

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

BLUE CROSS AND BLUE SHIELD ASSOCIATION,)	
)	
Plaintiff,)	12 C 8196
)	
vs.)	Judge Feinerman
)	
UHS OF DELAWARE, INC., UNIVERSAL HEALTH)	
SERVICES, INC., and WELLINGTON REGIONAL)	
MEDICAL CENTER, INC.,)	
)	
Defendants.)	

MEMORANDUM OPINION AND ORDER

Blue Cross and Blue Shield Association (“BCBSA”) brought this suit against UHS of Delaware, Inc., Universal Health Services, Inc., and Wellington Regional Medical Center, Inc., alleging trademark infringement under 15 U.S.C. § 1114, false designation of origin under 15 U.S.C. § 1125(a), dilution under 15 U.S.C. § 1125(c), and common law breach of contract, trademark infringement, and unfair competition. Doc. 27. Defendants counterclaimed for breach of contract, both written and oral. Doc. 34 at pp. 26-27. Now before the court are Defendants’ motion under Federal Rule of Civil Procedure 12(b)(6) to dismiss BCBSA’s contract claim, Doc. 35, and BCBSA’s Rule 12(b)(6) motion to dismiss Defendants’ oral contract counterclaim, Doc. 52. At the parties’ request, briefing and consideration of the motions were deferred pending settlement discussions. Docs. 70, 73, 79, 86. After the settlement discussions terminated unsuccessfully, Doc. 92, the court set a briefing schedule, Doc. 93, and the parties briefed the motions. For the following reasons, Defendants’ motion is denied and BCBSA’s motion is granted, though Defendants will be given an opportunity to replead their oral contract counterclaim.

Background

In considering the motions to dismiss, the court assumes the truth of the operative complaint's and counterclaims' factual allegations, though not their legal conclusions. *See Munson v. Gaetz*, 673 F.3d 630, 632 (7th Cir. 2012). The court must consider “documents attached to the complaint [and counterclaims], documents that are critical to the complaint [and counterclaims] and referred to in [them], and information that is subject to proper judicial notice,” along with additional facts set forth in BCBSA's and Defendants' respective briefs opposing dismissal, so long as those facts “are consistent with the pleadings.” *Geinosky v. City of Chicago*, 675 F.3d 743, 745 n.1 (7th Cir. 2012). The following facts are stated as favorably to BCBSA (with respect to its claims) and Defendants (with respect to their counterclaims) as these materials allow. *See Gomez v. Randle*, 680 F.3d 859, 864 (7th Cir. 2012).

BCBSA is a not-for-profit, national association of 38 independent and locally operated Blue Cross and Blue Shield companies (“BCBS Member Plans”). Doc. 27 at ¶ 10. BCBSA owns over 240 U.S. federal trademarks and service marks consisting of the image of a blue cross, blue shield, and the words “Blue Cross and Blue Shield” (collectively, the “Blue Marks”). *Id.* at ¶ 11; *see* Docs. 27-1, 27-2. The marks appear in a variety of blue hues. Doc. 27 at ¶ 13. One of BCBSA's most recognizable marks is a blue Greek cross with arms of equal thickness intersecting at right angles. *Ibid.* Here is an example:



Doc. 27-2 at 14. BCBSA licenses the Blue Marks to BCBS Member Plans and other licensees in the healthcare sector. Doc. 27 at ¶¶ 11, 14.

Defendants are engaged in healthcare services. Universal Health Services operates acute care hospitals, behavioral health centers, surgical hospitals, ambulatory surgery centers, and radiation oncology centers throughout the United States. *Id.* at ¶ 15. UHS of Delaware, the management arm of Universal Health Services, owns, licenses, and manages all trademarks and service marks used within the Universal Health Services system of healthcare service providers. *Ibid.* Wellington Regional Medical Center is a healthcare service provider within the Universal Health Services system. *Id.* at ¶ 30. Defendants regularly communicate and share information with each other regarding the selection, adoption, and use of trademarks and service marks for their services and facilities. *Id.* at ¶ 16.

