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**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION**

DYNACRAFT BSC, INC.,  
Plaintiff,  
v.  
PACIFIC CYCLE, INC.,  
Defendant.

Case No. 16-cv-04334-BLF

**ORDER DENYING MOTION TO  
DISMISS**

[Re: ECF 20]

This case arises from a dispute between Plaintiff Dynacraft BSC, Inc. and Defendant Pacific Cycle, Inc., both distributors of bicycles, regarding Pacific’s use of the model name “Decoy” on a line of children’s bicycles. Dynacraft claims that Pacific’s use of the Decoy name infringes Dynacraft’s registered “DECOY” trademark in violation of federal and state laws, and also breaches a contract between the parties under which Pacific agreed to stop using the Decoy name after exhausting its then-current inventory of Decoy bicycles.

Pacific moves to dismiss Dynacraft’s contract claim under Federal Rule of Civil Procedure 12(b)(6). The motion is DENIED for the reasons discussed below.

**I. BACKGROUND<sup>1</sup>**

Dynacraft distributes and sells bicycles directly to consumers and through retailers such as Kmart, Target, and Walmart. Compl. ¶ 4, ECF 1. Dynacraft has used the trademark DECOY on its bicycles since at least 2001, and it obtained a U.S. Trademark registration of the mark in 2002. *Id.* ¶ 9. Dynacraft has obtained valuable goodwill in the DECOY trademark, which indicates that Dynacraft is the source of bicycles. *Id.* ¶ 12.

Dynacraft learned that Pacific, a competitor, was selling Mongoose brand bicycles using the model name Decoy in the United States through Kmart stores. Compl. ¶ 13 and Exh. B. On

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<sup>1</sup> Plaintiff’s factual allegations are accepted as true for purposes of the motion to dismiss. *See Reese v. BP Exploration (Alaska) Inc.*, 643 F.3d 681, 690 (9th Cir. 2011).

1 December 23, 2009, Dynacraft’s counsel wrote to Pacific, provided a copy of Dynacraft’s  
2 DECOY trademark registration certificate, and demanded that Pacific cease using the DECOY  
3 mark on bicycles. *Id.* Pacific’s counsel responded by letter, and the parties’ attorneys thereafter  
4 engaged in correspondence by letter and email through late January 2010. Compl. ¶¶ 14-16 and  
5 Exhs. B-E. Dynacraft claims that this correspondence resulted in a binding contract under which  
6 Pacific agreed to stop using the DECOY trademark after exhausting its small remaining inventory  
7 of Mongoose Decoy bicycles in exchange for Dynacraft’s forbearance in bringing suit. *Id.* ¶ 38.

8 In March 2016, Dynacraft discovered that Pacific was still selling bicycles bearing the  
9 DECOY trademark. Compl. ¶ 18 and Exh. F. Dynacraft’s counsel wrote to Pacific on March 24,  
10 2016, complaining of Pacific’s continued infringement of Dynacraft’s DECOY trademark. *Id.* ¶  
11 19 and Exh. G. Pacific’s counsel responded by letter dated April 18, 2016, acknowledging the  
12 prior dispute and that “to resolve the matter Pacific Cycle agreed to cease using the model name  
13 upon exhaustion of the then-remaining inventory.” *Id.* ¶ 20 and Exh. H. Pacific’s counsel  
14 explained that “due to a failure in internal communications, in addition to the then-remaining  
15 inventory which was sold, new Mongoose Decoy products were manufactured and then sold.”  
16 Compl. Exh. H. Pacific’s counsel offered his personal assurance that “the ongoing use of the  
17 Mongoose Decoy model name was not an intentional disregard of the January 2010 commitment  
18 made to cease use” but rather “was simply a failure in internal company communications.” *Id.*  
19 Counsel proposed several measures that Pacific would be willing to undertake to resolve the  
20 situation, including ceasing production of Mongoose Decoy bicycles and selling all remaining  
21 inventory outside of North America. *Id.* The parties’ attorneys engaged in further correspondence  
22 but were unable to reach agreement because Pacific refused to provide an accounting of its sales  
23 made using the DECOY trademark. *Id.* ¶ 21.

24 Dynacraft filed this lawsuit on August 1, 2016, asserting claims for: (1) federal trademark  
25 infringement, (2) federal trademark infringement, false designation, and unfair competition, (3)  
26 common law trademark infringement, (4) breach of contract, and (5) unfair competition under  
27 California law. Pacific moves to dismiss the claim for breach of contract, arguing that as a matter  
28 of law the correspondence between the parties did not result in a binding contract. Dynacraft

1 opposes the motion, arguing that the parties’ correspondence did result in a binding contract which  
2 Pacific breached by continuing to sell bicycles under the Decoy name.

