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**UNITED STATES DISTRICT COURT**

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**SOUTHERN DISTRICT OF CALIFORNIA**

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SETH WALLACK and SAN DIEGO  
VETERINARY IMAGING, INC.,

CASE NO. 11cv2996-GPC(KSC)

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Plaintiffs,

**ORDER DENYING IDEXX  
DEFENDANTS' MOTION FOR  
SUMMARY JUDGMENT**

12

vs.

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[Dkt. No. 103.]

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IDEXX LABORATORIES, INC.;  
IDEXX REFERENCE  
LABORATORIES, INC.; MATTHEW  
WRIGHT; an individual; and  
STEPHEN WALTERS, an individual

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Defendants.

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<sup>1</sup>Plaintiffs filed a timely opposition on September 4, 2015; however, the opposition was stricken based on non-compliance with the local rules. (Dkt. No. 131.) Plaintiffs corrected the errors and refiled the opposition on October 4, 2015. (Dkt. No. 133.)

1 **Procedural Background**

2 On December 22, 2011, Plaintiffs Wallack and SDVI filed a complaint against  
3 Defendants Idexx, Idexx RL, (collectively “Idexx Defendants” or “Defendants”),  
4 Matthew Wright (“Wright”) and Stephen Walters (“Walters”) alleging numerous  
5 causes of action. (Dkt. No. 1.) After two rounds of motions to dismiss, the operative  
6 second amended complaint, filed on September 26, 2013, asserts causes of action for:  
7 (1) trademark infringement by Plaintiff SDVI against Idexx and Idexx RL; (2) breach  
8 of fiduciary duty by Plaintiff Wallack against Wright and Walters; (3) civil conspiracy  
9 by both Plaintiffs against all Defendants; and (4) request for declaratory relief by both  
10 Plaintiffs against Idexx and Idexx RL. (Dkt. No. 50.) On April 14, 2014, the Court  
11 denied Defendants Wright and Walters’ motion to dismiss the breach of fiduciary duty  
12 claim; and granted Defendants’ motion to dismiss the civil conspiracy claim with  
13 prejudice. (Dkt. No. 68.) On April 15, 2015, the Court granted Defendants Wright  
14 and Walters’ motion for summary judgment on breach of fiduciary duty. (Dkt. No. 99.)

15 The remaining causes of action in the operative second amended complaint are  
16 the first cause of action by SDVI against Idexx Defendants for trademark infringement,  
17 and fourth cause of action by SDVI and Wallack against Idexx Defendants for  
18 declaratory relief relating to the trademark.<sup>2</sup>

19 **Factual Background**

20 Seth Wallack has been a licensed veterinary radiologist for over ten years. (Dkt.  
21 No. 133-2, Wallack Decl. ¶ 2.) He has been the sole shareholder, and President and  
22 CEO of San Diego Veterinary Imaging, Inc. (“SDVI”) since its formation in 2002.  
23 (Dkt. No. 124-2, Concordance of UMF, No. 1.) Wallack conducted his veterinary  
24 radiology practice under SDVI. (Dkt. No. 133-2, Wallack Decl. ¶ 8.) In the early  
25 2000's, he became one of the first veterinary radiologist in the San Diego area to

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26 <sup>2</sup>On May 12, 2014, Idexx Defendants filed a counterclaim against Plaintiffs for  
27 Declaratory Judgment under the Lanham Act, Declaratory Judgment under State  
28 Statutory and Common Law, and Cancellation of Plaintiff SDVI’s Trademark and  
Rectification of the Principal Register. (Dkt. No. 73.) The claims in the counterclaim  
are not subject to the instant motion for summary judgment.

1 promote the use of digital imagery. (Id. ¶ 3.) Traditionally, veterinary radiologists  
2 would “make the rounds” by visiting veterinary offices, clinics and hospitals to  
3 examine images and provide diagnoses and consultations, and would receive x-ray  
4 images by messenger, overnight delivery, or regular mail. (Id.) As a result, the  
5 radiologist would provide his diagnosis one or two days after the x-rays had been  
6 taken. (Id.) In early 2004, Wallack contemplated the development of a software  
7 program that would serve as a “platform” where veterinary radiologists could store  
8 images, analyze and manipulate the images, and provide their consultations online. (Id.  
9 ¶¶ 6, 7.) In 2004, SDVI hired Stephen Walters to assist in programming and coding the  
10 computer platform/website. (Id. ¶ 9.) Wallack and Walters worked together for  
11 months to develop the software platform. (Id.) They agreed that Walters would  
12 eventually become 20% owner in any future company. (Id.) Walters also retained  
13 ownership of the portions of the source code/programmed information he developed  
14 related to the website. (Id.) In early 2005, Wallack named the software DVMInsight  
15 and established a domain name and website called DVMInsight.com. (Id. ¶ 10.) On  
16 April 20, 2005, Wallack filed a trademark application for DVMINSIGHT on behalf of  
17 SDVI for “Veterinary services, namely providing teleradiology interpretation services  
18 and consultation in the field of veterinary medicine via a global computer network” on  
19 an intent-to-use basis. (Dkt. No. 124-2, Concordance of UMF, No. 20.) The  
20 DVMINSIGHT service mark (“Trademark”) was assigned U.S. Registration No.  
21 3,276,808 in early 2007. (Dkt. No. 133-2, Wallack Decl. ¶ 10.)

22 Walters and Wallack worked closely together in 2004 and 2005. (Id. ¶ 12.) In  
23 July 2005, Wallack created and incorporated Veterinary Imaging Center of San Diego  
24 (“VICSD”) which launched in December 2005. (Id. ¶ 13.) VICSD replaced SDVI for  
25 some, but not all of Wallack’s work. (Id.) Wallack conducted conventional veterinary  
26 radiology and tele-radiology under VICSD. (Id.) When performing tele-radiology,  
27 Wallack used the name DVMInsight. (Id.) As a related company, SDVI allowed  
28 VICSD to use the Trademark. (Id.) At the end of November 2005, Dr. Matthew

1 Wright joined Wallack to work at VICSD to work on tele-radiology and to work on the  
2 DVMInsight platform. (Id. ¶ 14.) In 2005 and 2006, Wright became the manager and  
3 resident radiologist at VICSD, and Wallack spent his time “making the rounds” to  
4 veterinary hospitals on behalf of VICSD. (Id.) Wright and Wallack became close  
5 colleagues and they interacted with Walters in order to complete the development of  
6 the software platform. (Id. ¶ 15.)

7 In September 2006, Wallack, Wright and Walters incorporated DVMInsight, Inc.  
8 (“DVMi”) in California. (Dkt. No. 124-2, Concordance of UMF, No. 2.) At the time  
9 of its incorporation, “DVMi was a company with a three-fold purpose: (1) the  
10 development of a software platform (“DVMi platform”) that could be utilized by  
11 veterinarians for teleradiology purposes; (2) the operation of a website at which clients  
12 and providers could use the afore-mentioned software, and (3) the generation of  
13 teleradiology work for Wallack and Wright.” (Id., No. 3.) At the time of DVMi’s  
14 incorporation, Wallack and Wright each owned 40% of DVMi’s outstanding stock, and  
15 Walters, a computer programmer responsible for the development of the DVMi  
16 platform, owned the remaining 20%. (Id., No. 4.)

17 After DVMi was incorporated in September 2006, DVMi furnished  
18 teleradiology services via the DVMInsight.com website and conducted its business  
19 under the name DVMInsight, Inc. until 2011 when its assets were acquired by Idexx  
20 RL. (Id., No. 7.)

