court has no subject matter
11 jurisdiction over Hofbräuhaus's Nevada declaratory relief claim. It requests that
12 the Court consider the Franchise Agreement, find that the Nevada choice of law
13 provision in the Franchise Agreement is void under the ¹ IFDA, and thus dismiss
14 the fourth claim for declaratory relief. Hofbräuhaus's response does not fully
15 address the merits of Oak Tree's argument, and instead argues that IFDA is
16 preempted because it conflicts with Congress's intent for federal courts to
17 adjudicate issues based on federally protected property interests. The Court finds
18 that it has subject matter jurisdiction over this action and declines to address
19 the factual attack because it transfers this action to the Southern District of
20 Illinois.

21 The assertion of a federal claim is sufficient to confer federal subject matter
22 jurisdiction. *See* 28 U.S.C. § 1331 (conferring subject matter jurisdiction over
23 questions of federal law). Claims arising under the Copyright Act are within the
24 exclusive jurisdiction of the federal courts. *See* 28 U.S.C. § 1331; 1338(a); *Topolos*
25 *v. Caldewey*, 698 F.2d 991, 993 (9th Cir. 1983)(“The federal courts have exclusive

26
27 ¹ Section 4 of the IFDA provides as follows: § 4. Jurisdiction and venue. Any provision in a
28 franchise agreement that designates jurisdiction or venue in a forum outside of this State is void,
provided that a franchise agreement may provide for arbitration in a forum outside of this State.
815 Ill. Comp. Stat. Ann. 705/4.

1 jurisdiction over actions that arise under the federal copyright laws.”). Federal
2 courts also have subject matter jurisdiction over trademark claims. *See Int’l Ord.*
3 *of Job’s Daughters v. Lindeburg & Co.*, 633 F.2d 912, 915–16 (9th Cir.
4 1980)(observing that that federal courts have jurisdiction to hear suits regarding
5 infringement of registered trademarks under the Lanham Act). A plaintiff
6 complaining of trademark infringement in federal court may invoke either federal
7 or state protections, or both, as Hofbräuhaus has done here. *Id.* at 916. This
8 Court has supplemental jurisdiction over state claims if they arise out of the same
9 case or controversy. 28 U.S.C. § 1367(a). The Court thus has subject matter
10 jurisdiction over the claims in this case.

11 Although it has subject matter jurisdiction, the Court declines to address
12 a factual attack on Hofbräuhaus’s Nevada state law claim in light of its decision
13 to transfer. *See State of Utah v. Am. Pipe & Constr. Co.*, 316 F. Supp. 837, 839
14 (C.D. Cal. 1970) (jurisdiction ceases after an order transferring venue). The
15 transferee Court is best positioned to determine whether Hofbräuhaus’s Nevada
16 state law claim for declaratory relief survives a factual attack.

17 **B. The Court will neither stay the action nor abstain from addressing it.**

18 Neither *Colorado River* nor *Younger* abstention is appropriate here because
19 Hofbräuhaus’s Copyright claim is within the exclusive jurisdiction of the federal
20 courts. *See* 28 U.S.C. § 1338(a) (“No [s]tate court shall have jurisdiction over any
21 claim for relief arising under any Act of Congress relating to . . .
22 copyrights.”). Generally, *Colorado River* abstention allows a district court for
23 judicial efficiency to stay proceedings in deference to parallel, pending state court
24 cases. *See Minucci v. Agrama*, 868 F.2d 1113, 1115 (9th Cir. 1989) (discussing
25 abstention under *Colorado River Water Conservation District v. United States*, 424
26 U.S. 800, 817–18 (1976)). As the court explained in *Minucci*, a “district court has
27 no discretion to stay proceedings,” over a Copyright claim that is “within exclusive
28 federal jurisdiction” *Id.* at 1115 (*quoting Silberkleit v. Kantrowitz*, 713 F.2d 433,