3 **II. LEGAL STANDARD**

4 “A motion to dismiss under Federal Rule of Civil Procedure 12(b)(6) for failure to state a  
5 claim upon which relief can be granted ‘tests the legal sufficiency of a claim.’” *Conservation*  
6 *Force v. Salazar*, 646 F.3d 1240, 1241-42 (9th Cir. 2011) (quoting *Navarro v. Block*, 250 F.3d  
7 729, 732 (9th Cir. 2001)). When determining whether a claim has been stated, the Court accepts  
8 as true all well-pled factual allegations and construes them in the light most favorable to the  
9 plaintiff. *Reese v. BP Exploration (Alaska) Inc.*, 643 F.3d 681, 690 (9th Cir. 2011). However, the  
10 Court need not “accept as true allegations that contradict matters properly subject to judicial  
11 notice” or “allegations that are merely conclusory, unwarranted deductions of fact, or  
12 unreasonable inferences.” *In re Gilead Scis. Sec. Litig.*, 536 F.3d 1049, 1055 (9th Cir. 2008)  
13 (internal quotation marks and citations omitted). While a complaint need not contain detailed  
14 factual allegations, it “must contain sufficient factual matter, accepted as true, to ‘state a claim to  
15 relief that is plausible on its face.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl.*  
16 *Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). A claim is facially plausible when it “allows the  
17 court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Id.*

18 **III. DISCUSSION**

19 Pacific argues that Dynacraft has failed to allege facts showing that the parties entered into  
20 a binding contract. It is unclear from this record whether Dynacraft’s contract claim is governed  
21 by California law or Wisconsin law. However, the parties agree that the Court need not resolve  
22 that issue at this stage because under both states’ laws the elements of contract formation are the  
23 same: offer, acceptance, and consideration. *See Hecimovich v. Encinal Sch. Parent Teacher Org.*,  
24 203 Cal. App. 4th 450, 475 (2012) (evidence of contract formation requires evidence of offer,  
25 acceptance, and consideration); *Runzheimer Int’l, Ltd. v. Friedlen*, 362 Wis. 2d 100, 112 (2015)  
26 (“The elements of an enforceable contract are offer, acceptance, and consideration.”).

27 Pacific argues that Dynacraft has not pled facts showing any of these elements. According  
28 to Pacific, the correspondence attached to the complaint establishes as a matter of law that no offer

1 was made, no acceptance was manifested, and no consideration was given. The Court disagrees,  
2 and concludes that the facts set forth in the complaint, including the attached correspondence,  
3 plausibly allege contract formation. Under both California law and Wisconsin law, whether a  
4 contract was formed generally is a question for the trier of fact. *See Vita Planning & Landscape*  
5 *Architecture, Inc. v. HKS Architects, Inc.*, 240 Cal. App. 4th 763, 771 (2015), *review denied* (Jan.  
6 13, 2016) (“[W]here the existence . . . of a contract or the terms thereof is the point in issue, and  
7 the evidence is conflicting or admits of more than one inference, it is for the . . . trier of the facts to  
8 determine whether the contract did in fact exist.”) (internal quotation marks and citations omitted);  
9 *Fontana Builders, Inc. v. Assurance Co. of Am.*, 369 Wis. 2d 495, 519 (2016) (“Allowing the jury  
10 to resolve factual disputes about contract formation is consistent with the contract principle that  
11 whether both parties agreed to be bound by a contract is a question of fact.”) (internal quotation  
12 marks and citation omitted).

13 Here, as Dynacraft alleges and the correspondence reflects, Dynacraft’s initial letter to  
14 Pacific demanded that Pacific stop using the DECOY trademark, asserted that Pacific’s use of the  
15 DECOY mark constituted trademark infringement and unfair competition, and noted that available  
16 remedies for Pacific’s conduct “include an injunction preventing further use of the mark,  
17 defendant’s profits, damages sustained by plaintiff, the costs of the action, and in certain cases  
18 treble damages and reasonable attorney fees.” Compl. ¶ 13 and Exh. B. Pacific’s response letter  
19 offered to “resolve this matter” by “agree[ing] to cease use of the ‘decoy’ model name upon  
20 exhaustion of current product inventory.” *Id.* ¶ 14 and Exh. C. Dynacraft’s answering letter  
21 arguably manifested assent to Pacific’s offer, indicating that “Dynacraft appreciates Pacific’s  
22 cooperation,” and that “[a]s Pacific Cycle has agreed to cease use of the DECOY trademark” there  
23 was no need to discuss further whether Pacific’s conduct was infringing. *Id.* ¶ 15 and Exh. D.

