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IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF CALIFORNIA

PASSPORT HEALTH, INC., a )  
Maryland corporation, )  
 )  
Plaintiff, )

2:09-cv-01753-GEB-JFM

v. )

ORDER GRANTING IN PART AND  
DENYING IN PART PLAINTIFF'S  
MOTION FOR PARTIAL SUMMARY  
JUDGMENT

TRAVEL MED, INC., a California )  
corporation and GINA FLAHARTY, )  
an individual and citizen of the )  
State of California )  
 )  
Defendants. )

\_\_\_\_\_)  
TRAVEL MED, INC., a California )  
corporation and GINA FLAHARTY, )  
an individual and citizen of the )  
State of California, )  
 )  
Counter-Claimants, )

v. )

PASSPORT HEALTH, INC., a )  
Maryland corporation, )  
 )  
Counter-Claim )  
Defendants. )  
\_\_\_\_\_)

Plaintiff Passport Health, Inc. moves for partial summary judgment on the liability issues in its first, second, fourth, and fifth

1 claims in its amended complaint. Defendants Travel Med, Inc. ("Travel  
2 Med") and Gina Flaharty ("Flaharty") (collectively, "Defendants") oppose  
3 the motion. For the reasons stated below, the motion is granted in part  
4 and denied in part.

5 **I. LEGAL STANDARD**

6 "The moving party [for summary judgment] initially bears the  
7 burden of proving the absence of a genuine issue of material fact." In  
8 re Oracle Corp. Securities Litigation, --- F.3d ----, 2010 WL 4608794,  
9 at \*5 (9th Cir. 2010). "When, as is the case here, the moving party is  
10 a plaintiff, he or she must adduce admissible evidence on all matters as  
11 to which he or she bears the burden of proof." Grimmway Enterprises,  
12 Inc. v. PIC Fresh Global, Inc., 548 F. Supp. 2d 840, 845 (E.D. Cal.  
13 2008). If this burden is sustained, "the burden then shifts to the  
14 non-moving party to designate specific facts demonstrating the existence  
15 of genuine issues for trial." In re Oracle Corp., 2010 WL 4608794 at \*5.  
16 "[W]e must draw all reasonable inferences supported by the evidence in  
17 favor of the non-moving party . . . ." Guidroz-Brault v. Missouri  
18 Pacific R. Co., 254 F.3d 825, 827 (9th Cir. 2001). However, "[a] non-  
19 movant's bald assertions or mere scintilla of evidence in his favor are  
20 both insufficient to withstand summary judgment." F.T.C. v. Stefanchik,  
21 559 F.3d 924, 929 (9th Cir. 2009). Nor does "mere argument . . .  
22 establish a genuine issue of material fact to defeat summary judgment."  
23 MAI Sys. Corp. v. Peak Computer, Inc., 991 F.2d 511, 518 (9th Cir.  
24 1993).

25 Further, Local Rule 260 requires:

26 Each motion for summary judgment . . . [to] be  
27 accompanied by a 'Statement of Undisputed Facts'  
28 that . . . enumerate[s] discretely each of the  
specific material facts relied upon in support of  
the motion and [to] cite the particular portions of  
any pleading, affidavit, deposition, interrogatory

1 answer, admission, or other document relied upon to  
2 establish that fact. . . .

3 Any party opposing a motion for summary judgment .  
4 . . [must] reproduce the itemized facts in the  
5 [moving party's] Statement of Undisputed Facts and  
6 admit those facts that are undisputed and deny  
7 those that are disputed, including with each denial  
8 a citation to the particular portions of any  
9 pleading, affidavit, deposition, interrogatory  
10 answer, admission, or other document relied upon in  
11 support of that denial.