21 On December 31, 2009, Wallack’s interest in DVMi was bought out by Walters  
22 and Wright pursuant to a Stock Repurchase Agreement (“SRA”). (Dkt. No. 124-2,  
23 Concordance of UMF, No. 5.) The Trademark was not subject to the SRA. (Dkt. No.  
24 133-1, Ps’ NOL, Ex. H.) Then, in September 2011,<sup>3</sup> IDEXX acquired the assets of  
25 DVMi pursuant to an Asset Purchase Agreement (“APA”). (Dkt. No. 124-2,  
26 Concordance of UMF, No. 6.) The Trademark was listed as an asset of DVMi in the

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28 <sup>3</sup>The Concordance of Undisputed Material Facts incorrectly states that IDEXX  
acquired the assets of DVMi on September 9, 2009. (Dkt. No. 124-2, Concordance of  
UMF, No. 6.)

1 APA. (Dkt. No. 133-11, Ps’ NOL, Ex. G at 33.)

2 After execution of the Stock Repurchase Agreement (“SRA”) in December 2009,  
3 DVMI continued using the DVMINSIGHT trademark name and domain name.  
4 Between execution of the SRA in December 2009 and the execution of the APA in  
5 September 2011, SDVI did not question, control or object to DVMI’s continued use  
6 of the DVMINSIGHT trademark, name or domain name, nor did SDVI seek payment  
7 for such use. (Dkt. No. 124-2, Concordance of UMF, No. 19.)

## 8 Discussion

### 9 A. Legal Standard on Motion for Summary Judgment

10 Federal Rule of Civil Procedure 56 empowers the Court to enter summary  
11 judgment on factually unsupported claims or defenses, and thereby “secure the just,  
12 speedy and inexpensive determination of every action.” Celotex Corp. v. Catrett, 477  
13 U.S. 317, 325, 327 (1986). Summary judgment is appropriate if the “pleadings,  
14 depositions, answers to interrogatories, and admissions on file, together with the  
15 affidavits, if any, show that there is no genuine issue as to any material fact and that the  
16 moving party is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(c). A fact  
17 is material when it affects the outcome of the case. Anderson v. Liberty Lobby, Inc.,  
18 477 U.S. 242, 248 (1986).

19 The moving party bears the initial burden of demonstrating the absence of any  
20 genuine issues of material fact. Celotex Corp., 477 U.S. at 323. The moving party can  
21 satisfy this burden by demonstrating that the nonmoving party failed to make a  
22 showing sufficient to establish an element of his or her claim on which that party will  
23 bear the burden of proof at trial. Id. at 322-23. If the moving party fails to bear the  
24 initial burden, summary judgment must be denied and the court need not consider the  
25 nonmoving party’s evidence. Adickes v. S.H. Kress & Co., 398 U.S. 144, 159-60  
26 (1970).

27 Once the moving party has satisfied this burden, the nonmoving party cannot rest  
28 on the mere allegations or denials of his pleading, but must “go beyond the pleadings

1 and by her own affidavits, or by the ‘depositions, answers to interrogatories, and  
2 admissions on file’ designate ‘specific facts showing that there is a genuine issue for  
3 trial.’” Celotex, 477 U.S. at 324. If the non-moving party fails to make a sufficient  
4 showing of an element of its case, the moving party is entitled to judgment as a matter  
5 of law. Id. at 325. “Where the record taken as a whole could not lead a rational trier  
6 of fact to find for the nonmoving party, there is no ‘genuine issue for trial.’”  
7 Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 587 (1986). In  
8 making this determination, the court must “view[] the evidence in the light most  
9 favorable to the nonmoving party.” Fontana v. Haskin, 262 F.3d 871, 876 (9th Cir.  
10 2001). The Court does not engage in credibility determinations, weighing of evidence,  
11 or drawing of legitimate inferences from the facts; these functions are for the trier of  
12 fact. Anderson, 477 U.S. at 255.

13 **B. First Cause of Action - Trademark Infringement**

14 To demonstrate trademark infringement, a plaintiff must show that it is “(1) the  
15 owner of a valid, protectable mark, and (2) that the alleged infringer is using a  
16 confusingly similar mark.” Herb Redd Enters., LLC v. Florida Entm’t Mgmt., Inc., 736  
17 F.3d 1239, 1247 (9th Cir. 2013) (citing Grocery Outlet, Inc. v. Albertson’s, Inc., 497  
18 F.3d 949, 951 (9th Cir. 2007)). Registration of a mark is prima facie evidence of the  
19 owner’s ownership of the mark and exclusive use of the mark in commerce. 15 U.S.C.  
20 § 1057(b). Once a mark has been registered for five years, it can become  
21 “incontestable. 15 U.S.C. §§ 1065, 1115(b).

22 Wallack created the DVMINSIGHT name in early 2004. (Dkt. No. 133-2,  
23 Wallack Decl. ¶ 10.) SDVI filed a trademark application on April 20, 2005. (Dkt. No.  
24 133-6, Ps’ NOL, Ex. B.) The trademark, DVMINSIGHT, became registered in early  
25 2007. (Dkt. No. 133-2, Wallack Decl. ¶ 10.)

26 Defendants do not dispute the elements of trademark infringement but raise the  
27 affirmative defenses of abandonment, acquiescence, laches and estoppel. They argue  
28 that SDVI abandoned the Trademark by allowing Idexx Defendants’ predecessor in

1 interest, DVMI, to use the mark absent any cognizable or enforceable license. Second,  
2 even if SDVI had licensed the mark to DVMI, SDVI abandoned its trademark rights  
3 by engaging in naked licensing when it failed to exercise quality control over the  
4 Trademark when DVMI was incorporated in September 2006 and continued to fail to  
5 exercise quality control over the Trademark after Wallack sold his shares in DVMI to  
6 Wright and Walters in December 2009.

7 **C. Affirmative Defense - Abandonment**

8 A trademark owner may grant a license and be protected as long as the licensor  
9 exercises quality control of the goods and services sold under the Trademark by the  
10 licensee. Barcamerica Int'l USA Trust v. Tyfield Importers, Inc., 289 F.3d 589, 595-96  
11 (9th Cir. 2002).

12 A mark is deemed to be “abandoned”

13 (1) When its use has been discontinued with intent not to resume such  
14 use. Intent not to resume may be inferred from circumstances. Nonuse  
15 for 3 consecutive years shall be prima facie evidence of abandonment.  
16 “Use” of a mark means the bona fide use of such mark made in the  
17 ordinary course of trade, and not made merely to reserve a right in a  
18 mark.

19 [or]

20 (2) When any course of conduct of the owner, including acts of  
21 omission as well as commission, causes the mark to become the  
22 generic name for the goods or services on or in connection with which  
23 it is used or otherwise to lose its significance as a mark. Purchaser  
24 motivation shall not be a test for determining abandonment under this  
25 paragraph.

26 15 U.S.C. § 1127. Language of abandonment under § 1127(2) reflects policy  
27 considerations underlying the naked licensing defense. Exxon Corp., v. Oxxford  
28 Clothes, Inc., 109 F.3d 1070, 1079 (5th Cir. 1997); see also Tumblebus, Inc. v.  
Cranmer, 399 F.3d 754, 764 (6th Cir. 2005). Naked licensing is an “uncontrolled”  
license where the licensor “fails to exercise adequate quality control over the licensee.”  
Barcamerica Int'l USA Trust, 289 F.3d at 596. Abandonment through naked licensing  
is “purely an ‘involuntary’ forfeiture of trademark rights” so no evidence of any  
subjective intent to abandon the mark is required. Id.

1 Defendants clarify in their reply that they do not argue that SDVI discontinued  
2 use of the trademark with no intent to resume, (Dkt. No. 124, Reply Br. at 5<sup>4</sup> n.2), but  
3 argue that SDVI failed to exercise quality control and failed to police or object to open  
4 claims of ownership of the mark pursuant to 15 U.S.C. § 1127(2).

