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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

JULI ADAMS,

Plaintiff,

v.

THE HARTZ MOUNTAIN CORPORATION,

Defendant.

No. C14-1174RSL

ORDER DENYING IN PART
DEFENDANT’S MOTION
TO DISMISS

This matter comes before the Court on “Defendant’s Motion to Dismiss Pursuant to FRCP 12(b)(6)” (Dkt. #21). Having reviewed the parties’ memoranda, the complaint, and the accompanying contract, the Court finds the following:

I. Background

Plaintiff, Juli Adams, designed a line of pet toys she called “Angry Birds,” for Defendant, The Hartz Mountain Corporation. On November 20, 2006, the parties entered into a Confidential Exclusive License Agreement (“Agreement”) for a five year term. The Agreement provided that Plaintiff “hereby licenses to Hartz on an exclusive basis . . . the Intellectual Property for the purpose of the use, manufacture, packaging, promotion, advertising,

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1 merchandising and sale of the Licensed Products.” Agreement (Dkt. #1-1) ¶ 2.1. As part of its
2 “Key Responsibilities,” Defendant agreed that it would, “at its discretion and cost, maintain,
3 renew and protect any filings for the Intellectual Property as it relates to the Licensed Products.”
4 Agreement ¶ 3.2. “Each party acknowledge[d] that no transfer of ownership or a license to any
5 intellectual property is contemplated by this Agreement, except as expressly provided herein.”
6 Agreement ¶ 8. However, the Agreement did provide that “Hartz shall have the right to file
7 copyright and other intellectual property right filings, in its discretion, for all of the Licensed
8 Products.” Agreement ¶ 8. “Upon termination of [the] Agreement, all Intellectual Property shall
9 remain the sole property of Juli Adams, and all intellectual property of Hartz shall remain the
10 sole property of Hartz.” Agreement ¶ 5.4.

11 On March 28, 2007, Defendant filed a U.S. federal trademark registration for “Angry
12 Birds.” On November 17, 2011, without Plaintiff’s knowledge, Defendant announced it was
13 launching a line of “Angry Birds pet toys” featuring characters from Rovio Entertainment Ltd.’s
14 popular “Angry Birds” video game. Plaintiff received no royalties from the sale of these toys
15 during the term of the Agreement. The parties’ Agreement ended in 2012. Defendant continued
16 to use the trademark “Angry Birds” with its Rovio pet toys, and re-registered the “Angry Birds”
17 trademark in Defendant’s name on July 18, 2014. Plaintiff asserts that Defendant has made
18 millions of dollars from the sale of Rovio “Angry Birds” pet toys.

19 Plaintiff brought eight claims based on Defendant’s use of the trademark “Angry Birds.”
20 Plaintiff asserts that the license of her “Intellectual Property” included “Angry Birds,” and that
21 Defendant’s use of that trademark after the termination of the Agreement and for its Rovio
22 products is unlawful. Defendant moved to dismiss the entire action, arguing that the
23 “Intellectual Property” licensed in the Agreement did not include “Angry Birds,” and that
24 Defendant is the proper owner of the trademark and therefore free to use it.

25 **II. Standard of Review**

26 A 12(b)(6) motion seeks dismissal for “failure to state a claim upon which relief can be

1 granted.” Fed. R. Civ. P. 12(b)(6). In evaluating a motion to dismiss, the Court must take all
2 factual allegations in a well-pled complaint as true. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544,
3 555 (2007). However, the Court need not accept legal conclusions. *Id.* To survive a motion to
4 dismiss, the presumed-to-be-true factual allegations “must be enough to raise the right to relief
5 above the speculative level.” *Id.* In addition to the pleadings, the Court may consider material
6 which was properly submitted as part of the complaint. *Hal Roach Studios, Inc. v. Richard*
7 *Feiner & Co., Inc.*, 896 F.2d 1542, 1555 n.19 (9th Cir. 1989).

8 **III. “Angry Birds” Could Reasonably Be Considered Plaintiff’s Intellectual Property**

9 The success of Defendant’s motion depends almost entirely on the Court finding that
10 Plaintiff did not have an actionable interest in “Angry Birds” in 2006 such that it was not part of
11 the Intellectual Property that she licensed to Defendant. However, the Court concludes that
12 Plaintiff has alleged facts raising a plausible inference that “Angry Birds” was Plaintiff’s
13 Intellectual Property licensed to Defendant as part of the Agreement.