12 E.D. Cal. R. 260 (a)-(b).

13 A party failing to specifically "challenge the facts  
14 identified in the [movant's] statement of undisputed facts, . . . is  
15 deemed to have admitted the validity of the facts contained in the  
16 [movant's] statement." Beard v. Banks, 548 U.S. 521, 527 (2006) (finding  
17 that a party opposing summary judgment who "fail[s] [to] specifically  
18 challenge the facts identified in the [movant's] statement of undisputed  
19 facts . . . is deemed to have admitted the validity of [those]  
20 facts[.]"); see also Farrakhan v. Gregoire, 590 F.3d 989, 1002 (9th Cir.  
21 2010) ("If the moving party's statement of facts are not controverted in  
22 this manner, 'the Court may assume that the facts as claimed by the  
23 moving party are admitted to exist without controversy.'").

## 24 **II. UNCONTROVERTED FACTS**

25 Plaintiff owns the trademark "PASSPORT HEALTH" and has  
26 registered this "trademark with the U.S. Patent and Trademark Office for  
27 travel-and health-care-related services[.]" (Plaintiff's Statement of  
28 Undisputed Facts ("SUF") ¶ 2.)

### 29 **A. Franchise Agreement**

30 Passport Health and Travel Med entered into a Franchise  
31 Agreement in August 2007. Id. ¶ 3. Under the Franchise Agreement,  
32 Passport Health granted Travel Med the right, and Travel Med assumed the  
33 obligation, to operate a Passport Health franchise in a designated area

1 for ten years. Id. The Franchise Agreement's ten year term commenced in  
2 September 2007, upon the opening of Travel Med's franchise. Id. Travel  
3 Med made its last royalty payment to Passport Health in March 2009. Id.  
4 ¶ 11. "After Travel Med breached the Franchise Agreement by failing to  
5 make royalty payments to Passport Health, Travel Med unilaterally  
6 terminated the Franchise Agreement effective June 12, 2009." Id. ¶ 13.  
7 Passport Health "fully performed its obligations under the Franchise  
8 Agreement." Id. ¶ 17.

9 In exchange for the right to own and operate a Passport  
10 Health franchise and use the Passport Health trademark, Travel Med  
11 promised to pay royalties to Plaintiff for the ten year term of the  
12 Franchise Agreement. Id. ¶ 4. The Franchise Agreement does not provide  
13 Travel Med a right of early termination. Id. Travel Med agreed in the  
14 Franchise Agreement that Plaintiff owns the Passport Health trademark.  
15 Id. ¶ 5. The Franchise Agreement includes provisions concerning Travel  
16 Med's post-termination obligations; specifically, upon termination of  
17 the Franchise Agreement, Travel Med was required to stop representing to  
18 the public that it is or was affiliated with Plaintiff and to stop using  
19 the Passport Health trademark. Id. ¶ 6.

#### 20 **B. Guaranty**

21 When Travel Med executed the Franchise Agreement, Flaharty  
22 personally executed a Guaranty, guaranteeing that in the event Travel  
23 Med defaulted on its obligations, Flaharty would personally perform  
24 Travel Med's obligations under the Franchise Agreement. (SUF ¶ 7.)  
25 Flaharty has not performed Travel Med's obligations under the Franchise  
26 Agreement. Id. ¶ 18.

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1 **C. Website**

2 In September 2007, Defendants created a website for Travel Med  
3 at "www.passporthealthnca.com". (SUF ¶ 8.) "When Travel Med agreed to  
4 become a Passport Health Franchise, Travel Med was not provided with a  
5 URL to register by Passport Health. Instead, Travel Med was instructed  
6 to find something that was close to 'Passport Health' to register and to  
7 use as Travel Med's own website." (Separate Statement in Supp. of Defs.'  
8 Opposition ("SSS") ¶ 12.) "Pursuant to that instruction, Travel Med  
9 registered www.passporthealthnca.com as its own website on August 12  
10 2007 and pre-paid for the registration for 4 years, ending in September  
11 2011." Id.