Between June 2003 and October 2009, BCBSA sent several letters to Defendants expressing concern over their use of and registration applications for marks in a cross design in a non-blue color, which BCBSA viewed as posing a risk of infringing on its rights in the Blue Marks. *Id.* at ¶¶ 17-23. In June 2003, BCBSA sent letters to Universal Health Services regarding its mark consisting of a cross design, which was accompanied by the words “Physician Management Services,” and asked if the mark was used in the color blue. *Id.* at ¶¶ 17-18. On or about September 30, 2003, Universal Health Services responded that, with respect to the “Physician Management Services” mark and another mark in a cross design with the words, “River Parishes,” “UHS does not now and does not intend in the future to use this Cross Design in the color blue or shade of blue.” *Ibid.* An identical exchange occurred regarding Universal Health Services’ use of a mark consisting of a cross design with the words, “Lakewood Ranch Medical Center,” and on or about January 9, 2004, Universal Health Services verbally assured

BCBSA that the design was not being used in the color blue. *Id.* at ¶ 19. Between December 9, 2004 and April 2, 2008, BCBSA notified UHS of Delaware that BCBSA would have concerns if it were to use various marks consisting of a cross design in the color blue. *Id.* at ¶¶ 20-23 (referring to two red crosses with the words, “Desert Springs Hospital Medical Center” and “Desert Springs Dream Team Taking Care Above And Beyond,” and two white crosses with the words, “Wound Healing Institute Of Carolina At Aiken Regional” and “Service Excellence It Starts With Me”).

On or about October 6, 2009, BCBSA sent a letter to UHS of Delaware regarding a mark consisting of a cross design with the words, “Texoma Medical Center,” to advise it of BCBSA’s rights in the Blue Marks. *Id.* at ¶ 24. In follow-up correspondence, BCBSA learned that the cross design was in fact being used in the color blue. *Ibid.* On December 22, 2009, BCBSA sued UHS of Delaware and Universal Health Services, alleging trademark infringement, false designation of origin, dilution, and unfair competition. *Id.* at ¶ 25; *see Blue Cross and Blue Shield Assoc. v. UHS of Delaware, Inc.*, No. 09 C 7935 (N.D. Ill. dismissed Aug. 1, 2011). Specifically, BCBSA complained of UHS of Delaware’s and Universal Health Services’s use and application for federal registration of the Texoma cross design in the color blue. *Ibid.*

The parties eventually reached a settlement, which was memorialized in a written agreement (the “Texoma Agreement”). Doc. 37-1.* At its core, the Texoma Agreement restricts UHS of Delaware, Universal Health Services, and all healthcare providers in the UHS system from using and seeking to register certain cross designs. The Texoma Agreement defines the following relevant terms:

* Portions of the Texoma Agreement were originally and provisionally filed under seal at BCBSA’s request. Docs. 40, 42. The Magistrate Judge ordered that the seal be lifted, Docs. 102-103 (reported at 2014 WL 716462 (N.D. Ill. Feb. 25, 2014) (Brown, M.J.)), and BCBSA did not challenge the Magistrate Judge’s ruling.

(c) Color Blue. The term “Color Blue” means blue in color and any color with the commercial impression of blue, such as a shade of blue.

(d) Defendants and UHS. The terms “UHS” and “Defendants” mean the defendants, individually and collectively, UHS of Delaware, Inc. ...; UHS of Texoma, Inc. ...; TexomaCare ...; and Universal Health Services, Inc.

...

(i) Texoma Cross. The term “Texoma Cross” means the design depicted below (including without limitation any variations or derivative designs).



...

(l) UHS System. The term “UHS” system means the acute care hospitals, behavioral health facilities, ambulatory centers, and other health care facilities owned, managed, or otherwise operated by one or more of the Defendants or a parent, subsidiary, division, or otherwise affiliated entity of one or more of the Defendants, now or in the future, including without limitation as described on the UHS website accessible at www.uhsinc.com.

