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No. 67032-8-I

COURT OF APPEALS OF THE STATE OF WASHINGTON
DIVISION I

DAVID N. BROWN, INC.,

Appellant,

v.

ACT NOW PLUMBING, LLC,

Respondent.

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REPLY BRIEF OF APPELLANT DAVID N. BROWN, INC.

APPEAL FROM KING COUNTY SUPERIOR COURT CASE NO. 09-2-37499-6, THE HONORABLE JUDGE WESLEY SAINT CLAIR

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I. INTRODUCTION

Respondent Act Now Plumbing, LLC d/b/a Gary Fox Plumbing & Heating's ("ANP") introductory challenge confirms why summary judgment was erroneously granted in this case. ANP asks the Court to compare isolated, hand-picked and self-serving instances of Appellant David N. Brown, Inc. dba Fox Plumbing and Heating's ("Fox") use of the mark in question with similarly selected instances of ANP's use of the mark to make a factual determination as to whether there is likelihood that the marks may be confused by the public. Genuine issues of material fact abound in that very inquiry, including:

1. What is the basis for the selection of the particular examples of Fox's and ANP's uses of the mark?

2. Are the examples in fact how the marks are used or viewed by the public, or even reasonably representative?

3. Is the dominant portion of each mark the term FOX, which is identical?

4. Should the comparison be made of the marks as they are textually shown in advertisements, listings and contracts, as well as spoken on the phone and in person and heard by customers in radio and other audio advertisements?

5. What is the target public to which the question of possible confusion is being applied; is it state court judges or a jury of ordinary consumers?

6. Considering the facts in the light most favorable to Fox, could reasonable persons reach only one conclusion—that **BOTH** the textual versions of the marks:

FOX PLUMBING & HEATING

and

GARY FOX PLUMBING & HEATING

as well as the various design formats used by the parties:

and

bear no similarity?

The intensely factual nature of trademark disputes, in particular this very question of similarity of the conflicting marks, is the reason summary judgment is generally disfavored in the trademark arena. *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 184 F.3d 1107, 1109 (9th Cir. 1999); *Nat'l Ass'n of Realtors v. Champions Real Estate Servs.*, 2011 U.S. Dist. LEXIS 93698 (W.D. Wash. Aug. 22, 2011). Indeed, the Ninth Circuit has cautioned that "courts should grant summary judgment motions regarding the likelihood of confusion sparingly, as careful assessment of the pertinent factors that go into determining likelihood of confusion usually requires a full record." *Thane Int'l v. Trek Bicycle Corp.*, 305 F.3d 894, 901-902 (9th Cir. 2002).

There is a genuine issue of material fact on the central question of likelihood of confusion between the conflicting marks in this case. While expressly acknowledging this issue of fact, and contrary to weight of evidence and well-established controlling judicial precedence, the trial court nevertheless inexplicably granted summary judgment in favor of

ANP on not only Fox's trademark infringement claims, but also the unfair competition, Consumer Protection Act and tortious interference claims. These errors must be corrected and Fox allowed its day in court.

II. GENUINE ISSUES OF MATERIAL FACT PRECLUDE SUMMARY JUDGMENT

It bears repeating: a summary judgment motion can be granted ***only*** when no genuine issue of material fact exists and the moving party is entitled to judgment as a matter of law. *Labriola v. Pollard Group, Inc.*, 152 Wn.2d 828, 833 (2004). A material fact is one upon which the outcome of litigation depends in whole or in part. *Island Air, Inc. v. LaBar*, 18 Wn. App. 129, 566 P.2d 972 (1977). The trial court must consider the facts in the light most favorable to the nonmoving party and the motion should be granted only if reasonable persons could reach only one conclusion. *Labriola*, 152 Wn.2d at 833. Summary judgment should not be granted when the credibility of a material witness is at issue. *Masson v. New Yorker Magazine*, 501 U.S. 496, 520 (1991); *Gingrich v. Unigard Sec. Ins. Co.*, 57 Wn. App. 424, 788 P.2d 1096 (1990).

ANP fails to dispute much of the factual evidence before the trial court on summary judgment. Because this evidence must be viewed in the light most favorable to Fox and pertains directly to a number of the dispositive *Sleekcraft* trademark infringement analysis factors, genuine issues of material fact preclude summary judgment. *AMF, Inc. v. Sleekcraft Boats,* 599 F.2d 341 (9th Cir. 1979); RCW 17.77.140(2)

A. THE MARK AT ISSUE—FOX PLUMBING & HEATING

ANP does not dispute Fox's recitation of the facts establishing the substantial strength of the FOX PLUMBING & HEATING ("Fox's Mark" or "the Mark") trademark grown over the last four decades—one of the important factors in the likelihood of confusion analysis.

ANP claims that Fox has never used the FOX PLUMBING & HEATING mark absent the "fox logo." ANP ignores the substantial evidence before the trial court demonstrating Fox's long and pervasive use of the mark in both textual and design forms. The declaration of David N. Brown, president of Fox and involved with the company since 1973, provides evidence of use of the textual form of "FOX PLUMBING & HEATING" to "promote and perform plumbing, heating and other services . . . in King County" continuously since 1964. (CP 68; see also CP 02) The declaration details use of the mark at Fox's website, in traditional print such as Dex and Yellow Page ads, newspapers, direct mail, radio and television commercial as well as on billboards and buses. (Id.) It is not possible to use only a design version of the Mark on much of Fox's extensive advertisements and business documents, such as contracts, Dex listings, and radio ads. (CP 67-84)

On summary judgment this evidence must be taken as true and in the light most favorable to Fox. At a minimum, the extent Fox has used the FOX PLUMBING & HEATING mark absent the "fox logo" is a material fact precluding summary judgment because that question directly pertains to one of the key *Sleekcraft* trademark infringement factors.

B. The Earlier Lawsuit Between Fox and Third Party Gary Fox Does Not Grant Any Rights to ANP

ANP did not inherit the right to use GARY FOX PLUMBING & HEATING ("Infringing Mark") for all purposes based on the results of the 1984 trademark infringement litigation. In fact, the trial court at that time found in favor of Fox and entered a preliminary injunction against Gary Fox. (CP 176-179) Despite finding actual confusion, i.e., trademark infringement, the trial court nevertheless held that Gary Fox, personally, had a limited equitable right to use his surname provided that such use did not deceive the purchasing public. (CP 180-183) This limited right was not assignable or transferrable to a third party, which limitation was subsequently confirmed by Gary Fox's refusal to transfer rights in the Infringing Mark to ANP and Gary Fox's eventual transfer of rights to Fox.

At a minimum, because it pertains to ANP's claim to a right to use the Infringing Mark obtained from Gary Fox, the dispute over the rights previously owned by Gary Fox are central to this case and create a genuine issue of material fact precluding summary judgment.

C. ANP's is Engaged in a Competing Business and Identical Channels of Trade

ANP does not deny that as evidenced from its website www.garyfox.com, its print advertisements, and by admission, ANP offers directly competing plumbing and heating services similar to those of Fox in the same geographic region, using the same marketing channels, and to the same residential and commercial customers as Fox. (CP 051-66) This evidence establishes two significant *Sleekcraft* factors in favor of Fox.

D. UNDISPUTED INCIDENTS OF ACTUAL CONFUSION

While attempting to minimize the evidence, ANP cannot deny the existence of significant actual confusion caused by ANP's use of the Infringing Mark. Fox has received and continues to receive an ever-increasing stream of consumer confusion and complaints, *i.e.*, consumers believing that ANP and its services are associated with Fox and its services. (CP 043-050; 069; 085-092) ANP admits that it was aware of Fox's Mark prior to adopting the Infringing Mark. (CP 051-053) ANP admits that it has received customer complaints for services performed under the Infringing Marks. (CP 051-053) ANP admits that it has received correspondence, including vendor and customer inquiries, looking for and/or believing ANP to be associated with the Fox's Mark and/or Fox. (CP 051-053) This evidence establishes another significant *Sleekcraft* factors in favor of Fox.

E. KEY CREDIBILITY ISSUES RELATED TO THE "SMOKING GUN" DOCUMENT HIDDEN FROM FOX AND THE TRIAL COURT

ANP spends much of its brief inconsistently arguing the significance and immateriality of ANP's alleged acquisition of rights in the GARY FOX PLUMBING & HEATING mark and the related "smoking gun" document uncovered by Fox that disproves ANP's allegation and establishes ANP's enormous credibility problems. On the one hand, ANP argues laches and estoppel defense theories on the basis that ANP acquired the GARY FOX PLUMBING & HEATING mark rights dating back at least to 1985 from Gary Fox via an October 27, 2008

Business Opportunity Purchase and Sale Agreement and Bill of Sale. On the other hand, ANP argues that the fact it hid the existence of the controlling January 2, 2009 Purchase And Sales Agreement Gary Fox consummated with ANP's Ivanchuk—wherein the trademark rights were specifically ***excluded*** from the transfer and ANP expressly agreed not to use the GARY FOX PLUMBING & HEATING mark—is not material, despite the fact that ANP's agents approached Gary Fox in an unsuccessful effort to purchase the rights in the GARY FOX PLUMBING & HEATING mark mere weeks before filing the January 4, 2011 summary judgment motion. (CP 465; 474-477)

At a minimum, as central to ownership rights in the Infringing Mark, the dispute over the "smoking gun" document creates genuine issues of material fact precluding summary judgment. Indeed, given the importance of ANP's pivotal witness Ivanchuk to the proceeding, the fact that the trial court acknowledged his credibility issues (RP 3/15/11 p. 33:19–p. 34:24) precludes summary judgment under well-established, binding legal precedent. *Balise v. Underwood*, 62 Wn.2d 195, 200, 381 P.2d 966 (1963); *Gingrich*, 57 Wn. App. at 428-29 (summary judgment should not be granted when material witness credibility at issue).

F. ANP OWNS NO RIGHTS IN THE GARY FOX PLUMBING & HEATING MARK—ALL SUCH RIGHTS ARE OWNED BY FOX

ANP concedes the existence of a genuine dispute regarding its claimed ownership in the GARY FOX PLUMBING & HEATING Mark, but inexplicably argues that it is not material to the claims on summary judgment. In fact, ANP's entire defense that it has not engaged in trademark infringement, unfair competition or Consumer Protection Act violation, or tortious interference rests squarely on its argument that ANP was entitled, by virtue of its alleged acquisition of Gary Fox's trademark rights, to commence use of the Infringing Mark in 2009. ANP spends literally pages on its convoluted factual argument attempting to explain away its ethical violations in intentionally hiding the controlling January 2009 agreement and the validity of the agreement.

This dispute about ANP's right (or lack of right) to use the Infringing Mark is at the heart of the trademark infringement analysis—directly pertaining to factors including (1) the relatedness of the two companies' services; (2) the marketing channels used; (3) the strength of Fox's mark; (4) ANP's intent in selecting its mark; (5) the likelihood of expansion into other markets; and (6) the degree of care likely to be exercised by the purchasers. *Sleekcraft,* 599 F.2d at 348-49. Moreover, ANP admits that its laches and estoppel by acquiescence defenses formed the basis of the trial court's decision. These defenses only exist to the extent that ANP acquired any rights in the Infringing Mark from Gary Fox. At a minimum, the admitted factual and credibility issues create a genuine issue of material fact that precludes summary judgment.

III. ARGUMENT

The trial court specifically acknowledged evidentiary and credibility issues in this case; what it referred to as

> problematic issues I think from both sides in, in the course of the, the, the evidence, the, the and the testimony that has been both, the evidence has been currently provided as well as the, uh, uh, arguments that are made.

(RP 3/15/11 p. 38) The trial court specifically acknowledged credibility issues with ANP's material witness Ivanchuk (RP 3/15/11 p. 33:19–p. 34:24). Fox respectfully submits that these acknowledged factual issues are genuine and material and preclude summary judgment.

A. TRADEMARK LIKELIHOOD OF CONFUSION

ANP does not dispute that Washington trademark law is guided by and interpreted consistently with the Lanham Act, 15 U.S.C. §1051, or that likelihood of confusion is determined by the application of the eight-factor test enunciated in *AMF, Inc. v. Sleekcraft Boats,* 599 F.2d 341 (9th Cir. 1979); RCW 17.77.140(2). ANP urges the Court to disregard seven of the eight factors and focus solely on the similarity of marks in order to uphold the trial court's erroneous summary judgment. ANP quotes *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1054 (9th Cir. 1999) with emphasis in support of this proposition:

> The similarity of the marks will always be an important factor. Where the two marks are entirely dissimilar, there is no likelihood of confusion . . . . Nothing further need be said.

(Respondent's Brief, p. 24)

But ANP's quote is out of context and incomplete. What the Ninth Circuit actually said was:

> ***We begin by comparing the allegedly infringing mark to the federally registered mark.*** The similarity of the marks will always be an important factor. Where the two marks are entirely dissimilar, there is no likelihood of confusion. ***'Pepsi' does not infringe Coca-Cola's 'Coke.'*** Nothing further need be said.

Brookfield, 174 F.3d at 1054 (emphasis added). Of course dissimilarity of the marks can be an important factor where there is absolutely no common features in terms of the sight, sound, meaning or commercial impression of the respective marks, as in the case with PEPSI and COKE (or MICROSOFT and APPLE, FORD and CHEVROLET, etc.).

Moreover, contrary to ANP's assertion, the Ninth Circuit—and by extension Washington courts that look to Ninth Circuit law—does not find a single factor, including similarity of the marks, to be dispositive. Indeed, the Ninth Circuit confirmed in *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628(9th Cir. 2008) that it:

> has never countenanced a likelihood of confusion determination based on a consideration of dissimilarity alone or, indeed, on the consideration of any single factor. Instead, we have regularly applied all the relevant factors, noting that a final likelihood of confusion determination may rest on those factors that are of the most relative importance in any particular case. Thus, while a likelihood of confusion determination may ultimately rest on a sub-set of factors, evidence of relatively important factors must be considered as part of that set.

(citations omitted) Of particular note is the Ninth Circuit's rejection of the precise argument advanced and heavily relied upon by ANP, namely, the trial court's decision in *Jada* in concluding that the dissimilarity of the marks alone was sufficient to support its summary judgment that HOT RIGZ did not infringe HOT WHEELS:

> To hold otherwise would allow the possibility that persuasive evidence of a particular factor may be considered at the expense of relevant evidence of others. This problem is particularly acute where, as here, a court relies on the dissimilarity of the marks to conclude that no likelihood of confusion exists. ***In such a case, the potential for a judge to elevate his or her own subjective impressions of the relative dissimilarity of the marks over evidence of, for example, actual confusion, is great.*** And where the subjective impressions of a particular judge are weighed at the expense of other relevant evidence, the value of the multi-factor approach sanctioned by this Court is undermined.
>
> Today's holding is consistent with our prior decisions. For while Jada accurately cites language from the case law of this Circuit suggesting that dissimilarity alone may be a sufficient basis upon which to judge the likelihood of confusion, *Brookfield*, 174 F.3d at 1054 . . ., we conclude that the language employed in those cases constitutes *dicta* and, therefore, we are not bound by it.
>
> In *Brookfield*, for example, we stated that '[w]here the two marks are entirely dissimilar, there is no likelihood of confusion. 'Pepsi' does not infringe Coca-Cola's 'Coke.' Nothing further need be said." In *Brookfield* however, we did not conclude that the marks in question were so dissimilar that no likelihood of confusion could exist. To the contrary, we found that the marks were quite similar. Moreover, there is no indication that in *Brookfield* we ignored evidence of other important factors in determining that dissimilarity could be determinative. And, beyond that, there was no evidence of actual confusion presented in the case. Thus, in *Brookfield* we were not confronted with a situation where, as here, strong evidence of other important factors existed to counter the conclusion that dissimilarity alone could be dispositive. Consequently, in *Brookfield* we

> were not afforded the opportunity to consider fully the ramifications of our comment.
>
> . . .
>
> While the *Brookfield* and *Sleeper Lounge* decisions offer important insight into the persuasiveness of dissimilarity, we must, nonetheless, conclude that though it may be true that very dissimilar marks will rarely present a significant likelihood of confusion, dissimilarity alone does not obviate the need to inquire into evidence of other important factors. Only upon such an inquiry may a court ensure that its judgment as to the likelihood of confusion is fully informed and without error. Therefore, because the district court considered only the dissimilarity of the marks in question, we reverse its grant of summary judgment in favor of Jada.

Jada, 518 F.3d at 633-34 (citations omitted, emphasis added).

ANP heavily relies upon the Washington federal district court case in *iCARumba Inc. v. Inter-Industry Conference on Auto Collision Repair*, 57 USPQ2d 1151 (W.D. Wash. 2000) for the proposition that courts can disregard seven of the eight factors and focus solely on the similarity of marks for purposes of summary judgment. As noted above, this decision has been superseded by the Ninth Circuit precedent in *Jada.* Moreover, the *iCARumba* court considered a subset of the most important *Sleekcraft* factors in the context of an incomplete record in denying a motion for preliminary injunction (marketing channels used, proximity of the goods and similarity of the marks). Accordingly, the *iCARumba* court did not rely solely upon the analysis of any single fact, and did not cite, nor create, any legal precedence for the contrary proposition advanced by ANP.[1]

In this case, unlike the PEPSI versus COKE example relied upon by ANP, the marks are strikingly similar. Equally important, every single relevant *Sleekcraft* factor weighs in favor of Fox and the finding of likelihood of confusion. The *Sleekcraft* factors analysis highlights genuine issues of material fact that preclude summary judgment when viewed in the light most favorable to Fox.

1. The Marks are Strikingly Similar in Sight, Sound, and Commercial Meaning

While ANP seeks to focus exclusively on design elements, the comparison must look to both the textual and design forms of the marks:

FOX PLUMBING & HEATING

versus

GARY FOX PLUMBING & HEATING

also:

[1] The cases from other jurisdictions cited by ANP are equally inapposite. After considering all likelihood of confusion factors, the court in *Welding Services, Inc. v. Forman*, 509 F.3d 1351 (11th Cir. 2007), found the term WSI to be generic and not protectable, and together with a dominant design element different from the WTI and design mark such that "there was not the least possibility of confusion." Again after considering all likelihood of confusion factors, the court in *Duluth News-Tribune v. Mesabi Publ'g Co.*, 84 F.3d 1093 (8th Cir. 1996) found the mark DULUTH NEWS-TRIBUNE to be descriptive and meriting some level of protection, but the shorthand NEWS-TRIBUNE none, and accordingly that there was no likelihood of confusion between DULUTH NEWS-TRIBUNE and SATURDAY DAILY NEWS & TRIBUNE. ANP fails to provide any basis for attempting to import the quoted summary judgment standard into Washington (or Ninth Circuit) jurisprudence.