12 "Even though Travel Med stopped making royalty payments to  
13 Passport Health in March 2009, Defendants admit that they used the  
14 PASSPORT HEALTH Trademarks through at least June 12, 2009." (SUF ¶ 12;  
15 SSS ¶ 15.) "[I]n preparation of ceasing to use Passport Health's  
16 name[,]" Defendants created a website for Travel Med at  
17 "www.travelmedinc.com". (SUF ¶ 9; SSS ¶ 12.) "Until at least July 20,  
18 2010, Defendants' www.passporthealthnca.com website automatically  
19 redirected visitors to Defendants' www.travelmedinc.com website." (SUF  
20 ¶ 15.)

21 After Passport Health's attorneys expressed concern  
22 regarding Travel Med's URL www.passporthealth.com in the  
23 summer of 2010, Travel Med added the statement: "Due to  
24 ongoing litigation with Passport Health, the owner of  
25 this URL and website, Travel Med Inc., is unable to  
redirect you at this time. We regret any inconvenience  
this may cause you.["] Both "Passport Health" and "Travel  
Med. Inc." are hyper links that take any visitor to the  
respective websites of Passport Health and Travel Med.

26 (SSS ¶ 13.)

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1 **III. DISCUSSION**

2 **A. Claim One, Breach of the Lanham Act**

3 Plaintiff seeks summary adjudication on the liability portion  
4 of its first claim, in which it alleges Defendants violated "15 U.S.C.  
5 §§ 1114 and 1125(d) [of the Lanham Act] by continuing to use the  
6 PASSPORT HEALTH Trademarks after termination of the Franchise  
7 Agreement." (Mot. 9:26-28; Amended Compl. ¶¶ 19-34.)

8 **1. Trademark Infringement, 15 U.S.C. § 1114(1) (a)**

9 Plaintiff argues Defendants violated § 1114(1) (a) by using the  
10 Passport Health trademark in the domain name "www.passporthealthnca.com"  
11 and by using that website to link to Defendants' website,  
12 "www.travelmedinc.com", for the purpose of marketing and promoting  
13 Defendants' competing travel services. (Mot. 10:3-12:4.) Plaintiff  
14 argues this usage of its trademark is likely to cause confusion or  
15 mistake among perspective or actual customers. Id.

16 "The Lanham Act allows the holder of a protectable trademark  
17 to hold liable any person who, without consent, 'use[s] in commerce any  
18 . . . registered mark in connection with the sale, offering for sale,  
19 distribution, or advertising of any goods or services' which is likely  
20 to cause confusion." KP Permanent Make-Up Inc., v. Lasting Impression I,  
21 Inc., 408 F.3d 596, 602 (9th Cir. 2005) (quoting 15 U.S.C. 1114(1) (a)).  
22 "To prevail on its trademark infringement claim, [Plaintiff] must show  
23 that: (1) it has a valid, protectable trademark, and (2) [Defendants']  
24 use of the mark is likely to cause confusion." Applied Info. Sciences  
25 Corp. v. eBay, Inc., 511 F.3d 966, 969 (9th Cir. 2007).

26 Registration of a trademark "on the Principal Register in the  
27 Patent and Trademark Office constitutes prima facie evidence of the  
28 validity of the registered mark[.]" Brookfield Commc'ns, Inc. v. W.

1 Coast Entm't Corp., 174 F.3d 1036, 1047 (9th Cir. 1999). It is  
2 undisputed that Plaintiff registered its trademark. (SUF ¶ 2.)

3 "Likelihood of confusion exists when consumers viewing the  
4 mark would probably assume that the goods [or services] it represents  
5 are associated with the source of a different product [or service]  
6 identified by a similar mark." KP Permanent Make-Up, 408 F.3d at 608.

7 To analyze likelihood of confusion, we consider the  
8 following eight factors . . . : (1) strength of the  
9 mark(s); (2) relatedness of the goods; (3) similarity of  
10 the marks; (4) evidence of actual confusion; (5)  
11 marketing channels; (6) degree of consumer care; (7) the  
12 defendants' intent; and (8) liklihood of expansion.