1 436 (9th Cir. 1983)). The same analysis precludes dismissal or stay based on
2 *Younger* abstention, which generally precludes a federal court from enjoining a
3 pending state prosecution or similar judicial proceeding.” *See Sprint Comm. v.*
4 *Jacobs*, 571 U.S. 69, 73 (2013). A precondition for *Younger* abstention is that the
5 state proceedings provide an adequate opportunity to raise federal challenges. *Id.*
6 at 76 (discussing *Middlesex County Ethics Comm. v. Garden State Bar Assn.*, 457
7 U.S. 423, 433–434 (1982)). That requirement cannot be met for Hofbräuhaus’s
8 Copyright claim, which can only be litigated in federal court. Because this Court
9 has exclusive federal jurisdiction over this action it is foreclosed from staying or
10 dismissing based on the abstention doctrine.

11 **C. This Court has personal jurisdiction over Oak Tree.**

12 Oak Tree moves for dismissal for lack of personal jurisdiction claiming
13 neither the Receiver nor Oak Tree had sufficient minimum contacts with Nevada
14 to confer personal jurisdiction. The Court finds that, though the Brewpub at issue
15 is in Illinois, the nature and extent of the business dealings between Oak Tree
16 and HGB – a Nevada entity – and Oak Tree’s alleged tortious conduct against a
17 Nevada entity confer personal jurisdiction over Oak Tree.

18 Where a federal statute does not govern personal jurisdiction, district
19 courts apply the law of the state in which the court sits. *Love v. Associated*
20 *Newspapers, Ltd.*, 611 F.3d 601, 608–09 (9th Cir. 2010). Because “Nevada’s long-
21 arm statute, NRS § 14.065, reaches the limits of due process set by the United
22 States Constitution,” *see Baker v. Eighth Judicial Dist. Ct. ex rel. Cty. of Clark*,
23 999 P.2d 1020, 1023 (Nev. 2000), a Court simply analyzes whether “the exercise
24 of jurisdiction must comport with federal due process” *see Chan v. Society*
25 *Expeditions, Inc*, 39 F.3d 1392, 1404–05. “Due process requires that nonresident
26 defendants have certain minimum contacts with the forum state so that the
27 exercise of jurisdiction does not offend traditional notions of fair play and
28 substantial justice.” *Id.* (citing *Int’l Shoe v. Washington*, 326 U.S. 310, 316 (1945)).

1 Courts analyze this constitutional question with reference to two forms of
2 jurisdiction: general and specific jurisdiction. A plaintiff bears the burden of
3 establishing that jurisdiction is proper. *Boschetto v. Hansin*, 539 F.3d 1011, 1015
4 (9th Cir. 2008). The plaintiff cannot “simply rest on the bare allegations of its
5 complaint,” but uncontroverted allegations in the complaint must be taken as
6 true. *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 800 (9th Cir. 2004)
7 (quoting *Amba Mktg. Sys., Inc. v. Jobar Int'l, Inc.*, 551 F.2d 784, 787 (9th Cir.
8 1977)).

9 **1. This Court lacks general jurisdiction over Oak Tree.**

10 A court has general personal jurisdiction over a defendant whose contacts
11 with the forum are “so ‘continuous and systematic’ as to render them essentially
12 at home in the forum state.” *Daimler AG v. Bauman*, 571 U.S. 117, 134 (2014)
13 (citing *Goodyear v. Dunlop Tires Operations, S.A. v. Brown*, 564 U.S. 915, 131
14 (2011)). Courts have asserted general jurisdiction over a defendant where the
15 defendant (1) has been served with process while voluntarily within the form, (2)
16 is domiciled within the forum, or (3) consents to the Court's jurisdiction. *J.*
17 *McIntyre Mach., Ltd. v. Nicastro*, 564 U.S. 873, 880-82 (2011) (Kennedy, J.,
18 plurality). A foreign corporation will be subject to general jurisdiction only in an
19 exceptional case, where “a corporation's operations in a forum other than its
20 formal place of incorporation or principal place of business may be so substantial
21 and of such a nature as to render the corporation at home in that State.” *Daimler*
22 *AG v. Bauman*, 571 U.S. 117, 139 n.19 (2014).