Fox's Mark (design) **Infringing Mark (design)**

The visual similarities between Fox's Mark and the Infringing Marks, both in word and design formats, are striking. In the word format the terms are identical save for the addition of GARY; the distinctive term FOX is identical. In the design format, ANP unabashedly emphasizes the word FOX in prominent size and font while diminishing the other components of the Infringing Marks. As with many surnames, given names are frequently dropped, and the evidence of actual confusion confirms that customers refer to both plumbing companies solely as FOX, FOX PLUMBING or FOX PLUMBING & HEATING components. The resulting visual and sound effect are, in all practical sense, identical. Likewise, the meaning and commercial impression of both marks are identically derived from surnames: Virgil Fox and Gary Fox. Finally, as both marks include the identical PLUMBING & HEATING terms, they demonstrate the identical commercial impression of companies providing the same plumbing and heating services.

ANP cites examples of how, over the last forty-five years, Fox has incorporated the FOX PLUMBING & HEATING trademark into various advertisements using different logos, slogans, colors, fonts and styles. ***The very fact that multiple forms of Fox's Mark have been used creates a genuine issue of material fact regarding which version are compared in***

the likelihood of confusion analysis. It is no surprise that these advertising elements change over a half century. Indeed, similarly enduring marks such as PEPSI, COCA COLA, IBM and others have likewise changed over the years. But what has not changed over the last forty-five years is the prominence given to the dominant FOX component of the mark. Indeed, the overall appearance of Fox's Mark is so strongly associated with the term FOX that confusion from the Infringing Mark is likely despite any minor differences that exist between the parties' respective marks. Indeed, ANP admits that the Infringing Mark is similar in sight, sound, and commercial impression to Fox's Mark. (CP 051-053)

ANP's fundamental error is its effort to use numerous anecdotal cases to prove what is inherently and necessarily an "intensely factual" analysis regarding how the relevant public perceives and uses the marks. The admonition by the Ninth Circuit is *Jada* is compelling:

> In such a case, the potential for a judge to elevate his or her own subjective impressions of the relative dissimilarity of the marks over evidence of, for example, actual confusion, is great. And where the subjective impressions of a particular judge are weighed at the expense of other relevant evidence, the value of the multi-factor approach sanctioned by this Court is undermined.

Jada, 518 F.3d at 633. Yet that is exactly what the trial court did in this case, and what ANP seeks to have this Court condone. But viewed in a light most favorable to Fox, this issue precludes summary judgment.[2]

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[2] ANP's textbook recitation of case examples where summary judgment of noninfringement has been affirmed is uniformly inapposite. None of the cases undermine

2. *The Services Offered are Identical*

The evidences establishes and ANP admits that the services offered by the parties are substantially, if not completely, identical. The second of the three controlling *Sleekcraft* considerations favors Fox.

3. *The Marketing Channels and Customers are Identical*

The evidences establishes and ANP admits that the marketing channels and customers of the parties are substantially, if not completely, identical. Accordingly, the third of the three controlling *Sleekcraft* considerations weighs in Fox's favor.

4. *Evidence of Actual Confusion*

Contrary to ANP's argument, given the difficulty of acquisition, courts place significant weight on any evidence of actual confusion, however small. *See, e.g., Boston Athletic Association v. Sullivan*, 867 F.2d 22, 31 (1st Cir. 1989) (actual confusion is such persuasive evidence of the likelihood of confusion that even a ***minimal*** demonstration of actual confusion may be significant). In fact, Fox has submitted substantial and significant evidence (admissible under the business records

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the Ninth Circuit's express warning against reliance solely on similarity of the marks. Moreover, each case is necessarily decided on its own facts, and none of the marks at issue in the cited cases bear the same identity of sight, sound, meaning and commercial impression as do the marks at issue in this case. *E.g., Cedar-Al Prods. v. Chamberlain*, 38 Wn. App. 626 (1984) (trade dress for pet pillows); *One Industries, LLC v. Jim O'Neal Distributing, Inc.*, No. 06-1133 (S.D. Cal. Feb. 14, 2008) (ONE ANGULAR versus O'NEAL for off-road helmets and motocross gear); *Karoun Dairies, Inc. v. Los Altos Food Products, Inc.*, No. 99-7323, slip op. at 7-9 (C.D. Cal. Dec. 13, 2002) (BYBLOS CALIFORNIA CHEESE versus KAROUN'S CALIFORNIA CHEESE); *Woodsmith Publishing Co. v. Meredith Corp.*, 11 USPQ2d 1651 (S.D. Iowa 1989) (trade dress of WEEKEND WOODWORKING PROJECTS magazine versus WOODSMITH magazine).

or other exemption) and ANP has admitted extensive and continuing instances of actual confusion. Fox readily meets this *Sleekcraft* factor.

5. Strength of Fox's Mark is High

The evidence establishes and ANP admits that Fox's Mark is strong and therefore entitled to substantial scope of protection. *Nautilus Group, Inc. v. Icon Health & Fitness, Inc.*, 372 F.3d 1330, 1339 (Fed. Cir. 2004). ANP argues in conclusory fashion that the terms FOX, PLUMBING and HEATING are generic, but provides no evidence to support this position. Apart from being inconsistent with its admission as to the strength of Fox's Mark, the argument lacks merit. While the terms PLUMBING & HEATING are certainly descriptive of some of the services both parties provide, there is nothing suggestive or descriptive—let alone generic—about the arbitrary and distinctive term FOX, or any basis for suggesting that Fox's mark is entitled to a diminished scope of protection. Fox's use of the word "Fox" as well as the image of a fox fixing a leaky pipe (in the design format) are arbitrary, i.e., the strongest classification on the spectrum. Moreover, apart from its inherent distinctiveness, the FOX PLUMBING & HEATING trademark has acquired distinctiveness based on the length of time Fox's Mark has been used; Fox's relative fame in its field; and Fox's diligence in both promoting and protecting FOX PLUMBING & HEATING mark. ANP does not dispute that Fox has spent significant amounts of time and money promoting and protecting Fox's Mark, e.g., $320,000 per year. There is also no dispute that Fox's Mark has been used in commerce for a substantial period of time—more than forty-five years. Nor is there a dispute that Fox's Mark has achieved significant commercial success. This "strength of mark" *Sleekcraft* factor weighs strongly in favor of Fox.

6. ANP Intended to Create Confusion

ANP's argument on the intent-to-deceive factor is circular: because the marks are not similar, there can be no wrongful intent to copy. Of course, for the reasons outlined above, the marks are in fact similar or, at a minimum, there is a genuine issue of material fact on that point.

Moreover, Fox had been in business for decades in the same area and with the same customers as ANP began servicing in 2009, and ANP admits that it was aware of Fox's Mark prior to adopting the Infringing Mark as well as the resulting confusion that was created in the public. (CP 051-53; *see also* CP 043-050; 069; 085-92) The evidence proves ANP's intent and this *Sleekcraft* factor weighs in Fox's favor or, at a minimum, at worst, neutral.

7. Likelihood of Expansion into Other Markets

Given the identical nature of the existing services and marketing channels, this *Sleekcraft* factor is irrelevant.

8. Degree of Care Likely to be Exercised by the Purchaser

ANP does not deny that there is a genuine issue of material fact regarding the degree of care likely to be exercised by the purchaser. Fox suggests that the typical buyer of plumbing and heating services exercises moderate caution in the best of circumstances and low caution when an emergency plumbing or heating crisis is unfolding. The evidence of actual confusion provides significant evidence supporting this assertion. This is an important factor that must be considered in the likelihood of confusion analysis. *Sleekcraft*, 599 F.2d at 353; *Nautilus Group*, 372 F.3d at 1334.

B. THERE HAS BEEN NO ADMISSION BY FOX AS TO THE SIMILARITY OF FOX'S MARK AND THE INFRINGING MARK

Fox has vigorously disputed that the statement made by Fox's counsel in a March 18, 2004 settlement letter to Gary Fox regarding his limited equitable right to use his personal name for his plumbing services under the surname exception constitutes a legally binding admission that carries any weight in this case. Fox's counsel in that earlier enforcement action expressed an opinion that "use of the name GARY FOX PLUMBING is somewhat distinguished from [the FOX PLUMBING & HEATING] trademark." (CP 184-187) Contrary to ANP's position below, such qualified and equivocal opinion does not constitute a legally binding admission or acquiescence.

First, the referenced March 18, 2004 letter from Fox's counsel to Gary Fox constitutes a clear and unambiguous settlement communication. Pursuant to well-established authority, such communication is "not admissible to prove liability for or invalidity of the claim or its amount," ER 408, and should have been stricken by the trial court. Equally important, and perhaps most dispositive, is that because ANP owns no rights in the GARY FOX PLUMBING & HEATING mark, and has no privity with Gary Fox regarding the trademark, even if the opinion by Fox's counsel in 2004 was held to constitute an admission, such a defense would only be available to Gary Fox. As Fox now owns all trademark rights formerly held by Gary Fox, ANP has no standing to assert any claimed admissions or acquiescence or, to the extent standing existed, ANP could not due to ER 408. (CP 474-477; 494-495; 465; 469-470; 557-561) ANP simply cannot—and does not attempt—to refute this point.

The cases cited by ANP are readily distinguishable. In *Croton Watch Co. v. Laughlin*, 208 F.2d 93 (2d Cir. 1953), a watch importer challenged the importation of watches that allegedly infringed its trademark. *Id.* at 94. The court found there could be no customer confusion on the basis of a prior contract between the plaintiff and a predecessor of the defendant where the plaintiff had specifically accepted the contractual language at issue. *Id.* at 96. The court noted that while it was possible that the plaintiff "only meant to surrender what it thought to be its right for a consideration limited to that particular occasion," there was no such limitation on the face of the contract. *Id.* Thus, the court concluded that the plaintiff's consent "was not confined to a particular importation but was general." *Id.* at 96.

Here, by contrast, the 1984 litigation with Gary Fox resulted in a resolution expressly limited to "that particular occasion," and thus did not generally consent to confer rights to use the FOX PLUMBING & HEATING trademark to any other parties. In that case, the court found actual confusion between the marks and entered a preliminary injunction that restricted use, but allowed Gary Fox, ***personally***, a limited equitable right to use his surname provided that such use did not deceive the purchasing public. (CP 176-179; 180-183) This limited rights to use Gary Fox's surname was not transferrable to a third party to the extent it violated Fox's senior trademark rights, as was subsequently confirmed by Gary Fox's refusal to transfer rights in the GARY FOX PLUMBING & HEATING mark to ANP and Gary Fox's eventual transfer of rights in the mark to Fox. *Accord Bobak Sausage Co. v. A & J Seven Bridges, Inc.*, 2008 U.S. Dist. LEXIS 83623, 18-19 (N.D. Ill. Sept. 5, 2008) (distinguishing *Croton* based on a settlement injunction that with a different party; factual issue precluded resolution); *see, e.g., Knaack Mfg. Co. v. Rally Accessories, Inc.*, 955 F. Supp. 991 (N.D. Ill. 1997) (consent agreement between parties may limit scope of trademark infringement, but are not dispositive of likelihood of confusion analysis; only a factor to be considered on full record); *California Fruit Growers Exch. V. Sunkist Baking Co.*, 166 F.2d 971 (7th Cir. 1948) (same). In point of fact, ANP has never obtained any trademark rights from Gary Fox.

Likewise, ANP misstates the facts and law as it pertains to statements made by Fox in applying for state trademark registrations. Both Fox and Gary Fox were subject at relevant times to the preliminary injunction that restricted use, but allowed Gary Fox, personally, a limited equitable right to use his surname provided that such use did not deceive the purchasing public. The operation of that preexisting court order did not preclude Fox from perfecting its trademark rights through state registration or his right to enforce trademark rights against everyone except Gary Fox, personally, in the restricted use of his surname.[3]

At a minimum, because it pertains directly to the question of trademark infringement, the dispute about whether the statement made by Fox's prior counsel in an unrelated proceeding involving a different party constitutes a binding admission in this case creates a genuine issue of material fact precluding summary judgment.

C. CONSUMER PROTECTION ACT VIOLATION AND TORTIOUS INTERFERENCE WITH BUSINESS EXPECTANCIES AND RELATIONS

ANP ignores the binding precedent establishing that whether or not there has been unfair competition and tortious interference is a question of fact. *See Olympia Brewing Co. v. Northwest Brewing Co.*, 178 Wash. 533, 538, 35 P.2d 104 (1934); *Evergreen State Amusement Co. v. S.F. Burns & Co.*, 2 Wn. App. 416, 422-23, 468 P.2d 460 (1970). Fox provided evidence demonstrating a genuine issue of material fact regarding unfair competition and tortious interference, and the trial court erred in granting summary judgment in favor of ANP as a matter of law.

D. LACHES AND ESTOPPEL BY ACQUIESCENCE

ANP's entire argument with respect to its invocation of the affirmative defenses of statute of limitation, laches and estoppel by acquiescence is based upon the false assertion that ANP owns the GARY

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[3] *Richdel, Inc. v. Mathews Co.*, 190 USPQ 37 (TTAB 1976) is inapplicable. That case turned on a finding of laches and acquiescence based on a prior agreement (for consideration) allowing use of the specific mark.

FOX PLUMBING & HEATING mark and can claim the benefit of defenses thereto. There is no dispute that ANP sought summary judgment on the basis of these defenses, which placed directly at issue ANP's claim of ownership right in the GARY FOX PLUMBING & HEATING mark through documents purported to transfer such rights. But the evidence before the trial court established that ANP owns absolutely no rights in the GARY FOX PLUMBING & HEATING mark; rather, those rights are owned by Fox. (CP 465; 469-470; 474-477; 494-495; 465; 469-470; 557-561) At the very least, the ownership rights in the GARY FOX PLUMBING & HEATING mark are in controversy and the facts surrounding that ownership are material to the issues presented by ANP. Indeed, during oral argument at the March 15, 2011 summary judgment hearing, ANP admitted, ***and the trial court recognized***, that there were genuine issues of material fact, in particular related to the credibility of ANP's key witnesses, as well as serious concerns about ANP's abusive discovery tactics pertaining to the January 2, 2009 Purchase And Sales Agreement. (RP 3/15/11 p. 33:19–p. 34:24) Accordingly, there are genuine issues of material fact that preclude summary judgment and on that basis ANP's motion for summary judgment should have been denied. *Quiksilver, Inc. v. Kymsta Corp.*, 466 F.3d 749, 759 (9^{th} Cir. 2006); *see, e.g., Sanchez v. Sanchez*, 2010 U.S. Dist. LEXIS 122180, 13-14 (S.D. Cal. Nov. 17, 2010); *Yountville Investors, LLC v. Bank of America, NA,* 2009 U.S. Dist. LEXIS 67425, at *2 (W.D. Wash. Mar. 4, 2009) (finding likelihood of success on the merits not established in light of witnesses' contradictory declarations).

E. THE TRIAL COURT HAS PREVIOUSLY ACKNOWLEDGED GENUINE ISSUES OF MATERIAL FACT

After significant briefing and multiple hearings, in its July 19, 2010 oral ruling the trial court denied Fox's motion for summary judgment specifically on the basis that genuine issues of material fact existed on the controlling *Sleekcraft* trademark infringement and Consumer Protection Act violation factors. Fox maintains that the trial court was incorrect in this ruling, but recognizes the reasonable position of the trial court that there existed genuine issues of material fact—which likewise should have precluded summary judgment in favor of ANP.

F. DISCOVERY ABUSES AND CR 11 VIOLATIONS PRECLUDE SUMMARY JUDGMENT

ANP is simply incorrect in claiming that Fox never raised the issue of ANP's CR 11 violations prior to seeking reconsideration of the trial court's summary judgment. Fox's summary judgment opposition brief detailed the CR 11 violations and the impact it had on Fox's ability to conduct necessary discovery and defend the motion, and it was a significant, central aspect of the oral argument. (CP 445, 447-55; RP 3/15/11 pp. 11, 15-19, 33-35). In point of fact, ANP and its counsel sought to conceal the existence of the dispositive "smoking gun" January 2, 2009 Purchase And Sales Agreement, not to mention mislead counsel and the trial court with direct and provably false statements.

The impact this issue has had on the summary judgment proceeding is very real. As noted above, ANP's right (or lack of right) to use the Infringing Mark is at the heart of the trademark infringement analysis, including directly pertaining to factors such as the relatedness of the two companies' services; the marketing channels used; the strength of plaintiff's mark; defendant's intent in selecting its mark; and the likelihood of expansion into other markets. *Sleekcraft,* 599 F.2d at 348-49.

IV. CONCLUSION

Fox is entitled to protect the brand it has carefully and at great expense cultivated over more than forty-five years as a source of quality plumbing and heating services in the greater Puget Sound region. Fox urges the Court to reverse the trial court's summary judgment and remand the case for subsequent proceeding and trial on the merits, as may be necessary.

RESPECTFULLY SUBMITTED this 5th day of December, 2011.

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CERTIFICATE OF SERVICE

I hereby certify that on the 5th day of December, 2011, a true copy of the foregoing fwas served via first class mail, addressed as follows:

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Analysis
As of: Dec 05, 2011

BOBAK SAUSAGE COMPANY, Plaintiff, v. A & J SEVEN BRIDGES, INC., d/b/a BOBAK'S SIGNATURE EVENTS, an Illinois Corporation, and JOHN BOBAK and ANNA ZALINSKI, Defendants.

CASE NO. 07 C 4718

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

2008 U.S. Dist. LEXIS 83623

September 5, 2008, Decided
September 5, 2008, Filed

SUBSEQUENT HISTORY: Motion denied by *Bobak Sausage Co. v. A & J Seven Bridges, Inc., 2010 U.S. Dist. LEXIS 40737 (N.D. Ill., Apr. 26, 2010)*

COUNSEL: [*1] For Bobak Sausage Company, Plaintiff: Ethan F Hayward, LEAD ATTORNEY, Lowis & Gellen, LLP, Chicago, IL; Robert Hill Smeltzer, LEAD ATTORNEY, Lowis & Gellen, Chicago, IL.

For A&J Seven Bridges Inc, an Illinois Corporation, doing business as Babak's Signature Events, John Bobak, Anna Zalinski, Defendants: Annette Michele McGarry, LEAD ATTORNEY, Marianne C. Holzhall, McGarry & McGarry, LLC, Chicago, IL.

JUDGES: Robert M. Dow, Jr., United States District Judge.

OPINION BY: Robert M. Dow, Jr.

OPINION

MEMORANDUM OPINION AND ORDER

This matter is before the court on Defendants' motion to dismiss Plaintiff's complaint, pursuant to *Federal Rule of Civil Procedure 12(b)(6)*, for failure to state a claim upon which relief can be granted. [10]. For the reasons explained below, Defendants' motion is denied.

I. Background [1]

> 1 In considering a motion to dismiss, the Court ordinarily takes the facts solely from the face of the well pleaded complaint and accepts those facts as true. Defendants' motion relies heavily on an injunction entered in a separate lawsuit. Although Plaintiff referred to that injunction in its complaint, Plaintiff did not attach a copy to the complaint. Nevertheless, because (i) a court may "take judicial notice [*2] of matters of public record without converting a motion to dismiss pursuant to *Rule 12(b)(6)* into a motion for summary judgment" (*Henson v. CSC Credit Servs., 29 F.3d 280 (7th Cir. 1994))*, and (ii) neither party disputes that the injunction is a "matter of public record," the Court may consider the injunction without converting this motion to one for summary judgment.