14 The Agreement provides that Plaintiff “hereby licenses to [Defendant] on an exclusive
15 basis . . . the Intellectual Property.” Agreement ¶ 2.1. The Agreement defines “Intellectual
16 Property” to mean:

17 all Intellectual property of [Plaintiff] licensed under this Agreement Including
18 (a) the Intellectual property attached hereto as Appendix B and (b) such future
19 intellectual property of Julie Adams as Hartz shall request from time to time,
20 which additional intellectual property shall be added to this Agreement upon
21 notice by Hartz to Juli Adams and pursuant to an amendment to this
22 Agreement

23 Agreement, App. A ¶ 1.8. Appendix B, titled “Intellectual Property,” contains 37 drawings,
24 some with labels and phrases, depicting the angry animals and birds. Agreement, App. B.
25 Interpretation of the Agreement is governed by New Jersey law. Agreement ¶ 10.14.

26 Questions of contract interpretation are matters of law to be decided by the Court. *See*
27 *Kieffer v. Best Buy*, 14 A.3d 737, 742 (N.J. 2011). “A basic principle of contract interpretation is
28 to read the document as a whole in a fair and common sense manner.” *Hardy ex rel. Dowdell v.*
Abdul-Matin, 965 A.2d 1165, 1169 (N.J. 2009). The Court “must discern and implement the

1 common intention of the parties.” *Pacifico v. Pacifico*, 920 A.2d 73, 77 (N.J. 2007). “The
2 court’s role is to consider what is written in the context of the circumstances at the time of
3 drafting and to apply a rational meaning in keeping with the ‘expressed general purpose.’” *Id.*
4 “The judicial task is simply interpretative; it is not to rewrite a contract for the parties better than
5 or different from the one they wrote for themselves.” *Kieffer*, 14 A.3d at 743. Therefore, the
6 Court “should give contractual terms ‘their plain and ordinary meaning,’ unless specialized
7 language is used peculiar to a particular trade, profession, or industry.” *Id.* (citations omitted).

8 In the present case, there are two crucial terms in the Agreement’s definition of
9 “Intellectual Property”: “Intellectual property” and “Including.” The Court will address each in
10 turn.

11 **A. “Intellectual property”**

12 Plaintiff alleges that the phrase “Angry Birds” was part of the Intellectual Property which
13 she licensed to Defendant. Compl. ¶¶ 5, 28 (Dkt. #1). Defendant contends that the Intellectual
14 Property was limited to only those paintings contained in Appendix B and did not include
15 “Angry Birds.” *See, e.g.*, Def.’s Mot. to Dismiss 1–2. Because the definition of “Intellectual
16 Property” is “all *Intellectual property* of [Plaintiff],” this Court must determine if “Angry Birds”
17 was Plaintiff’s “Intellectual property” at the time the Agreement was signed, and was thus part
18 of the licensed material.

19 The ordinary legal meaning of “intellectual property” is “[a] commercially valuable
20 product of the human intellect, in a concrete or abstract form, such as a copyrightable work, a
21 protectable trademark, a patentable invention, or a trade secret.” *Black’s Law Dictionary* 881
22 (9th ed. 2009). This definition indicates that if a commercially valuable product is protectable,
23 then it is intellectual property. The Supreme Court has stated that § 43(a) of the Lanham Act (15
24 U.S.C. § 1125(a)), the provision under which Plaintiff brings her trademark claims, “protects
25 qualifying unregistered trademarks and that the general principles qualifying a mark for
26 registration under § 2 of the Lanham Act [15 U.S.C. § 1052] are for the most part applicable in

1 determining whether an unregistered mark is entitled to protection under § 43(a).” *Two Pesos,*
2 *Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992). “In order to be registered, a mark must be
3 capable of distinguishing the applicant’s goods from those of others. [15 U.S.C.] § 1052. Marks
4 are often classified in categories of generally increasing distinctiveness . . . they may be (1)
5 generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful.” *Id.* Marks which are
6 suggestive, arbitrary, or fanciful are “inherently distinctive” and protectable “because their
7 intrinsic nature serves to identify a particular source of a product In contrast, generic
8 marks—those that ‘refe[r] to the genus of which the particular product is a species,’ are not
9 registerable as trademarks.” *Id.* (citations omitted). Given that the mark “Angry Birds” was
10 trademarked, compl. ¶ 33, it is apparent that the mark was protectable.