5 Abandonment must be strictly proved, Prudential Ins. Co. of America v.  
6 Gibraltar Fin. Corp. of Calif., 694 F.2d 1150, 1156 (9th Cir. 1982), and is an issue of  
7 fact. Star-Kist Foods, Inc. v. P.J. Rhodes & Co., 769 F.2d 1393, 1396 (9th Cir. 1985)  
8 (“abandonment “is a factual issue, well within the domain of the district court.”). The  
9 Ninth Circuit has not decided whether “strictly proved” means to prove by clear and  
10 convincing evidence, but the burden of proof is high. Edwin K. Williams & Co., Inc.  
11 v. Edwin K. Williams & Co.-East, 542 F.2d 1053, 1059 (9th Cir. 1976) (since naked  
12 licensing may result in forfeiture of trade mark rights and since owner has no subjective  
13 intent to abandon the mark, a high degree of proof is required); FreecycleSunnyvale v.  
14 Freecycle Network, 626 F.3d 509, 514-515 (9th Cir. 2010) (proper burden of proof  
15 need not be decided in this case because the result would be the same under the higher  
16 standard of proof); Grocery Outlet Inc. v. Albertson’s Inc., 497 F.3d 949, 952-54 (9th  
17 Cir. 2007) (concurring judges split on whether the test is “clear and convincing” or  
18 “preponderance of the evidence.”); Cash Processing Servs. v. Ambient Entm’t, Inc.,  
19 418 F. Supp. 2d 1227, 1231-1232 (D. Nev. 2006) (“Strictly proved” means that  
20 abandonment must be proven by clear and convincing evidence. Summary judgment  
21 of abandonment was denied.); Electro Source, LLC v. Brandess-Kalt-Aetna Group,  
22 Inc., 458 F.3d 931 (9th Cir. 2006) (court of appeals did not decide, but noted that a  
23 district court had held that “strictly proved” means “clear and convincing evidence.”).

24 **1. Oral License**

25 Defendants first argue that SDVI abandoned its rights to the Trademark because  
26  
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28 \_\_\_\_\_  
<sup>4</sup>The pages cited are based on the CM/ECF pagination.



1 there was never a cognizable oral license agreement between SDVI and DVMI.<sup>5</sup>  
2 Plaintiffs argue that lack of an oral license agreement is not critical to the affirmative  
3 defense of abandonment but argue there is an issue of fact as to whether there was an  
4 oral license to use the Trademark when DVMI was incorporated.

5 “Licenses are contracts ‘governed by ordinary principles of state contract law.’”  
6 Dep’t of Parks & Recreation for State of California v. Bazzar del Mundo Inc., 448 F.3d  
7 1118, 1130 (9th Cir. 2006). The elements for an oral license is the same as a written  
8 license. See Careau & Co. v. Security Pacific Bus. Credit, Inc., 222 Cal. App. 3d 1371,  
9 1388 (1990) (breach of written and oral contract require the same elements). “The  
10 consent of the parties to a contract must be: 1. Free; 2. Mutual; and, 3. Communicated  
11 by each to the other.” Cal. Civ. Code § 1565. “An essential element of any contract  
12 is ‘consent.’” Weddington Prods., Inc. v. Flick, 60 Cal. App. 4th 793, 811 (1998)  
13 (citing Cal. Civ. Code § 1550). “Consent is not mutual, unless the parties all agree  
14 upon the same thing in the same sense.” Cal. Civil Code § 1580. In order for a  
15 contract to be enforceable, the terms of the contract must be sufficiently certain.  
16 Weddington Prods., Inc., 60 Cal. App. 4th at 811.

17 Here, Wallack explained that when DVMI was first created, there was no clarity  
18 from the beginning on many issues and everything was “very loose.” (Dkt. No. 103-10,  
19 D’s NOL, Ex. H, Wallack Depo. at 246:5-19.) Plaintiff testified that there was never  
20 any “sit-down” discussion as to how the new corporation, DVMI, would operate. (Id.  
21 at 60:10-13.) He also testified that as to any agreement concerning the intellectual  
22 property to be used by DVMI, it was “very loose oral arrangements regarding all of  
23 these things that was very fluid based on the needs of the people.” (Dkt. No. 103-7,  
24 Ds’ NOL, Ex. H, Wallack Depo. at 62:18-23.) Plaintiff does not recall any discussions  
25 concerning licensing the mark, DVMIN SIGHT, to DVMI. (Id. at 63:11-64:6.) He  
26 testified that “it was common – common knowledge.” (Id. at 63:16-20.) When asked  
27

28 <sup>5</sup>The parties do not dispute that there was no written license agreement regarding DVMI’s use of the DVMIN SIGHT trademark.

1 whether there were any discussions on when he could terminate the license, he stated  
2 that never came up. (Id. at 245:20-246:5.)

3 In opposition, Wallack states that in August 2005, prior to the incorporation of  
4 DVMI, Walters, Wright and he met to discuss finalizing their business relationship  
5 concerning the new tele-radiology website/platform venture. (Dkt. No. 133-2, Wallack  
6 Decl. ¶ 16.) Initial discussions involved Wright to buy 40% stock interest in SDVI and  
7 Walters would receive a 20% stock interest for his prior year efforts of programming  
8 and source coding the platform. (Id. ¶ 16.) To support his assertion, Plaintiff  
9 references the corporate minutes of SDVI in August 2006. (Dkt. No. 133-7, Ps' NOL,  
10 Ex. C.) He states, “[t]hose minutes clearly reflect our mutual agreement that SDVI  
11 would retain ownership of the DVMInsight name and domain until such time that  
12 Wright agreed to pay money to buy his stock interest.” (Id. ¶ 16.) The minutes of the  
13 August 2006 board meeting state, “Transfer of ownership of DVMInsight to  
14 DVMInsight.com. This transfer requires Dr. Matt Wright to pay up front for shares in  
15 DVMInsight.com. Stephen Walters will get options for the value of 0.01. Transfer  
16 will not happen until the shares are paid for. SDVI will retain rights to the name  
17 DVMInsight.com, DVMInsight . . . .” (Dkt. No. 133-7, Ps' NOL, Ex. C at 1.)

18 After the meeting, Wright refused to contribute money to DVMI, and therefore,  
19 the Trademark remained an asset of SDVI. (Dkt. No. 133-2, Wallack Decl. ¶ 16.)  
20 Instead, in early September 2006, Wright, Walters and Wallack agreed to incorporate  
21 a new company called DVMInsight, Inc. (Dkt. No. 133-2, Wallack Decl. ¶ 17; Dkt.  
22 No. 133-8, Ps' NOL, Ex. D.) “DVMI’s business would be to complete the  
23 development of the software, operate a website at which its clients and providers could  
24 use the software, and, to a lesser extent, generate tele-radiology work for Wallack and  
25 Wright at VICSD.” (Dkt. No. 133-2, Wallack Decl. ¶ 17.) Wright and Wallack  
26 received 40% of DVMI’s outstanding stock and Walters received 20%. (Id.) All were  
27 named officers and directors of DVMI. (Id.) Wallack was President and Wright was  
28 Treasurer. (Id.) All three agreed that no personal business assets would be contributed

1 to DVMI. (Id.) For example, SDVI would not contribute the domain name or  
2 ownership of the Trademark once received from the USPTO, Walters would not  
3 contribute his intellectual property in the source coding and programming of the  
4 website, and Wright would not contribute Animal Insides<sup>6</sup> to DVMI. (Id.) He states  
5 that all knew that SDVI retained the ownership of the Trademark and had  
6 allowed/licensed DVMI to use as an “affiliated company” under 15 U.S.C. §  
7 1055(a)(3). (Id. ¶ 17.) According to Wallack, DVMI had no assets; it was a shell  
8 company where everyone had a piece of but did not have to put money into. (Dkt. No.  
9 133-5, Ps’ NOL, Ex. A, Wallack Depo. at 58:13-14.)