A. Plaintiff Bobak Sausage Company ("BSC") is an Illinois corporation that manufactures, markets, and sells a variety of wholesale and retail food products. Compl. P 1. BSC owns three federally registered trademarks: (i) the Bobak's word mark ("the Mark"); (ii) a stylized version of the Mark in letters designed to resemble sausage links; and (iii) a pig logo. [2] *Id.* BSC provides retail grocery, deli, restaurant, and catering services under the marks, and has its principal place of business in Chicago. *Id.* BSC and its predecessors have used the Mark in commerce continually since 1967. *Id.* at P 16. The Mark has been federally registered by Plaintiff on the Principal Register since 2004. *Id.*

2 BSC listed three trademarks as owned by the company, but the complaint alleges infringement only of "the Mark".

BSC alleges that it has [*3] become well-known for its Bobak's branded products as well as its grocery, restaurant, and catering services. Compl. P 13. BSC also sells its branded products at grocers and retailers throughout Chicagoland and the country. *Id.* BSC's products, stores, restaurants, and catering have received extensive media attention and exposure in newspapers, radio, and television. *Id.* at P 14.

According to the complaint, Frank Bobak founded BSC in 1967 on the north side of Chicago. Compl. P 8. By 1974, BSC had grown to a total of four deli/sausage shops in Chicago, all of which were supplied by a manufacturing facility located in the original shop. *Id.* In 1975, Frank Bobak opened a sausage making facility on the south side of Chicago that was dedicated to supplying the four retail stores, as well as his smaller wholesale business. *Id.* at P 9. The business then was formally incorporated and renamed Bobak Sausage Co., but it continued to be referred to as Bobak's. *Id.*

In 1989, Plaintiff opened a food manufacturing facility and a small retail deli at its current location of 5275 S. Archer Avenue in Chicago, Illinois. Compl. P 10. In 1997, BSC expanded and opened a larger retail store at the Archer Avenue [*4] location and opened a restaurant and catering option at that location the following year under the Bobak's name. *Id.* at P 11. On or about January 1, 2001, Frank Bobak transferred his shares in BSC to his four children: Stan, John ("Brother John"), Joe, and Jane Jasnak. *Id.* at P 12. Two years later, Stan, Brother John, and Joe acquired their sister Jane's shares, leaving them as equal one-third owners of BSC. *Id.*

In February 2006, BSC and a related company (Bobak Enterprises LLC) owned by Stan, Brother John, and Joe Bobak were reorganized. Compl. P 17. As part of that reorganization, two Bobak stores, located in Naperville and Burr Ridge, were sold by Bobak Enterprises LLC to third parties who were permitted to use the marks under a Limited License Agreement. *Id.* Bobak Enterprises LLC then dissolved. *Id.* Brother John had been President of BSC prior to the reorganization. *Id.* at P 18. As a result of the reorganization, Brother John was forced to sell his shares in BSC to Stan. *Id.* In exchange for divesting his shares, Brother John was granted ownership of a grocery and restaurant facility being constructed in Orland Park. [3] *Id.* Brother John intended to operate the Orland Park location [*5] as a Bobak's location before he was compelled to resign as President. *Id.*

3 Presumably creating Bobak Orland Park, Inc.

B. On August 31, 2006, BSC brought a trademark infringement action (the "Orland Park litigation") against Bobak Orland Park, Inc. and others in this district (the "Orland Park defendants"), that arose out of the 2006 reorganization of BSC. Compl. P 23. On October 3, 2006, Judge Kennelly entered a Temporary Restraining Ordering prohibiting the Orland Park defendants from using the Marks or "any other mark, term or description containing the word 'Bobak' and compelling them to publicly disclaim any affiliation with Plaintiff Bobak Sausage Company". *Id.* at P 25.

As part of a settlement of the Orland Park litigation, in October of 2006, Judge Kennelly entered a Stipulated Order of Permanent Injunction that required the Orland Park defendants to choose new trade names sufficiently distinct from the Marks to avoid confusion. Compl. P 26. The injunction further mandated that the defendants display the disclaimer "Our Products Are Not Made By Bobak Sausage Company" on their website. *Id.* The injunction specifically required the defendants to choose a trade name or names that "will [*6] be sufficiently distinct from the Marks so as to reasonably avoid a likelihood of confusion." Orland Park Injunction at P B(1). Under the injunction, the new names "may contain the word 'Bobak' in conjunction with other words, but not alone," and "must be written in a script different from that employed by the Marks." *Id.*

The trade name then being used by the defendants -- "Frank Bobak Fresh Marketplace" -- was deemed to be acceptable. Orland Park Injunction at P B(1). However, the injunction clarified that "[o]ther than their use of the New Trade Names [4] and the Bobak's Pig as permitted in the Settlement Agreement and the accompanying Stipulated Permanent Injunction, the [defendants] will not use the word 'Bobak' or 'Bobak's', or otherwise use the Marks." *Id.* "The New Trade Names will be used exclusively as store names, and may be placed on signage outside and inside any stores owned and operated by the [defendants], and used in advertising for the [defendants] but not for any specific products or categories of products." *Id.* at P B(2). "The defendants will not place the words 'Bobak' or 'Bobak's' * * * on any product labels or packaging, except that they may place the New Trade Names [*7] on 'scale labels' [5], provided that the scale labels for all for meat and deli products are packaged on the premises and sold over the deli counter which are the same as or substantially similar to the products manufactured by [BSC] as of the date of the settlement agreement * * *, also display the disclaimer provided for in paragraph 6 on the scale label in a reasonably legible manner." [6] *Id.* The defendants "will not use the words 'Bobak' or 'Bobak's' in conjunction with any wholesale business, either as part of the New Trade Names or otherwise." *Id.*

4 "The New Trade Names" are those chosen by the Orland Park defendants for their three existing stores and any future stores they may own or operate.

5 "Scale labels are product labels stating the weight of the product, generated within the [defendants' stores] for the packaging of products at the deli counter." Orland Park Injunction at P B(2).

6 The disclaimer in paragraph 6 states "Our Products Are Not Made by Bobak Sausage Company."

The injunction obligated the defendants, within the first 45 days of the effective date, to "use good faith effort to display the New Trade Names on the signs on the front of the stores." Orland Park Injunction [*8] at P B(3). During those 45 days, [the defendants] were allowed to "display the names 'Frank Bobak Fresh Market Place' or 'Frank B's' but not 'Bobak's' or 'Bobak Sausage Company." *Id.* "Product labels and interior store signs containing the words 'Bobak' or 'Bobak's' will be removed within 30 days of the Effective date, except for Bobak Sausage Company's products and except for the New Trade Name." *Id.* The defendants were not to use the phrases "A Chicago Tradition Since 1967" or "A Tradition Since 1967." *Id.* at P B(5).

"As long as [the defendants] use the above-described New Trade Names containing the word 'Bobak', [the defendants] will each place a permanent disclaimer sign on or immediately adjacent to their primary store entrance. The disclaimer sign need not have the largest lettering of any signage at the store entrance, but will be reasonably visible and legible. The disclaimer sign will state 'Our Products Are Not Made by Bobak Sausage Company.'" Orland Park Injunction at P B(6). [The defendants] may continue to operate their website, www.frankbobak.com. *Id.* at P B(7). The www.frankbobak.com website will display the same disclaimer provided for in Paragraph 6 * * * in a reasonably [*9] large and visible font, in a prominent place, on the first page of the website. *Id.*

Furthermore, the settlement and injunction concluded that nothing contained in the document would "confer any right to use the Marks or any trade names containing the words 'Bobak' or 'Bobak's' on anyone who is not a party to the Settlement Agreement except as provided in the next sentence." Orland Park Injunction at P B(11). If the Orland Park defendants opened additional stores through different entities, "any use of the Marks or the words "Bobak" or "Bobak's" by those stores will be in accordance with the Settlement Agreement even though they are not owned by [the defendants]." *Id.* Finally, the Orland Park defendants were not permitted under the settlement and injunction to "sell or transfer their rights to use the Marks or the words 'Bobak' or 'Bobak's' * * * to anyone who is not a party to the Settlement Agreement * * *." *Id.*

C. Defendant A & J Seven Bridges, Inc. ("A & J") is an Illinois corporation that provides banquet hall, conference center, and food catering services at its location at 6440 Double Eagle Drive in Woodridge, Illinois under the mark "Bobak's Signature Events (and Conference Center [*10] at Seven Bridges)". Compl. P 2. Defendant John Bobak ("Cousin John") is the cousin of Stan Bobak and his younger brother, John Bobak ("Brother John"). *Id.* Cousin John is the current president of A & J and one of two shareholders in the company. Defendant Anna Zalinski is an Illinois resident and the cousin of Stan Bobak and "Brother John". *Id.* Anna Zalinski is the secretary of A & J and its other shareholder. *Id.*

According to the complaint, early in 2005, BSC orally granted A & J a limited license to use the Mark as part of its d/b/a "Bobak's Signature Events." Compl. P 19. The license was terminable at will and was conditioned upon A & J's execution of a formal written trademark license agreement. *Id.* Since at least April of 2005, A & J has used the registered trademark "Bobak's" as part of their trade name for their banquet and catering services. *Id.* at P 20. BSC alleges that since it granted the oral license in January 2005, it has repeatedly (albeit unsuccessfully) demanded that A & J execute a formal written license agreement. *Id.* at P 22. In October 2006, BSC provided A & J with a draft formal trademark license agreement with BSC, but A & J did not execute that agreement. *Id.* at P 29.

On [*11] January 17, 2007, A & J's counsel sent BSC a letter stating that the parties had previously executed a written license agreement, and presented Plaintiff with what it characterized as an existing license agreement dated April 13, 2005. Compl. P 30. Plaintiff has no record of the document in its corporate files, nor was Stan Bobak aware of its existence. *Id.* at P 31. The document states that BSC grants Defendants permission to use the name "Bobak's in a d/b/a/ Bobak's Signature Events" but does not contain any limitation of Plaintiff's right to terminate the permission. *Id.* at P 32. On February 16, 2007, Plaintiff notified A & J as to its doubts about the authenticity of the document and its intent to terminate any alleged license, demanding that A & J cease and desist use of the Marks. *Id.* at P 33. A & J denied receiving this notification and Plaintiff resent it on April 9, 2007. *Id.* A & J responded by asking BSC to provide a draft license (even though BSC already had done so in October 2006). *Id.* at P 34. On April 12, 2007, BSC again sent a proposed license agreement that contained, among other things, provisions governing A & J's use and ensuring quality control. *Id.* Despite assurance [*12] by its counsel, A & J did not respond to Plaintiff's proposed license. *Id.* at P 36.

On July 10, 2007, Plaintiff sent A & J a formal notice of termination of the alleged license agreement. Compl. P 40. Despite that notice and repeated demands to cease and desist, A & J continues to use the "Bobak's" name. *Id.* In addition, A & J had begun using the name "Bobak's Signature Events (and Conference Center at Seven Bridges)" with the registered trademark symbol (R) when that mark is not in fact federally registered. *Id.* at P 41.

II. Analysis

BSC brought this action against Defendants alleging federal Lanham Act claims for (I) trademark infringement, (II) dilution, and (III) false designation of origin; state law claims for (IV) unfair competition and (V) violation of the Illinois Uniform Deceptive Trade Practices Act; and (VI) a veil piercing claim to prevent the individual defendants, John Bobak and Anna Zalinski, from using their family name in conjunction with the operation of banquet and conference facilities and attendant catering services. Now before the Court is Defendants' motion to dismiss for failure to state a claim upon which relief can be granted pursuant to *Federal Rule of Civil Procedure 12(b)(6).* [*13] In their motion, Defendants contend that the injunction entered in the Orland Park litigation requires dismissal of this lawsuit because that injunction should be construed either as (i) an agreement that Defendants' use of "Bobak's" in a multi-word trade name is sufficiently distinct from [Plaintiff's] mark to reasonably avoid a likelihood of confusion; or (ii) a naked license permitting Defendants to use Bobak's mark. Defendants further contend that because BSC cannot state a claim against A & J under Counts I through V, BSC's derivative claim for piercing the corporate veil also must be dismissed.

In ruling on a motion to dismiss brought pursuant to *Federal Rule of Civil Procedure 12(b)(6)*, the court must accept all well-pleaded facts and allegations in the complaint as true and must construe the allegations and draw all reasonable inferences in favor of the plaintiff. *Thompson v. Illinois Dep't of Prof'l Regulation, 300 F.3d 750, 753 (7th Cir. 2002). Rule 12(b)(6)* does not test whether a plaintiff will prevail on the merits; it looks at whether a plaintiff has properly stated a claim. See *Arnold v. K-Mart Corp., 946 F.2d 897 (7th Cir. 1991).* The complaint need only contain "a short [*14] and plain statement of the claim showing that the pleader is entitled to relief." *Fed. R. Civ. P. 8(a)(2).* As the Supreme Court recently clarified, to satisfy that standard, the complaint must describe the plaintiff's claims in sufficient detail so as to give the defendant "fair notice of what the * * * claim is and the grounds upon which it rests." *Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 127 S.Ct. 1955, 1964, 167 L. Ed. 2d 929 (2007)* (quoting *Conley v. Gibson, 355 U.S. 41, 47, 78 S. Ct. 99, 2 L. Ed. 2d 80 (1957)).* The plaintiff's allegations "must plausibly suggest that the plaintiff has a right to relief, raising that possibility above a 'speculative level'; if they do not, the plaintiff pleads itself out of court." *E.E.O.C. v. Concentra Health Servs., Inc., 496 F.3d 773, 776 (7th Cir. 2007)* (quoting in part *Bell Atlantic, 127 S.Ct. at 1964*).

A. Estoppel on the Basis of the Injunction in the Orland Park Litigation

As noted above, both of Defendants' principal arguments in support of dismissal rest heavily on the injunction that was entered in Orland Park litigation, and both parties have cited liberally to the terms of that injunction in the briefing on Defendants' motion. It is fair to say, however, that the two provisions [*15] of the injunction that figure most prominently in the parties' arguments state the following:

> B(1). The New Trade Names will be sufficiently distinct from the Marks so as to reasonably avoid a likelihood of confusion. In particular, the New Trade Names may contain the word "Bobak" in conjunction with other words but not alone.
>
> B(11). Nothing in the Settlement Agreement or this Stipulated Permanent Injunction will confer any right to use the Marks or any trade names containing the words "Bobak" or "Bobak's" on anyone who is not a party to the Settlement Agreement (with one exception not present here).

Defendants emphasize paragraph B(1); Plaintiff stresses paragraph B(11). In addition to those critical provisions, the injunction also includes provisions that place considerable limitations on the manner in which the Orland Park defendants may use the "Bobak" mark and requires affirmative disclaimers to prevent confusion in the minds of consumers.

To succeed on its Lanham Act claims, BSC must establish that it owns a protectable trademark and that Defendants' use is likely to cause confusion among customers. See *Segal v. Geisha NYC LLC, 517 F.3d 501, 505-06 (7th Cir. 2008)*. Although Defendants [*16] were not parties to the prior litigation or the injunction, they seek to avail themselves of certain terms of the injunction in support of their motion to dismiss. Defendants argue not only that they may use the terms of the injunction offensively, but that those terms are dispositive of the customer confusion element -- and thus require dismissal of BSC's Lanham Act claims. In particular, Defendants contend that the language in P B(1) of the injunction estops BSC from arguing that "Bobak's Signature Events" will create a likelihood of confusion with the "Bobak's" mark. As explained below, Defendants' position fails for at least two reasons. To begin with, the injunction arose in a specific, fact-laden context and by its very terms is limited to that context. In addition, even if Defendants could avail themselves of the injunction, the Court cannot determine at this stage of the case whether Defendants' use of "Bobak's" would be permissible under the terms of the injunction.

The Orland Park litigation concluded on the merits with the entry, on November 9, 2006, of a stipulated permanent injunction. Paragraph B(11) of that injunction appears to foreclose Defendants in this case from [*17] claiming any affirmative rights under the terms of the injunction. That paragraph states that nothing in the injunction "will confer any right to use the Marks or any trade names containing the words 'Bobak' or 'Bobak's on anyone who is not a party to the [injunction] * * *." In other words, any concessions made by BSC in order to compromise the Orland Park litigation would apply only for purposes of that litigation.

Plaintiff argues convincingly that the language chosen by the parties to effectuate the stipulation reflected the specific context in which the litigation arose and the framework suggested by the Court and adopted by the parties to reach resolution. As noted above, the Orland Park litigation involved "Brother John," who claimed legal entitlement to some use of the Bobak name because he previously had contributed to the goodwill of the BSC enterprise. Those familial ties provided the impetus for the parties and the Court to turn to the framework established in *Berghoff Restaurant Co., Inc. v. Lewis W. Berghoff, Inc., 357 F.Supp. 127 (N.D. Ill. 1973)*, as a template for crafting the injunction.

In *Berghoff*, the Court entered an injunction that permitted the defendant to make [*18] some use of the family surname because the defendant had contributed to the goodwill of the plaintiff's business. BSC contends that in the Orland Park litigation, as in *Berghoff* the stipulation and injunction entered by the Court reflected a "delicate balancing of equities" in view of the defendant's prior contributions to the goodwill reflected in the value of the plaintiff's business. Drawing all reasonable inferences in BSC's favor, as the Court must at this stage of the litigation, Paragraph B(11) can be read as manifesting the parties' intent to prevent others who could not lay such a claim from availing themselves of the limited rights to use the Bobak name that had been conferred on "Brother John" by the terms of the settlement and agreed injunction. Defendants have offered no reason why Paragraph B(11) should not be enforced.

Paragraph B(11) is also what distinguishes this case from *Croton Watch Co. v. Laughlin, 208 F.2d 93 (2d Cir. 1953)*, a case cited by Defendants in their reply brief. In *Croton*, a watch importer challenged the importation of watches that allegedly infringed its trademark. *Id. at 94*. The Court found there could be no customer confusion on the basis of a prior [*19] contract between the plaintiff and a predecessor of the defendant where the plaintiff specifically had accepted the contractual language at issue. *Id. at 96*. The court noted that while it was possible that "[Plaintiff] only meant to surrender what it thought to be its right for a consideration limited to that particular occasion," there was no such limitation on the face of the contract. *Id.* Thus, the court concluded that the plaintiff's consent "was not confined to a particular importation but was general." *Id. at 96*. Here, by contrast, BSC *did* expressly limit the scope of the settlement to "that particular occasion," and thus did not generally consent to confer rights to use the Bobak name on other parties, like Defendants here, who were not parties to the injunction.

A comparison of the prior document (here, the injunction; in *Croton*, a contract) and the alleged infringing use also distinguishes this case from *Croton*. In *Croton*, the Plaintiff previously had agreed that if "Grenchen" were added to "Nivada," the watches would not be confused with "Movado simpliciter." *Croton, 208 F.2d at 96*. The Court therefore concluded that, in the absence of other evidence, there could be no customer [*20] confusion because the contract set forth the precise name that the defendants would be permitted to use. *Id.* Here, however, even if Defendants could overcome Paragraph B(11), they cannot locate in the injunction an express permission for their proposed use. Instead, Defendants are forced to rely on generally permissible terms ("'Bobak' in conjunction with other words").