23 Oak Tree’s contacts with Nevada are not continuous and systematic. Oak
24 Tree is a Missouri company and subject to a Missouri Receivership. The Brewpub
25 is in Illinois. Oak Tree was not served while voluntarily in Nevada, is not domiciled
26 in Nevada, nor does it consent to Nevada’s jurisdiction. This is insufficient to give
27 rise to general personal jurisdiction.

28 **2. This Court has specific jurisdiction over Oak Tree.**

1 A court that lacks general personal jurisdiction may have specific personal
2 jurisdiction if the defendant has certain minimum contacts with the forum state,
3 the controversy arose out of those contacts, and the exercise of jurisdiction is
4 reasonable. *See Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472–74 (1985).
5 This Court has specific jurisdiction over Oak Tree based on allegations that it
6 purposefully directed its activities at Nevada, the claims arise out of that
7 purposeful direction, and the exercise of jurisdiction is reasonable.

8 The Ninth Circuit provides a three-prong test for analyzing an assertion of
9 specific jurisdiction: “(1) The non-resident defendant must purposefully direct his
10 activities or consummate some transaction with the forum or resident thereof; or
11 perform some act by which he purposefully avails himself of the privilege of
12 conducting activities in the forum, thereby invoking the benefits and protections
13 of its laws; (2) the claim must be one which arises out of or relates to the
14 defendant's forum-related activities; and (3) the exercise of jurisdiction must
15 comport with fair play and substantial justice, i.e., it must be reasonable.”
16 *CollegeSource, Inc. v. AcademyOne, Inc.*, 653 F.3d 1066, 1076 (9th Cir. 2011)
17 (quoting *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 802 (9th
18 Cir.2004)). The plaintiff bears the burden of satisfying the first two prongs. *Id.* If
19 it does so, the burden then shifts to the defendant to set forth a “compelling case”
20 that the exercise of jurisdiction would not be reasonable. *Id.*

21 **a. Oak Tree purposefully directed its activities at Nevada.**

22 Purposeful direction is the proper analytical framework in this case
23 because the claims at issue sound in tort. *See Brayton Purcell LLP v. Recordon &*
24 *Recordon*, 606 F.3d 1124, 1128 (9th Cir. 2010). To establish purposeful direction,
25 a plaintiff must satisfy a three-part test drawn from the U.S. Supreme Court's
26 opinion in *Calder v. Jones*: (1) the defendant must have committed an intentional
27 act; (2) the defendant's act was expressly aimed at the forum state; and (3) the
28 defendant knew the brunt of the harm was likely to be suffered in the forum state.

1 *Dole Food Co. v. Watts*, 303 F.3d 1104, 1111 (9th Cir. 2002) (citing *Calder v.*
2 *Jones*, 465 U.S. 783, 788–89 (1984)).

3 Oak Tree’s alleged conduct constitutes purposeful direction. The alleged
4 conduct is intentional, not merely negligent, and was expressly aimed at Nevada.
5 Oak Tree knew Hofbräuhaus was a Nevada business when it entered into the
6 Franchise Agreement with Hofbräuhaus and when it engaged in the alleged
7 intentional conduct that is the subject of this suit. Thus, it knew the brunt of the
8 harm would be suffered in Nevada.

9 The relationship between the parties bears important similarities to the
10 relationship at issue in *Burger King*. In *Burger King*, the Supreme Court found
11 personal jurisdiction in Florida over an out-of-state franchisee who contracted
12 with a Florida corporate plaintiff. 471 U.S. at 479. First, the Court held that the
13 contract had a “substantial connection” to Florida, where the defendant
14 negotiated with the plaintiff “for the purpose of a long-term franchise and the
15 manifold benefits that would derive” from the resulting contract. *Id.* The contract
16 involved a “carefully structured 20-year relationship that envisioned continuing
17 and wide-reaching contacts,” and the Court held that the “quality and nature” of
18 this relationship could “in no sense be viewed as random, fortuitous, or
19 attenuated.” *Id.* (quotations and citations omitted). Second, the Court held that
20 the defendant's actions caused “foreseeable injuries” to the plaintiff. *Id.* Finally,
21 the Court weighed the significance of choice-of-law and arbitration provisions in
22 the franchise documents. The Court held that although a choice-of-law clause
23 providing that the contract “shall be governed and construed under and in
24 accordance with the laws of the State of Florida” would not, standing alone, be
25 enough to confer personal jurisdiction, the provision reinforced both the
26 defendant's “deliberate affiliation” with Florida and the “reasonable foreseeability
27 of possible litigation there.” *Id.* at 483.