24 Dynacraft did request further information regarding the number of DECOY bicycles  
25 remaining in Pacific’s inventory and the date when such inventory was expected to be exhausted.  
26 *Id.* Pacific provided the information regarding the amount of remaining inventory (“just over 400  
27 Mongoose Decoy bicycles”) but did not address the date that the inventory was expected to be  
28 exhausted. *Id.* ¶ 16 and Exh. E. When Dynacraft’s counsel followed up with an email inquiry,

1 Pacific’s counsel stated that Pacific had no open orders for the Decoy products and therefore could  
2 not “estimate when the small inventory of products may be sold, if at all.” *Id.* Exh. E. However,  
3 counsel stated that “[g]iven Pacific Cycle’s commitment not to manufacture or import any  
4 additional products under the Mongoose Decoy name, we would think that these few residual  
5 products should not be of concern.” *Id.* Dynacraft’s counsel responded, “Dynacraft appreciates  
6 your cooperation.” *Id.* Dynacraft considered the matter closed and therefore “did not pursue an  
7 infringement action seeking an injunction, damages, or an accounting of Pacific’s sales.” Compl.  
8 ¶ 17.

9 A jury reasonably could view the parties’ correspondence to contain an offer from Pacific  
10 to stop using the DECOY mark in exchange for Dynacraft’s forbearance from suit and Dynacraft’s  
11 acceptance of that offer. Pacific asserts that such an interpretation would be unreasonable as a  
12 matter of law because no offer or acceptance was spelled out expressly. However, while “the  
13 early common law required particular incantations to make an offer and formulaic expressions to  
14 accept . . . the modern rule is otherwise.” *Roth v. Malson*, 67 Cal. App. 4th 552, 562 (1998).  
15 “Contract formation is not a matter of form but substance; there are no magic words and no magic  
16 forms essential to the creation of binding agreement.” *Id.*

17 The cases relied upon by Pacific are factually distinguishable. For example, Pacific relies  
18 on *Mondo, Inc. v. Sirco Int’l Corp.*, No. 97 CIV. 3121 MBM, 1998 WL 849401 (S.D.N.Y. Dec. 7,  
19 1998), in which the district court ruled on summary judgment that cease and desist correspondence  
20 was insufficient to establish contract formation. In *Mondo*, a trademark dispute arose over the use  
21 of the word “Mondo,” the Italian term for “world.” *Id.* at \*1. The defendant, the owner of a  
22 registered trademark for the word MONDO, objected to the plaintiff’s use of the word MONDO in  
23 connection with the plaintiff’s clothing line. The parties tried to resolve their dispute over the  
24 course of approximately fifteen months of periodic meetings and correspondence. *Id.* Toward the  
25 end of that period, representatives of the plaintiff wrote two separate letters to the defendant’s  
26 counsel stating that the plaintiff would change its brand to one not in conflict with “Mondo.” *Id.*  
27 at \*1-2. The defendant later claimed that the plaintiff breached those “contracts” by failing to  
28 change its brand name so as not to infringe the defendant’s MONDO trademark. *Id.* at \*12. The

1 district court held at the summary judgment stage that the plaintiff’s letters were merely unilateral  
2 statements of intention, and that the record before it did not contain any objective signs of offer,  
3 acceptance, or consideration. *Id.* In the present case, however, Dynacraft’s claim of contract  
4 formation is based not on unilateral statements of intent after more than a year of unfruitful  
5 negotiations, but on the parties’ back-and-forth correspondence over a short period of time. As  
6 apparently was not the case in *Mondo*, that back-and-forth correspondence reasonably could be  
7 interpreted as demonstrating offer, acceptance, and consideration. The present case also is  
8 distinguishable from *Mondo* in that here, the parties’ later correspondence reasonably could be  
9 viewed to suggest that Pacific itself believed that it had entered into a binding contract, as Pacific  
10 referred to the fact that it previously had “agreed” and made a “commitment” to stop selling  
11 Decoy products in order to “resolve” the trademark dispute. Compl. Exh. H.

12 The other cases cited by Pacific likewise are factually distinguishable. Based on the  
13 allegations made in this case, including the parties’ correspondence attached to the complaint, the  
14 Court concludes that Dynacraft plausibly has alleged formation of a contract and breach by  
15 Pacific.

16 **IV. ORDER**

17 For the foregoing reasons, Pacific’s motion to dismiss Dynacraft’s claim for breach of  
18 contract is DENIED.

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20 Dated: January 5, 2017

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BETH LABSON FREEMAN  
United States District Judge

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