

1
2 UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
3 AT SEATTLE

4 REALNETWORKS, INC.,

5 Plaintiff(s),

6 v.

7 QSA TOOLWORKS, LLC,

8 Defendant(s).

NO. C07-1959MJP

ORDER ON CROSS-MOTIONS FOR
SUMMARY JUDGMENT

9
10 The above-entitled Court, having received and reviewed

- 11 1. Defendant QSA ToolWorks LLC's Motion for Partial Summary Judgment (Dkt. No. 64)
- 12 2. Plaintiff RealNetworks, Inc.'s Opposition to Defendant QSA ToolWorks LLC's Motion for
13 Partial Summary Judgment (Dkt. No. 79)
- 14 3. Plaintiff RealNetworks, Inc.'s Motion for Summary Judgment (Dkt. No. 71)
- 15 4. Defendant QSA ToolWorks LLC's Response to Plaintiff RealNetworks, Inc.'s Motion for
16 Summary Judgment (Dkt. No. 81)

17 and all attached declarations and exhibits, makes the following ruling:

18 IT IS ORDERED that Plaintiff's motion for summary judgment on the issue of "likelihood of
19 confusion" is GRANTED; the Court finds as a matter of law that there is no likelihood of confusion
20 between the "Helix" products created by RealNetworks, Inc. and QSA ToolWorks, LLC.

21 IT IS FURTHER ORDERED that Defendant's motion for summary judgment on the issue of
22 the nature of the Consent Agreement is GRANTED; the Court finds that the Consent Agreement
23 between RealNetworks, Inc. and The Chip Merchant ("TCM") was executory in nature and is deemed
24 rejected by the trustee in the bankruptcy of TCM. The Court makes no finding on the legal
25 consequences of that rejection.

26 **ORD ON CROSS-MTNS
FOR SUMM JMT - 1**

1 IT IS FURTHER ORDERED that summary judgment for either party on the remaining issues
2 is DENIED.

3 **Background**

4 In 1985, a man named Brian Turner formed a hardware corporation called The Chip Merchant
5 (“TCM”). TCM purchased, in 1997, the assets (software code, customer lists, trademarks, copyright,
6 good will) for a relational database technology known as “Helix.” TCM registered, in its name,
7 trademarks for HELIX and HELIX RADE. In December of 2000, TCM created a wholly-owned
8 subsidiary, Helix Software Technologies (“HST”).

9 On January 1, 2001, a document entitled “Bill of Sale and General Assignment” was executed
10 between TCM and HST (Brian Turner, in his capacity as president of both companies, was the sole
11 signatory). The document stated that TCM was assigning to HST “[a]ll trade names, trade styles,
12 trademarks. . . and all U.S., federal, state, foreign and other registrations and applications thereof in all
13 classes.” Exh. 7, ¶ 1(e), Declaration of Tranckino. Although dated January 1, 2001, the Bill of Sale
14 and General Assignment was not filed with the Patent and Trade Office (“PTO”) until April 1, 2009.
15 HST never registered the “Helix” marks in its name.

16 In late June and early July of 2002, Plaintiff RealNetworks, Inc. (“RN”) entered into a Consent
17 Agreement (the “Agreement”) with TCM regarding co-extensive use of the “Helix” mark. The
18 Agreement warrants that TCM owns “all right, title and interest in the TCM Marks” (Declaration of
19 Engel, Exh. 11, ¶ 5), which are defined in that document as “several United States registrations and
20 pending applications for trademarks including the word ‘HELIX’ for some or all of the TCM Goods
21 and Services.” *Id.*, ¶ A. Further, the Agreement purports to bind “assigns, affiliates, related
22 companies and licensees of each party...” *Id.*, ¶ 6. On July 18, 2002, RN filed applications to register
23 “Helix” and “Helix (and Design)” as trademarks with the PTO. That same month, RN began releasing
24 a digital media software platform under the name “RN Helix.”