11 Under common law, a protectable ownership interest in an unregistered trademark is
12 established if the mark has been used in commerce. *See Dep’t of Parks & Recreation for Cal. v.*
13 *Bazaar del Mundo Inc.*, 448 F.3d 1118, 1125 (9th Cir. 2006). To establish actual commercial
14 use a party must show (1) that it actually adopted and used the mark in commerce before the
15 mark was registered and used by another party, and (2) use of the mark was continuous. *Id.* at
16 1125–26. A single instance of commercial use can be sufficient, so long as the use
17 “demonstrate[s] both adoption of the mark[] and use in a way sufficiently public to identify or
18 distinguish the marked goods in an appropriate segment of the public mind as [that] of the
19 adopter of the mark.” *Id.* at 126 (internal quotations omitted). In the present case, Plaintiff has
20 alleged facts sufficient to raise a plausible inference that she had a protectable ownership interest
21 in the mark because she did use it in commerce when she licensed it, along with her designs, to
22 Defendant. Compl. ¶ 3, 26–28, 98, 109.

23 Because “Angry Birds” was protectable, Plaintiff has alleged sufficient facts showing that
24 “Angry Birds” was Plaintiff’s “Intellectual property.”

25 **B. “Including”**

26 Plaintiff alleges that the definition of “Intellectual Property” includes both the drawings

1 in Appendix B as well as “Angry Birds.” Compl. ¶ 26–28; *see also* Pl.’s Opp’n to Mot. to
2 Dismiss 2–3, 6 (Dkt. #25). Defendant asserts that the license only covered the drawings in
3 Appendix B. Def.’s Mot. to Dismiss 7 (arguing that because Appendix B did not reference the
4 trademark “Angry Birds” or any other trademark, and because the parties did not amend the
5 license to include the trademark “Angry Birds,” “the Intellectual Property licensed under the
6 Agreement is clearly confined to the illustrations contained in Appendix B to the Agreement”).

7 The ordinary meaning of “include” is “to place, list, or rate as a part or component of a
8 whole or of a larger group, class, or aggregate” or “to take in, enfold, or comprise as a discrete or
9 subordinate part or item of a larger aggregate, group, or principle.” *Webster’s Third New*
10 *International Dictionary* 1143 (Philip Babcock Gove et al. eds., 1981). This definition makes it
11 clear that the term “Including” does not mean that *only* the drawings in Appendix B could be
12 part of the Intellectual Property. Rather, those drawings were just a part of what could be
13 Plaintiff’s Intellectual Property. Plaintiff has alleged facts raising a plausible inference that
14 “Angry Birds” was part of the “Intellectual Property” licensed to Defendant.

15 **IV. Plaintiff’s Claims**

16 ***A. Breach of Contract (Counts I and II), Unjust Enrichment (Count III), False Designation*** 17 ***of Origin, 15 U.S.C. § 1125 (Counts VI and VII), and Accounting (Count VIII)***

18 Defendant’s arguments for dismissal of Plaintiff’s breach of contract, infringement, unjust
19 enrichment, and accounting claims rely on the central premise that “Angry Birds” was not part
20 of the Intellectual Property Plaintiff licensed to Defendant. Because this Court finds that, for the
21 purposes of this motion to dismiss, Plaintiff has alleged facts sufficient to raise a plausible
22 inference that she owned “Angry Birds” and licensed—but never sold (compl. ¶ 67)—it to
23 Defendant, Defendant’s arguments on these claims fail.