10 In reply, Defendants note that Wallack’s statement about the August 2006  
11 minutes is patently false. First, Plaintiff does not provide the complete minutes of  
12 August 30, 2006 and Defendants include it as an exhibit to their reply. (Dkt. No. 124-  
13 1, McGrath Decl., Ex. B at 17.) Second, according to the handwritten minutes in  
14 August 2006 of an SDVI shareholder meeting written by Wallack, he is the only  
15 participant. (Id.) Voting passed with his single vote. (Id. at 18.)

16 In contrast, at his deposition, Wallack stated that Walters and Wright did not  
17 attend the August 2006 SDVI board meeting. (Dkt. No. 124-1, McGrath Decl., Ex. A,  
18 Wallack Depo. at 61:2-9.) Wallack also later confirmed that he, as the sole shareholder  
19 of SDVI, was the only attendee at these board meetings including the one in August.  
20 (Id. at 199-21:201:17.)

21 “The general rule in the Ninth Circuit is that a party cannot create an issue of fact  
22 by an affidavit contradicting his prior deposition testimony.” Van Asdale v. Int’l Game  
23 Tech., 577 F.3d 989, 998 (9th Cir. 2009) (citation omitted). Here, contrary to  
24 Wallack’s declaration stating that Wright, Walters and Wallack had discussed licensing  
25 the Trademark at the August 2006 SDVI board meeting, his deposition testimony and  
26 the minutes themselves, state the contrary. Accordingly, the August 2006 board minute  
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28 <sup>6</sup>Animal Insides, Inc. was an online commentary on veterinary radiology owned  
by Wright. (Dkt. No. 133-2, Wallack Decl. ¶ 15.)

1 does not constitute a genuine issue of material fact that Wright, Wallack and Walters  
2 were engaged in oral communications concerning SDVI's ownership of the Trademark  
3 and SDVI's licensing of the Trademark to DVMI.

4 In his declaration, Wallack further states that all three agreed that no personal  
5 business assets would be contributed to DVMI and that all knew the SDVI retained  
6 ownership of the Trademark and had licensed DVMI to use it. (Dkt. No. 133-2,  
7 Wallack Decl. ¶ 17.) Summary conclusion that all three knew that SDVI granted  
8 DVMI a license does not demonstrate consent by the parties and does not show that the  
9 terms of the license were sufficiently certain. See Weddington Prods., Inc., 60 Cal  
10 App. 4th at 811. Accordingly, the Court concludes that Plaintiffs have not  
11 demonstrated a genuine issue of fact as to whether there was an oral license agreement  
12 concerning the use of DVMINSIGHT by DVMI. Even if there was not an oral license  
13 agreement, Wallack contends that there was an implied license to use the Trademark.

## 14 **2. Implied License - September 2006 through December 2009**

15 Plaintiffs assert there was an implied license to DVMI to use the Trademark  
16 based on the close relationship between the parties and conduct through 2009 as a  
17 "related company." (Dkt. No. 133-2, Wallack Decl. ¶ 17.) When DVMI's assets were  
18 sold to Idexx RL, SDVI terminated the implied license by filing the instant case.  
19 Idexx Defendants argue that SDVI abandoned the DVMINSIGHT trademark through  
20 "naked licensing" by failing to engage in quality control over the Trademark. They  
21 argue that DVMI used the Trademark openly from its incorporation in September 2006  
22 until September 2011, when it was acquired by Idexx. Therefore, DVMI was able to  
23 assign the rights to the Trademark to Idexx RL based on DVMI's abandonment of the  
24 Trademark.

25 A licensor's trademark rights in an express licensing agreement can be destroyed  
26 through naked licensing when the licensor fails to exert quality control over the  
27 trademark. See Barcamerica Int'l USA Trust, 289 F.3d at 595. Even if there is no  
28 express written license agreement, the Ninth Circuit has held that a trademark license

1 may be implied from the conduct of the parties. Dep't of Parks & Recreation for State  
2 of California, 448 F.3d at 1129-30; see also Doeblers' Pennsylvania Hybrids, Inc. v.  
3 Doebler, 442 F.3d 812, 824 (3d Cir. 2006) (in the absence of an express written license  
4 agreement, a trademark license can be implied). In order to determine whether there  
5 is an implied license, courts look to the parties' course of conduct. Dep't of Parks &  
6 Recreation for State of California, 448 F.3d at 1129 (citing McCoy v. Mitsubishi  
7 Cutlery, Inc., 67 F.3d 917, 920, 922 (Fed. Cir. 1995)); Villanova Univ. v. Villanova  
8 Alumni Educ. Fdn., Inc., 123 F. Supp. 2d 293, 308 (E.D. Pa. 2000) ("It is irrelevant  
9 whether the parties thought of the arrangement at the time in terms of an implied  
10 license. The test for whether or not an implied license existed is based solely on the  
11 objective conduct of the parties.") (citations omitted). A license is implied if the  
12 licensor exercised a sufficient degree of control over the licensee's operations. Dep't  
13 of Parks & Recreation for State of California, 448 F.3d at 1131.

14 Trademark owners have a duty to control the quality of their trademarks.  
15 FreecycleSunnyvale v. Freecycle Network, 626 F.3d 509, 515 (9th Cir. 2010) (citing  
16 McCarthy 18:48). A trademark owner may grant a license and be protected as long as  
17 it maintains quality control of the goods and services sold under the trademark by the  
18 licensee is maintained. Barcamerica Int'l USA Trust, 289 F.3d at 595 (affirming  
19 dismissal on summary judgment where plaintiff licensed mark for use on wine with no  
20 quality control provision in the license and plaintiff "played no meaningful role in  
21 holding the wine to a standard of quality - good, bad or otherwise."). "Naked  
22 licensing" occurs when the licensor "fails to exercise adequate quality control over the  
23 licensee." Id. at 596. If a licensor fails to exercise adequate quality control over the  
24 licensee, such a practice is "*inherently deceptive* and constitutes abandonment of any  
25 rights to the trademark by the licensor." Id. at 598 (quoting First Interstate Bancorp v.  
26 Stenquist, 16 U.S.P.Q. 2d 1704 (N.D. Cal. 1990)).

27 Where a licensor fails to exercise adequate quality control over the licensee, the  
28 court may find that trademark owner has abandoned the trademark in which case the

1 owner would be estopped from asserting rights to the trademark. Barcamerica Int’l  
2 USA Trust, 289 F.3d at 596; JIPC Mgm’t, Inc. v. Incredible Pizza Co., Inc., No. CV08-  
3 4310 MMM(PLAx), 2009 WL 8591607, at \*28 (C.D. Cal. July 14, 2009) (quoting Blue  
4 Magic Products, Inc. v. Blue Magic, Inc., No. Civ. S–001155WBSJFM, 2001 WL  
5 34098657, \*5 (E.D. Cal. Sept. 5, 2001) (“[C]ourts have found abandonment . . .when  
6 a trademark owner enters into a ‘naked’ license, which is a ‘grant of permission to use  
7 [the trademark owner’s] mark without attendant provisions to protect the quality of the  
8 goods or services provided under the licensed mark.”)). Because a showing of  
9 subjective intent to abandon the mark is not required, “the proponent of a naked license  
10 theory faces a stringent standard of proof.” Barcamerica Int’l USA Trust, 289 F.3d at  
11 596.