1 In April of 2003, TCM filed for bankruptcy under Chapter 11 of the Bankruptcy Code; the
2 filing was later converted to a Chapter 7 proceeding. TCM represented in their Schedule B/Personal
3 Property declaration pursuant to that filing that it owned no patents, copyrights and other intellectual
4 property. The following year, the bankruptcy trustee sold to Defendant QSA ToolWorks LLC
5 (“QSA”) TCM’s stock in HST (the exact nature of this transaction is disputed among the parties).

6 In September of 2005, RN’s intent-to-use application for the “Helix” marks was published for
7 opposition. The following year, QSA filed its opposition to RN’s application before the U.S.
8 Trademark Trial and Appeal Board, and also assigned itself the registered “Helix” trademarks on the
9 basis of its purchase of HST stock from the bankruptcy trustee.

10 On December 6, 2007, RN filed a declaratory judgment action with this Court, seeking a
11 judicial determination that:

- 12 1. QSA has no rights in the TCM “Helix” marks and/or its rights, if any, originate from
13 the company’s inception in 2004;
- 14 2. If QSA has rights in the TCM “Helix” marks, it is bound by the Consent Agreement
15 and has breached its obligations under that Agreement;
- 16 3. QSA’s “Helix” trademark application (Ser. No. 78779957) should be cancelled;
- 17 4. There is no likelihood of confusion between RN’s and QSA’s use of “Helix” for their
18 respective goods and services;
- 19 5. RN is entitled to damages, costs and fees.

20 Defendant QSA has answered and counterclaimed, seeking relief in the form of a declaration
21 that:

- 22 1. QSA is not bound by the Consent Agreement;
- 23 2. QSA has rights in the “Helix” marks which are senior to RN’s;

1 3. RN's pending trademark applications for use of "Helix" should be denied, and QSA's
2 granted;

3 4. RN is liable for reverse trademark infringement and unfair competition and QSA is
4 entitled to damages thereby.

5 **Discussion**

6 I. Summary judgment standard

7 Summary judgment is appropriate where the evidence shows that "[t]here is no genuine issue
8 as to any material fact and that the moving party is entitled to a judgment as a matter of law." FRCP
9 56. To satisfy its burden on summary judgment, "the moving party must either produce evidence
10 negating an essential element of the nonmoving party's claim or defense or show that the nonmoving
11 party does not have enough evidence of an essential element to carry its ultimate burden of persuasion
12 at trial." Nissan Fire & Marine Ins. Co., Ltd. v. Fritz Cos., Inc., 210 F.3d 1099, 1102 (9th Cir. 2000).
13 Once the moving party meets its initial burden, the nonmoving party must come forth with specific
14 facts to show that a genuine issue of material fact exists. FRCP 56(e)(2). The nonmoving party may
15 not rely on conclusory allegations unsupported by factual data to create an issue of material fact. Id.;
16 *see also*, Delange v. Dutra Contr. Co., Inc., 183 F.3d 916, 921 (9th Cir. 1999) (conclusory allegations
17 insufficient to withstand summary judgment).

18 II. Likelihood of confusion

19 We must analyze the parties' claims on this issue using the Sleekcraft factors. *See* AMF, Inc.
20 v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979). The test does not establish a black-and-
21 white standard, nor is it simply a matter of adding up factors on each side and seeing which party has
22 more – the Court weighs each factor individually, ascribes significance to each factor independently
23 and looks to the totality of the circumstances before coming to a determination. Id. at 348. See also

1 Eclipse Associates, Ltd. v. Data General Corp., 894 F.2d 1114, 1118 (9th Cir. 1990). The Court
2 analyzes the Sleekcraft factors as follows:

3 A. Strength of the mark

4 RN asserts (and QSA does not challenge) that both parties' Helix marks are "fanciful" and
5 therefore entitled to the highest level of trademark protection. Moose Creek, Inc. v. Abercrombie &
6 Fitch Co., 331 F.Supp.2d 1214, 1222 (C.D.Cal., 2004). Even strong, fanciful marks can be weakened
7 by registration and usage by third parties, however. Matrix Motor Co., Inc. v. Toyota Jidosha
8 Kabushiki Kaisha, 290 F.Supp.2d 1083, 1091(C.D.Cal., 2003). Plaintiff provides evidence of 57
9 "live" applications for products using only "Helix" in the mark (Decl. of Engel, Exh. 28), and 9
10 instances of "Helix" marks on record with software businesses. Id., Exh. 29. This weakens the
11 strength of the "Helix" mark somewhat.¹

12 Conversely, QSA concedes that RN's Helix mark is "relatively strong," and that RN's Helix
13 mark, as a result of the millions expended on marketing and promotion, "has acquired great
14 commercial strength as a mark." Def. Response, p. 7. The Court is aware that QSA makes this
15 concession for purposes of establishing "reverse confusion" (which requires proof that a strong junior
16 mark is "swamping" a senior mark), but as discussed in detail *infra*, the Court finds that Defendant has
17 not succeeded in establishing that they are entitled to a favorable ruling on the issue of "seniority of
18 mark" on summary judgment.

19 The Court finds that RN has the stronger mark between these two parties.

20
21 ¹ "Use of similar marks by third-party companies in the relevant industry weakens the mark at issue. *See* Miss
22 World (UK) Ltd. v. Mrs. America Pageants, Inc., 856 F.2d 1445, 1449 (9th Cir.1988); *see also* Eclipse Assocs. Ltd. v.
23 Data Gen. Corp., 894 F.2d 1114, 1119 (9th Cir.1990) ('Evidence of other *unrelated* potential infringers is irrelevant to
claims of trademark infringement and unfair competition under federal law.' (emphasis added))." M2 Software, Inc.v.
Madacy Entertainment, 421 F.3d 1073, 1088 (C.A.9 (Cal.),2005). The Court bases this portion of its finding on the 9
uses of the "Helix" mark in the software industry.

1 B. Proximity of goods

2 The parties spend a good deal of time arguing whether their products perform “similar” or
3 “identical” functions. RN argues that the “streaming media” functions of its Helix software are
4 entirely distinct from the “relational database management” functions of QSA’s Helix applications;
5 QSA argues that its product is used in streaming media configurations, that its Helix products have
6 expanded beyond relational database management, and that RN’s Helix products have expanded
7 beyond simple streaming media uses.

8 But the Sleekcraft opinion does not refer to “identical” or even “similar” uses. The Sleekcraft
9 court addressed this concern to whether the products are “related” or “complementary,” observing
10 that “[f]or related goods, the danger presented is that the public will mistakenly assume there is an
11 association between the producers of the related goods, though no such association exists. . . . Although
12 these product lines are non-competing, they are extremely close in use and function.” 599 F.2d at 349.
13 The Court finds the Ninth Circuit’s ruling in M2 Software, Inc.v. Madacy Entertainment, 421 F.3d
14 1073 (C.A.9 (Cal.), 2005) instructive. In a trademark case where the litigants both distributed
15 identical products (music and CDs) under the same name, the court found that “[t]herefore
16 this [proximity] factor weighs in M2 Software’s favor, *but only slightly* because the genres of the
17 music CDs are very significantly different.” Id. at 1081 (emphasis supplied). If the Ninth Circuit was
18 willing to find only a “slight” proximity factor between two manufacturers of a generically-identical
19 product (CDs, downloadable music), this Court has little difficulty finding in RN’s favor on this factor.