28

1 Oak Tree created a continuous relationship with a Nevada company
2 binding itself to continuing contractual obligations, a circumstance the Supreme
3 Court has emphasized constitutes purposeful direction. *Id.* at 473. Through the
4 Franchise Agreement, Oak Tree received a limited license from a Nevada company
5 to use the trademarks, trade dress, and copyrighted architecture specified per
6 the terms and conditions of the Franchise Agreement. In exchange for those
7 benefits, Oak Tree was required to pay a Nevada company, inter alia, royalties.
8 The Franchise Agreement anticipated future consequences in Nevada, including
9 potential application of Nevada law and action by a Nevada court. The choice-of-
10 law and forum selection clauses provisions in the Franchise Agreement, like those
11 contained in the *Burger King* franchise documents, similarly weigh toward a
12 finding of specific personal jurisdiction. The *Burger King* franchise agreement
13 stated that it “shall be deemed made and entered into in the State of Florida and
14 shall be governed and construed under and in accordance with the laws of the
15 State of Florida.” *Id.* at 483. In this case, though the parties dispute whether the
16 forum selection clause and choice of law clauses are void, neither party disputes
17 the authenticity of the Franchise Agreement, which contemplated the use of
18 Nevada law and future litigation in Nevada. The contract between the parties was
19 substantial, involving potentially hundreds of thousands of dollars in revenue.
20 Thus, the contractual relationship cannot be “viewed as random, fortuitous, or
21 attenuated.” *See id.* at 479. Oak Tree’s alleged activities—including its
22 unauthorized use of materials protected by federal trademark and copyright law
23 are intentional acts that caused foreseeable injuries to Hofbräuhaus in Nevada.

24 The Ninth Circuit and district courts within the Ninth Circuit have held
25 that specific jurisdiction exists where, as here, a plaintiff files suit in its home
26 state against an out-of-state defendant and alleges that defendant intentionally
27 infringed its intellectual property rights knowing the plaintiff was located in the
28 forum state. Plaintiff in *Columbia Pictures Television v. Krypton Broad. of*

1 *Birmingham, Inc.*, 106 F.3d 288, 289 (9th Cir. 1997), overruled on other grounds
2 by *Feltner v. Columbia Pictures Television*, 523 U.S. 340 (1998), a television studio
3 located in California, filed a copyright infringement action in the Central District
4 of California, naming as defendant an individual who resided outside the state.
5 *Id.* at 288. The Ninth Circuit held the exercise of specific jurisdiction proper,
6 because the defendant willfully infringed copyrights owned by a plaintiff, which,
7 the defendant knew, had its principal place of business in the Central District.
8 *Id.* at 289; *see also Panavision Intern., L.P. v. Toepfen*, 141 F.3d 1316, 1321 (9th
9 Cir. 1998) (holding that personal jurisdiction in a trademark infringement case
10 as defendant knew that plaintiff would suffer harm in California, since “its
11 principal place of business was in California, and the heart of the theatrical
12 motion picture and television industry is located there”); *Brayton Purcell LLP v.*
13 *Recordon & Recordon*, 361 F.Supp.2d 1135, 1140–41 (N.D. Cal. 2005) (finding
14 that the plaintiff “has satisfied the effects/purposeful direction test by first,
15 making a prima facie showing that [defendant] willfully infringed copyrights . . .
16 and second, alleging without dispute ... that [defendant] knew [plaintiff’s]
17 principal place of business was in the [forum.]”); *Amini Innovation Corp. v. JS*
18 *Imports, Inc.*, 497 F.Supp.2d 1093, 1107 (C.D. Cal. 2007) (finding the purposeful
19 direction test satisfied where the defendants willfully infringed upon the plaintiff’s
20 copyrights and the plaintiff alleged that the defendants “must have known it was
21 located in California”).