12 “The purpose of the control requirement is the protection of the public. If a  
13 licensor does not maintain control of his licensees in their use of the license, the public  
14 may be damaged by products that, despite their trademark, do not have the normal  
15 quality of such goods.” United States Jaycees v. Philadelphia Jaycees, 639 F.2d 134,  
16 140 (3d Cir. 1981) (citing Edwin K. Williams & Co., Inc. v. Edwin K. Williams &  
17 Co.-East, 542 F.2d 1053, 1059 (9th Cir. 1976)). The amount of control varies  
18 depending on the circumstances. Id. (several year delay does not constitute loss of  
19 control sufficient to prove abandonment in conjunction with no evidence that licensee  
20 offered a lower quality of service); Sheila’s Shine Products, Inc. v. Sheila Shine, Inc.,  
21 486 F.2d 114, 125 (5th Cir. 1973) (three or four years lapse in exercise of control not  
22 enough to work abandonment).

23 The Ninth Circuit has presented a method to analyze the affirmative defense of  
24 naked licensing depending on the type of license. First, the court looks at whether the  
25 license contains an express contractual right to inspect and supervise the licensee’s  
26 operations. FreecycleSunnyvale, 626 F.3d at 516 (citing Barcamerica, 289 F.3d at  
27 596). Second, if there is no express contractual right to inspect, then courts look at  
28 whether the licensor demonstrated actual control over the trademark. Id. at 516-17.

1 Third, if the licensor does not have actual control over the trademark, then courts ask  
2 whether the “licensor is familiar with and relies upon the licensee’s own efforts to  
3 control quality . . . .” Id. at 518.

4 Here, it is undisputed that there was no express contractual license agreement;  
5 thus, there was no express contractual right to inspect and supervise. Second, as to  
6 whether SDVI had actual control over the trademark, Defendants argue that SDVI  
7 exercised no quality control and failed to police or object to open claims of ownership  
8 of the mark by DMVI, on its Terms of Use webpage, for at least five years from  
9 November 2006 until the purchase of DVMI from Idexx Defendants in September  
10 2011. Plaintiffs oppose.

11 When the [dvm insight.com](http://dvm insight.com) website was first developed, Walters created a “Terms  
12 of Use” page accessible to all users of the website. (Dkt. No.103-5, Walters Decl. ¶  
13 3.) In early 2006 the “Terms of Use” page bore the heading “San Diego Veterinary  
14 Imaging, Inc.’s Terms of Use, Web Site Disclaimers and Legal Notices.” (Dkt. No.  
15 103-5, Walters Decl. ¶ 3; Dkt. No. 103-10, Ds’ NOL, Ex. L, Butler Decl., Ex. 1 at 85.)  
16 The “Terms of Use” page stated that “DVMInsight is a service mark of San Diego  
17 Veterinary Imaging, Inc.” (Dkt. No. 103-10, Ds’ NOL, Ex. L, Butler Decl., Ex. 1 at  
18 85.)

19 After DVMI was incorporated in September 2006, in November 2006, Walters  
20 revised the webpage to “DVMInsight’s Inc.’s Terms of Use, Web Site Disclaimers and  
21 Legal Notices.” (Dkt. No. 103-5, Walters Decl. ¶ 4; Dkt. No. 103-10, Ds’ NOL, Ex.  
22 L, Butler Decl., Ex. 2 at 88.) This notice stated, “DVMInsight is a service mark of  
23 DVMInsight.com.<sup>7</sup> (Dkt. No. 103-10, Ds’ NOL, Ex. L, Butler Decl., Ex. 2 at 89.) The  
24 “Terms of Use” page remained the same until September 2011, when Idexx acquired  
25 DVMI’s assets. (Dkt. No. 103-5, Walters Decl. ¶ 5; Dkt. No. 103-10, Ds’ NOL, Ex.  
26 L, Butler Decl., Ex. 3 at 91 (dated June 2010).) In a declaration, Walters states that  
27 after the incorporation of DVMI, he revised the Terms of Use to acknowledge DVMI’s

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28 <sup>7</sup>It is undisputed that DVMinsight.com was owned by SDVI in 2006.

1 ownership interest in the Trademark. (Dkt. No. 103-5, Walters Decl. ¶ 4.) However,  
2 he “inadvertently” identified the “Company” as DVMInsight.com as the owner of the  
3 service mark instead of DVMInsight, Inc. because he viewed both as the same. (Id.)

4 In opposition, Wallack testified that he never knew about the changes on the  
5 Terms of Use page made by Wright until after 2011 or 2012. (Dkt. No. 103-10, Ds’  
6 NOL, Ex. H, Wallack Depo. at 272:12-22; 274:11-18.) However, even if he did know,  
7 Wallack argues that the Terms of Use demonstrate that SDVI owned the service mark  
8 because DVMInsight.com was owned by SDVI in November 2006.

9 The Court notes that while Walters’ designation of DVMInsight.com as the  
10 owner of the Trademark may have been inadvertent, the Court concludes, in viewing  
11 the fact in the light most favorable to SDVI, and the high burden of proof to  
12 demonstrate abandonment, there is a genuine issue of material fact as to whether SDVI  
13 knew about the Terms of Use page. In addition, the Court questions whether failing  
14 to object to the Terms of Use was a failure to exercise quality control over the quality  
15 of the service mark. See, e.g., Nat’l Grange of the Order of Patrons of Husbandry v.  
16 California State Grange, –F. Supp. 3d –, 2015 WL 4369901, at \*7 (E.D. Cal. July 14,  
17 2015) (whether the Brooklyn Grange has referred to its license from plaintiff on its  
18 website has no apparent connection to whether plaintiff has imposed so few restrictions  
19 on the use of its mark that “Grange” has “ceased to function as a symbol of quality and  
20 controlled source.”)

21 In opposition, Plaintiff also argues that as a “related company” it had control  
22 over the mark based on the close working relationship. In his declaration, Wallack  
23 states that he had constant input, control and oversight over the DVMInsight.com  
24 website from 2006 through mid-2009. (Dkt. No. 133-2, Wallack Decl. ¶ 17.)<sup>8</sup> In  
25

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26 <sup>8</sup>Wallack states that all the times leading up to the stock repurchase agreement,  
27 he attended corporate board meetings and maintained as active as possible in exercising  
28 control over DVM business operations including quality control of the contents of the  
website/platform and cites to Exhibit A to NOL, Wallack Deposition, pp. 107:5-8;  
146:2-6; 168:18-24. However, the Court notes that the citation to his deposition is not  
contained in the opposition as Ex. A of Plaintiffs’ NOL and cannot be used to oppose



1 addition, SDVI and DVMI had offices in the same building which promoted the close  
2 working relationship. (Id.)

3 “‘[R]elated company’ means any person whose use of a mark is controlled by the  
4 owner of the mark with respect to the nature and quality of the goods or services on or  
5 in connection with which the mark is used.” 15 U.S.C. § 1127.

6 Where a registered mark or a mark sought to be registered is or may be  
7 used legitimately by related companies, such use shall inure to the  
8 benefit of the registrant or applicant for registration, and such use shall  
9 not affect the validity of such mark or of its registration, provided such  
10 mark is not used in such manner as to deceive the public. If first use of  
11 a mark by a person is controlled by the registrant or applicant for  
12 registration of the mark with respect to the nature and quality of the  
13 goods or services, such first use shall inure to the benefit of the  
14 registrant or applicant, as the case may be.