20 When fundamental functionality is distinct, the case supports a finding of “no confusion.”
21 Instant Media, Inc. v. Microsoft, 2007 WL 2318948 *12 (citing M2 Software). QSA’s Helix software
22 is used for creating applications which manage and modify information in relational databases, such as
23 custom databases for tracking appointments and billing. Strange Depo. at 208:12-212:15, 287-3-24;
24 Numeroff Depo. at 32:1-34:3, 86:1-11, 167:11-169:4, 268:12-19. In contrast, RN Helix products are

1 utilized for the delivery of streaming media (audio and video), for media encoding and decoding in a
2 variety of formats and “for the related efficient management of content delivery and network
3 bandwidth for streaming over the Internet.” RN Mtn., p. 17; Engel Decl., Exh. 5 at 1-2 and 5.

4 Nowhere in QSA’s extensive list of current uses of its Helix products (*see* QSA Mtn., p. 23;
5 QSA Response, p. 4) or the associated attachments does the Court find any application which overlaps
6 with the core functionality of RN’s streaming media delivery and management software. Even in those
7 instances where QSA’s application is used in *conjunction* with other media-related programs (such as
8 Apple’s QuickTime) – which Defendant describes as “multimedia content serving” (*id.* at p. 5) – it is
9 apparent that QSA’s products require utilization of a third-party application before they can function
10 in any capacity remotely resembling RN’s products.² One of QSA’s own experts agreed that QSA’s
11 Helix products cannot stream media without “something else” and further testified that, if he wanted to
12 stream live video to thousands of users simultaneously, he would not use QSA’s Helix server to
13 accomplish that task. Atkins Depo., 92:20-93:3, 99:15-20.

14 Defendant’s claim that it has been involved in “multimedia content serving. . . since at least
15 1991” (QSA Resp., p. 5) is undercut by the analysis above regarding the indirect nature of this
16 involvement, and by the fact that QSA provided no evidence that it had produced or marketed
17 (currently or in the past) a product with direct streaming media functionality. That it may have
18 contemplated doing so at one point or may yet do so in the future is not a consideration relevant to
19 this litigation. A party may not allege trademark protection or confusion based on its *potential* to
20 develop a competing product. Aycock Engineering, Inc. v. Airflite, Inc., 560 F.3d 1350, 1360 (Fed.
21 Cir. 2009).

22
23 ² QSA attempts to demonstrate that RN also relies on third-party technology to encode and decode media (*see*
24 Def. Supp. Exh’s 54 & 55), but the Court is not persuaded. Defendant’s supplemental exhibits only serve to show that
25 RN products, in addition to their stand-alone media streaming capability, can also function compatibly with other
streaming media formats such as QuickTime.

1 Defendant has also stressed that it need not prove that its Helix products compete directly with
2 RN's in order to establish "proximity" and thus confusion; that the "core question" is "whether
3 confusion is likely as to *source* or *sponsorship* of the products and services." Def Mtn., p. 20, citing
4 Halicki Films v. Sanderson Sales and Marketing, 547 F.3d 1213, 1228 (9th Cir. 2008) and
5 Perfumbay.com, Inc., v. Ebay, Inc., 506 F.3d 1165, 1173 (9th Cir. 2006)(emphasis in original).
6 Although neither the Court nor Plaintiff disputes this contention, it avails Defendant little. As is
7 discussed more fully in the "purchaser care" analysis *infra*, the Court finds that the sophisticated
8 consumers who utilize these highly technical software products and understand the difference between
9 "relational database" and "streaming media" applications will be as unlikely to confuse the source of
10 these products as they would be to confuse their functionality.

11 The Court finds in favor of RN as a matter of law concerning the factor of "proximity of
12 goods."

13 C. Similarity of marks

14 RN does not discuss this factor at all, while QSA merely asserts "the identical word portion of
15 the HELIX mark" (i.e., same word in both marks) and the "close similarity of the design portion,"
16 without citation to any proof in the record. Def. Mtn., p. 20. The Court finds that neither party has
17 made a case for summary judgment regarding this factor.