13 Surfvivor, 406 F.3d at 631. "The test is a fluid one and the plaintiff  
14 need not satisfy every factor, provided that strong showings are made  
15 with respect to some of [the factors.]" Id.

16 The "www.passporthealthnca.com" domain name is confusingly  
17 similar to Plaintiff's trademark, "Passport Health", since it  
18 incorporates entirely Plaintiff's trademark. See Perfumebay.com Inc. v.  
19 Ebay, Inc., 506 F.3d 1165, 1174 (9th Cir. 2007) (finding the domain name  
20 "perfumebay.com", which completely incorporates eBay's trademark,  
21 "reflects the requisite similarity between the two marks"). In addition,  
22 there is no dispute that Plaintiff and Travel Med offer "competing  
23 travel health services[.]" (SUF ¶ 14.) "Related [services] are generally  
24 more likely than unrelated [services] to confuse the public as to the  
25 [providers] of the [services]." Brookfield, 174 F.3d at 1055. Since  
26 Plaintiff and Travel Med are offering competing services, Defendants'  
27 use of Plaintiff's trademark in the "www.passporthealthnca.com" domain  
28 name creates a likelihood of confusion.

Defendants use of Plaintiff's registered trademark is likely  
to cause confusion and therefore, Defendants violated § 1114(1)(a) of  
the Lanham Act. Therefore, Plaintiff is granted a permanent injunction

1 preventing Defendants' continued use of the "www.passporthealthnca.com"  
2 domain name.

3 **2. Cybersquatting, 15 U.S.C. § 1125(d)**

4 Plaintiff also seeks summary adjudication on the liability  
5 portion of its claim that Defendants violated § 1125(d) by using the  
6 Passport Health trademark in the domain name "www.passporthealthnca.com"  
7 to market and promote Defendants' travel services at their own website,  
8 "www.travelmedinc.com". (Mot. 12:6-13:20.) Defendants argue "[t]here has  
9 been no action by Defendants to confuse the public and no evidence that  
10 Defendants acted in bad faith to 'cybersquat' as alleged in Plaintiff's  
11 motion." (Opp'n 8:24-25.)

12 "The Anti-Cybersquatting Consumer Protection Act establishes  
13 civil liability for 'cyberpiracy' where a plaintiff proves that (1) the  
14 defendant registered, trafficked in, or used a domain name; (2) the  
15 domain name is identical or confusingly similar to a protected mark  
16 owned by the plaintiff; and (3) the defendant acted 'with bad faith  
17 intent to profit from that mark.'" DSPT Intern., Inc. v. Nahum, 624 F.3d  
18 1213, 1218-19 (9th Cir. 2010) (quoting 15 U.S.C. § 1125(d) (1) (A)). "Even  
19 if a domain name was put up innocently and used properly for years, a  
20 person is liable under 15 U.S.C. § 1125(d) if he subsequently uses the  
21 domain name with a bad faith intent to profit from the protected  
22 mark[.]" Id. at 1224.

23 Defendants registered the domain name,  
24 "www.passporthealthnca.com" and continue to use it by providing visitors  
25 to this website with a link to Defendants' website. Defendants had  
26 permission to use Plaintiff's trademark, pursuant to the terms of the  
27 Franchise Agreement, when they registered the domain name. However,  
28 Travel Med terminated the Franchise Agreement, following which



1 Defendants were required to discontinue using Plaintiff's trademark. In  
2 addition, the "www.passporthealthnca.com" domain name is confusingly  
3 similar to Plaintiff's trademark, "Passport Health".