15 15 U.S.C. § 1055. The test of a “related company” is the same as that used to  
16 determine whether adequate quality control is exercised over a trademark licensee”  
17 McCarthy 18:51. In order to demonstrate related companies doctrine, there must be a  
18 showing of a substantial relationship between the parties. Secular Organizations for  
19 Sobriety, 213 F.3d at 1131. The statute does not require formal corporate control but  
20 only control over the “use of a mark.” Estate of Coll-Monge v. Inner Peace Movement,  
21 524 F.3d 1341, 1348 (D.C. Cir. 2008) (citing Turner v. HMH Pub. Co., 380 F.2d 224,  
22 229 (5th Cir. 1967) (plaintiff as licensor “introduced ample evidence to show that [it]  
23 fully controlled and dictated the nature and quality of the goods and services used in  
24 connection with the trade and service marks by the several [independently owned]  
25 licensees”); 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition  
26 § 18:51 (4th ed. 2005) (term “related” “is not limited to control of a company in  
27 general” but “simply refers to control over the ‘nature and quality of the goods and  
28 services in connection with which the mark is used.’”)).

29 Defendants incorrectly argue that there needs to be formal type of relationship  
30 such as parent-subsidiary relationship or a partnership or a familial relationship in order

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31 Defendants’ motion for summary judgment.

1 to be a “related company” under 15 U.S.C. § 1055. As noted above, the focus is not  
2 on corporate formality but on the quality control over the nature of the quality of the  
3 service.

4 Here, starting in 2004, Wallack and Walters initially worked together for the  
5 development of the software platform of DVMinSight.com, and then in 2005 Wright  
6 joined the venture until their fall out in December 2009. SDVI had filed an application  
7 to register the Trademark in April 2005 prior to the formation of DVMI. The new  
8 venture required close collaboration and trust and all three became close colleagues.  
9 They all had constant input, control and oversight over the DVMinSight.com website.  
10 Based on this relationship, all three became owners and officers when DVMI was  
11 incorporated in September 2006. SDVI and DVMI were also in the same building from  
12 2006 through mid-2009. Idexx Defendants do not raise or dispute the close working  
13 relationship between Wallack, and Wright and Walters during this time period. The  
14 Court concludes that Plaintiff has raised an issue of material fact as to whether SDVI,  
15 through Wallack, maintained actual control over the Trademark from 2006 through  
16 2009.

17 Lastly, Wallack argues he also relied on the many years of close relationship  
18 with the DVMI owners’ and their efforts to not abuse the use of the trademark . (Dkt.  
19 No. 133-2, Wallack Decl. ¶ 22.) “Courts have upheld licensing agreements where the  
20 licensor is familiar with and relies upon the licensee’s *own* efforts to control quality.”  
21 Barcamerica, 289 F.3d at 596 (quoting Morgan Creek Prods., Inc. v. Capital  
22 Cities/ABC, Inc., 22 U.S.P.Q.2d 1881, 1884, 1991 WL 352619 (C.D. Cal. 1991) (citing  
23 Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001, 1017-18 (9th Cir.  
24 1985)); Hokto Kinoko Co. v. Concord Farms, Inc., 738 F.3d 1085, 1098 (9th Cir. 2013)  
25 (“Even absent formal quality control provisions, a trademark owner does not abandon  
26 its trademark where “the particular circumstances of the licensing arrangement”  
27 suggest that the public will not be deceived” such as “where the licensor is familiar  
28 with and relies upon the licensee’s own efforts to control quality.”).

1 In order for a licensor to rely on the licensee's quality control efforts, the Ninth  
2 Circuit requires that the licensor and licensee be involved in a "close working  
3 relationship" to establish adequate quality control in the absence of a formal agreement.  
4 FreecycleSunnyvale, 626 F.3d at 518; Barcamerica Int'l USA Trust, 289 F. 3d at 597  
5 (same) (citing Taco Cabana Int'l Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1121 (5th Cir.  
6 1991) (licensor and licensee enjoyed close working relationship for eight years);  
7 Transgo, 768 F.2d at 1017-18 (finding that the licensor was entitled to rely on the  
8 licensee's own quality control where licensor was familiar with ability and integrity of  
9 licensee); Edwin K. Williams & Co., Inc., 542 F.2d at 1059 (licensor's knowledge of  
10 licensee's competency, in conjunction with highly personalized nature of the licensed  
11 service, provided sufficient protection against public deception to preserve integrity of  
12 licensed name); Taffy Original Designs, Inc. v. Taffy's Inc., 161 U.S.P.Q. 707, 713  
13 (N.D. Ill. 1966) (licensor and licensee were sisters in business together for seventeen  
14 years, licensee's business was a continuation of the licensor's and licensee's prior  
15 business, licensor visited licensee's store from time to time and was satisfied with the  
16 quality of the merchandise offered)). "The purpose of the quality-control requirement  
17 is to prevent public deception that would ensue from variant quality standards under  
18 the same mark." Taco Cabana Int'l Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1121 (5th  
19 Cir. 1991). "Where the license parties have engaged in a close working relationship,  
20 and may justifiably rely on each parties' intimacy with standards and procedures to  
21 ensure consistent quality, and no actual decline in quality standards is demonstrated,  
22 we would depart from the purpose of the law to find an abandonment simply for want  
23 of all the inspection and control formalities." Id.

24 In Taco Cabana, the Fifth Circuit also considered whether there was any  
25 evidence to indicate any decline in the level of quality. Id. at 1122 (no evidence to  
26 indicate any decline in the level of quality or any other evidence that the licensing  
27 arrangement diminished any proprietary rights in the trade dress); see also Land  
28 O'Lakes Creameries, Inc. v. Oconomowoc Canning Co., 330 F.2d 667, 670 (7th Cir.

1 1964) (noting that since there were no complaints about the quality of the goods,  
2 reliance on the licensee's control did not result in a naked license).

3 In this case, Wallack and Walters, starting in 2004, worked closely to develop  
4 a new tele-radiology website/platform that became DVMInsight.com. Wright joined  
5 them in November 2005 to work on both tele-radiology and the DVMInsight platform.  
6 In 2005 and 2006, Wright became the manager and resident radiologist at VICSD.  
7 DVMInsight, Inc. was incorporated in September 2006 where all three were named  
8 officers and directors of DVMI. All three had a close working relationship and were  
9 intimately involved in the creation of the software platform for about four year until the  
10 relationship soured in 2009. Therefore, Plaintiff could reasonably rely on the  
11 licensee's own efforts at quality control. In addition, Defendants have not provided  
12 any evidence that the quality of the service of DVMI has deteriorated or that any  
13 veterinary radiologists complained about the service.

14 Thus, the Court concludes that SDVI has raised a genuine issue of material fact  
15 whether there was an implied license granted to DVMI by SDVI from 2006 through  
16 December 2009.

### 17 **3. Implied License - January 2010-September 2011**

18 Furthermore, Defendants argue that Wallack's departure from DVMI in 2009  
19 after a deterioration of their relationship renders the Trademark abandoned based on  
20 naked licensing since there was no longer a "close working relationship." Wallack  
21 contends he exercised quality control over the Trademark by using the website  
22 hundreds of times from 2010 to 2014 and relied on the close relationship of SDVI and  
23 DVMI, and DVMI's expertise to not use the Trademark in such a way to confuse the  
24 public or lessen the importance of its intended use.<sup>9</sup> Further, Wallack asserts that  
25

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26  
27 <sup>9</sup>Plaintiffs also provide facts as to Wallack's intent concerning use of the  
28 Trademark once the three year non-solicitation clause in the SRA expired. However,  
a licensor's intent is irrelevant to determining whether there was a naked license. See  
Barcamerica Int'l USA Trust, 289 F.3d at 596.

1 throughout 2010 and 2011, SDVI and Wallack continued to monitor the ethos<sup>10</sup> of the  
2 Trademark and continued to use the DVMI platform through SDVI/VICSD, and  
3 reviewed Wright’s monthly DVMInsight Insider Newsletters sent to Wallack via email.  
4 (Dkt. No. 133-2, Wallack Decl. ¶ 22.) Once he learned that Idexx, a conglomerate  
5 corporation, purchased DVMI, Wallack filed suit three months later in December 2011  
6 because the sale was contrary to the ethos of DVMINSIGHT. (Dkt. No. 133-2,  
7 Wallack Decl. ¶ 22.)