Doc. 37-1 at 2-3, § 1. As of the date of the Texoma Agreement, Wellington Regional Medical Center, St. Mary’s Regional Medical Center, Calvary Addiction Recovery Center, and Mesilla Valley Hospital were all part of the UHS system. Doc. 27 at ¶ 30.

Section 2(a)(1) of the Texoma Agreement states that “UHS will not use the Texoma Cross in the Color Blue, directly or otherwise within or on behalf of the UHS System (or any facility within the UHS System).” Doc. 37-1 at 3, § 2(a)(1). Section 2(a)(2) provides that “UHS will not use, own, seek to register, maintain a registration of, or otherwise seek to establish proprietary rights in a trademark or service mark consisting of or including a cross in the Color Blue, directly or otherwise within or on behalf of the UHS System (or any facility within the UHS System).” *Id.* at 4, § 2(a)(2). Section 2(a)(3) states:

UHS of Delaware will amend each of the Texoma Trademark Filings to expressly exclude any claim to the Color Blue within or as part of the Texoma Cross. Additionally, any future application by UHS for registration of trademarks or service marks consisting of or including a cross will not include any claim to the Color Blue within or as part of the cross and further will expressly exclude the Color Blue within or as part of the cross. Express exclusion of the Color Blue within or as part of the Texoma Cross or any other cross will be effected by UHS using or adding one of the following statements in or to the description of the mark:

- (a) “The cross in the mark is not used and will not be used in the color blue (or any colorable imitation thereof).[”]
- (b) “The cross in the mark is not used and will not be used in the color blue.”
- (c) “The application and any registration resulting from the application exclude the color blue within or as part of the cross in the mark.”
- (d) “The application and any registration resulting from the application claim no right to use the cross in the mark in the color blue.”

Id. at 4, § 2(a)(3). Section 3 provides that “BCBSA will pay UHS the sum of \$130,000” as follows:

- (a) First Payment. Within 10 business days after UHS fulfills its obligations to file the necessary papers to effect the Texoma Trademark Filings or within 10 business days after the Effective Date (whichever is later), BCBSA will make the first payment of \$100,000 to UHS.
- (b) Second Payment. Within[] 10 business days after UHS has both completed the changes required in this Section 2 and the certification in Section 2(b)(4) of this Agreement [certifying completion of the changes by written notice], BCBSA will make the second payment of \$30,000 to UHS.

Id. at 5, § 3.

As of the date of the Texoma Agreement, the Wellington Regional Medical Center website displayed a cross design in the color white at the top of its home page. Doc. 27 at ¶ 32. Sometime later, BCBSA noticed that Defendants changed the Wellington cross design to the color blue, as shown here:



Id. at ¶ 33; *see* Doc. 37-2 at 2; Wellington Regional Medical Center, <http://www.wellingtonregional.com> (last visited May 5, 2014). BCBSA also discovered that Calvary Addiction Recovery Center and Mesilla Valley Hospital were using marks consisting of a cross design in the color blue:



Doc. 27 at ¶ 38; Doc. 37-3 at 3; Doc. 37-4 at 2; Calvary Addiction Recovery Center, <http://www.calvarycenter.com> (last visited May 5, 2014); Mesilla Valley Hospital, <http://mesillavalleyhospital.com> (last visited May 5, 2014).

In addition, BCBSA discovered that UHS of Delaware had filed applications to register marks consisting of or including a cross that did not contain the exclusionary language required by § 2(a)(3). Doc. 27 at ¶ 34. These applications included the Valley Star and St. Mary's applications seeking registrations of the following marks, which UHS of Delaware described as including a "cross":



Id. at ¶¶ 35, 37; Doc. 37-5 at 2; Doc. 37-6 at 2; Valley Hospital Medical Center, <http://www.valleyhospital.net> (last visited May 5, 2014); St. Mary's Regional Medical Center, <http://www.stmarysregional.com> (last visited May 5, 2014). The St. Mary's applications initially

included the exclusionary language set forth in § 2(a)(3), but on or about September 12, 2012, UHS of Delaware amended the application to delete that language. Doc. 27 at ¶ 37.