4 Plaintiff argues it "is undisputable that Defendants have  
5 acted in bad faith in using the passporthealthnca.com domain name to  
6 drive and divert traffic to a website for their competing business."  
7 (Mot. 13:12-14.) "In determining whether [Defendants have] a bad faith  
8 intent . . . a court may consider factors" enumerated in 15 U.S.C. §  
9 1125(d)(1)(B)(i). Plaintiff argues "[a]pplication of these factors  
10 demonstrates Defendants' bad-faith intent." (Mot. 13:21.) However, there  
11 is a genuine issue of material fact regarding whether Defendants acted  
12 with bad faith intent and therefore, Plaintiff's motion for summary  
13 adjudication on its claim that Defendants violated § 1125(d) is denied.

14 **B. Claims Two and Four, Breach of the Franchise Agreement**

15 Plaintiff also seeks summary adjudication on the liability  
16 issues involved with its breach of the Franchise Agreement claims. (Mot.  
17 5:28-6:3, 6:23-7:2, 8:4-6; Amended Compl. ¶¶ 35-40, 44-49.)

18 Plaintiff submitted uncontroverted evidence showing that  
19 Passport Health and Travel Med entered into the Franchise Agreement for  
20 a term of ten years, commencing in September 2007. (SUF ¶ 3.) Under the  
21 Franchise Agreement, Travel Med was to pay Passport Health royalties.  
22 Id. ¶ 4. The last royalty payment Travel Med made was in March 2009,  
23 following which Travel Med terminated the Franchise Agreement effective  
24 June 12, 2009. Id. ¶¶ 11, 13. Travel Med defaulted on its obligations by  
25 discontinuing payments and terminating the Franchise Agreement.

26 Defendants argue their affirmative defense alleged under  
27 California's unclean hands doctrine defeats Plaintiff's breach of the  
28 Franchise Agreement claims. (Opp'n 11:16-22.) Defendants argue that

1 Plaintiff "has unclean hands as it relates to attempting to collect  
2 royalty fees against Defendants" because Plaintiff "committed wire fraud  
3 as it relates to Travel Med's group purchase organization and then  
4 denied and attempted to cove[r] up its actions." Id. 10:4-6. Plaintiff  
5 argues "defendants cannot, as a matter of law, prove the fraudulent  
6 intent required under the wire fraud statute (or any of the other  
7 elements of wire fraud), and therefore cannot prove that Passport Health  
8 has unclean hands." (Reply 13:9-11.)

9           The doctrine of unclean hands applies "if the inequitable  
10 conduct occurred in a transaction directly related to the matter before  
11 the court and affects the equitable relationship between the litigants.  
12 In short, the misconduct must infect the cause of action before the  
13 court." Unilogic, Inc. v. Burroughs Corp., 10 Cal. App. 4th 612, 621  
14 (1992) (citation and internal quotation marks omitted). "Accordingly,  
15 relief is not denied because the plaintiff may have acted improperly in  
16 the past or because such prior misconduct may indirectly affect the  
17 problem before the court." Fibreboard Paper Products Corp. v. East Bay  
18 Union of Machinists, 227 Cal. App. 2d 675, 728-29 (1964).

19           Defendants argue Plaintiff committed wire fraud when  
20 Plaintiff's CEO altered and then transmitted a document via fax across  
21 state lines. Defendants rely on the following portion of Flaharty's  
22 declaration in support of this argument: "Travel Med was a member of a  
23 group purchase organization with GlaxoSmithKlien ("GSK") for the  
24 purchase of vaccines at discounted rates" and Plaintiff's CEO  
25 "transmitted a document to GSK to cancel [Defendants'] existing group  
26 purchase organization and to transfer [Defendants] to the Passport  
27 Health group purchase organization." (Decl. of Flaharty ¶ 10.) However,  
28 Flaharty's averments neither demonstrate that Plaintiff committed wire

1 fraud, nor that the alleged misconduct occurred in a transaction  
2 directly related to the rights and responsibilities of the parties under  
3 the Franchise Agreement.