18 D. Evidence of actual confusion

19 As the Sleekcraft court observed, "[p]roving actual confusion is difficult. . . and the courts
20 have often discounted such evidence because it was unclear or insubstantial." 599 F.2d at 352
21 (citations omitted). The Court finds that this is the case here – QSA's proof of actual confusion is, in
22 the context of the time period (7+ years) and number of users/customers of all the Helix products,³

24 ³ RN and QSA both allege that RN's HELIX software distributed to 175 - 180+ million users. Way Decl., ¶ 4;
25 Answer, ¶ 68.

1 “insubstantial.” Most of QSA’s allegations regarding “actual confusion” are anecdotal and hearsay
2 and very little was kept in the way of records. *See* Def Mtn., p. 22. “There is no absolute scale as to
3 how many instances of actual confusion establish the existence of that factor. Rather, the court must
4 evaluate the evidence of actual confusion in the light of the totality of the circumstances involved.”
5 AmBrit, Inc. v. Kraft, Inc., 812 F.2d 1531, 1543 (11th Cir. 1987). In light of the totality of the
6 circumstances of this litigation, the Court does not find Defendant’s proof regarding “actual
7 confusion” to entitle QSA to summary judgment on this issue.

8 Furthermore, the Court is persuaded that the existence of the Agreement constitutes proof of
9 lack of actual confusion, since the users of the two marks were able to reach consensus regarding their
10 differentiated use of the name. See Application of E.I. DuPont DeNemours & Co., 476 F.2d 1357,
11 1363 (Cust. & Pat. App. 1973).⁴

12 E. Marketing channels

13 RN’s assertion that “neither [party] shares a marketplace where both products are offered at
14 the same time (such as on a reseller like Amazon)” (Plaintiff Mtn., p. 23)⁵ is essentially unchallenged
15 by QSA. The Court does not find Defendant’s unsupported assertion that both parties utilize “Web-
16 focused channels of trade” (Def Mtn., p. 20) to be persuasive on this element – the fact that both
17 products are available *somewhere* on the internet does not represent an overlap of marketing channels
18 for purposes of the Sleekcraft analysis. The Court finds in favor of RN on this factor.

21
22 ⁴ The Court makes no finding at this time regarding the issue of whether TCM actually *owned* the rights to the
23 “Helix” marks at the time the Agreement was entered into. Rather, the observation regarding the relevance of the
24 Agreement to the issue of actual confusion is based on Brian Turner’s dual role as president of TCM and HST. In that
25 capacity, the implied representation that there was no confusion between the two marks may be attributed to both
26 companies.

⁵ RN produces deposition testimony from two QSA principals that QSA does no paid marketing, depending
solely on its website to promote its products. Exh. 1, Numeroff Depo., 13:11-17; Exh. 6, Strange Depo., 301:13-302:14.

1 F. Type of goods and purchaser care

2 “Type of goods” simply refers to high quality versus low quality – neither party argues that
3 either product is anything other than a high quality software application. This leaves only the issue of
4 “purchaser care” to be decided concerning this factor.

5 Regarding the issue of the care exercised by purchasers, “the standard used by the courts is the
6 typical buyer exercising ordinary caution.” Sleekcraft, 599 F.2d at 353. The more sophisticated the
7 buyer, the less likelihood of confusion. Instant Media, Inc. v. Microsoft, 2007 WL 2318948, *16
8 (N.D.Cal. 2007). The Court notes the declaration of QSA principal Matthew Strange that “both
9 companies closely and actively sponsor licensed development services targeted toward experienced
10 commercial programmers...” Strange Decl., ¶ 11. The Court finds that the “typical” or “prudent”
11 consumer of the “Helix” products offered by RN and QSA is an experienced commercial computer
12 programmer/utilizer unlikely to confuse these differing types of applications or their manufacturers.