22 **b. Hofbräuhaus’s claims arise out of Oak Tree’s Nevada-**
23 **related activities.**

24 The second prong likewise favors personal jurisdiction because
25 Hofbräuhaus’s claims arise out of or relate to Oak Tree’s Nevada-related
26 activities. *Menken v. Emm*, 503 F.3d 1050, 1058 (9th Cir. 2007). The Ninth Circuit
27 follows the “but for test,” which requires Hofbräuhaus to show that it would not
28 have suffered an injury “but for” Oak Tree’s forum-related conduct. *Id.* (applying

1 the “but for” test and finding that Plaintiff was unable to close on the sale of
2 Arizona property because the defendant improperly recorded and then refused to
3 remove a lien). The Ninth Circuit has held that this prong is satisfied when, in
4 actions involving alleged infringement on intellectual property, the defendant was
5 able to engage in the infringing conduct because the plaintiff provided the
6 materials pursuant to license agreements. *See Columbia Pictures Television*, 106
7 F.3d at 289. Here, Oak Tree would not be able to engage in the allegedly infringing
8 conduct had it not entered into the Franchise Agreement with Hofbräuhaus. But
9 for Oak Tree’s Nevada-related conduct, namely the Franchise Agreement with
10 Hofbräuhaus, a Nevada company, there would be no case.

11 **c. Personal jurisdiction over Oak Tree is not unreasonable.**

12 Having determined that Oak Tree purposefully established minimum
13 contacts with Nevada, the Court turns to whether Oak Tree presents “a
14 compelling case that the presence of some other considerations would render
15 jurisdiction unreasonable” and defeat personal jurisdiction. *Burger King*, 471
16 U.S. at 477. The Ninth Circuit considers seven factors in weighing
17 reasonableness:

- 18 (1) the extent of the defendants' purposeful interjection
19 into the forum state's affairs; (2) the burden on the
20 defendant of defending in the forum; (3) the extent of
21 conflict with the sovereignty of the defendants' state; (4)
22 the forum state's interest in adjudicating the dispute; (5)
23 the most efficient judicial resolution of the controversy;
(6) the importance of the forum to the plaintiff's interest
in convenient and effective relief; and (7) the existence of
an alternative forum.

24 *Harris Rutsky & Co. Ins. Servs. v. Bell & Clements Ltd.*, 328 F.3d 1122, 1132 (9th
25 Cir. 2003)(internal quotation marks and citation omitted).

26 Oak Tree cannot show that personal jurisdiction is unreasonable. The
27 degree of Oak Tree’s interjection in Nevada weighs in favor of jurisdiction. Oak
28 Tree purposefully interjected itself into Nevada’s affairs by entering into a

1 substantial contractual relationship with a Nevada entity. The burden on Oak
2 Tree is heavy given their financial distress, but particularly with the advent of
3 modern technology, that burden is not significantly greater in Nevada than in any
4 other forum. The third factor is inapplicable, because Missouri, where Oak Tree
5 is organized, may be the location of the receivership action, but the claims at
6 issue are not properly before that Missouri state court, nor is Hofbräuhaus a
7 party to that litigation; Hofbräuhaus properly brings federal claims in federal
8 court. The fifth factor is neutral considering that this action is in its infancy. With
9 respect to the fourth factor, Illinois has a strong interest in protecting its
10 franchisees, but Nevada has an interest in protecting its residents from tortious
11 conduct and Hofbräuhaus elected to bring this action in Nevada. Finally, the
12 Southern District of Illinois is available as an alternate forum, but that does not
13 make it unreasonable for the Court to exercise specific jurisdiction. Oak Tree does
14 not present a compelling case that exercise of personal jurisdiction by this Court
15 would be unreasonable.