4 Defendants also argue their affirmative defense of illegality  
5 defeats Plaintiff's breach of the Franchise Agreement claims. (Opp'n  
6 11:16-22.) Defendants argue this illegality defense consists of the use  
7 of Plaintiff's software, which exposes patients' confidential  
8 information, in violation of the Health Insurance Portability and  
9 Accountability Act of 1996 ("HIPAA") and the California Confidentiality  
10 of Medical Information Act ("CMIA"). Id. 11:12-18. Defendants argue  
11 because of these illegal acts, they "felt a moral and ethical obligation  
12 to disassociate from Passport Health based on its illegal activities and  
13 based on Passport Health's attempts to cover up its wrongdoing." Id.

14 "A contract is properly held unenforceable pursuant to the  
15 doctrine of illegality only where the party asserting the defense is  
16 incapable of following both the contract and the law. If there are, on  
17 the other hand, facts or circumstances under which the contract could be  
18 held valid, the defense of illegality will not lie." Pet Food Express,  
19 Ltd. v. Royal Canin USA Inc., No. C 09-1483 MHP, 2010 WL 583973, at \*4  
20 (N.D. Cal. February 16, 2010). Defendants have not offered evidence  
21 showing that the Franchise Agreement is illegal. Although Defendants  
22 allege the use of Plaintiff's software was a violation of HIPAA and  
23 CMIA, Defendants have not demonstrated that use of Plaintiff's software  
24 was required under the Franchise Agreement.

25 Since Defendants' affirmative defenses do not demonstrate a  
26 genuine issue of material fact exists for trial, Plaintiff is granted  
27 summary adjudication on the liability portion of its breach of the  
28 Franchise Agreement claims.

1 **C. Claim 5, Breach of Guaranty**

2 Plaintiff seeks summary adjudication on the liability portion  
3 of claim five in which it alleges Flaharty breached the Guaranty. (Mot.  
4 8:9-13, 9:9-11; Amended Compl. ¶¶ 50-54.) Plaintiff has submitted  
5 uncontroverted evidence that Passport Health and Gina Flaharty entered  
6 into the Guaranty in which Flaharty agreed to personally perform Travel  
7 Med's obligations under the Franchise Agreement in the event Travel Med  
8 defaulted on its obligations. (SUF ¶ 7.) Flaharty has not performed  
9 under the Guaranty. Id. ¶ 18. Defendants repeat their arguments that  
10 their affirmative defenses of unclean hands and illegality preclude  
11 summary adjudication on this claim. (Opp'n 7:8-8:7, 9:1-11:18.) However,  
12 these arguments do not present a genuine issue for trial. Therefore,  
13 Plaintiff is granted summary adjudication on the liability portion of  
14 this claim.

15 **IV. CONCLUSION**

16 For the stated reasons, Plaintiffs' motion for partial summary  
17 judgment is granted in part and denied in part. Further, Plaintiff's  
18 request for a permanent injunction is granted as follows:

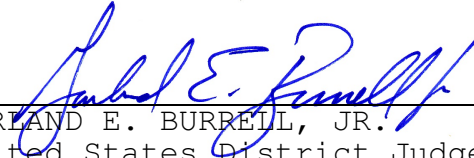
19 Defendants, their officers, agents, servants, employees, and  
20 attorneys, and all other persons who are in active concert or  
21 participation with them, are hereby permanently enjoined from using the  
22 Passport Health trademark, including the use of the  
23 "www.passporthealthnca.com" domain name.

24 Defendants shall transfer the "www.passporthealthnca.com"  
25 domain name to Passport Health within ten days after this Order is  
26 filed.

27 Pursuant to the parties' agreement during the hearing on the  
28 motion sub judice, Defendants shall deliver to Passport Health all

1 refrigerator magnets and yard signs with the Passport Health trademark  
2 and Passport Health's operations manual within ten days after judgment  
3 is entered in this case. However, if this case is resolved without  
4 entry of judgment, the referenced delivery shall be within ten days that  
5 resolution of the case.

6 Dated: February 9, 2011

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GARLAND E. BURRELL, JR.  
United States District Judge

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