The upshot of the foregoing analysis is that even if the injunction could inure to the benefit of Defendants, a factual question would remain as to whether Defendants' use of the Bobak's mark would be satisfactory under the terms of the injunction. Defendants rely on two cases, *Knaack Mfg. Co. v. Rally Accessories, Inc., 955 F. Supp. 991 (N.D. Ill. 1997)*, and *California Fruit Growers Exch. v. Sunkist Baking Co., 166 F.2d 971 (7th Cir. 1948)*, in support of their argument that their use is permissible, but neither supports the expansive proposition that a prior injunction *necessarily* precludes customer confusion at the motion to dismiss stage.

In *Knaack,* the plaintiff had entered into "consent to use" agreements with certain parties who were not involved in the lawsuit and brought suit against a defendant that sought to [*21] take advantage of the agreements to which it was not a party to prove lack of customer confusion. *Knaack, 955 F. Supp. at 1003.* The Court held that the "consent to use" agreements restricted the scope of Plaintiffs mark and limited its ability to assert infringement. *Id.*. But significantly, the Court considered those agreements only as one of many factors in its broader likelihood of confusion analysis. Even assuming for present purposes that consent to use agreements (*Knaack*) and injunctions (the case at bar) can be treated identically, *Knaack* merely instructs that the injunction from the Orland Park litigation "restricts the scope" and "limits the ability to assert infringement." Whether the scope of the mark has become sufficiently restricted, or the plaintiff's ability to assert infringement has become so limited that the mark has lost is strength and the plaintiff cannot sustain a claim for customer confusion requires a multi-factor factual analysis that cannot be undertaken at this stage. Tellingly, *Knaack* was decided on the basis of a full record compiled in a four day bench trial. And even then the consent to use agreements merely constituted factors in the Court's determination; [*22] they were not dispositive as Defendants here contend in their motion to dismiss.

California Fruit Growers also is distinguishable. In the first place, it, too, was decided on a full factual record. *California Fruit Growers, 166 F.2d at 971.* In addition, the principal basis of the Court's finding of non-infringement was not the plaintiffs' consent to use agreements, but rather that there could be no likelihood of confusion because the plaintiffs sold fruits and vegetables while the defendant was a local bakery. *Id. at 975.* While the cases indicate that "consent to use" agreements (and, by analogy, possibly injunctions) may be a factor in *limiting* claims, Defendants have presented no support for their position that such agreements (or injunctions) alone may be dispositive at the motion to dismiss stage of a likelihood of confusion claim on the basis of customer confusion.

In short, as in most cases, the likelihood of customer confusion claim at issue here presents a question that cannot be resolved on a motion to dismiss. See, *e.g., AHP Subsidiary Holding Co. v. Stuart Hale Co., 1 F.3d 611, 616 (7th Cir. 1993)*; *Aguila Records, Inc. v. Federico, 2007 U.S. Dist. LEXIS 75635, 2007 WL 2973832 (N.D. Ill. Oct. 10, 2007).* [*23] Defendants' reading of Paragraph B(1) as stipulating that a trade name containing "Bobak" along with other words will not create a likelihood of confusion with its "Bobak's" mark vastly oversimplifies the rights conferred and limitations imposed under the injunction read as a whole. Among other things, the injunction also states that (i) any names chosen must be "sufficiently distinct from the marks so as to reasonably avoid a likelihood of confusion"; (ii) the defendants trade names "may contain the word 'Bobak' in conjunction with other words, but not alone"; and (iii) the defendants trade names must be written in a different script. It further recognizes that "Frank Bobak Fresh Marketplace" is an acceptable use. Limiting the analysis to those conditions alone, it is not obvious that "Bobak's Signature Events" would comply. Indeed, given that the injunction required the defendants to make a good faith effort to remove or change the "Bobak's Plaza" legend from the Orland Park store, it is conceivable that there would have been no agreement in the Orland Park litigation if the defendants there had insisted on using the possessive form "Frank Bobak's Fresh Marketplace." [7]

> 7 Although the [*24] possessive restriction is never clearly delineated, it arguably can be read into the injunction because Paragraph (B)(1) only permits the use of the non-possessive "Bobak." In fact, the injunction never explicitly permits "Bobak's" in any form or context. On the other hand, there is a sentence in the injunction that can be read to support Defendants' argument that use of the possessive was permitted under the injunction. See (B)(11) ("The [defendants] cannot sell or transfer their rights to use the Marks or the words 'Bobak' or 'Bobak's' under the settlement Agreement to anyone who is not a party to the Settlement Agreement"). At most, this creates a factual dispute which at this stage of the case must be resolved in favor of the non-movant.

There were other limitations in the injunction that applied to the Orland Park defendants and would certainly apply to the present Defendants. BSC points out that even use of the non-possessive "Bobak" had further restrictions - disclaimers were required on both the Orland Park defendants' website and stores stating: "Our Products Are Not Made By Bobak Sausage Company." Whether or not these Defendants have satisfied those further conditions or whether [*25] BSC would have required further limitations if the current Defendants had been a party to the injunction is unclear. Again, there simply are too many factual issues to resolve the question on a motion to dismiss.

B. License Arguments

In the alternative, Defendants argue that if BSC takes the position that the use of "Bobak" in a multi-word mark creates a likelihood of customer confusion, then the injunction in the Orland Park litigation must constitute a license for those defendants to use the mark. From there, Defendants contend that BSC has failed to exercise effective quality control over the license, thereby abandoning its rights and creating a "naked" license that Defendants may now use. But Defendants' argument fails at the outset, because Defendants' premise that the injunction is a license cannot be sustained.

As Defendants concede, a license permits the licensee to "engage[e] in acts which would infringe the licensor's mark but for the permission granted in the license." See Defendants' memorandum in support of their motion to dismiss [11] at 9 (quoting 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition,* § 18:79 (4th ed. 2006)). It would turn the injunction on [*26] its head to construe it as a license, because the injunction was issued not to *permit* infringing use, but to avoid confusion and *prevent* infringement. The injunction states in clear terms that "The New Trade Names will be sufficiently distinct from the Marks so as to reasonably avoid a likelihood of confusion." To that end, there were several restrictions placed on those defendants including that they use distinct script, a prohibition the use of "Bobak", "Bobak's", or the Bobak Pig on any product labels or packaging, a prohibition on the use of the phrases "A Chicago Tradition Since 1967" and "A Tradition Since 1967," and a required disclaimer stating that "Our Products Are Not Made by Bobak Sausage Company."

Since the injunction cannot be construed as a license, there is no need to engage in a detailed analysis of whether the injunction is a "naked" license. It is worth mentioning, however, that even if the injunction could be considered to be tantamount to a license, the courts consistently have held that a party asserting abandonment on the basis of naked license bears a heavy evidentiary burden and that the inquiry is fact sensitive. See, e.g. *Exxon Corp. v. Oxxford Clothes, Inc., 109 F.3d 1070, 1075-76 (5th Cir. 1997)* [*27] ("The burden of proof faced by third parties attempting to show abandonment through naked licensing is stringent"). That evidentiary burden obviously cannot be met on the state of the record as it now stands. [8] Defendants' argument that the absence of quality controls in the injunction suggests a "naked license" similarly merits only brief mention. Because the injunction aimed to prevent confusion, it contained a series of restrictions, prohibitions, and disclaimers to enable the public to distinguish between the plaintiffs' and the defendants' products while permitting defendants to have some use of the Bobak family name. Through those numerous provisions, Plaintiff has at least created a factual question on whether, as Plaintiff put it, "the Injunction *is* BSC's means of control."

8 The factual inquiry ordinarily required for an abandonment analysis almost certainly explains why Defendants have not cited, nor has the Court located in its own research, any precedent for granting a motion to dismiss on that basis.

C. Piercing the Veil

In Count VI of its complaint, Plaintiff seeks to hold Individual Defendants personally liable through the doctrine of "piercing the corporate veil." Defendants [*28] argue this claim is derivative of Claims I-V and therefore should be dismissed if the underlying claims are dismissed. That argument fails, because the Court has rejected Defendants' arguments for dismissal of Counts I-V. Defendants also advance a cursory argument that the veil piercing claim is premature based on Defendants' concern that Plaintiff seeks to prevent "potential use of a mark that may occur at some point in the future." Whether or not that concern will prove to be well founded can be addressed later in the case. For present purposes, it is sufficient to note that the complaint clearly alleges claims and seeks remedies against the Individual Defendants based on their past and current use of the Mark. Defendants' concern therefore provides no basis for dismissal of Count VI at this stage of the case.

III. Conclusion

For the reasons stated above, Defendants' motion to dismiss for failure to state a claim [10] is denied.

Dated: September 5, 2008

/s/ Robert M. Dow, Jr.

Robert M. Dow, Jr.

United States District Judge

YOUNTVILLE INVESTORS, LLC, a Washington limited liability company, Plaintiff, v. BANK OF AMERICA, N.A., a national banking association chartered in North Carolina, Defendant.

CASE NO. C08-425RSM

UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON

2009 U.S. Dist. LEXIS 67425

July 28, 2009, Decided
July 28, 2009, Filed

PRIOR HISTORY: *Yountville Investors, LLC v. Bank of Am. N.A., 2009 U.S. Dist. LEXIS 39348 (W.D. Wash., Apr. 16, 2009)*

COUNSEL: [*1] For Yountville Investors LLC, a Washington limited liability company, Plaintiff: David Daniel Hoff, Janissa Ann Strabuk, LEAD ATTORNEYS, Adrienne McEntee, TOUSLEY BRAIN STEPHENS, SEATTLE, WA.

For Bank of America NA, a national banking association chartered in North Carolina, Defendant: Anthony S. Wisen, Charles S Wright, Ladd B Leavens, DAVIS WRIGHT TREMAINE (SEA), SEATTLE, WA.

JUDGES: RICARDO S. MARTINEZ, UNITED STATES DISTRICT JUDGE.

OPINION BY: RICARDO S. MARTINEZ

OPINION

ORDER ON MOTION FOR SUMMARY JUDGMENT

This matter is before the Court for consideration of defendant's motion and supplemental motion for summary judgment. [1] Dkt. # 44, 92. Oral argument was held on April 24, 2009, but the Court reserved ruling until the parties could file supplemental memoranda addressing claims raised in plaintiff's amended complaint, which was filed with leave of Court prior to the oral argument. Dkt. # 86. The supplemental memoranda have now been filed. After careful consideration of the motion, response, and supporting declarations and exhibits, the Court shall grant the motions for the reasons set forth below.

> 1 There is also a pending motion in limine to exclude the testimony of plaintiff's expert William Sarsfield. Dkt. # [*2] 73. The motion is rendered moot by the court's ruling on summary judgment. For the purposes of considering the summary judgment motion, however, the Court declines to exclude the expert report. Dkt. # 60, Exhibit B.

BACKGROUND

The facts are well-known to the parties and need only be summarized briefly. This action arises from an interest rate swap agreement between plaintiff Yountville Investors and Bank of America. The Ninth Circuit Court of Appeals has explained the nature and operation of interest swap agreements by providing the following "brief overview" of derivative swap agreements:

> A "swap" is a contract between two parties ("counterparties") to exchange

("swap") cash flows at specified intervals, calculated by reference to an index. Parties can swap payments based on a number of indices including interest rates, currency rates and security or commodity prices.

The "plain-vanilla" interest rate swap, the simplest and most common type of swap contract, obligates one counterparty to make payments equal to the interest which would accrue on an agreed hypothetical principal amount ("notional amount"), during a given period, at a specified fixed interest rate. The other counterparty [*3] must pay an amount equal to the interest which would accrue on the same notional amount, during the same period, but at a floating interest rate. If the fixed rate paid by the first counterparty exceeds the floating rate paid by the second counterparty, then the first counterparty must pay an amount equal to the difference between the two rates multiplied by the notional amount, for the specified interval. Conversely, if the floating rate paid by the second counterparty exceeds the fixed rate paid by the first counterparty, the fixed-rate payor receives payment. The agreed hypothetical or "notional" amount provides the basis for calculating payment obligations, but does not change hands.

For example, suppose Counterparties A and B enter into a five-year interest rate swap with the following characteristics: (1) Counterparty A agrees to pay a floating interest rate equal to LIBOR, the London Interbank Offered Rate; FN2 (2) Counterparty B agrees to pay a 10% fixed interest rate; (3) both counterparties base their payments on a $ 1 million notional amount and agree to make payments semiannually. If LIBOR is 9% upon commencement of the first payment period, Counterparty B must pay A: (10%-9%) [*4] * $ 1 million * (.5) = $ 5,000. These net payments vary as LIBOR fluctuates and continue every six months for the term of the swap. If interest rates rise, the position of Counterparty B, the fixed-rate payor, improves because the payments it receives increase. For example, if LIBOR rises to 11% at the beginning of the next payment period, Counterparty B receives a net payment of $ 5,000 from A. Conversely, the position of Counterparty A, the floating-rate payor, improves when interest rates fall. The party whose position retains positive value under the swap is considered "in the money" while a party with negative value is considered "out of the money." As discussed previously, the $ 1 million notional amount never changes hands.

FN2. "LIBOR" stands for London Interbank Offered Rate, the rate at which top-rated banks in the European money market provide funding to each other. LIBOR is the most widely used floating index for interest rate swaps.

Almost all interest rate swaps are documented with (1) a confirmation and (2) master agreement. Typically, master agreements are standard form agreements prepared by the International Swaps and Derivatives Association ("ISDA"). The master agreement [*5] governs all interest swap transactions between the counterparties. It includes provisions generally applicable to all swap transactions including: payment netting, events of default, cross-default provisions, early termination events and closeout netting.

Most master agreements provide that, in the event of an early termination or default, the party in the money is entitled to collect "termination damages." Termination damages represent the replacement cost of the terminated swap contract and are generally determined by obtaining market quotations for the cost of replacing the swap at the time of termination. Some master agreements . . .do not permit the defaulting party to collect termination damages.

Interest rate swap agreements provide a powerful tool for altering the character of assets and liabilities, fine tuning risk exposure, lowering the cost of financing or speculating on interest rate fluctuations. Borrowers can rely on interest rate swaps to reduce exposure to adverse

> changes in interest rates or to obtain financing characteristics unavailable through conventional lending. Interest rate swaps can modify a borrower's all-in funding costs from fixed-to-floating, floating-to-fixed [*6] or a combination of both.
>
> Interest rate swaps have become an important part of international and domestic commerce, and the market for these instruments has experienced explosive growth.

Thrifty Oil Co. v. Bank of America Nat. Trust and Sav. Ass'n, 322 F.3d 1039, 1042-43 (9th Cir. 2003)

In 2006, Yountville Investors ("Yountville"), led by Phil Sherburne, began planning to build a luxury spa hotel, the Bardessano Inn, in a vineyard near Yountville, California. Yountville worked with Bank of America ("the Bank") to obtain a construction loan for the project. The amount of the contemplated loan was $ 30 million. As construction loans carry a variable interest rate, the Bank offered an interest rate swap which would have the effect of fixing the rate of the loan at a specific rate. The loan was scheduled to close in March, 2007, and Mr. Sherburne met with interest rate swap specialist Logan Taylor several times before that date to discuss the swap.

The proposed swap would provide a fixed interest rate on a notational amount of $ 30 million. If prevailing interest rates (using LIBOR) rose above the rate fixed in the swap, so that Yountville was paying a higher rate on the variable-interest construction [*7] loan, the Bank would pay Yountville the difference. Conversely, if prevailing interest rates dropped below the fixed rate on the swap, Yountville would owe the Bank. At the time this was being negotiated, in early 2007, it appeared that interest rates might rise over the term of the loan, and Mr. Sherburne decided to "lock in" a rate with a swap if he could get a rate of 5 % or better. In early March of 2007, as the loan closing date approached, the Bank offered a swap at 4.99 %, and the swap was executed.

The swap documents are in three parts: the ISDA Master Agreement, a Schedule to the Master Agreement, and the Confirmation, which set a "trade date" of March 13, 2007. Declaration of Phil Sherburne, Dkt. # 20, Exhibits 6, 7, and 8. The parties proceeded to closing on the construction loan, but on March 22, 2007 the title company raised indemnity issues which the parties had to resolve first. The closing was re-scheduled for June 1, 2007. In the meantime, construction costs rose significantly, and Yountville needed to raise the amount of the loan. Yountville and the Bank negotiated over the increased loan amount with a projected closing date in October 2007. Eventually, the requested [*8] amount on the loan rose to $ 44 million and the Bank declined to fund the loan. Yountville Investors turned elsewhere for their construction loan, and obtained it from Zions Bank. The Bardessano Inn and Spa was completed and opened for business in February, 2009.

The interest rate swap has been in place since March of 2007. Initially, interest rates rose above 4.99 %, and the Bank made payments to Yountville. These payments were placed in an account which Yountville asserts it never accessed. Around October 2007, interest rates began to fall. Yountville's payments to the Bank under the swap were initially small, but as interest rates continued to fall the payments increased dramatically. To date Yountville has paid over $ 800,000 to the Bank pursuant to the agreement.

On these facts, plaintiff, invoking the diversity jurisdiction of this Court, filed this action for declaratory relief, restitution and damages. Dkt. # 1. The subsequent amended complaint asserts six claims for relief, including violation of the Washington Consumer Protection Act, RCW 19.86 *et seq.;* violation of the Washington State Securities Act, RCW 21.20 *et seq.;* negligent representation under New York common law, breach [*9] of contract under New York law, and unjust enrichment, together with a request for declaratory judgment. Dkt. # 86. The Court has jurisdiction over the matter pursuant to *28 U.S.C. § 1332(a)*, as the parties are citizens of different states, and the amount in controversy is in excess of $ 75,000.

Defendant has now moved for summary judgment as to all claims. The individual claims shall be addressed separately.

ANALYSIS

Summary judgment should be rendered "if the pleadings, discovery and disclosure material on file, and any affidavits show there is no genuine issue as to any material fact and that the movant is entitled to a judgment as a matter of law." *Fed.R.Civ.P. 56(c)*. An issue is "genuine" if "a reasonable jury could return a verdict for the nonmoving party" and a fact is material if it "might affect the outcome of the suit under the governing law." *Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986)*. The evidence is viewed in the light most favorable to the non-moving party. *Id.* "[S]ummary judgment should be granted where the nonmoving party fails to offer evidence from which a reasonable jury could return a verdict in its favor." *Triton Energy Corp. v. Square D Co., 68 F. 3d 1216, 1221 (9th Cir. 1995)*. [*10] It should also be granted where there is a "complete failure of proof concerning an essential element of the non-moving party's case." *Celotex Corp.*

v. Catrett, 477 U.S. 317, 323, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986). "The mere existence of a scintilla of evidence in support of the non-moving party's position is not sufficient" to prevent summary judgment. *Triton Energy Corp., 68 F. 3d at 1221.*

I. Declaratory Judgment

Plaintiff requests a declaratory judgment finding that there was no mutual assent to the swap, and it should be rescinded and declared void and unenforceable due to the failure of a condition precedent to occur. First Amended Complaint, P 5.3. Plaintiff argues that their performance (the payments made to the Bank under the Swap Agreement) should be excused because the purpose of the agreement has been frustrated, and that all money paid by either side to the other should be returned.