BCBSA filed this suit on October 11, 2012. Doc. 1. Count I of the amended complaint alleges that UHS of Delaware and Universal Health Services violated § 2(a)(2) of the Texoma Agreement by using the Wellington, Calvary, and Mesilla cross designs in the color blue, and violated § 2(a)(3) in its registration applications for the Valley Star and St. Mary's marks. Doc. 27 at ¶¶ 40-43. In Counts II-V, which Defendants have not moved to dismiss, BCBSA alleges federal trademark infringement, false designation of origin, dilution, and common law trademark and unfair competition. *Id.* at ¶¶ 44-60.

With respect to counterclaims, Defendants allege that although BCBSA paid the \$100,000 required by § 3(a) of the Texoma Agreement, it has failed to pay the \$30,000 required by § 3(b). Doc. 34 at p. 25, ¶ 15. On October 10, 2012, BCBSA's general counsel orally offered to UHS of Delaware's general counsel to resolve the above-referenced dispute over the Wellington logo as follows: UHS of Delaware would change the Wellington logo to a color other than blue, and BCBSA would pay UHS of Delaware the costs of changing the color and the \$30,000 outstanding balance under § 3(b). *Id.* at pp. 25-26, ¶¶ 16-17; *see also* Doc. 100 at 7 ("The costs to be paid by BCBSA are associated with a specific task, namely, changing the Wellington logo."). The next day, on October 11, 2012, BCBSA filed this suit. Doc. 1. UHS of Delaware subsequently accepted the terms of the oral offer. Doc. 34 at p. 27, ¶ 25. In their response brief, which the court may consider on a Rule 12(b)(6) motion, *see Geinosky*, 675 F.3d at 745 n.1, Defendants add that BCBSA and UHS of Delaware agreed that "the *only* change that would be made to the [Wellington] logo would be to the color of the logo to something other

than blue.” Doc. 100 at 7. Defendants further add that UHS of Delaware agreed to provide BCBSA with a calculation of the costs for changing the logo. *Id.* at 2.

Defendants filed their counterclaims on July 8, 2013. Doc. 34 at 26-27. Count I, which is not the subject of BCBSA’s motion to dismiss, alleges that BCBSA breached § 3(b) of the Texoma Agreement by failing to pay the remaining \$30,000. *Id.* at p. 26, ¶¶ 19-23. Count II alleges that BCBSA breached the terms of the oral agreement by failing to pay the costs associated with changing the Wellington logo and the \$30,000 previously owed under § 3(b). *Id.* at pp. 26-27, ¶¶ 24-28.

Discussion

I. Defendants’ Motion to Dismiss

In seeking dismissal of BCBSA’s contract claim, Defendants argue that the Texoma Agreement prohibits the use only of “full ‘Greek’ crosses in blue,” and that because none of the challenged marks (Wellington, Calvary, Mesilla, Valley Star, and St. Mary’s) consist of full Greek crosses in blue, they are not subject to, and therefore cannot breach, §§ 2(a)(2) or 2(a)(3). Doc. 37 at 5-9. While expressing no opinion as to whether Defendants could prevail on their argument at summary judgment or trial, the court holds that Defendants cannot prevail on a Rule 12(b)(6) motion.

The Texoma Agreement is governed by Illinois law. Doc. 37-1 at 2. Illinois law provides: “An agreement, when reduced to writing, must be presumed to speak the intention of the parties who signed it. It speaks for itself, and the intention with which it was executed must be determined from the language used. It is not to be changed by extrinsic evidence.” *Air Safety, Inc. v. Teachers Realty Corp.*, 706 N.E.2d 882, 884 (Ill. 1999) (internal quotation marks omitted); *see also Camico Mut. Ins. Co. v. Citizens Bank*, 474 F.3d 989, 992-93 (7th Cir. 2007)