8 After the SRA in December 2009, DVMI continued using the Trademark, name  
9 and domain name. (Dkt. No. 124-2, Concordance of SUF, No. 19.) Between  
10 December 2009 and September 2011, when the APA was executed, SDVI did not  
11 question, control or object to DVMI’s continued use of the Trademark, name or domain  
12 name or seek payment for such use. (Id.)

13 The Court concludes that Plaintiffs have raised a genuine issue of material fact  
14 as to whether an implied license existed after the relationship between Wallack, and  
15 Wright and Walters deteriorated and the SPA was executed in December 2009.

16 Defendants cite to Original Rex LLC v. Beautiful Brands Int’l LLC, 792 F. Supp.  
17 2d 1242, 1258 (N.D. Oklahoma 2011) for the proposition that a naked license can arise  
18 if the licensor exits the business and ceases any control over the licensee. Therefore,  
19 Defendants assert that when Wallack gave up his shares in DVMI in 2009, he ceased  
20 any control over DVMI and a naked license ensued. However, the facts in Original  
21 Rex, LLC are distinguishable because the licensor died and the trademark and business  
22 was “passed completely out of the hands of his company” to another corporate entity.  
23 Id. at 1258. In this case, Wallack sold his shares to his partners, who worked closely  
24 with him for four to five years, and DVMI continued its operations with Walters and  
25 Wright, two of the original owners.

26 The Court finds the case of Fusco Group, Inc. v. Loss Consultants Int’l, Inc., 462

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27  
28 <sup>10</sup>Wallack described the ethos of DVMINSIGHT as “empowering the independent veterinary radiologist, who is a small business professional.” (Dkt. No. 133-2, Wallack Decl. ¶ 22.)

1 F. Supp. 2d 321 (N.D.N.Y. 2006) helpful. In Fusco Group, the plaintiffs and defendant  
2 worked together collaboratively from 1997 to 2005 and promoted themselves as one  
3 organization under the same trademark. Id. at 325. Defendant asserted that plaintiffs  
4 were granted an oral, nonexclusive license to use the mark in connection with  
5 plaintiffs' respective businesses while plaintiffs contended that defendant simply  
6 allowed the mark to be used by them in their respective markets and exercised no  
7 control over their use of the mark. Id. Disagreement arose in 2005, which resulted in  
8 litigation. In determining whether there was an abandonment based on lack of control,  
9 the district court noted that relying on the integrity of the licensee is a basis to show the  
10 control requirement where there is a history of trouble-free service. Id. at 331. In  
11 ruling on a motion for preliminary injunction, the court held that plaintiffs failed to  
12 demonstrate that defendant abandoned the mark because the "familial relationship of  
13 the parties, the prior working relationship between Plaintiffs and Defendant prior to the  
14 creation of Plaintiffs' businesses, and the trouble-free collaborative effort between  
15 Plaintiffs and Defendants from 1997 to 2005 all provided defendant a basis to rely on  
16 Plaintiffs." Id. at 331. Despite the falling out between plaintiffs and defendant, the  
17 court looked at the history of the relationship and period of trouble-free working  
18 relationship.

19 Similarly, in this case, while the relationship between Wallack, and Wright and  
20 Walters deteriorated in the latter half of 2009, all three had a close and collaborative  
21 relationship when they were developing the DVMInsight platform from 2004 through  
22 2009. Therefore, this period of trouble-free period in their relationship can be a basis  
23 on which a licensor can rely on the licensee's integrity to fulfill the control  
24 requirement. See id.

25 In sum, in viewing the evidence in light most favorable to Plaintiffs, and the high  
26 burden of proof to demonstrate abandonment, the Court concludes that Plaintiffs have  
27 demonstrated a genuine issue of material fact whether SDVI abandoned the  
28 DVMINSIGHT Trademark based on naked licensing.

1 **D. Affirmative Defense - Acquiescence**

2 Defendants argue that SDVI acquiesced to DVMI’s use of the mark, and thereby  
3 acquiesced to use by DVMI’s successor in interest, the Idexx Defendants. Plaintiffs  
4 oppose.

5 Acquiescence “limits a party’s right to bring suit following an affirmative act by  
6 word or deed by the party that conveys implied consent to another.” Seller Agency  
7 Council v. Kennedy Ctr. for Real Estate Educ., Inc., 621 F.3d 981, 988 (9th Cir. 2010).  
8 It is analogous to an implied license to use the mark. Coach House Rest., Inc. v. Coach  
9 and Six Rests., Inc., 934 F.2d 1551, 1563 (11th Cir. 1991). “While abandonment  
10 results in a loss of rights as against the whole world, laches or acquiescence is a  
11 personal defense which merely results in a loss of rights as against one defendant.”  
12 Sweetheart Plastics, Inc. v. Detroit Forming, Inc., 743 F.2d 1039, 1046 (4th Cir. 1984)  
13 (citing 2 J.T. McCarthy, Trademarks and Unfair Competition 31:15 at 587 (2d ed.  
14 1984)). Acquiescence may be inferred from the trademark owner’s affirmative conduct  
15 toward the defendant such as whether he was aware defendants were using the  
16 trademark and whether he was also involved in selling ingredients to defendant for use  
17 in its product. Ambrosia Chocolate Co. v. Ambrosia Cake Bakery, 165 F.2d 693 (4th  
18 Cir. 1947).

19 The trial court has discretion to determine the applicability of the equitable  
20 doctrine of acquiescence. Seller Agency Council, 621 F.3d at 986. “The elements of  
21 a prima facie case for acquiescence are as follows: (1) the senior user actively  
22 represented that it would not assert a right or a claim; (2) the delay between the active  
23 representation and assertion of the right or claim was not excusable; and (3) the delay  
24 caused the defendant undue prejudice.” Id. at 989. The “active representation” need  
25 not be a “specific endorsement” or formal agreement, but an “implied acquiescence  
26 may be inferred from a clear encouragement of the use of the allegedly infringing mark,  
27 as when, for example, the plaintiff substantially contributes to the marketing of the  
28 allegedly infringing products.” SunAmerica Corp. v. Sun Life Assurance Co. of

1 Canada, 77 F.3d 1325, 1348 (11th Cir. 1996). In Coach House Restaurant, while there  
2 was no formal agreement, there was evidence that the petitioner allowed the registrant  
3 to use the mark as long as the registrant maintained the quality of the restaurant. 934  
4 F.2d at 1563. In the case, registrant used the logo for at least 20 years and accumulated  
5 extensive good will associated with the mark and relied on the lack of objection from  
6 the petitioner. Id. at 1564. The underlying court found that the registrant would suffer  
7 undue prejudice if it were forced to cease the mark. Id.

8 Here, Defendants allege that SDVI admits that it encouraged DVMI's use of the  
9 mark following its incorporation starting in September 2006 while Wallack was  
10 involved with DVMI. (Dkt. No. 50, SAC ¶ 31.) Moreover, SDVI concedes that it  
11 abstained from objecting to DVMI's continued use of the Trademark after Wallack sold  
12 his shares in DVMI. (Id. ¶ 50.) Lastly, Defendants summarily claim that the  
13 "inexcusable delay created undue prejudice to both DVMI and Idexx Defendants who  
14 relied upon the absence of any enforcement action in purchasing the rights to use and  
15 sell services bearing the DVMINSIGHT name and trademark." (Dkt. No. 103-1, Ds'  
16 Memo of P&A at 28.) In response, Plaintiff asserts that the defense of acquiescence  
17 requires an intense factual inquiry and Defendants have failed to cite to any factual  
18 assertion that SDVI actively represented that it would not assert a right or claim against  
19 DVMI. However, active representation is not required for acquiescence but  
20 acquiescence can be implied. See SunAmerica Corp., 77 F.3d at 1348.