The basis of plaintiff's claim for a declaratory judgment is the assertion that the interest rate swap was necessarily tied to the construction loan, and that closing of the loan was a condition precedent to the agreement. There is no merit to this contention. Yountville principals Philip Sherburne and Doug Christiansen were [*11] informed in writing at presentations given by Mr. Taylor on October 17, 2006 and November 30, 2006, that the swap would continue in effect if the contemplated loan did not close. The written copy of the presentation stated,

> Once a forward starting swap has been executed telephonically, regardless of whether the underlying financing closes or funds, the value of the swap is subject to market conditions. Should part or all of the swap be terminated prior to swap maturity, there will be an associated termination value that the counterparty owes or is owed.

Declaration of Logan Taylor, Dkt. # 27, Exhibit B, p. 9; Exhibit D, p. 13. The advisory was repeated on January 22, 2007 in a revised written copy sent to both Mr. Sherburne and Mr. Christiansen. *Id.*, Exhibit E, p. 11. Moreover, the agreement itself contains an integration clause stating that "This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supercedes all oral communications and prior writings with respect thereto." Declaration of Phil Sherburen, Dkt. # 20, Exhibits 6, P 8(a). Under Washington's parol evidence rule, this integration clause in the swap agreement bars [*12] the consideration of plaintiff's previous understanding regarding the relationship between the swap and the proposed loan. *Denny's Restaurants, Inc. v. Sec. Union Title Ins. Co., 71 Wn.App. 194, 202, 859 P.2d 619 (1993)*. Plaintiff has not argued for any exception to that rule in this case.

Plaintiff admits that it has been "unable to find any case law regarding the enforceability of speculative interest rate swaps like this one." Plaintiff's response, Dkt. # 59, p. 20. The complete lack of case law on this subject may well suggest that it does not present an issue worthy of litigation. Plaintiff's arguments for declaring the swap agreement void and unenforceable are untenable, and the Court shall grant summary judgment todefendant on the declaratory judgment claim.

II. Unjust Enrichment

Plaintiff asserts in this claim that defendant "received monies as a result of the Interest Swap" and "wrongfully accepted and retained these benefits to the detriment of Plaintiff." Amended Complaint, Dkt. # 86, P 6.2. Defendant correctly contends that the existence of a valid contract between the parties precludes the claim for unjust enrichment. *See, Chandler v. Washington Toll Bridge Authority, 17 Wash. 2d 591, 604, 137 P.2d 97 (1943)*. [*13] Having found the swap agreement an enforceable contract, the Court finds plaintiff's unjust enrichment claim without merit, and grants summary judgment to defendant on this claim.

III. Consumer Protection Act Claim

Plaintiff's claim that defendant's actions violated the Washington Consumer Protection Act ("CPA"), which declares unlawful "[u]nfair methods of competition and unfair or deceptive acts or practices in the conduct of any trade or commerce. . . ." *RCW 19.86.020*. The five elements of a CPA claim are "(1) an unfair or deceptive act or practice; (2) occurring in trade or commerce; (3) a public interest impact; (4) injury to plaintiff in his or her business or property; (5) causation." *Hangman Ridge Training Stables, Inc. v. Safeco Title Ins. Co., 105 Wash. 2d 778, 780, 719 P.2d 531 (1986)*. Defendant, in moving for summary judgment on this claim, assert that plaintiff cannot demonstrate either an unfair or deceptive act or practice, or a public interest impact.

For conduct to qualify as an unfair or deceptive act or practice under the CPA, it must have the capacity to deceive "a *substantial portion of the public.*" *Segal Co. (Eastern States), Inc., v. Amazon.com, 280 F. Supp. 2d 1229, 1232 (W.D.Wash. 2003)* [*14] (emphasis in original). *See also, Henery v. Robinson, 67 Wash.App. 277, 289-91, 834 P.2d 1091 (1992)* (an act or practice is "unfair or deceptive" under the CPA only if it has the capacity to deceive "a substantial portion" of the public.) The number of consumers who could conceivably find themselves in plaintiff's circumstances--securing a construction loan of $ 30 million to build a luxury hotel--is extremely small and "unable to qualify as 'a substantial portion of the public' under any reasonable definition of that term". *Swartz v. KPMG, LLC, 401 F. Supp. 2d 1146, 1154 (W.D.Wash. 2004)*; *affirmed in part, Swartz v. KPMG, 476 Fed. 3d 756, 761 (9th Cir. 2004)*. As a matter of law, conduct directed toward a small group cannot support a CPA claim. *Id., citing Henery, 67 Wash. App. at 291, 834 P.2d 1091*.

Moreover, the public interest is not affected. Just as plaintiff cannot show that defendant's actions in this interest rate swap affect a substantial portion of the public, plaintiff cannot establish that the situation is one which affects the public interest. "The tribulations of multimillionaires are not the focus of the legislative intent behind the CPA; as a (very small) group, the [*15] extremely wealthy are neither unsophisticated nor easily subject to chicanery." *Swartz, 401 F. Supp. 2d at 1154. See also, Goodyear Tire & Rubber Co. v. Whiteman Tire Inc., 86 Wash.App. 732, 935 P.2d 628 (1997)* (CPA claim dismissed on public interest grounds based on a finding that the plaintiff was "not representative of bargainers vulnerable to exploitation." *Id. at 745, 935 P.2d 628*).

Summary judgment shall accordingly be granted as to the Washington CPA claim.

IV. Washington State Securities Act Claim.

Plaintiff asserts in this claim that defendant violated the Washington State Securities Act, RCW 21,20 *et seq.* ("Securities Act"). In order for there to be a violation, the interest rate swap agreement must be a "security" within the meaning of the Securities Act. The Act defines the term "security" to include

> any note; stock; treasury stock; bond; debenture; evidence of indebtedness certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share; investment contract; investment of money or other consideration in the risk capital of a venture with the expectation of some valuable benefit [*16] to the investor where the investor does not receive the right to exercise practical and actual control over the managerial decisions of the venture ...

RCW 21.20.005(12). Washington State courts have held that this definition "mirrors the definitions of the federal Securities Act of 1933, *15 U.S.C. § 77b (1988)* and the Securities Exchange Act of 1934, *15 U.S.C. § 78c (1988)*." *Cellular Engineering v. O'Neill, 118 Wash. 2d 16, 24, 820 P.2d 941 (1991)*; *citing State v. Philips, 108 Wash.2d 627, 630, 741 P.2d 24 (1987)*. Therefore, to determine the meaning of the term "security", the Washington courts look to federal law. *Id.* As defendants contend, the definition of "security" under federal law specifically excludes interest rate swaps. *15 U.S.C. § 77a(2A)(a), (b)(1)*; *15 U.S.C. § 78a(3A)(a), (b)(1)*.

Defendant's motion for summary judgment shall be granted as to this claim.

V. Negligent Misrepresentation

Plaintiff brings this claim under New York common law, contending that defendant possesses "unique and specialized expertise and superior knowledge with respect to interest swap agreements", and therefore had a duty to disclose any profit it would realize on entering the agreement, as well as to "correctly represent the [*17] manner and method by which it calculated any termination amount." Amended Complaint, Dkt. # 86, PP 9.2, 9.3. Defendant asserts that plaintiff's assumption that New York law applies to this tort claim is not necessarily correct, but suggests that it is not necessary to engage in a choice of law analysis because the elements of the tort are essentially the same whether under New York or Washington law.

Under New York law, the elements of a claim of negligent misrepresentation are (1) a duty, as a result of a special relationship between the parties, to provide correct information; (2) a false representation made by a defendant who knew or should have known that the statement was incorrect; (3) the information was known by the defendant to be desired by the plaintiff for a special purpose; (4) the plaintiff intended to rely upon the information; and (5) the plaintiff did in fact reasonably rely on the information to his detriment. *Hydro Investors v. Trafalgar Power, Inc., 227 F. 3d 8, 20 (2d Cir. 2000)*.

Defendant contends that plaintiff cannot demonstrate the necessary "special relationship" because a commercial relationship does not qualify as a matter of law. The New York courts have [*18] found that the relationship between a bank and a borrower is the "very epitome of an arm's length commercial transaction." *JP Morgan Chase Bank v. Winnick, et al., 350 F. Supp. 2d 393, 400 (S.D.N.Y. 2004)*. In actions involving the contractual duties of financial institutions, a negligence action may not be maintained and parties must proceed under a contract theory. *Deutsche Bank Securities, Inc., v. Rhodes, 578 F. Supp. 2d 652, 670 (S.D.N.Y. 2008)*.

Defendant further contends that even if the special relationship could be demonstrated, plaintiff has not identified the source of any duty on the part of the Bank to disclose the profit it would make on the swap. Further, the misrepresentations or omissions of which plaintiff complains involve statements made by Mr. Taylor regarding future events--the possible profit to the Bank from payments made under the swap, and the possible profit to the Bank from a payment made to "unwind" or terminate the swap. A negligent misrepresentation claim turns on statements regarding existing facts; a description of events which may occur in the future cannot support the claim. *Hydro Investors v. Trafalgar Power, Inc., 227 F. 3d at 21*. "An alleged misrepresentation [*19] must be factual and not 'promissory or related to future events.' " *Eternity Global Master Fund Limited v.Morgan Guaranty Trust Co. of New York, 375 F. 3d 168, 188-89 (2d Cir. 2004) (quoting Hydro Investors, 227 F. 3d at 20.*

In opposing defendant's arguments on this claim, plaintiff has presented an eloquent indictment of interest rate swaps and other financial derivatives, and their role in "the recent financial meltdown." Plaintiff's Opposition, Dkt. # 96, p. 7-8. However, despite the allegation that the Bank "has repeatedly engaged in unfair and deceptive practices," plaintiff has not pointed to any actual statement or omission that would present the required elements of a claim of negligent misrepresentation. The statements and omissions of Mr. Taylor identified by plaintiff are, as defendant contends, not actionable because they are not representations of present facts. Further, plaintiff has not pointed to any facts which would satisfy the first element of the asserted claim: it has not identified any legal duty on the part of the Bank to disclose its potential profit from the transaction, and it has not demonstrated that this commercial relationship between borrower and lender [*20] was a "special relationship."

Under New York law, in order to state a claim for negligent misrepresentation, a plaintiff is required to allege that the speaker is bound to the other party "by some relation or duty of care." *Dallas Aerospace, Inc. v. CIS Air Corp., 352 F.3d 775, 788 (2d Cir.2003)*. In ordinary commercial contexts, liability does not attach as a matter of course for merely negligent statements; rather, it is imposed "only on those persons who possess unique or specialized expertise, or who are in a special position of confidence and trust with the injured party such that reliance on the negligent misrepresentation is justified." *Kimmell v. Schaefer, 89 N.Y.2d 257, 263, 652 N.Y.S.2d 715, 675 N.E.2d 450 (1996)*. However, where the duty arises in commercial contexts in which a contract exists, the duty attendant to that special relationship "must spring from circumstances extraneous to, and not constituting elements of the contract, although it may be connected with and dependent upon the contract." *Clark-Fitzpatrick, Inc. v. Long Island RR Co., 70 N.Y.2d 382, 389, 521 N.Y.S.2d 653, 516 N.E.2d 190 (1987)*. In other words, "[i]f the only interest at stake is that of holding [*21] the defendant to a promise, the courts have said that the plaintiff may not transmogrify the contract claim into one for tort." *Hargrave v. Oki Nursery, Inc., 636 F.2d 897, 899 (2d Cir.1980)*.

Plaintiff relies on *Kimmell* for the assertion that a special relationship existed between plaintiff and defendant regarding the interest rate swap because the Bank "possessed unique and specialized expertise" in this area. In *Kimmell,* the New York court explained that "[i]n a commercial context, a duty to speak with care exists when 'the relationship of the parties, arising out of contract or otherwise, [is] such that in morals and good conscience the one has the right to rely upon the other for the information.' " *Kimmell, 89 N.Y.2d at 263, 652 N.Y.S.2d 715, 675 N.E.2d 450*, quoting *International Prods. Co. v. Erie R.R. Co., 244 N.Y. 331, 338, 155 N.E. 662 (1927)* (alteration in original). However, as other courts have noted, *Kimmell* did not represent a departure from the traditional understanding that a special relationship is required in order to state a claim for negligent misrepresentation. *See Dallas Aerospace, Inc., v. CIS Air Corporation,, 352 F.3d 775. 788-89 (2d Cir. 2003)*. Thus, *Kimmell* [*22] neither abolished the requirement of a special relationship, nor loosened the requirement that such relationship must arise due to some factor extraneous to the contract's terms. Plaintiff has not identified factors extraneous to the swap agreement terms that would create the necessary special relationship.

Finally, plaintiff argues that at the very least, the question of whether a special relationship exists is a question of fact. It is true that several cases have so characterized it. *See, e.g., Suez Equity Investors, 250 F.3d at 103-04*; *Wells Fargo Bank Northwest, N.A. v. Taca Int'l Airlines, S.A., 247 F.Supp.2d 352, 366-67 (S.D.N.Y.2002)*; *Kimmell, 89 N.Y.2d at 264, 652 N.Y.S.2d 715, 675 N.E.2d 450*. But these cases were decided on very different facts. For example, in *Suez Equity Investors,* a case involving alleged misrepresentation between investors and a healthcare financing venture, the court specifically found that "plaintiff's complaint implies a relationship between the parties that extended beyond the typical arm's length business transaction: defendants initiated contact with plaintiff, induced them to forebear from performing their own due diligence, and repeatedly vouched [*23] for the veracity of the allegedly deceptive information." *250 F.3d at 103*. Similarly, in *Wells Fargo,* which involved a dispute between the lessee and lessor of a aircraft, the complaint alleged that several of the defendant's agents "made expert representations about maintenance costs," "had unique expertise in the intended conversion of Airbus 300 aircraft from passenger to cargo use," and "misrepresented the historical maintenance costs and the good mechanical condition of the planes." *Wells Fargo, 247 F.Supp.2d at 366-67*. On these facts, the court assumed that "these somewhat sparse allegations suffice, at least at the pleading stage" to withstand a motion to dismiss, "[s]ince the determination of whether a special relationship exists is essentially a factual inquiry." *Id. at 367.*

Here, however, we are at the summary judgment stage, and well beyond the point where sparse allegations will suffice. Even viewing the facts alleged by plaintiff in the most favorable light, the Court finds that plaintiff has failed to allege either a relationship that is in any way distinct from that between a "plain-vanilla" borrower and lender, or a duty of care arising from any source external to the [*24] swap agreement. The law does not impose liability for negligent misrepresentations in such a context. Plaintiff's claim for negligent misrepresentation must therefore be dismissed.

VI. Breach of Contract

Plaintiff's claim for breach of contract is also brought under New York common law. Much of this claim relates to the "point spread" between the interest rate given plaintiffs on the swap (4.99%) and the rate at which the Bank obtained the swap (4.72%). Plaintiff alleges in the Amended Complaint that defendant "acted unfairly and in bad faith" when it failed to disclose that it "had charged Plaintiff a marketing profit," and when it failed to disclose the manner, amount and existence of the point spread. Amended Complaint, Dkt. # 86, P 10.2. Plaintiff also contends there was bad faith with respect to the "back end" of the swap, meaning the calculation of the amount necessary to terminate or unwind the swap prior to the contract termination date. Plaintiff alleges that defendant acted in bad faith when it failed to inform plaintiff that it would charge a marketing profit upon early termination of the swap; when it failed to disclose the manner and method it used to determine the amount [*25] for the early termination; and by instructing its employees not to terminate the swap with plaintiff in order to recoup legal fees related to the loan transaction. *Id.*, P 10.4. Finally, plaintiff alleges that defendant acted in bad faith by encouraging plaintiff to pursue the loan application "even though Defendant believed that Plaintiff's chances for funding were low." *Id.*, P 10.5.

An implied covenant of good faith and fair dealing inheres in every New York contract. *See Travellers Int'l., A.G. v. Trans World Airlines, Inc., 41 F.3d 1570, 1575 (2d Cir.1994)*; *Dalton v. Educ. Testing Serv., 87 N.Y.2d 384, 389, 639 N.Y.S.2d 977, 663 N.E.2d 289 (1995) (citing Van Valkenburgh, Nooger & Neville v. Hayden Pub. Co., 30 N.Y.2d 34, 45, 330 N.Y.S.2d 329, 281 N.E.2d 142 (1972))*. Breach of the implied duty is thus merely a breach of the underlying contract. *National Market Share, Inc., v. Sterling National Bank, 392 F. 3d 520, 525 (2d Cir. 2004)*. The scope of potential liability for breach of the covenant is quite narrow: such a breach cannot give rise to additional liability if it merely replicates the liability for breach of the underlying contract. *Apfel v. Prudential-Bache Secs., Inc., 183 A.D.2d 439, 440, 583 N.Y.S.2d 386, 387 (1st Dep't 1992)*. [*26] Nor can it create new contractual rights or impose additional duties. *Murphy v. Am. Home Prods. Corp., 58 N.Y.2d 293, 304, 461 N.Y.S.2d 232, 448 N.E.2d 86 (1983)*; *see also Warner Theatre Assocs. v. Metropolitan Life Ins. Co., No. 97-4914, 1997 U.S. Dist. LEXIS 17217, 1997 WL 685334, at *3 (S.D.N.Y., Nov. 4, 1997), aff'd, 149 F.3d 134 (2d Cir.1998)*. The implied covenant of good faith and fair dealing is "limited to performance under a contract and does not encompass future dealings or negotiations between the parties." *Travelers Indemnity Co. of Illinois v. CDL Hotels USA, Inc., 322 F. Supp. 2d 482, 494 (S.D.N.Y. 2004)*.

Breach of the covenant of good faith and fair dealing may occur where the contract is not technically breached, but one party has acted to destroy or injure the right of the other party to receive the benefit of the contract. *See Times Mirror Magazines, Inc. v. Field & Stream Licenses Co., 103 F.Supp.2d 711, 735-36 (S.D.N.Y.2000), aff'd, 294 F.3d 383 (2d Cir.2002)*; *Chase Manhattan Bank, N.A. v. Keystone Distribs., Inc., 873 F.Supp. 808, 815-16 (S.D.N.Y.1994)*. Here, neither the Bank's failure to disclose the point spread on entering the swap, nor the representations or omissions about the calculation [*27] for terminating the swap injured plaintiff's ability to receive the benefits of the contract, as there was no contractual requirement that either be disclosed.

> In opposing defendant's arguments for summary judgment on this claim, plaintiff argues that
>
> [t]he Bank breached the covenant of good faith and fair dealing when it failed to inform Yountville of the severe consequences of entering into the interest rate swap if the loan
>
> failed to close, material information that Yountville justifiably expected would be conveyed.
>
> The Bank further breached the covenant of good faith and fair dealing when it failed to tell Yountville about Yountville's six-figure asset, and contemporaneously encouraged Yountville
>
> to pursue a loan with the Bank that the Bank knew would never close. As a result, the Bank realized a windfall profit, and Yountville was deprived of the benefit of its bargain.