(“Under Illinois law, which the parties agree governs, contracts are interpreted according to the ‘four corners’ rule.”); *Davis v. G.N. Mortg. Corp.*, 396 F.3d 869, 878 (7th Cir. 2005) (same). Put another way, a court interpreting a contract looks first to its text, and if the text is “facially unambiguous, then the contract is interpreted by the trial court as a matter of law without the use of parol evidence.” *Air Safety*, 706 N.E.2d at 884; *see also SMS Demag Aktiengesellschaft v. Material Sciences Corp.*, 565 F.3d 365, 372 (7th Cir. 2009) (“Under Illinois’s ‘four corners’ rule, if a written agreement is unambiguous, then the scope of the parties’ obligations must be determined from the contract language without reference to extrinsic evidence.”). “If, however, the trial court finds that the language of the contract is susceptible to more than one meaning, then an ambiguity is present” and the court may look to extrinsic evidence. *Air Safety*, 706 N.E.2d at 884; *see also Brooklyn Bagel Boys, Inc. v. Earthgrains Refrigerated Dough Prods., Inc.*, 212 F.3d 373, 380 (7th Cir. 2000) (“Notwithstanding the parol evidence rule, extrinsic evidence can be admitted to discover the parties’ genuine intent when a contract is ambiguous.”). That said, in evaluating Defendants’ Rule 12(b)(6) motion, the court will not consider extrinsic evidence because Defendants themselves state for purposes of their motion that the Texoma Agreement is unambiguous and therefore that “recourse to extrinsic evidence is unnecessary.” Doc. 104 at 4 (“[C]ontrary to BCBSA’s suggestion, Defendants have not raised any questions of fact. ... The parties’ interpretation of the Texoma Agreement may be determined simply by looking at the Agreement’s language.”).

Section 2(a)(2) of the Texoma Agreement provides that “UHS will not use, own, seek to register, maintain a registration of, or otherwise seek to establish proprietary rights in a trademark or service mark consisting of or including *a cross* in the Color Blue.” Doc. 37-1 at 4, § 2(a)(2) (emphasis added). Defendants acknowledge that the Texoma Agreement does not

“verbally specify which type of ‘crosses’ are covered by its provisions or use the term ‘full’ or ‘complete,’ to further refine the definition of prohibited blue crosses.” Doc. 37 at 6.

Nonetheless, Defendants argue that by “simply looking at the Agreement’s language,” “the *only* cross contemplated by the parties is a full, blue, ‘Greek’ cross.” Doc. 104 at 4-5 (emphasis added). In support, Defendants note that the Texoma Agreement: (1) “repeated[ly] use[s] ... the term ‘cross,’”; (2) is devoid “of any references to, much less prohibitions on the use of, incomplete or partial crosses”; and (3) defines “Texoma Cross” by “an actual image of the mark, a full, not partial, ‘Greek’ cross consisting of four arms of equal length with square shaped ends.” Doc. 37 at 6. Defendants also focus on the “fact ... that the only identified cross in the entire Agreement is the Texoma Cross which is a ‘Greek’ cross,” Doc. 104 at 4, and maintain that “[h]ad BCBSA wished to prohibit UHS’s use of ‘partial’ [or non-Greek] crosses, it could certainly have sought to do so through express language that can be found nowhere in the Texoma Agreement,” Doc. 37 at 7 n.1. For these reasons, Defendants concluded that the Wellington, Calvary, and Mesilla crosses cannot violate § 2(a)(2) because they are not full, Greek crosses.

Defendants’ premise that the term “cross” in § 2(a)(2) and the Texoma Agreement as a whole unambiguously refers only to a “full, blue, ‘Greek’ cross” is not compelled by the agreement’s text. The agreement does not define the term “cross” at all, let alone as “full” or “Greek” or “blue,” and the term “cross” is susceptible to other definitions. A common dictionary defines “cross” as “[a]ny of various modifications of the cross design, such as a Latin cross or Maltese cross.” American Heritage Dictionary, <http://ahdictionary.com/word/search.html?q=cross&submit.x=28&submit.y=8> (last visited May 5, 2014). And the U.S. Patent and Trademark Office has designated sub-categories for

“crosses,” including Latin crosses, Greek crosses, “crosses formed by inscriptions,” “crosses with rays or radiating lines,” and “other crosses, including ankh, maltese.” U.S. Trademark Design Search Code Manual, http://tess2.uspto.gov/tmdb/dscm/dsc_24.htm#2413 (last visited May 5, 2014).