24 Because Defendant primarily relies on a central premise that this Court does not find
25 persuasive, the Court need not address each of Defendant’s arguments separately. However,
26 Defendant does make the argument that if the Court finds “that the Agreement included a

1 trademark license of ANGRY BIRDS from Plaintiff to Hartz, it was void *ab initio* for failure to
2 include necessary quality control provisions.” Def.’s Mot. to Dismiss 13. The Court finds this
3 argument unpersuasive for two reasons. First, under Ninth Circuit law, although a licensor has a
4 duty to control and supervise a licensee’s use of a trademark, a license agreement need not
5 contain an express quality control provision to be valid license. *Miller v. Glenn Miller Prods.,*
6 *Inc.*, 454 F.3d 975, 992 (9th Cir. 2006). Second, even utilizing Defendant’s cited case, failure to
7 provide a quality control provision does not necessarily constitute naked licensing, which could
8 lead to abandonment. *See Doeblers’ Penn. Hybrids, Inc. v. Doebler*, 442 F.3d 812, 823 (3d Cir.
9 2006) (“Failure to provide quality control *may* constitute naked licensing, leading to
10 abandonment of the mark.” (emphasis added)). Furthermore, the burden to establish a naked
11 licensing claim is very high. *Id.* (citing, among other cases, *Edwin K. Williams & Co., Inc. v.*
12 *Edwin K. Williams & Co.-East*, 542 F.2d 1053, 1059 (9th Cir. 1976)). In the present case,
13 Plaintiff survives a motion to dismiss because she has alleged that she in fact exercised sufficient
14 supervision and quality control over the Intellectual Property. *See* Compl. ¶ 20 (Plaintiff
15 reviewed mock-ups of the toys and discussed the line with Defendant).

16 ***B. Conversion (Count IV)***

17 Plaintiff alleges that Defendant “willfully interfered with and converted, without lawful
18 justification, Plaintiff Adams’ ownership of the “Angry Birds” trademark by failing to assign the
19 mark to Plaintiff when the Agreement . . . expired.” Compl. ¶ 86. Plaintiff asserts that
20 Washington law governs the conversion claim. Pl.’s Opp’n to Mot. to Dismiss 13 (Dkt. #25).
21 She argues that the choice of law provision in the Agreement does not apply to conversion
22 because that claim “is entirely predicated upon [Defendant’s] theft of [Plaintiff’s] ‘Angry Birds’
23 mark *after the Agreement ended.*” *Id.* Defendant argues that New Jersey law governs and that
24 under the law of that state the conversion claim must be dismissed. Def.’s Mot. to Dismiss 14;
25 Def.’s Reply in Supp. of Mot. to Dismiss 8 (Dkt. #28). The choice of law provision states that,
26 except for law governing conflicts of law, New Jersey law governs the “validity, Interpretation

1 and performance” of the Agreement. Agreement ¶ 10.14.

2 The Court finds New Jersey law governs the conversion claim because Defendant’s
3 alleged failure to assign the trademark “Angry Birds” back to Plaintiff upon the termination of
4 the Agreement relates to the “performance” of the Agreement. The Agreement states in relevant
5 part: “Upon termination of this Agreement, all Intellectual Property shall remain the sole
6 property of Julie Adams, and all intellectual property of Hartz shall remain the sole property of
7 Hartz.” Agreement ¶ 5.4. Defendant’s failure to assign the mark—which for the purposes of
8 this motion the Court assumes was trademarked for Plaintiff’s benefit as part of its “Key
9 Responsibilities” (see Compl. ¶ 33; Agreement ¶ 3.2)—affects its performance of this provision.
10 New Jersey law therefore governs the conversion claim.