16 **D. Venue should be transferred to the Southern District of Illinois.**

17 Transfer of venue is appropriate under 28 U.S.C. § 1404(a). To transfer this
18 case to the Southern District of Illinois, the Court must find: 1) the transferee
19 court is one where the action might have been brought, and 2) the parties' and
20 witnesses' convenience, as well as the interest of justice, favor transfer. *Hatch v.*
21 *Reliance Ins. Co.*, 758 F.2d 409, 414 (9th Cir. 1985); *Metz v. U.S. Life Ins. Co.*, 674
22 F. Supp. 2d 1141, 1145 (C.D. Cal. 2009).

23 **1. The action could have been brought in Illinois.**

24 Venue for this case would be proper in either the District of Nevada or the
25 Southern District of Illinois. Venue for the claim asserted under the Copyright
26 Act is proper under the copyright venue statute in any district in which Oak Tree
27 would be subject to personal jurisdiction. 28 U.S.C. § 1400(a); *Columbia Pictures*
28 *Television*, 106 F.3d at 289 (“Venue under 28 U.S.C. § 1400(a) is proper in any

1 judicial district in which the defendant would be amenable to personal
2 jurisdiction if the district were a separate state.”)(internal citations omitted). Oak
3 Tree is subject to personal jurisdiction in Nevada and would be subject to
4 personal jurisdiction in Illinois because it owns and operates a franchise in
5 Illinois. Venue for the remaining claims is also proper in both Nevada and Illinois
6 because, because under the general venue statute, venue is proper in any district
7 in which Oak Tree would be subject to personal jurisdiction or any district in
8 which a substantial part of the events or omissions giving rise to the claim
9 occurred, or a substantial part of property that is the subject of the action is
10 situated. 28 U.S.C. § 1391(b);(c); *Allstar Mktg. Group, LLC v. Your Store Online,*
11 *LLC*, 666 F.Supp.2d 1109, 1128 (C.D. Cal. 2009) (“Venue over trademark claims
12 is governed by the general venue statute, 28 U.S.C. § 1391.”)(internal citation
13 omitted).

14 **2. Convenience and the interests of justice favor transfer.**

15 As the Southern District of Illinois is a proper venue, the decision to
16 transfer turns on the convenience of parties and witnesses, and the interests of
17 justice. *See Young Props. Corp. v. United Equity Corp.*, 534 F.2d 847, 852 (9th Cir.
18 1976). The convenience of the parties and witnesses favors transfer to Illinois.

19 Though a plaintiff’s chosen forum generally is afforded “substantial
20 weight,” that weight “is substantially reduced” if the chosen forum “lacks a
21 significant connection to the activities alleged in the complaint.” *Williams v.*
22 *Bowman*, 157 F.Supp.2d 1103, 1106 (N.D. Cal. 2001) (internal quotation marks
23 omitted). Hofbräuhaus wishes to proceed in Nevada, but also represents that this
24 case is largely about a Brewpub in Illinois infringing on its trademarks. In
25 infringement cases, it makes sense that the bulk of the relevant evidence,
26 including witnesses, usually comes from the accused infringer. The material
27 events-including any actions that constituted misuse of the Hofbräuhaus’s
28

1 intellectual property took place in Illinois. Consequently, because of the location
2 of the Brewpub in Illinois, this factor weighs in favor of transfer.

3 As this case has been stayed for almost six months and no substantive
4 issues have been adjudicated, any inconvenience to Hofbräuhaus would be
5 minimal, also weighing in favor of transfer. *See, e.g., Global Hawk Ins. Co. v. Vega*,
6 2015 WL 7720801, *4 (N.D. Cal. 2015) (concluding that when litigation was “still
7 in its infancy,” it weighs in favor of transfer); *Thanos v. Unum Life Ins. Co.*, 2015
8 WL 5770786, *3 (N.D. Cal. 2015) (“This litigation is still in its infancy, as the
9 pleadings are not yet settled. The Court finds that this factor favors transfer.”);
10 *U.S. ex rel. Swan v. Covenant Care, Inc.*, 1999 WL 760610, *3 (N.D. Cal. 1999)
11 (“Plaintiffs will not be inconvenienced by a transfer of the action at this point
12 because the litigation is relatively young, and this court has not yet become
13 greatly involved in this litigation.”).