The fact that § 1(i) of the Texoma Agreement uses a full Greek cross to illustrate the term “Texoma Cross” does not necessarily mean that the term “cross” can refer only to a full Greek cross. As an initial matter, the agreement’s definition of “Texoma Cross” is “the design depicted below”—the full Greek cross reproduced earlier in this opinion—“*including* without limitation *any variations or derivative designs.*” Doc. 37-1 at 3, § 1(i) (emphasis added). A “variation or derivative design[]” of a full Greek cross need not be a full Greek cross; it can conceivably be a partial cross or another kind of cross. In any event, even if the “Texoma Cross” could be only a full Greek cross, the Texoma Agreement does not indisputably equate the terms “Texoma Cross” and “cross.” There is, in fact, strong textual evidence to the contrary. Section 2(a)(3) provides that “[e]xpress exclusion of the Color Blue within or as part of the Texoma Cross or *any other cross* will be effected by UHS using or adding one of [four provided] statements in or to the description of the mark.” *Id.* at 4, § 2(a)(3) (emphasis added). By using the terms “Texoma Cross” and “any other cross” in the same sentence, the Texoma Agreement appears to recognize that the term “cross” encompasses crosses other than crosses like the “Texoma Cross,” and therefore that a “cross” can be a cross other than a full Greek cross. The same inference can be drawn from the fact that § 2(a)(1) prohibits the “use [of] the *Texoma Cross* in the Color Blue,” while § 2(a)(2) imposes prohibitions on the “use ... [of] a trademark or service mark consisting of or including *a cross* in the Color Blue.” *Id.* at 3-4, § 2(a)(1), (2) (emphasis added). On a Rule 12(b)(6) motion, the court cannot adopt Defendants’ contrary interpretation.

Equally unpersuasive is Defendants' argument that the "plain language" of the Texoma Agreement shows that UHS's registration application for the Valley Star mark, which consists of a white Greek cross, does not violate § 2(a)(3) because "there is no blue within or as part of the cross as required by Section 2(a)(3)." Doc. 104 at 5-6; *see also* Doc. 37-5 at 2. Section 2(a)(3) states that "any future application by UHS for registration of trademarks or service marks *consisting of or including a cross* will not include any claim to the Color Blue within or as part of the cross *and further* will expressly exclude the Color Blue within or as part of the cross," and that "[e]xpress exclusion of the Color Blue within or as part of the Texoma Cross *or any other cross* will be effected by UHS using or adding one of the following [four] statements in or to the description of the mark." Doc. 37-1 at 4, § 2(a)(3) (emphasis added). Section 2(a)(3) applies to "any future application by UHS for registration of trademarks or service marks consisting of or including *a cross*"—which appears to refer to any cross and not just crosses that are wholly or partially blue. Thus, § 2(a)(3) would apply to the Valley Star mark, and because UHS's registration application for the Valley Star mark does not contain any of the four exclusionary statements set forth in § 2(a)(3), BCBSA has stated a viable claim for breach of that provision. Again, the court cannot adopt Defendants' contrary interpretation on a Rule 12(b)(6) motion.

Finally, Defendants contend that the St. Mary's registration application does not violate § 2(a)(3) because the St. Mary's cross is a Christian cross and not a Greek cross. Doc. 37 at 9. That contention fails at the Rule 12(b)(6) stage for the reasons given above for denying dismissal of the § 2(a)(2) claims as to the Wellington, Calvary, and Mesilla marks.