Plaintiff's Supplemental Opposition, Dkt. # 98, p. 21 (internal citations to the record omitted).

There is no merit to these arguments. The "severe consequences" to plaintiff from entering the interest rate swap have occurred not because the loan from the Bank failed to close, but because of the unforeseen precipitous [*28] drop in interest rates that occurred several months later. These consequences are wholly independent of the loan; they result directly from the terms of the agreement itself. As to the benefit of the bargain, plaintiff has failed to demonstrate that it was deprived. Plaintiff received exactly what it bargained for--a fixed rate of 5 % or better on a notation amount. While that amount may have been determined in anticipation of the loan closing, it was not tied to it. Indeed, the loan later obtained by plaintiff from Zions Bank was for a greater amount to cover the higher construction costs. Finally, as to the "six-figure asset" (which the Court presumes refers to the $ 239,000 realized by the Bank on the point spread), the Bank had no duty to disclose that it obtained the swap at a lower rate than it offered to plaintiff. In the absence of a duty to disclose, there was no breach. As plaintiff has failed to demonstrate that defendant acted to destroy or injure its right to receive the benefit of the contract, summary judgment shall be granted to defendant on this claim.

CONCLUSION.

Defendant's motions for summary judgment is GRANTED as to all six claims in the Amended Complaint, and this [*29] action is DISMISSED. The pending motion to exclude testimony of William Sarsfield (Dkt. # 73) is STRICKEN as moot.

Dated this 28 day of July, 2009.

/s/ Ricardo S. Martinez

RICARDO S. MARTINEZ

UNITED STATES DISTRICT JUDGE

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As of: Dec 05, 2011

NATIONAL ASSOCIATION OF REALTORS, Plaintiff, v. CHAMPIONS REAL ESTATE SERVICES INC., et al., Defendants.

CASE NO. C10-0049JLR

UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WASHINGTON

2011 U.S. Dist. LEXIS 93698

August 22, 2011, Decided
August 22, 2011, Filed

COUNSEL: [*1] For National Association of Realtors, an Illinois not for profit corporation, Plaintiff: Christopher Robert Osborn, LEAD ATTORNEY, Charles P Rullman, III, Neil Armstrong Dial, FOSTER PEPPER LLC, SEATTLE, WA; John Christopher Lynch, LEAD ATTORNEY, FOSTER PEPPER (SPOKANE), SPOKANE, WA.

For Champions Real Estate Services Inc, a Washington corporation, Pat Lord, Richard Lord, wife and husband, Defendants: Andrew J. Kinstler, HELSELL FETTERMAN LLP (SEA), SEATTLE, WA; Kimberlee L Gunning, Michael Duane Daudt, TERRELL MARSHALL DAUDT & WILLIE PLLC, SEATTLE, WA.

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For Richard Lord, wife and husband, Champions Real Estate Services Inc, a Washington corporation, Counter Claimants: Kimberlee L Gunning, Michael Duane Daudt, TERRELL MARSHALL DAUDT & WILLIE PLLC, SEATTLE, WA.

JUDGES: JAMES L. ROBART, United States District Judge.

OPINION BY: JAMES L. ROBART

OPINION

ORDER ON MOTION FOR PARTIAL SUMMARY JUDGMENT

This matter comes before the court on Plaintiff National Association of Realtors' ("NAR") motion for partial summary judgment (Dkt. # 29) against Defendants Champions Real Estate [*2] Services, Inc. ("Champions"), Patricia Lord, and Richard Lord (collectively, "Defendants"). NAR's complaint alleges violations of the Lanham Act, *15 U.S.C. §§ 1114* and *1125(a)*, unfair competition under the Washington State Consumer Protection Act, *RCW 19.86.020*, and common law trademark infringement. (*See generally* Compl. (Dkt. # 1).) NAR seeks summary judgment as to its federal trademark infringement and unfair competition claims under the Lanham Act, *15 U.S.C. §§ 1114* and *1125(a)*, and asks the court to permanently enjoin Defendants from using NAR's trademarks. (Mot. (Dkt. # 29) at 21.) Having considered the briefing of the parties, the record, and the relevant law, and having heard oral argument, the court GRANTS summary judgment against Champions and Mrs. Lord and DENIES summary judgment against Mr. Lord.

I. BACKGROUND

NAR, a trade association of real estate professionals, has approximately 1,000,000 members throughout the United States. (Declaration of Michael Thiel (Dkt. # 31) ¶ 3.) For the past 60 years, NAR has owned federally-registered trademarks in the words REALTOR® (U.S. Registration No. 519,789) and REALTORS® (U.S. Registration No. 515,200) (collectively, "the Marks"). (Declaration [*3] of Neil Dial (Dkt. # 30) Exs. 1, 2.) The services covered by the Marks are defined as "brokerage of real estate, industrial brokerage, farm brokerage, mortgage brokerage, in the appraisal of real estate, management of real estate, in the building of structures on real estate, in the subdivision of real estate properties, and in community planning for the development of raw land and slum clearance areas." (*Id.*) The Marks are "collective marks," *see 15 U.S.C. § 1127*, which are used by NAR's members to identify their membership in the organization (Compl. ¶ 17). Only NAR's active, dues-paying members are permitted to use the Marks. (Thiel Decl. ¶ 7.) Furthermore, for a real estate office to be a "REALTOR® office," all real estate brokers in the office must be active, dues-paying members. (*Id.* ¶ 8.)

Champions has several real estate offices in western Washington, including in Lynnwood, Edmonds, and Anacortes. (Dial Decl. Ex. 9.) Mrs. Lord is a licensed real estate managing broker and owns and operates Champions. (Dial Decl. Ex. 24 ¶ 2.) Mr. Lord is a licensed real estate broker, owner of Champions, and is responsible for Champions' finances. (*Id.* ¶ 5; Pretrial Order (Dkt. # 55) at 14.)

Before [*4] 2009, Champions' offices in Lynnwood, Edmonds, and Anacortes were all REALTOR® offices, and its brokers were all members of NAR. (Dial Decl. Ex. 25 ¶¶ 8, 19.) In late 2008, however, Champions' brokers in the Lynnwood and Edmonds offices voted not to renew their membership in NAR for 2009. (*See* Declaration of Michael Daudt (Dkt. # 35) Ex. E.) On December 30, 2008, Mrs. Lord sent an e-mail to Champions' staff instructing them to "go through what ever things you prepare for the office like ads, cma pages, fax cover sheets, letter head, business cards and take off the Realtor logos." (*Id.* Ex. D.) On January 1, 2009, Mrs. Lord sent a second e-mail to Champions' staff requesting that they "discontinue the use of the word 'Realtor'" and remove the word "from business cards, letter head, web sites, CMA's, signatures, fax cover sheets, etc." (*Id.* Ex. E.)

Beginning in April 2009, NAR discovered that some of Champions' brokers in the Lynnwood and Edmonds offices were continuing to identify themselves as "Realtors" or "realtors" on their professional websites and in their marketing materials. [1] (Dial Decl. Exs. 10-22.) Defendants do not dispute that the brokers' use of "Realtor" and "realtor" was, [*5] in fact, use of the Marks. (*See* Resp. at 3-8 (referring repeatedly to the brokers' use of "the marks"); Dial Decl. Ex. 24 ¶ 23.)

1 There is no evidence, however, that either Mrs. Lord or Mr. Lord ever referred to themselves as "Realtors" or "realtors," or otherwise used the Marks.

NAR responded to the brokers' use of the Marks by sending cease and desist notices. (*See* Dial Decl. Exs. 10-22.) On April 8, 2009 and June 8, 2009, NAR sent cease and desist notices to broker Peggy Johnson. (*Id.* Ex. 10.) In June 2009, NAR sent cease and desist notices to brokers Bill Bickel, Kathy Proctor, Jeffrey Strickland, and Mark Davenhall. (*Id.* Exs. 13, 16, 18, 21.) On June 8, 2009, June 23, 2009, and July 13, 2009, NAR sent cease and desist notices to broker James Robeson. (*Id.* Ex. 11.) On June 17, 2009 and July 13, 2009, NAR sent cease and desist notices to brokers Dan Robinson, Dirk Jansen, and Wendy Heiliger. (*Id.* Exs. 12, 14, 19.) On June 24, 2009 and July 13, 2009, NAR sent cease and desist notices to brokers David Sundquist, Norm and Judy Chapman, and Jacqueline Cliff. (*Id.* Exs. 15, 17, 20.) Only the June 17 cease and desist notice to Wendy Weilier and the July 13 cease and desist notices to Mr. [*6] Jansen and the Chapmans were copied to Mrs. Lord. (*Id.* Exs. 12, 17, 19.)

Mrs. Lord's response to these notices was mixed. At the time, she believed that the Marks prevented non-members from using "REALTOR®" or "REALTORS®" but did not prohibit the use of "Realtor" or "realtor." [2] (*See* Lord Dep. at 43-49, Daudt Decl. Ex. A.) She shared this opinion with Champions' brokers in a June 18, 2009 e-mail, which stated in part:

> Any real estate agent may use and be called "Realtor" whether or not you are a member of the Board of Realtors. All real estate agents are Realtors! . . . The United States Supreme Court rules that no person can own any one word. You may use it all day long . . . in ads, e-mail, web site, etc!

(Dial Decl. Ex. 23 (emphasis in original).) Mrs. Lord, however, testified that her usual response when she learned that NAR had mailed a cease and desist notice to a broker was to ask the broker to remove the Marks. (*See, e.g.*, Lord Dep. at 41, 69, 75, Daudt Decl. Ex. A; *see also* Cliff Dep. at 21-32, Supplemental Declaration of Neil Dial (Dkt. # 37) ("2d Dial Decl.") Ex. 1.) Mrs. Lord also sent a second e-mail to Champions' brokers on

July 18, 2009--after many brokers had received NAR's [*7] July 13, 2009 cease and desist notices--instructing them not to use "REALTOR or [sic] it's trademarks, logos or designations." (Daudt Decl. Ex. G.) She further instructed them to contact her if they had questions. (*Id.*)

2 Defendants do not maintain this position in their response brief. (*See generally* Resp.)

Most of the brokers removed the Marks immediately or shortly after receiving the cease and desist notices from NAR. Indeed, there is no evidence in the record that Mr. Bickel, Ms. Proctor, Mr. Strickland, or Mr. Davenhall continued to use the Marks after June 2009. (Dial Decl. Exs. 13, 16, 18, 21.) And there is no evidence that Mr. Robeson, Mr. Robinson, Mr. Sundquist, Ms. Heiliger, or Ms. Cliff used the Marks after July 2009. (*Id.* Exs. 11, 14, 15, 18, 20.) Several brokers, however, continued using the Marks into the fall and winter of 2009. In October 2009, NAR discovered that brokers Theresa Shea and Josef Niklas used the Marks in a brochure. (*Id.* Ex. 22.) And as of December 2009, Mr. Jansen and the Chapmans had not yet removed the Marks from their websites. (*Id.* Exs. 12, 17.) Ms. Johnson also testified at her deposition that she did not remove the Marks until the initiation of the [*8] instant lawsuit. (Johnson Dep. at 24-25, 2d Dial Decl. Ex. 2.) There is no evidence in the record that any of Champions' brokers are currently using the Marks.

On January 8, 2010, NAR filed a complaint alleging violations of the Lanham Act, *15 U.S.C. §§ 1114* and *1125(a)*; unfair competition under the Washington State Consumer Protection Act, *RCW 19.86.020*; and common law trademark infringement. (Compl.) On June 10, 2011, NAR filed its motion for partial summary judgment on the Lanham Act claims. (Mot. (Dkt. # 29).) On June 27, 2011, Defendants responded (Dkt. # 34), and on July 1, 2011, NAR filed its reply (Dkt. # 36). The court heard oral argument on August 12, 2011, and this order follows.

II. ANALYSIS

A. Summary Judgment Standard

Summary judgment is appropriate if the pleadings, the discovery and disclosure materials on file, and any affidavits, when viewed in the light most favorable to the nonmoving party, "show[] that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." *Fed. R. Civ. P. 56(a)*; *see Celotex Corp. v. Catrett, 477 U.S. 317, 322, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986)*; *FreecycleSunnyvale v. Freecycle Network, 626 F.3d 509, 514 (9th Cir. 2010)*; *Galen v. County of Los Angeles, 477 F.3d 652, 658 (9th Cir. 2007)*. [*9] The moving party bears the initial burden of showing there is no genuine issue of material fact and that he or she is entitled to prevail as a matter of law. *Celotex, 477 U.S. at 323*. If the moving party meets its burden, the nonmoving party must go beyond the pleadings and identify facts which show a genuine issue for trial. *Cline v. Indus. Maint. Eng'g. & Contracting Co., 200 F.3d 1223, 1229 (9th Cir. 2000)*. The non-moving party "must make a showing sufficient to establish a genuine dispute of material fact regarding the existence of the essential elements of his case that he must prove at trial." *Galen, 477 F.3d at 658*. Genuine factual issues are those for which the evidence is such that "a reasonable jury could return a verdict for the non-moving party." *Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986)*.

B. Defendants' Liability for the Acts of Champions' Brokers

NAR does not claim that Defendants directly infringed on its rights. (*See generally* Mot.) Instead, it argues that Defendants are liable for the actions of the brokers who used the Marks in violation of the Lanham Act. (*See generally* Mot.) NAR asserts three bases for this liability: (1) Washington's Real Estate Brokers [*10] and Sales Persons Act ("REBSPA"), *RCW 18.85.010, et seq.* (2009); (2) contributory trademark infringement; and (3) common law vicarious liability. (Mot. at 18-21.)

As an initial matter, NAR presents no evidence that could establish Mr. Lord's liability under any of these theories. Indeed, the record shows only that Mr. Lord is an owner of Champions, not that he is a managing broker. As such, he cannot be held secondarily liable for the acts of the brokers. Because there is no evidence of direct or secondary liability as to Mr. Lord, the court denies NAR's motion for summary judgment as to this defendant.

NAR first argues that Champions and Mrs. Lord are legally responsible for the allegedly infringing acts of the brokers under REBSPA. (Mot. at 18.) Defendants did not rebut this argument in their response brief. (*See generally* Resp.) The court concludes that REBSPA establishes a relationship between Champions and Mrs. Lord, on the one hand, and Champions' brokers, on the other, such that Champions and Mrs. Lord can be held secondarily liable, as a matter of law, for the acts of the brokers that are within the scope of REBSPA. Accordingly, the court does not address NAR's additional theories [*11] of liability.

REBSPA provides in relevant part:

> Responsibility for any salesperson, associate broker or branch manager in con-

> duct covered by this chapter shall rest with the broker to which such licensees shall be licensed. In addition to the broker, a branch manager shall bear responsibility for salespersons and associate brokers operating under the branch manager at a branch office.

RCW 18.85.155 (2009) (recodified as *RCW 18.85.201* and amended July 1, 2010). [3] This provision establishes that managing brokers, such as Mrs. Lord, are responsible for the conduct of their subordinates, so long as the subordinate's behavior is regulated by REBSPA. *See Wilkinson v. Smith, 31 Wn. App. 1, 639 P.2d 768, 771 (Wash. Ct. App. 1982)* (holding that REBSPA established a real estate company's secondary liability under the Washington State Consumer Protection Act for the acts of its broker). [4] In this case, Champions' brokers allegedly misrepresented their membership in NAR when they used the Marks. (Compl. ¶¶ 21, 28.) Because REBSPA regulates misrepresenting membership in a state or national real estate association, *RCW 18.85.230(14)* (2009) (recodified as *RCW 18.85.361* and amended July 1, 2010), Champions and Mrs. [*12] Lord can be held secondarily liable for this behavior, *see RCW 18.85.155* (2009); *Wilkinson, 639 P.2d at 771*.

> 3 The court cites to the 2009 version of REBSPA because the allegedly infringing behavior occurred while these laws were in effect. As a general rule, courts do not apply "statutes affecting substantive rights, liabilities, or duties" retroactively. *Covey v. Hollydale Mobilehome Estates, 116 F.3d 830, 835 (9th Cir. 1997)* (quoting *Langraf v. USI Film Products, 511 U.S. 244, 278, 114 S. Ct. 1483, 128 L. Ed. 2d 229 (1994))*. Here, the amendments to REBSPA were not effective until July 1, 2010, well after this lawsuit was filed, thus there is no reason to apply them retroactively. In any event, the new law did not substantively change *RCW 18.85.155* (2009). *See RCW 18.85.201* (2011).
>
> 4 While REBSPA does not create a private cause of action, *Woodhouse v. Re/Max Northwest Realtors, 75 Wn. App. 312, 878 P.2d 464, 466 (Wash. Ct. App. 1994)*, it can be used to establish responsibility on the part of managing brokers and real estate companies for the acts of their subordinates that fall within the scope of the statute, *see Wilkinson, 639 P.2d at 771*.

At oral argument, Defendants' counsel asserted that questions of fact preclude summary judgment [*13] on this issue. His argument was based on the section of REBSPA that allows the Director of the Washington State Department of Licensing to discipline a managing broker for failing to exercise adequate supervision. *See RCW 18.85.230(22)* (2009) (recodified as *RCW 18.85.361* and amended July 1, 2010). A managing broker's supervision is adequate if it complies with the requirements of *WAC 308-124D-061(2)* (2009) (repealed July 1, 2010). Specifically, Defendants' counsel argued that there were questions of fact as to whether Mrs. Lord sufficiently supervised the brokers. But the issue here is not whether Mrs. Lord violated REBSPA. The issue is whether REBSPA creates a relationship between Mrs. Lord and Champions' brokers that could subject her to secondary liability under the Lanham Act. That question is answered by *RCW 18.85.155* (2009), which plainly states that "[r]esponsibility for any salesperson, associate broker, or branch manager in conduct covered by this chapter shall rest with the broker to which such licensees shall be licensed." For these reasons, the court finds that there is no material issue of fact, and, as a matter of law, REBSPA creates secondary liability for Champions [*14] and Mrs. Lord for the allegedly infringing acts of the brokers.

C. Lanham Act Violations Under *15 U.S.C. §§ 1114* and *1125(a)*

NAR claims that Champions and Mrs. Lord [5] are liable for trademark infringement and unfair competition under the Lanham Act, *15 U.S.C. §§ 1114* and *1125(a)*. Because analysis of these two provisions is identical, the court will refer to the claims collectively as "infringement." *See Brookfield Commc'ns, Inc. v. West Coast Entm't Corp., 174 F.3d 1036, 1046 n.8 (9th Cir. 1999)*. To prevail on an infringement claim, a trademark owner [6] must prove that the alleged infringer used the mark at issue in commerce and in connection with the sale, distribution, or advertising of goods or services in such a way that the use "is likely to cause confusion, or to cause mistake, or to deceive." *15 U.S.C. § 1114*; *see also 15 U.S.C. § 1125(a)*. Infringement disputes are "intensely factual in nature," and therefore summary judgments are generally disfavored. *Interstellar Starship Servs., Ltd. v. Epix, Inc., 184 F.3d 1107, 1109 (9th Cir. 1999)*. Where summary judgment is appropriate, however, injunctive relief is the remedy of choice. *Century 21 Real Estate Corp. v. Sandlin, 846 F.2d 1175, 1180 (9th Cir. 1988)*. [*15] Broad injunctions are especially appropriate in cases where the infringing use is for a similar service. *Id. at 1181*.