13 This Sleekcraft factor resolves in RN’s favor for purposes of the parties’ summary judgment
14 requests.

15 G. Intent in selecting mark

16 The Court finds RN’s argument that the Agreement stands as “strong evidence” of their lack of
17 intent to infringe to be persuasive. Even assuming arguendo that RN mistakenly contracted with a
18 party who did not have the authority to consent to shared use of the mark, and even if the contract is
19 deemed rejected in bankruptcy as executory, its public nature still speaks strongly of Plaintiff’s non-
20 infringing intent. QSA essentially conceded this element at oral argument, and the Court finds in favor
21 of RN on this factor.

22 H. Likelihood of expansion

23 “Inasmuch as a trademark owner is afforded greater protection against competing goods, a
24 ‘strong possibility’ that either party may expand his business to compete with the other will weigh in
25

1 favor finding that the present use is infringing.” Sleekcraft, 599 F.2d at 354 (quoting Restatement of
2 Torts).

3 In light of the uncertain status of the Consent Agreement (*see* “Executory nature of Consent
4 Agreement” section *infra*), the Court cannot adopt RN’s argument that the Agreement acts to confine
5 either party’s expansion. Nevertheless, the Court finds in RN’s favor on summary judgment
6 concerning this factor based on a dual rationale: (1) given the dissimilar functionality of their
7 respective applications (streaming media v. relational database management), neither party’s use of
8 their Helix products represents a “natural zone of expansion” for the other party (Glow Ind., Inc. v.
9 Lopez, 252 F.Supp.2d 962, 984 (C.D.Cal. 2002), citing Tally-Ho, Inc. v. Coast Comm. College Dist.,
10 889 F.2d 1018, 1028-29 (11th Cir. 1989); and (2) QSA offered no evidence of concrete plans to
11 expand into RN’s “direct streaming media” territory.

12
13 With the exception of the “similarity of marks” factor (which is a ‘no decision,’ as opposed to a
14 finding in QSA’s favor), the Court finds as a matter of law that the Sleekcraft factors overwhelming
15 favor Plaintiff’s position of “no likelihood of confusion.” On this basis, Plaintiff is entitled to a finding
16 on summary judgment that there is no likelihood of confusion between its use of the Helix mark and
17 that of QSA.

18 III. Executory nature of Consent Agreement

19 “An executory contract is one in which a person promises to do or not to do a particular
20 thing...” Williston on Contracts, § 1:19. The Ninth Circuit has defined it as

21 “. . . a contract. . . on which performance is due to some extent on both sides” and in
22 which “the obligations of both parties are so far unperformed that the failure of either
23 party to complete performance would constitute a material breach and thus excuse the
24 performance of the other.”

25 Griffel v. Murphy (In re Wegner), 839 F.2d 533, 536 (9th Cir. 1988).

1 The issue of whether the Agreement constitutes an executory contract has some significance
2 for the parties in this case, although the exact nature of that significance remains unclear. The
3 Bankruptcy Code states that

4 In a case under chapter 7, if the trustee does not assume or reject an executory contract
5 within 60 days after the order for relief, or within such additional time as the court, for
cause, within such 60-day period, fixes, then such contract is deemed rejected.

6 11 U.S.C. §365(d)(1). There is no dispute that, following the order for relief in TCM’s bankruptcy,
7 the trustee neither assumed nor rejected the Agreement. If it is an executory contract, then the Court
8 must deem it rejected as a matter of law.

9 With the Ninth Circuit definition in mind, the Court finds that the following provisions of the
10 Agreement fall within the meaning of “executory” contractual obligations:

11 “At Real’s expense, *TCM shall provide Real with such assistance in the registration of*
12 *such marks as Real may reasonably request. . .*” (§ C.2)

13 “The parties shall *cooperate in good faith to develop measures as necessary to*
14 *minimize any possible confusion* between their respective use of marks containing the
term HELIX. The parties also *agree to cooperate in the policing and enforcement of*
15 *their respective trademark rights against any third party* adopting a mark likely to be
confused with either parties’ respective HELIX marks.” (§ C.5)

16 Agreement, Decl. of Engel, Exh. 11 (emphasis supplied). The agreements to provide assistance in the
17 future, develop measures to minimize confusion and cooperate in policing and enforcement against
18 unauthorized third parties all represent “performance due. . . on both sides” and “obligations. . . so far
19 unperformed” by both parties at the time of execution; i.e., ongoing, unexecuted duties.