Because the most that can possibly be said in Defendants' favor is that the Texoma Agreement is ambiguous as to whether the term "cross" is limited to a full, blue Greek cross, the court cannot conclude that BCBSA has no viable claim that Defendants violated § 2(a)(2) with

respect to the Wellington, Calvary, and Mesilla marks, and § 2(a)(3) with respect to the registration applications for the Valley Star and St. Mary's marks. BCBSA's contract claim therefore survives dismissal. Defendants may argue on summary judgment that the term "cross" is ambiguous and, if they prevail on that argument, may submit extrinsic evidence to support their interpretation. *See Air Safety*, 706 N.E.2d at 884; *Brooklyn Bagel*, 212 F.3d at 380-81 ("extrinsic evidence can be admitted to discover the parties' genuine intent when a contract is ambiguous"); *Sethness-Greenleaf, Inc. v. Green River Corp.*, 65 F.3d 64, 67 (7th Cir. 1995) ("a 'course of dealing' or 'course of performance' can be used to flesh out an ambiguous or incomplete agreement"); *Marathon Plastics, Inc. v. Int'l Ins. Co.*, 514 N.E.2d 479, 486 (Ill. App. 1987) ("While usually the terms of a written agreement will be the only items considered in interpreting the agreement, in an ambiguous contract, custom and usage evidence is admissible. The court may also look at the interpretation which the parties have placed on the agreement as shown by their contemporaneous or subsequent acts or conduct.") (citations omitted), *overruled on other grounds by Traveler's Ins. Co. v. Eljer Mfg., Inc.*, 757 N.E.2d 481 (Ill. 2001).

II. BCBSA's Motion to Dismiss

BCBSA advances two grounds for dismissing Defendants' oral contract counterclaim: (1) that "[t]he contract terms that Defendants allege as the basis for ... Count II are indefinite," Doc. 54 at 4-7; and (2) that "Defendants have not alleged that they have made any change [to the Wellington logo], so no payment obligation would have been triggered under the alleged contract," *id.* at 6. The second ground warrants dismissal.

As noted above, the alleged oral agreement provides that UHS of Delaware would change the Wellington logo to a color other than blue, and that BCBS would pay UHS of Delaware the costs of changing the color plus the \$30,000 required by § 3(b) of the Texoma Agreement. Doc.

34 at p. 27, ¶ 25; Doc. 100 at 7. The parties agree that Illinois law governs, and so that is the law that the court will apply. *See McFarland v. Gen. Am. Life Ins. Co.*, 149 F.3d 583, 586 (7th Cir. 1998). “The required elements of a breach of contract claim in Illinois are the standard ones of common law: (1) offer and acceptance, (2) consideration, (3) definite and certain terms, (4) performance by the [party alleging breach of contract] of all required conditions, (5) breach, and (6) damages.” *Wigod v. Wells Fargo Bank, N.A.*, 673 F.3d 547, 560 (7th Cir. 2012) (internal quotation marks omitted). The counterclaim does not satisfy the fourth element.

Nowhere in their counterclaims or response brief do Defendants allege or assert that they ever changed the Wellington logo from blue to a different color. In fact, the logo on the current Wellington website still features a partial cross in the color blue. *See* Wellington Regional Medical Center, <http://www.wellingtonregional.com> (last visited May 5, 2014). Despite having ample opportunity to do so in their response brief, Defendants do not directly address BCBSA’s contention that “Defendants have not alleged that they have made any change [to the Wellington logo].” Doc. 54 at 6. Instead, Defendants state only that “UHS sufficiently pled the required elements of a breach of contract claim by alleging its unequivocal assent to BCBSA’s offer to settle the dispute.” Doc. 100 at 7. This response misses the mark. Acceptance is only one element of a contract claim. Because Defendants fail to allege that they performed their end of the oral agreement—changing the Wellington logo to a color other than blue—they have not stated a contract claim. *See Artistic Framing, Inc. v. Hospitality Res., Inc.*, 2013 WL 317019, at *3 (N.D. Ill. Jan. 24, 2013) (dismissing a contract claim on the ground that the plaintiff did not allege that it fully performed its contractual obligations, noting that “[the plaintiff]’s claim that it completed orders does not clarify whether its completion of those orders meets the requirements under the parties’ contract”); *cf. Tucker v. Soy Capital Bank & Trust Co.*, 974 N.E.2d 820, 834