> 5 NAR also argues that Mr. Lord is liable under the Lanham Act, but there is no evidence to support this. (*See supra* at 7.)
>
> 6 Here, there is no dispute that NAR owns the Marks, which are federally registered. (Mot. at 13; *see* Dial Decl., Ex. 24 ¶ 23.) This "constitutes

> prima facie evidence of the validity of the registered mark and of [NAR's] exclusive right to use the mark on the goods and services specified in the registration." *Brookfield, 174 F.3d at 1047.*

At the outset, the court notes that Defendants do not dispute that the brokers' use of "Realtor" and "realtor" on their websites and in their marketing materials constitutes use of the Marks. (*See* Resp. at 3-8.) Nevertheless, to prevail on summary judgment, NAR must establish that this use created a likelihood of confusion as a matter of law and that there is no material issue of fact. To prove a likelihood of confusion, NAR must show that a "reasonably prudent consumer" in the marketplace is likely to be confused as to the origin of the service bearing these words. *See Dreamwerks Prod. Group, Inc. v. SKG Studio, 142 F.3d 1127, 1129 (9th Cir. 1998)* [*16] (citing *AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979))*. This determination involves consideration of the "*Sleekcraft* factors": (1) strength of the mark; (2) proximity or relatedness of the goods or services; (3) similarity of sight, sound and meaning; (4) evidence of actual confusion; (5) marketing channels; (6) type of goods and purchaser care; (7) intent; and (8) likelihood of expansion. *Id.* The factors should not be rigidly weighed and are instead "intended to guide the court in assessing the basic question of likelihood of confusion." *Id.* (quoting *E. & J. Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280, 1290 (9th Cir. 1992))*. Indeed, "[s]ome *Sleekcraft* factors 'are much more important than others, and the relative importance of each individual factor will be case specific.'" *M2 Software, Inc. v. Madacy Entm't, 421 F.3d 1073, 1080 (9th Cir. 2005)* (quoting *Brookfield, 174 F.3d at 1054*). The court, therefore, addresses the factors in the order of their importance to this case and, after weighing the factors, concludes that the brokers' use of the Marks on their websites and in their marketing materials creates a likelihood of confusion.

1. Similarity of Sight, [*17] **Sound and Meaning**

"The similarity of marks 'has always been considered a critical question in the likelihood-of-confusion analysis.'" *M2 Software, 421 F.3d at 1082* (quoting *Go-To.com, Inc. v. Walt Disney Co., 202 F.3d 1199, 1205 (9th Cir. 2000))*; *see also Brookfield, 174 F.3d at 1054.* "[T]he more similar the marks [are] in terms of appearance, sound, and meaning, the greater the likelihood of confusion." *Brookfield, 174 F.3d at 1054.* Here, there is no dispute the brokers used the Marks. (*See* Resp. at 3-8; Dial Decl. Ex. 24 ¶ 23.) This creates a very strong likelihood that a reasonably prudent consumer would believe that the brokers who identified themselves as "Realtors" or "realtors" were members of NAR. *See Pappan Enterprises, Inc. v. Hardee's Food Systems, Inc., 143 F.3d 800, 804 (3d Cir. 1998)* ("This court has held that where the identical mark is used concurrently by unrelated entities, the likelihood of confusion is inevitable."); *S & R Corp. v. Jiffy Lube Int'l, Inc., 968 F.2d 371, 375 (3d Cir. 1992)* (holding that use of the exact mark created a high likelihood of confusion).

2. Proximity or Relatedness of the Services

Next, the court considers the relatedness of the services. Related [*18] services are more likely than unrelated services to confuse the public as to an individual's affiliation. *Brookfield, 174 F.3d at 1055.* Here, NAR members and Champions' brokers are both in the real estate business, which creates a strong likelihood of confusion.

3. Strength of the Mark

"Trademarks are categorized as generic, descriptive, suggestive, and arbitrary or fanciful. A generic mark is the least distinctive, and an arbitrary or fanciful mark is the most distinctive." *M2 Software, 421 F.3d at 1080* (internal citation omitted). A mark's strength is determined largely by its distinctiveness, but a mark that would otherwise be weak "may be strengthened by extensive advertising, length of time in business, [and] public recognition . . . ." *Century 21, 846 F.2d at 1179.* In this case, the undisputed evidence shows that the Marks have been registered for over 60 years. (Dial Decl. Exs. 1, 2.) The Marks are used by approximately 1,000,000 individuals in the real estate business in 1,400 local and state associations throughout the United States. (Thiel Decl. ¶ 3.) NAR also expends nearly $30 million per year in advertising to inform consumers as to the advantages of working with a licensed [*19] real estate agent who is a NAR member (and thus a REALTOR®). (Thiel Decl. ¶¶ 5-6.) This evidence establishes that the Marks are strong. *See Century 21, 846 F.2d at 1179* (holding that "Century 21" mark is strong because the company spent several million dollars in advertising services in connection with the mark).

4. Evidence of Actual Confusion

Evidence that misuse of a mark has led to actual confusion as to the origin of the goods or services weighs in favor of finding trademark infringement. *M2 Software, 421 F.3d at 1082.* Such evidence, however, is not necessary for the court to find a likelihood of confusion. *Go-to.com, Inc., 202 F.3d at 1208.* Here, NAR argues that the following testimony by Mrs. Lord establishes this factor as a matter of law:

> Q. In what context do you believe it's okay for you, Pat Lord, as a broker, to say I'm also a realtor?

A. Never. I never do that.

Q. Okay. So why is that?

A. Because if it sounds -- if it's going to confuse the public, I stay away from it.

. . .

Q. Did you review this letter and look into the complaint by Washington Realtors over the use of the web site and the mark REALTOR?

A. Yeah, what they're saying here, you know, "you deserve to have a full time, [*20] experienced Realtor at your side," you know, I didn't particularly like how she had said that, because I thought that might be confusing to the public, so I asked her to remove it.

(Mot. at 17-18 (quoting Lord Dep. at 36-37, Dial Decl. Ex. 7).) This testimony, however, merely shows what Mrs. Lord thinks. It does not prove that anyone else was actually confused. As such, this factor does not weigh in NAR's favor.

5. Remaining *Sleekcraft* Factors

Neither party addressed the final *Sleekcraft* factors in its briefing, including the marketing channels; types of goods and purchaser care; intent; and likelihood of expansion. Nevertheless, the court concludes that even viewing the evidence in the light most favorable to Champions and Mrs. Lord, there is a very strong likelihood, as a matter of law, that the brokers' use of the Marks on their websites and in their marketing materials would cause confusion. To summarize, Defendants do not dispute that Champions' brokers used the Marks on their websites and in their marketing materials; NAR's members and Champions' brokers are in the same business; and NAR has expended significant resources establishing and protecting the Marks. The court therefore [*21] concludes, as a matter of law, that NAR has satisfied its initial burden to demonstrate that the brokers violated the Lanham Act. Champions and Mrs. Lord, therefore, must identify facts that create a triable issue in order to avoid summary judgment. *See Cline, 200 F.3d at 1229*. They have not met this burden. Therefore, NAR is entitled to summary judgment against Champions and Mrs. Lord on its Lanham Act claims.

D. Defendants' Arguments

Defendants make three arguments why summary judgment on NAR's Lanham Act claims is improper: (1) Defendants and Champions' brokers were authorized to use the Marks because they rejoined NAR in 2009; (2) NAR is estopped from claiming that the brokers' use was unauthorized because NAR sent an e-mail to Mrs. Lord accepting Defendants' 2009 renewed membership; and (3) the brokers' use of the Marks was non-infringing under the nominal fair use doctrine. (Resp. at 6-7.)

First, Defendants argue that they rejoined NAR in 2009. (Resp. at 6.) They point to a February 13, 2009 e-mail that Mrs. Lord sent to Nathan Gorton, the executive vice president of the Snohomish County-Camano Association of REALTORS®, in which she told him that Champions' Lynnwood and Edmonds [*22] offices had rejoined NAR. (Resp. at 6-7 (citing Daudt Decl. Ex. F).) Mrs. Lord also testified that she believed Champions had rejoined. (*See, e.g.*, Lord Dep. at 10, Daudt Decl. Ex. A.) Mrs. Lord, however, testified further that neither she nor any of the brokers in the Lynnwood or Edmonds offices paid their 2009 membership dues. (*Id.* at 81.) Payment of dues is required to be a member in NAR (Thiel Decl. ¶ 7), a fact Mrs. Lord acknowledged during her deposition (Lord Dep. at 40, Daudt Decl. Ex. A). There is, moreover, no evidence that Mrs. Lord ever instructed the brokers to rejoin in 2009. For these reasons, even viewing the evidence in the light most favorable to Defendants, the record shows that Defendants and the brokers did not in fact rejoin NAR in 2009.

In their second and third arguments, Defendants assert affirmative defenses. Defendants failed to raise these defenses in a timely-filed responsive pleading as required by *Federal Rules of Civil Procedure 8(c)* and *12(a)*. Nevertheless, a defendant may raise an affirmative defense for the first time at the summary judgment stage "if the delay does not prejudice the plaintiff." *Norwood v. Vance, 591 F.3d 1062, 1075 (9th Cir. 2010)* [*23] (quoting *Magana v. Commonwealth of N. Mariana Islands, 107 F.3d 1436, 1446 (9th Cir. 1997))*. NAR does not complain that it has been prejudiced by Defendants' tardy assertion of these issues, and it fully addressed each defense in its reply brief. (*See generally* Reply.) The court therefore considers Defendants' affirmative defenses.

Defendants contend that they have an estoppel defense based on the February 13, 2009 e-mail exchange between Mrs. Lord and Mr. Gorton. (Resp. at 6-7.) Mrs. Lord wrote Mr. Gorton to tell him, "We rejoined the Board of Realtors in our RE/MAX Champions of Lynnwood & Edmonds offices today." (Daudt Decl. Ex. F.) Mr. Gorton replied, "We are happy to have you as members. . . . [W]e will adjust our records to reflect that." *Id.* Defendants argue that Mr. Gorton's e-mail "induced" them to continue using the Marks. (Resp. at 7.)

Estoppel involves four elements:

> (1) The party to be estopped must know the facts; (2) he must intend that his conduct shall be acted on or must so act that the party asserting the estoppel has a right to believe it is so intended; (3) the latter must be ignorant of the true facts; and (4) he must rely on the former's conduct to his injury.

In re Gebhart, 621 F.3d 1206, 1212 (9th Cir. 2010) [*24] (quoting *Bob's Big Boy Family Rests. v. NLRB, 625 F.2d 850, 854 (9th Cir. 1980))*. Defendants have not presented evidence demonstrating a genuine dispute of material fact as to any of these elements. There is no evidence that Mr. Gorton knew whether or not Defendants had paid their membership dues. There is also no evidence as to Mr. Gorton's intent. With respect to the third element, the record shows that Mrs. Lord knew that membership required payment of annual dues but that she never paid her 2009 dues or instructed the brokers to pay their dues. (Lord Dep. at 40, 81, Daudt Decl. Ex. A.) She was therefore not ignorant of the true facts. Finally, there is no evidence that Defendants relied on Mr. Gorton's e-mail.

Second, Defendants assert without discussion that the brokers' use of the Marks is protected by the nominal fair use doctrine. (Resp. at 7.) This doctrine applies when three elements are satisfied: "First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction [*25] with the mark, suggest sponsorship or endorsement by the trademark holder." *New Kids on the Block v. News Am. Publ'g Inc., 971 F.2d 302, 308 (9th Cir. 1992)*; *see also Toyota Motor Sales, U.S.A., Inc. v. Tabari, 610 F.3d 1171, 1175 (9th Cir. 2010)*. Defendants cite no evidence in support of this defense, and, in fact, the evidence in the record disproves each element. First, Defendants and Champions' brokers identified themselves as "real estate brokers" rather than as "realtors" after they stopped using the Marks. Second, it was wholly unnecessary for the brokers to identify themselves using the Marks because they could use the term "real estate broker." Finally, because the Marks are used to identify NAR members, the brokers' use incorrectly implied that they were members. In short, Defendants cannot defeat summary judgment with the nominal fair use doctrine.

E. Remedies

Because the court grants partial summary judgment in NAR's favor and against Champions and Mrs. Lord, the court must consider the appropriate remedy. The preferred remedy under the Lanham Act is injunctive relief. *Century 21, 846 F.2d at 1180*. The court directs NAR to submit a supplemental brief, not to exceed eight [*26] pages, and a proposed injunction order within seven days of the entry of this Order. Defendants will then have seven days to submit a supplemental response brief, not to exceed eight pages, and a proposed injunction order. NAR will have three days to submit a reply of five pages or less.

The Lanham Act permits the court to award additional remedies, where appropriate. NAR did not address additional remedies in its motion for summary judgment but instead reserved presentation of these issues for trial. The court will therefore assess the propriety of any additional remedy at trial.

III. CONCLUSION

For the reasons stated in this order, NAR's motion for partial summary judgment (Dkt. # 29) is GRANTED as to Champions and Mrs. Lord, and DENIED as to Mr. Lord. The court DIRECTS the parties to file supplemental briefs and proposed orders regarding injunctive relief in accordance with the schedule set forth in this Order.

Dated this 22nd day of August, 2011.

/s/ James L. Robart

JAMES L. ROBART

United States District Judge

Analysis
As of: Dec 05, 2011

ALBERT SANCHEZ, SR., Plaintiff, vs. ALBERT SANCHEZ, JR.; GARNETT MCKEEN LABORATORY, INC.; EL-GEN LLC; AMARC ENTERPRISES, INC.; ALO INVESTMENTS, LLC.; et al., Defendants.

CASE NO. 10-CV-1628 JLS (RBB)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA

2010 U.S. Dist. LEXIS 122180

November 17, 2010, Decided
November 17, 2010, Filed

SUBSEQUENT HISTORY: Dismissed by, Application denied by *Sanchez v. Sanchez, 2011 U.S. Dist. LEXIS 50988 (S.D. Cal., May 12, 2011)*

CASE SUMMARY:

OVERVIEW: In an action for trademark infringement and false designation of origin under *15 U.S.C.S. §§ 1114* and *1125(a)* in relation to a dietary supplement product, plaintiff was not entitled to a TRO because he did not demonstrate a likelihood of success. Plaintiff offered no evidence that he ever registered the mark for purposes of *§ 1114*. Also, a question remained as to whether plaintiff had a protectible interest in the mark for purposes of *§ 1125(a)* because defendants' evidence suggested that plaintiff assigned his right to use the mark. Further, immediate irreparable harm was not established.

OUTCOME: Plaintiff's ex parte application for a TRO and order to show cause why a preliminary injunction should not be entered denied.

LexisNexis(R) Headnotes

Civil Procedure > Remedies > Injunctions > Elements > General Overview
Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions
Civil Procedure > Remedies > Injunctions > Temporary Restraining Orders
Evidence > Procedural Considerations > Burdens of Proof > General Overview
[HN1] Temporary restraining orders are governed by the same standard applicable to preliminary injunctions. A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest. This is an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief. This clear showing requires the plaintiff to show more than a mere possibility of irreparable harm, but instead he must demonstrate that irreparable injury is likely in the absence of an injunction.

Trademark Law > Infringement Actions > General Overview
Trademark Law > Protection of Rights > Registration > Federal Registration

[HN2] Section 32 of the Lanham Act protects owners of registered trademarks against infringement. *15 U.S.C.S. § 1114* states in part that any person who shall, without the consent of the registrant use 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 or services shall be liable in a civil action by the registrant. Thus, registration is a prerequisite to maintaining a trademark infringement action under *§ 1114*.

Trademark Law > Federal Unfair Competition Law > Trade Dress Protection > Infringement Actions > Burdens of Proof
Trademark Law > Federal Unfair Competition Law > Trade Dress Protection > Infringement Actions > Elements
[HN3] To prevail on a claim for infringement of an unregistered mark under § 43 of the Lanham Act, *15 U.S.C. § 1125(a)*, a plaintiff must prove: (1) that it has a protectable ownership interest in the mark; and (2) that the defendant's use of the mark is likely to cause consumer confusion.

Trademark Law > Protection of Rights > Priority > Actual Use
[HN4] It is axiomatic in trademark law that the standard test of ownership is priority of use. To acquire ownership of a trademark it is not enough to have invented the mark first or even to have registered it first; the party claiming ownership must have been the first to actually use the mark in the sale of goods or services. In addition to prior use, the party claiming ownership must show that its use of the marks was continuous and uninterrupted.

Trademark Law > Conveyances > Assignments
Trademark Law > Protection of Rights > Conveyances > Valid Transfers
[HN5] A trademark assignee enjoys the rights of its predecessor-in-interest. An assignment is binding so as to prevent the assignor from asserting an infringement claim against the assignee's use of the mark.

Civil Procedure > Remedies > Injunctions > Elements > Irreparable Harm
Civil Procedure > Remedies > Injunctions > Temporary Restraining Orders
[HN6] A plaintiff seeking a temporary restraining order (TRO) must demonstrate immediate threatened injury as a prerequisite to preliminary injunctive relief. Although a delay in seeking a TRO is not dispositive, it may tip the scales against the issuance of a TRO.

COUNSEL: [*1] For Albert Sanchez, Sr., Plaintiff: Kevin J. Mirch, LEAD ATTORNEY, Marie C. Mirch, Mirch Law Office, San Diego, CA.

For Albert Sanchez, Jr., Garnett McKeen Laboratory, Inc., El-Gen LLC, AMARC Enterprises, Inc., Alo Investments, LLC, Defendants: Grant Guy Teeple, LEAD ATTORNEY, Teeple Hall, San Diego, CA.

JUDGES: Honorable Janis L. Sammartino, United States District Judge.

OPINION BY: Janis L. Sammartino

OPINION

ORDER: DENYING PLAINTIFF'S EX PARTE APPLICATION FOR A TEMPORARY RESTRAINING ORDER AND/OR AN ORDER TO SHOW CAUSE WHY A PRELIMINARY INJUNCTION SHOULD NOT BE ENTERED

(Doc. No. 6)

Presently before the Court is Plaintiff's ex parte application for a temporary restraining order (TRO) and order to show cause why a preliminary injunction should not be entered. (Doc. No. 6 (Appl.).) Also before the Court is Defendant's opposition. (Doc. No. 7 (Opp'n).) Having fully considered the parties' arguments and the law, the Court **DENIES** Plaintiff's application.

FACTUAL BACKGROUND

The parties dispute virtually all of the relevant facts. Accordingly, the following factual background outlines the undisputed facts. Where a dispute of fact exists, the Court so indicates.