11 The Court reaches the same conclusion under a formal Washington conflict of laws
12 analysis. See *Griffin v. McCoach*, 313 U.S. 498, 503 (1941) (“federal courts in diversity of
13 citizenship cases are governed by the conflict of laws rules of the courts of the states in which
14 they sit”). First, there is an actual conflict of law. See *Erwin v. Cotter Health Ctrs.*, 161 Wn.2d
15 676, 692 (2007) (there must be an actual conflict of laws or interests before the court will
16 undertake a conflict of laws analysis). Under New Jersey law, intangible property cannot be the
17 subject of a conversion claim. See, e.g., *StrikeForce Techs., Inc. v. WhiteSky, Inc.*, No. 13-1895
18 (SRC), 2013 WL 3508835, at *8 (D.N.J. Jul 11, 2013) (dismissing claim for conversion of
19 confidential information); *Slim CD, Inc. v. Heartland Payment Sys., Inc.*, No. 06-2256, 2007 WL
20 2459349, at *12 (D.N.J. Aug. 24, 2007) (noting that “courts in this District[] have held that
21 intangible property cannot be the subject of a conversion claim” and dismissing a claim for
22 conversion of customer transaction data); *AccuZIP, Inc. v. Dir., Div. of Taxation*, 25 N.J. Tax
23 158, 169 (N.J. Tax Ct. 2009) (identifying intangible personal property as trademarks, service
24 marks, and trade names). Under Washington law, it can. See *Lang v. Hougan*, 136 Wn. App.
25 708, 718 (2007) (both tangible and intangible property can be the basis of a conversion claim).

26 Washington courts “interpret contract provisions to render them enforceable whenever

1 possible. Further, [Washington courts] generally enforce contract choice of law provisions.”
2 *Schnall v. AT & T Wireless Services, Inc.*, 171 Wn.2d 260, 266 (2011) (citations and internal
3 quotations omitted). Washington has adopted section 187 of the Restatement (Second) Conflict
4 of Laws (1971) to resolve conflicts of laws where the parties have made a contractual choice of
5 law. *Erwin*, 161 Wn.2d at 694. The Restatement provides that “[t]he law of the state chosen by
6 the parties to govern their contractual rights and duties will be applied if the particular issue is
7 one which the parties could have resolved by an explicit provision in their agreement directed to
8 that issue.” Ownership of the trademark is an issue that the parties could have resolved with an
9 explicit provision. Restatement (Second) Conflict of Laws § 187(1) (1971). Thus, under
10 Washington’s conflict of law analysis, the Court examines this claim under New Jersey law.

11 Under New Jersey law, the conversion claim must be dismissed because intangible
12 property—like trademarks—cannot be the subject of a conversion claim. *See, e.g., StrikeForce*
13 *Technologies, Inc.*, 2013 WL 3508835, at *8; *Slim CD, Inc.*, 2007 WL 2459349, at *12;
14 *AccuZIP, Inc.*, 25 N.J. Tax. at 169.

15 ***C. Federal Declaratory Judgment Act, 28 U.S.C. § 2201 et seq. (Count V)***

16 Plaintiff seeks a declaratory judgment from this Court that the “Angry Birds” trademark is
17 her exclusive property. Compl. ¶ 92. Defendant argues that this claim must be denied because
18 under Third Circuit precedent, a request for declaratory judgment is inappropriate where it
19 would not serve a prophylactic purpose. Def.’s Mot. to Dismiss 20–21. However, Defendant
20 cites no authority for the proposition that this Court is bound to follow Third Circuit precedent.

21 This Court can find no Ninth Circuit case declaring that a declaratory judgment claim
22 must be dismissed once the parties are embroiled in litigation. All that the Declaratory Judgment
23 Act requires is that there be an actual case or controversy and that the Court have jurisdiction.
24 28 U.S.C. § 2201(a). In the present case, there is an actual controversy, and the Court has
25 diversity jurisdiction. Accordingly, Plaintiff has alleged sufficient facts to support a claim for
26 declaratory relief.

1 **D. Consequential Damages**

2 Defendant argues that, “to the extent Plaintiff’s claims seek [damages prohibited by ¶ 6.5
3 of the Agreement], including lost profits and loss of good will, such request for relief must be
4 dismissed.” Def.’s Mot. to Dismiss 18. As Plaintiff did not specify the type of damages she is
5 seeking, this Court declines to address this issue at this time.

6 **IV. Conclusion**

7 For all of the foregoing reasons, “Defendant’s Motion to Dismiss Pursuant to FRCP
8 12(b)(6)” (Dkt. #21) is DENIED as to Plaintiff’s claims for breach of contract, unjust
9 enrichment, declaratory judgment, false designation of origin, and accounting (counts I–III and
10 V–VIII), and GRANTED as to Plaintiff’s claim for conversion (count IV).

11
12 Dated this 15th day of December, 2014.

13 
14 Robert S. Lasnik
15 United States District Court Judge
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