(Ill. App. 2012) (recognizing that “[i]n order to maintain a cause of action for breach of contract, plaintiffs must allege ... performance of all conditions to be performed by the plaintiff,” and declining to dismiss for failure to satisfy that requirement where the “[p]laintiffs alleged in their first amended complaint that they performed all their duties under the agreement”).

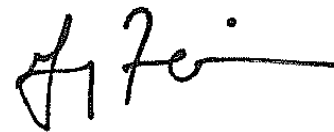
For the sake of completeness, the court addresses BCBSA’s contention that the alleged oral agreement suffers from the lack of definite and certain terms with respect to the price to be paid for changing the Wellington logo. Doc. 54 at 4-6; Doc. 105 at 5-10. It is true that the alleged oral agreement does not specify a price term and provides only that BCBSA would pay the costs associated with changing the Wellington logo to a color other than blue, and that a “contract is rightly deemed unenforceable for indefiniteness when it leaves out (1) a crucial term that (2) a court cannot reasonably be asked to supply in the name of interpretation.” *ATA Airlines, Inc. v. Fed. Exp. Corp.*, 665 F.3d 882, 887 (7th Cir. 2011) (internal quotation marks omitted). With respect to price terms: “It is quite customary for ... contracts involving the future delivery of goods to leave the element of price open for determination at a later date. However, while it is not essential that price be specifically fixed by the contract, it is clear from the cases that there must be some method agreed upon for definitely ascertaining it.” *Anderson & Brown Co. v. Anderson*, 161 F.2d 974, 977 (7th Cir. 1947); *see also Cobble Hill Nursing Home, Inc. v. Henry & Warren Corp.*, 548 N.E.2d 203, 206 (N.Y. App. 1989) (“[A] price term is not necessarily indefinite because the agreement fails to specify a dollar figure, or leaves fixing the amount for the future, or contains no computational formula. Where at the time of agreement the parties have manifested their intent to be bound, a price term may be sufficiently definite if the amount can be determined objectively without the need for new expressions by the parties”).

Here, the costs associated with UHS changing the color of the Wellington logo is objectively ascertainable. Defendants’ response brief asserts that they “agreed to provide BCBSA a calculation of the costs for changing the logo” and that BCBSA agreed to be bound to this amount. Doc. 100 at 2. It follows that the alleged price term is sufficiently definite to make an enforceable contract. *See Cobble Hill Nursing Home, Inc.*, 548 N.E.2d at 206-207 (holding that the price term was sufficiently definite where the agreement “manifest[ed] the parties’ unmistakable intent that price [of the nursing home] was to be fixed by ... the Department of Health ... in accordance with the Public Health Law and all applicable rules and regulations”) (internal quotation marks omitted); *City of Kenai v. Ferguson*, 732 P.2d 184, 187-88 (Alaska 1987) (same, where the contract did not specify the amount of future rental payments but provided that the amount of rent was subject to renegotiation every five years over the fifty-five-year duration of the lease, reasoning that “[i]t is clear that the parties contemplated that the rent over this fifty-five-year term would be adjusted to fluctuations in market conditions”).

Conclusion

For the foregoing reasons, Defendants’ motion to dismiss is denied, and BCBSA’s motion to dismiss is granted. Defendants’ oral contract counterclaim is dismissed without prejudice. Defendants have until May 22, 2014, to file an amended oral contract counterclaim. If Defendants do not file an amended oral contract counterclaim, the dismissal will convert to a dismissal with prejudice. If Defendants file an amended oral contract counterclaim, BCBSA has until June 12, 2014, to answer or otherwise plead to that counterclaim.

May 8, 2014



United States District Judge