In 1995, Defendant Garnett McKeen Laboratory, Inc. (GML) introduced [*2] Plaintiff to a then-new dietary supplement product, which came to be known as POLY-MVA.[1] (Doc. No. 6-2 (Albert Sanchez, Sr. Decl.) ¶ 3.) POLY-MVA consists of "[a] proprietary blend of palladium, alpha lipoic acid, vitamins B1, B2 and B12, and specific trace minerals and amino acids . . . ." (Doc. No. 8-1 (Albert Lee Sanchez Decl.) Ex. C.) "[POLY-MVA] is marketed as a dietary supplement that has the ability to restore the nutrients lost and heal the damage that is common during treatments, diets[,] and therapies." (*Id.*)

1 The parties' memoranda and declarations in support of and in opposition to the application

variously refer to the product as "POLY-MVA," "Poly-MVA," and "POLYMVA." (*Compare* Doc. No. 6-1 (Mem. ISO Appl.), at 1--12 (POLY-MVA), *and* Albert Sanchez, Sr. Decl. *passim* (same), *with* Opp'n 3--7 (Poly-MVA and POLYMVA), *and* Albert Lee Sanchez Decl. *passim* (POLYMVA).) The operative complaint refers to the product as "POLY-MVA" (*see* Doc. No. 5 (FAC) *passim*), and the Court adopts that usage unless directly quoting another source.

After GML introduced Plaintiff to POLY-MVA, Plaintiff agreed to "assume the Sole Worldwide Distribution rights" for the product (Albert Sanchez, Sr. Decl. ¶ [*3] 4 & Ex. 1) and immediately began to market and sell it under the POLY-MVA mark (*id.* ¶ 6).[2] Plaintiff claims to have marketed POLY-MVA through Advanced Medicine and Research Center (AMARC), a sole proprietorship (*id.* ¶ 14); according to Defendants, Plaintiff marketed POLY-MVA through Defendant AMARC Enterprises, Inc., a corporation formed with Plaintiff's consent in 2002, and Advanced Medicine Information Center (AMIC), the successor to the sole proprietorship AMARC (Albert Lee Sanchez Decl. ¶¶ 12--17, 19 & Ex. C; Doc. No. 8-2 (McKeen Decl.) ¶ 3). Regardless of which entity held the distribution rights, the parties agree that in 2008, Defendant El-Gen LLC, GML's manufacturing subsidiary (Albert Sanchez, Sr. Decl. ¶ 9), terminated the distribution agreement (*id.* ¶ 10; McKeen Decl. ¶ 9 & Ex. D). In 2009, El-Gen and GML entered into a new distribution agreement regarding POLY-MVA with AMARC Enterprises. (McKeen Decl. ¶ 12; Albert Lee Sanchez Decl. ¶ 22 & Ex. E; Albert Sanchez, Sr. Decl. ¶ 10.)

2 According to Defendants, sometime thereafter, the Food and Drug Administration began investigating certain statements Plaintiff made regarding POLY-MVA. (Albert Lee Sanchez Decl. ¶¶ 8, 20.)

According [*4] to Plaintiff, Defendant Albert Lee Sanchez secretly formed AMARC Enterprises and ALO Investments, LLC in 2002. (Albert Sanchez, Sr. Decl. ¶¶ 14, 20.) Through ALO, Albert Lee Sanchez allegedly fraudulently obtained trademark protection for the POLY-MVA mark. (*Id.* ¶¶ 21, 23--24.) The United States Patent and Trademark Office subsequently canceled the registration for the POLY-MVA mark. (*Id.* ¶¶ 24--27.) On April 27, 2010, ALO--again allegedly fraudulently--began anew the registration process for the POLY-MVA mark. (*Id.* ¶¶ 28--29, 31.) According to Plaintiff, Albert Lee Sanchez has used ALO's status as registrant of the POLY-MVA mark to force Plaintiff to purchase POLY-MVA only from Albert Lee Sanchez's company, presumably AMARC Enterprises. (*See id.* ¶ 35.) Plaintiff claims that Albert Lee Sanchez and ALO never owned and were never entitled to register the POLY-MVA mark. (*Id.*)

Defendants vigorously dispute Plaintiff's allegations. Defendants contend that AMARC Enterprises and ALO were formed with Plaintiff's knowledge and consent[3] for the purpose of insulating the POLY-MVA business from Plaintiff's creditors. (Albert Lee Sanchez Decl. ¶¶ 9--12.) "As part of this asset protection plan, the decision [*5] was made with the participation of Plaintiff and his family that ALO Investments . . . would hold the trademark for the 'POLYMVA' name." (*Id.* ¶ 23.) According to Defendants, AMARC Enterprises employed Plaintiff[4] as a consultant between 2002 and 2008, during which time Plaintiff sold POLY-MVA that he purchased from AMARC Enterprises. (*Id.* ¶ 17.) However, when El-Gen and GML expressed their desire to enter into a new distribution agreement precluding Plaintiff from making certain claims regarding POLY-MVA, Plaintiff "walked away from the offer" and, apparently, AMARC Enterprises. (*Id.* ¶¶ 20--21.)

3 The contention that Plaintiff knew of and participated in the formation of AMARC Enterprises is supported by a report Plaintiff authored in which he described himself as the "founder of AMARC Enterprises." (Albert Lee Sanchez Decl. Ex. A.)

4 Defendants allegedly employed Plaintiff through AMIC, which succeeded to the sole proprietorship AMARC. (*See* Albert Lee Sanchez Decl. ¶¶ 15, 17, 19.)

PROCEDURAL BACKGROUND

On August 4, 2010, Plaintiff filed his original complaint (Doc. No. 1), and on August 12, 2010, the case was reassigned to this Court (Doc. No. 4).[5] On August 14, 2010, Plaintiff filed his [*6] first amended complaint, the operative complaint in this action. (Doc. No. 5.) On August 30, 2010, Plaintiff filed the instant application.

5 This case was originally assigned to the Honorable Thomas J. Whelan. (*See* Doc. No. 4.)

On September 1, 2010, the Court denied Plaintiff's application without prejudice because Plaintiff had served neither the complaint nor the application on Defendants, and the application did not meet the requirements for the issuance of a TRO without notice. (Doc. No. 7.) The Court directed Plaintiff to serve Defendants by September 7, 2010 and set a hearing on Plaintiff's application for September 16, 2010. (Doc. No. 7.) On September 13, 2010, Defendants filed their opposition to Plaintiff's application. (Doc. No. 8.) On September 15, 2010, the parties jointly moved for a thirty-day continuance of the hearing on Plaintiff's application to allow the parties to attempt to mediate the dispute. (Doc. No. 12 (Joint Mot. to Continue).) On the same day, the Court granted the parties' joint motion and continued the hearing on Plaintiff's application to October 28, 2010. (Doc. No. 13 (Order Granting Joint Mot. to Continue).)

LEGAL STANDARD

[HN1] Temporary restraining orders are [*7] governed by the same standard applicable to preliminary injunctions. *See New Motor Vehicle Bd. of Cal. v. Orrin W. Fox Co., 434 U.S. 1345, 1347 n.2, 98 S. Ct. 359, 54 L. Ed. 2d 439 (1977)* (Rehnquist, J.). "A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest." *Winter v. Natural Res. Def. Council, Inc. (NRDC), 555 U.S. 7, 129 S. Ct. 365, 374, 172 L. Ed. 2d 249 (2008)* (citing *Munaf v. Geren, 553 U.S. 674, 128 S. Ct. 2207, 2218--19, 171 L. Ed. 2d 1 (2008)*); *see also Am. Trucking Ass'ns, Inc. v. City of Los Angeles, 559 F.3d 1046, 1052 (9th Cir. 2009)*. This is an "extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief." *NRDC, 129 S.Ct. at 376*. This "clear showing" requires Plaintiff to show more than a mere "possibility" of irreparable harm, but instead he must "demonstrate that irreparable injury is *likely* in the absence of an injunction." *Id. at 375* (emphasis in original); *Am. Trucking Ass'ns, 559 F.3d at 1052*.

DISCUSSION

Plaintiff's first amended complaint asserts eight [*8] state and federal causes of action arising from Defendants' use of the POLY-MVA marks. (*See* Doc. No. 5.) However, Plaintiff's application only addresses the merits of its first and third causes of action for trademark infringement and false designation of origin, respectively. (*See* Mem. ISO Appl. 12--24.) Accordingly, the Court addresses the propriety of a TRO[6] only as it would pertain to those causes of action.

6 Through his application, Plaintiff requests both a TRO and an order to show cause why a preliminary injunction should not be entered. (*See* Appl. 1--3.) For brevity's sake and because TROs are governed by the same standard applicable to preliminary injunctions, *see New Motor Vehicle Bd., 434 U.S. at 1347 n.2*, this Order refers only to Plaintiff's request for a TRO. However, its reasoning applies with equal force to Plaintiff's request for an order to show cause why a preliminary injunction should not be entered.

I. Plaintiff Has Not Demonstrated a Likelihood of Success on His Claim for Infringement of a Registered Mark

[HN2] Section 32 of the Lanham Act protects owners of registered trademarks against infringement. *See 15 U.S.C. § 1114* ("Any person who shall, without the consent of the [*9] *registrant*-- (a) use 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 or services . . . shall be liable in a civil action by the *registrant* . . . .") (emphasis added); *see also Reno Air Racing Ass'n v., Inc. v. McCord, 452 F.3d 1126, 1129 (9th Cir. 2006)* (claim for infringement of registered mark under *§ 1114*; claim for infringement of unregistered mark under *§ 1125*); *Toho Co. v. Sears, Roebuck & Co., 645 F.2d 788, 792 (9th Cir. 1981)* (distinguishing between claims for infringement of registered trademarks and false designation of origin); *Coach, Inc. v. Asia Pacific Trading Co., 676 F. Supp. 2d 914, 924--25 (C.D. Cal. 2009)* (same). Thus, registration is a prerequisite to maintaining a trademark infringement action under section 32.

Plaintiff offers no evidence that he ever registered the POLY-MVA mark. To the contrary, much of Plaintiff's application centers around his allegations that Defendant Albert Lee Sanchez "fraudulently submitted an application . . . for federal trademark registration [of the POLY-MVA mark]." (Albert Sanchez, Sr. Decl. ¶ 7.) And [*10] the evidence Plaintiff submitted in support of his application tends to indicate that, to the extent that the POLY-MVA mark is or was registered, Plaintiff is or was not the registrant. (*See* Albert Sanchez, Sr. Decl. Ex. 4 (listing "Alo Investments" as the owner of the word mark "POLYMVA"); *id.* Ex. 5 (listing "ALO Investments" as the applicant for the word mark "POLYMVA"); *id.* Exs. 6, 7 (same).) Accordingly, the Court finds that Plaintiff has not demonstrated a likelihood of success on his trademark infringement claim under section 32 of the Lanham Act.

II. Plaintiff Has Not Demonstrated a Likelihood of Success on His Claim for Infringement of an Unregistered Mark

[HN3] To prevail on a claim for infringement of an unregistered mark under section 43 of the Lanham Act, *15 U.S.C. § 1125(a)*, a plaintiff must prove "(1) that it has a protectable ownership interest in the mark; and (2) that the defendant's use of the mark is likely to cause consumer confusion . . . ."[7] *Dep't of Parks and Recreation v. Bazaar Del Mundo, Inc., 448 F. 3d 1118, 1124 (9th Cir. 2006)*.

7 In their opposition to Plaintiff's application, Defendants cite the Sixth Circuit's four-factor trademark infringement inquiry. (*See* Opp'n [*11] 8 (citing *Borescopes R U.S. v. 1800Endoscope.com, LLC, 728 F. Supp. 2d 938, 2010 U.S. Dist. LEXIS 76127, 2010 WL 2991042, at *7 (M.D. Tenn. July 26, 2010)*).) However, the Court applies the Ninth Circuit's two-factor inquiry here and reminds Defendants of the perils of relying on out-of-circuit authority.

A. Likelihood of Confusion

Defendants do not dispute that, if Plaintiff has a protectable ownership interest in the POLY-MVA mark, Defendants' use of the mark is likely to cause confusion. (Opp'n 8.) Rather, Defendants contend that Plaintiff has no protectable ownership interest in the mark. (*Id.*) Accordingly, for the purposes of this motion, the Court assumes without deciding that the likelihood of confusion requirement is satisfied, *see generally AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348--49* (listing factors courts weigh in considering the likelihood of confusion requirement), and limits its inquiry to whether Plaintiff has a protectable ownership interest in the mark.

B. Protectable Ownership Interest

[HN4] "It is axiomatic in trademark law that the standard test of ownership is priority of use. To acquire ownership of a trademark it is not enough to have invented the mark first or even to have registered it first; the party claiming [*12] ownership must have been the first to actually use the mark in the sale of goods or services." *Sengoku Works Ltd. v. RMC Int'l Ltd., 96 F.3d 1217, 1219 (9th Cir. 1996)*. In addition to prior use, the party claiming ownership must show "that its use of the marks was continuous and uninterrupted." *Dep't of Parks & Recreation, 448 F.3d at 1126* (citing *Chance v. Pac-Tel Teletrac, 242 F.3d 1151, 1157 (9th Cir. 2001)*).

Plaintiff alleges--and Defendants do not dispute--that Plaintiff was the first to use the POLY-MVA mark in the sale of goods. (*See* Albert Sanchez, Sr. Decl. ¶¶ 4--6 (stating that Plaintiff began marketing and selling goods under the POLY-MVA mark in 1995); Albert Lee Sanchez Decl. ¶ 1 ("Plaintiff . . . began the business of distributing the nutritional supplement distributed by him as POLYMVA in 1995.").) This finding, however, does not end the Court's inquiry. Plaintiff alleges that Defendant Albert Lee Sanchez formed ALO Investments without Plaintiff's knowledge and "for the purpose of using the LLC as the applicant/owner for fraudulently filing a POLYMVA trademark application." (Albert Sanchez, Sr. Decl. ¶ 20.) However, Defendants allege that ALO Investments was formed with [*13] Plaintiff's consent, and that Plaintiff agreed that ALO Investments would hold the POLY-MVA mark. (Albert Lee Sanchez Decl. ¶¶ 14, 23.) Moreover, Defendants allege that Plaintiff assisted Defendant Albert Lee Sanchez in applying for and obtaining registration for the mark "POLYMVA" in ALO Investments' name (*id.* ¶ 27), and that Plaintiff provided the date of first use listed on the original application for the POLYMVA mark (*id.* ¶ 28; *see also* Albert Sanchez, Sr. Decl. Exs. 4, 6). Thus, if the Court credits Defendants' declarations and supporting evidence, it might find that Plaintiff assigned to Defendants his right to use the POLY-MVA mark. *See Tillamook Cnty. Creamery Ass'n v. Tillamook Cheese and Dairy Ass'n, 345 F.2d 158, 161--62 (9th Cir. 1965)* (holding that [HN5] trademark assignee enjoyed the rights of its predecessor-in-interest); *see also* 7 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 18:15 (2010) ("[A]n assignment is binding so as to prevent the assignor from asserting an infringement claim against the assignee's use of the mark . . . .").

In light of the parties contradictory declarations and the evidence that accompanies them, the Court cannot resolve the [*14] issue of whether Plaintiff has a protectable ownership interest in the POLY-MVA mark without credibility determinations. Accordingly, the Court concludes that Plaintiff has not demonstrated a likelihood of success on the merits of his claim under section 43(a) of the Lanham Act. *See Yountville Investors, LLC v. Bank of America, NA*, 2009 WL 538667, at *2 (W.D. Wash. Mar. 4, 2009) (finding likelihood of success on the merits not established in light of witnesses' contradictory declarations).

III. Plaintiff Has Not Established That He Is Likely to Suffer Immediate Irreparable Harm in the Absence of Preliminary Relief

Even assuming, *arguendo*, that Plaintiff had demonstrated a likelihood of success on the merits of his claims, the Court would find that Plaintiff's twenty-six-day delay in filing his TRO application and his agreement to a continuance of the TRO hearing counsel against issuing a TRO. (*See* Joint Mot. to Continue; Order Granting Joint Mot. to Continue.)

[HN6] A plaintiff seeking a TRO "must demonstrate *immediate* threatened injury as a prerequisite to preliminary injunctive relief." *Carribean Marine Servs. Co., Inc. v. Baldrige, 844 F.2d 668, 674 (9th Cir. 1988)* (emphasis added); *accord* [*15] *Oakland Tribune, Inc. v. Chronicle Publ'g Co., 762 F.2d 1374, 1377 (9th Cir. 1985)*; *cf. Miller ex rel. NLRB v. Cal. Pac. Med. Ctr., 991 F.2d 536, 544 (9th Cir. 1993)* ("Plaintiff's long delay before seeking a preliminary injunction implies a lack of urgency and irreparable harm." (quoting *Oakland Tribune, 762 F.2d at 1377*) (internal quotation marks omitted)).

Although a delay in seeking a TRO is not dispositive, it may tip the scales against the issuance of a TRO. *See Miller, 991 F.2d at 544*; *Lydo Enters. v. City of Las Vegas, 745 F.2d 1211, 1213 (9th Cir. 1984)* ("A delay in seeking a preliminary injunction is a factor to be considered in weighing the propriety of relief."); *Dahl v. Swift Disrib., Inc., 2010 U.S. Dist. LEXIS 35938, 2010 WL 1458957, at *4 (C.D. Cal. Apr. 1, 2010)* (finding that eighteen-day delay in filing TRO application "implie[d] a lack of urgency and irreparable harm).

Two delays in this case weigh against issuing a TRO. First, although Plaintiff filed his original complaint on August 4, 2010, he waited until August 30, 2010 to file the instant application. This twenty-six-day delay, on its own, counsels against issuing a TRO. *See Dahl, 2010 U.S. Dist. LEXIS 35938, 2010 WL 1458957, at *4.* Second, after Plaintiff filed his [*16] application and the Court set a hearing on Plaintiff's application, Plaintiff agreed to a thirty-day continuance of the hearing so the parties could "attempt to mediate this dispute" and resolve the matters alleged in the complaint and application. (Joint Mot. to Continue 2.) Plaintiff's agreement to a continuance of the TRO hearing suggests that any harm he might suffer in the absence of preliminary relief is not "immediate[ly] threatened," *Carribean Marine, 844 F.2d at 674*, and seemingly contradicts his sworn statement in support of his application that his "funds will be completely exhausted within two weeks without a Temporary Restraining Order." (Albert Sanchez, Sr. Decl. ¶ 45.) Accordingly, the Court finds that Plaintiff has not demonstrated that any threatened injury that is sufficiently immediate to warrant the extraordinary relief of a TRO.[8]

8 Having found that Plaintiff has failed to demonstrate a likelihood of success on the merits of his claims or a likelihood of irreparable harm, the Court declines to address the remaining requirements for a preliminary injunction. *See NRDC, 129 S. Ct. at 374.*

CONCLUSION

For the reasons stated, the Court **DENIES** Plaintiff's application for [*17] a TRO and order to show cause why a preliminary injunction should not be entered.[9]

9 Further, the parties should bear in mind that this Court is perhaps not the proper forum for resolution of this familial dispute. The Court views this dispute as ripe for settlement and suggests that the parties avail themselves of the services of the able Magistrate Judge Ruben Brooks.

DATED: November 17, 2010

/s/ Janis L. Sammartino

Honorable Janis L. Sammartino

United States District Judge