20 RN attempts to characterize the Agreement as a “settlement agreement” and argue by analogy
21 from other “settlement agreement in bankruptcy” cases that this contract is not executory in nature.

22 The Court does not find Plaintiff’s precedents compelling. In In re Value Music Concepts, Inc. (55
23 Collier Bankr. Cas. 2d 756 (Bankr. N.D.Ga. 2005)), an agreement to divide assets and settle matters
24 was found not be executory because “it did not contemplate any ongoing business relationship and it
25 had no material unperformed obligations.” (RN Mtn., p. 14) That is not the case here, as RN has

1 provided no proof that the ongoing obligations mentioned above – which the Court finds material to
2 the expressed intent of the contracting parties – had been satisfactorily or finally performed.

3 Nor is the Court persuaded by Plaintiff’s citation to In re Columbia Gas Systems (50 F.3d 233
4 (3rd Cir. 1995), a case where an undeposited escrow amount and some unexecuted releases were
5 found not to create an executory contract. The “unexecuted” portions of the settlement were time-
6 limited items that were simply unperformed when one of the parties entered bankruptcy – not on all
7 fours with the circumstances before this Court, where the nature of obligations was not time-limited
8 under the language of the Agreement.

9 Plaintiff’s final case – California Packing Corp. v. Sun-Maid Raisin Growers of California, 81
10 F.2d 674 (9th Cir. 1936) – seems particularly inapposite. The agreement involved two different
11 trademark names (“Sun-Maid” v. “Sun-Kist”) and an agreement to only use the “Sun-Maid” brand for
12 certain kinds of produce. There is no indication that the parties agreed to cooperate, provide each
13 other with assistance or co-develop anything on an ongoing basis, nor does the appellate court even
14 discuss the issue of executory contracts.

15 While the issue of whether the Agreement was an executory contract was thoroughly briefed
16 by both sides, the issue of the legal effect of finding the Agreement to be executory was largely
17 unexplored. Questioned at oral argument, counsel for the parties provided (unsurprisingly) differing
18 opinions on the consequences of a ruling that the Agreement was executory in nature. In view of the
19 absence of legal authority before the Court on this issue, the ruling will be confined to the simple
20 finding that the Agreement is an executory contract as a matter of law, leaving for another day and
21 another round of briefing what effect that finding will have on the role of the Agreement in the dispute
22 between these two parties.⁶

24 ⁶ The Court will note, however, that it does not find QSA’s argument that the Agreement was a “sham” to be
25 worthy of a summary judgment finding in Defendant’s favor. Many of the factors cited in support of this position –
whether RN conducted “due diligence” concerning the ownership of the “Helix” marks, whether RN took adequate

1 IV. Senior rights to the “Helix” marks

2 At Count One of its Complaint, Plaintiff asks the Court to declare that “QSA has not acquired
3 rights senior to RealNetworks’ rights in the Real HELIX Marks in any. . . way.” Complaint, ¶ 25(d).

4 A portion of QSA’s counterclaims are based on its assertion that RN’s rights to the Helix marks are
5 junior to theirs, by virtue of their purchase of HST stock (and, Defendant claims, assets) from the
6 bankruptcy trustee in 2004. Answer, Affirmative Defenses and Counterclaims, ¶ 100 and Prayer for
7 Relief, ¶ B.

8 The Court finds that there are genuinely disputed issues of material facts which prevent
9 judgment as a matter of law for either party on this issue.