21 As discussed above, the Court concluded that there is a genuine issue of material  
22 fact as to whether there was an implied license granted to DVMI to use the Trademark.  
23 Second, besides conclusory statements, Defendants have failed to provide any factual  
24 evidence of undue prejudice to them. Accordingly, the Court DENIES Defendants'  
25 motion for summary judgment based on acquiescence.

26 **E. Affirmative Defense - Laches**

27 The Ninth Circuit has stated that acquiescence and laches are very similar. Seller  
28 Agency Council, Inc., 621 F.3d at 988. "Laches is an equitable time limitation on a



1 party's right to bring suit resting on the maxim that one who seeks the help of a court  
2 of equity must not sleep on his rights." Id. (quoting Jarrow Formulas, Inc. v. Nutrition  
3 Now, Inc., 304 F.3d 829, 835 (9th Cir. 2002)) (citations and internal quotations marks  
4 omitted)). "[A]cquiescence implies active consent, while laches implies a merely  
5 passive consent." Sara Lee Corp. v. Kayser-Roth Corp., 81 F.3d 455, 462 (4th Cir.  
6 1996).

7 Laches requires a showing that "(1) [the] delay in filing suit was unreasonable,  
8 and (2) [that party] would suffer prejudice caused by the delay if the suit were to  
9 continue." Jarrow Formulas, Inc. v. Nutrition Now, Inc., 304 F.3d 829, 838 (9th Cir.  
10 2002). A party asserting laches must show that it suffered prejudice as a result of the  
11 plaintiff's unreasonable delay in filing suit. Id. The limitations period for laches starts  
12 "from the time the plaintiff knew or should have known about its potential cause of  
13 action." Tillamook Cntry. Smoker, Inc. v. Tillamook Cnty. Creamery Assoc., 465 F.3d  
14 1102 (9th Cir. 2006).

15 Here, Defendants argue that there is a presumption of laches since SDVI waited  
16 past the statute of limitations period to assert its rights. They assert it had notice in  
17 November 2006 when the adverse statements of ownership was on the  
18 DVMInsight.com website. Whether the statute of limitations is three year or four  
19 years, the complaint filed in this case on December 20, 2011 indicates a presumption  
20 of laches. However, there is an issue of material fact as to whether SDVI had notice  
21 of the ownership on the "Terms of Use" webpage in November 2006.

22 As to the second factor, Idexx Defendants have not presented any facts of  
23 prejudice to support their laches claim. They assert conclusory statements that Idexx  
24 relied on SDVI's inaction and acquired the rights to the dvminsight.com domain name  
25 and engaged business development since acquiring DVMI. (Dkt. No. 103-1 at 29.)  
26 However, no facts as to undue prejudice are alleged. See Hokto Kinoko Co. v.  
27 Concord Farms, Inc., 810 F. Supp. 2d 1013, 1045 (C.D. Cal. 2011) (denying motion  
28 for summary judgment as there was no factual support of prejudice for claim of laches).

1           Accordingly, the Court DENIES Defendants’ motion for summary judgment  
2 based on laches.

3 **F.     Affirmative Defense - Estoppel**

4           Defendants argue that SDVI’s claim is also barred by estoppel based on its  
5 conduct despite SDVI’s intent. They cite to Saverslak v. Davis-Cleaver Produce Co.,  
6 606 F.2d 208, 213-14 (7th Cir. 1979). Estoppel does not focus on the obligor’s intent  
7 but looks at the effects of his conduct on the obligee. Id. at 213. “An estoppel . . .  
8 arises only when a party’s conduct misleads another to believe that a right will not be  
9 enforced and causes him to act to his detriment in reliance upon this belief.” Id. “Even  
10 if the obligor has not waived a known right, he may be estopped from enforcing it.”  
11 Id. The Ninth Circuit has stated that a determination on estoppel is a question of fact.  
12 U.S. ex rel. Westinghouse Elec. v. James Stewart Co., 336 F.2d 777, 779 (9th Cir.  
13 1964) (citation omitted).

14           Defendants maintain that DVMI and its successor in interest, the Idexx  
15 Defendants relied on SDVI’s inaction and silence in the face of DVMI’s use and open  
16 claims of ownership for over five years. However, as discussed with the other  
17 affirmative defenses, there is an issue of material fact as to whether SDVI was aware  
18 of DVMI’s open claim of ownership of the Trademark on its website. Accordingly, the  
19 Court DENIES Defendants’ motion for summary judgment on the affirmative defense  
20 of estoppel.

21 **G.     Fourth Cause of Action - Declaratory Relief**

22           Because the Court denies Defendants’ motion for summary judgment on the  
23 trademark infringement cause of action, the Court also DENIES Defendants’ motion  
24 for summary judgment on the related claim for declaratory relief.

25 **H.     Request for Judicial Notice**

26           Defendants filed a request for judicial notice of publically filed documents in this  
27 case as well as the endorsed articles of incorporation of DVMI and declaration from  
28 Christopher Butler concerning Internet Archive web pages. (Dkt. No. 103-3.)

1 Plaintiffs did not file an opposition.

2 Under Federal Rule of Civil Procedure (“Rule”) 201, “[t]he court may judicially  
3 notice a fact that is subject to reasonable dispute because it (1) is generally known  
4 within the court’s territorial jurisdiction; or (2) can be accurately and readily  
5 determined from sources whose accuracy cannot reasonably be questioned.” Fed. R.  
6 Civ. P. 201(b). The court may take judicial notice of “court filings and other matters  
7 of public record.” Reyn’s Pasta Bella, LLC v. Visa USA, Inc., 442 F.3d 741, 746 n.  
8 6 (9th Cir. 2006). Articles of incorporation are also subject to judicial notice. See  
9 eBay Inc. v. Digital Point Solutions, Inc., 608 F. Supp. 2d 1156, 1164 n.6 (N.D.Cal.  
10 2009) (judicially noticing articles of incorporation). Lastly, courts have also taken  
11 judicial notice of the contents of internet archives. In re Methyl Tertiary Butyl Ether  
12 (MTBE) Products Liab. Litig., MDL No. 1358 (SAS), 2013 WL 6869410, at \*4 n. 65  
13 (S.D.N.Y. Dec. 30, 2013) (taking judicial notice of existence of reports as of a date  
14 certain based on Internet Archive); Martins v. 3PD, Inc., Civil Action No.  
15 11-11313-DPW, 2013 WL 1320454, at \*16 n.8 (D. Mass. Mar. 28, 2013) (taking  
16 judicial notice of various historical versions of website available on the Internet  
17 Archive as facts readily determinable by resort to a source whose accuracy cannot  
18 reasonably be questioned). Since Defendants’ documents are subject to judicial notice,  
19 and no opposition having been filed, the Court GRANTS Defendants’ request for  
20 judicial notice.

21 **I. Evidentiary Objections**

22 Defendants filed evidentiary objections to Plaintiff’s declaration. (Dkt. No. 124-  
23 3.) The Court notes their objections. To the extent that the evidence is proper under  
24 the Federal Rules of Evidence, the Court considered the evidence. To the extent that  
25 the evidence is not proper, the Court did not consider it.

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**Conclusion**

Based on the above the Court DENIES Idexx Defendants' motion for summary judgment.

IT IS SO ORDERED.

DATED: October 13, 2015

  
HON. GONZALO P. CURIEL  
United States District Judge