14 Because Hofbräuhaus requests injunctive relief, as a practical matter
15 Illinois is the more convenient forum to enforce and monitor any injunctive relief
16 awarded because the Illinois court would be closer to the action. *L. Bull. Pub., Co.*
17 *v. LRP Publications, Inc.*, 992 F. Supp. 1014, 1021 (N.D. Ill. 1998) (request for
18 injunctive relief favors transfer to forum that would enforce and monitor
19 injunction); *Coll. Craft Companies, Ltd. v. Perry*, 889 F. Supp. 1052, 1056 (N.D.
20 Ill. 1995)(same).

21 The interests of justice also weigh in favor of transferring the case to the
22 Southern District of Illinois. Illinois has a stronger interest in this matter as the
23 Brewpub is within its borders. In the IFDA of 1987, the Illinois legislature
24 expressly recognized the state’s strong interest in protecting Illinois residents,
25 like Oak Tree, who become franchisees. *See* 815 Ill. Comp. Stat. Ann. 705/2. The
26 IFDA further recognizes Illinois’ interest in having disputes relating to franchise
27 agreements resolved within the state by providing that “[a]ny provision in a
28 franchise agreement that designates jurisdiction or venue in a forum outside of

1 this State is void, provided that a franchise agreement may provide for arbitration
2 in a forum outside of this State.” 815 Ill. Comp. Stat. Ann. 705/4.

3 The Southern District of Illinois also has a far stronger relationship with
4 this controversy than does the District of Nevada. Trademark infringement is the
5 gravamen of this case. The likelihood of confusion is the central element of a
6 trademark infringement claim. *Abercrombie & Fitch Co. v. Moose Creek, Inc.*, 486
7 F.3d 629, 633 (9th Cir. 2007). In trademark infringement cases, though the effect
8 of the infringing activity may be felt in the district where the plaintiff resides, the
9 place where the infringing activity occurs is generally the correct venue. *Woodke*
10 *v. Dahm*, 70 F.3d 983, 985 (8th Cir. 1995).

11 Taking Hofbräuhaus’s allegations as true, because the Brewpub is in
12 Illinois, any consumer confusion caused by Oak Tree’s infringing conduct
13 occurred and is occurring in Illinois, not Nevada. The locus of material events is
14 in Illinois. Illinois has a stronger interest in this matter as the franchise at issue
15 is operating within its borders. Illinois, through its legislation, has explicitly
16 expressed a strong and specific interest in protecting franchisees like Oak Tree.
17 If injunctive relief is ordered that relief would be monitored in Illinois. Thus, the
18 Court transfers venue to the Southern District of Illinois.

19 **III. Conclusion**

20 The Court finds that it has subject matter jurisdiction over this action, and
21 that neither abstention nor a stay based on the Missouri receivership is
22 appropriate. The Court has specific personal jurisdiction over Oak Tree. The
23 Court finds, however, that a discretionary transfer of venue to the Southern
24 District of Illinois is warranted and grants, in part, Oak Tree’s motion (ECF No.
25 10) to the extent that the Court transfers venue to the Southern District of Illinois.
26 The Court also finds that lifting the requested stay is appropriate because
27 settlement negotiations have broken down.

28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

IT IS THEREFORE ORDERED that Oak Tree's motion (ECF No. 10) is granted in part, to the extent that this case is transferred to the Southern District of Illinois. Considering the transfer, the Court does not reach the remaining issues raised in the motion to dismiss or any other pending motions.

IT IS FURTHER ORDERED that the stay in this matter (ECF Nos. 49; 51) is lifted.

DATED THIS 3rd Day of January 2023.



ANNE R. TRAUM
UNITED STATES DISTRICT JUDGE