10 Both parties’ claims of senior rights to the “Helix” marks revolve around the questions of (1)
11 whether HST owned the trademark rights to the Helix names and (2) whether the ownership of HST’s
12 assets (including their trademark rights) passed to QSA at the time it purchased the HST stock from
13 the bankruptcy trustee. Granting either sides’ request for summary judgment on the issue of seniority
14 would entail a finding that no genuine issues of material fact exist concerning the question of the
15 rightful ownership of the Helix trademarks, which the Court cannot do on the present record.

16 Plaintiff’s position (that TCM owned the Helix marks and had the right to contractually bind
17 those marks, and that QSA acquired only HST stock in the bankruptcy sale) is hardly based on
18 undisputed facts. It is undercut by both the existence of the executed Bill of Sale and General
19 Assignment that purports to transfer all rights in the Helix marks to HST, as well as by TCM’s
20 declaration in bankruptcy that it owned “no patent, copyrights, and other intellectual property.”

21 Conversely, QSA’s position (that they are the owners of the “Helix” marks and trademark
22 registration in an unbroken line stretching back to the creators of the original name and product) is

23 _____
24 measures to avoid confusion, e.g. – involve disputed issues of material fact. The fact that there was not an ongoing
25 dispute between RN and TCM does not make the Agreement a “sham” – the efficacy of *avoiding* disputes by reaching
agreements such as the Consent Agreement for co-extensive uses of trademarks is self-evident.

1 plagued by disputed factual issues as well: namely, TCM’s claim in the Agreement that it owned the
2 rights to the “Helix” marks and the bankruptcy trustee’s repeated assertions that what QSA was
3 purchasing were simply shares in HST, not the assets of the company. See Decl. of Engel, Exh’s 15,
4 18, 19, 21, 22, and 33.⁷

5 Nor is the fact that QSA has recorded ownership of the “Helix” marks particularly significant.
6 Recordation is not conclusive proof of ownership (which Defendant unquestionably knows, since
7 TCM was the recorded owner of the “Helix” marks at the time the Agreement between TCM and RN
8 was executed) and any initial presumption of validity based on that fact is rebuttable. RN has certainly
9 produced evidence to the contrary.

10 The Court finds that neither side is entitled to summary judgment on this issue of whose rights
11 to the “Helix” marks were senior.

12 **Conclusion**

13 Utilizing the Sleekcraft factors, the Court finds a matter of law that there is no likelihood of
14 confusion regarding the Helix products created and marketed by RealNetworks and those created and
15 marketed by QSA ToolWorks. Plaintiff’s motion for summary judgment on that issue will be granted;
16 Defendant’s will be denied.

17 The Court further finds that the Consent Agreement between RealNetworks and The Chip
18 Merchant represented a contract in which “the obligations of both parties are so far unperformed that
19 the failure of either party to complete performance would constitute a material breach and thus excuse
20 the performance of the other” (Griffel, 839 F.2d at 536), and on that basis the agreement is executory
21 in nature and deemed rejected by the bankruptcy trustee during the course of The Chip Merchant’s

22 ⁷ At oral argument, Defendant’s counsel provided a plausible explanation for the bankruptcy trustee’s position;
23 namely, that with commendable caution the trustee was declining to represent that he was transferring anything other
24 than what the bankrupt’s estate owned, which was shares of HST stock. HST’s assets were not the property of TCM.
25 Regardless of the appeal of counsel’s perspective, however, this aspect of the bankruptcy proceedings as they effect the
26 current litigation was essentially unbriefed. The Court is not in a position to make a conclusive finding on this portion
of the case, and the factual disputes and their legal effects remain unresolved.

1 bankruptcy. The Court makes no finding regarding the legal effect of the rejection of the Consent
2 Agreement in bankruptcy.

3 Finally, the Court denies summary judgment to both parties on the issue of whose rights are
4 senior concerning the "Helix" marks. The existence of genuine issues of material fact prevents
5 judgment as a matter of law for either side.

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7 Dated: August _14_, 2009

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Marsha J. Pechman
U.S. District Judge

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