UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT TACOMA

GREY MATTER MEDICAL PRODUCTS, LLC,

Plaintiff,

v.

SCHREINER GROUP LIMITED PARTNERSHIP, et al.,

Defendants.

CASE NO. C13-5861 BHS

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

This matter comes before the Court on Defendants Schreiner Group GMBH & Co. KG and Schreiner Group Limited Partnership's (collectively "Schreiner") motion for summary judgment (Dkt. 25) and Plaintiff Grey Matter Medical Products, LLC's ("Grey Matter") cross-motion for summary judgment (Dkt. 26). The Court has considered the pleadings filed in support of and in opposition to the motions and the remainder of the file and hereby rules as follows:

I. PROCEDURAL HISTORY

On October 1, 2013, Grey Matter filed a complaint against Schreiner for trademark infringement, unfair competition, and declaratory judgment. Dkt. 1. On

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November 18, 2013, Schreiner answered and asserted counterclaims for cancelation of trademark registrations, trademark infringement, and declaratory judgment. Dkt. 14.

On May 8, 2014, Schreiner filed a motion for partial summary judgment. Dkt. 25. On May 27, 2014, Grey Matter responded and filed a cross motion for summary judgment. Dkt. 26. On May 30, 2014, Schreiner replied. Dkt. 29. On June 16, 2013, Schreiner responded to Grey Matter's motion. Dkt. 30. On June 20, 2014, Grey Matter replied. Dkt. 32.

II. FACTUAL BACKGROUND

A founding member of Grey Matter, Cory Dobak, declares that he and his business partners "invented and developed the NeedleTrap device because hundreds of thousands of healthcare workers each year continued to be hurt due to accidental needle injuries." Dkt. 28, Declaration of Cory Dobak, ¶ 3. Mr. Dobak claims that the first use of the device was in August of 2005 when he transported the device from Oregon to a Spokane, Washington hospital. *Id.*, ¶ 5. In August 2008, Grey Matter filed an application for the trademark "NeedleTrap." Dkt. 25, Exh. A. The United States Patent and Trademark Office ("USPTO") registered the trademark on March 17, 2009, stating that the mark was for a "needle management system, namely, a one handed needle recapper for medical use" with a date of first use in commerce of January 1, 2006. *Id.*

In December 2012, Schreiner sought registration for the mark "Needle-Trap. Dkt. 27, Declaration of Mark P. Walters, Exh. B. In March 2013, the USPTO denied the application in light of Grey Matter's mark. *Id.*, Exh. C. Schreiner filed a petition to

cancel Grey Matter's mark, which is stayed pending determination of this litigation. *Id*., Exh. D.

III. DISCUSSION

Schreiner moves for partial summary judgment on its counterclaim for cancelation of Grey Matter's trademark. Dkt. 25. On the other hand, Grey Matter moves for summary judgment on the same counter claim alleging theories of fraud, abandonment, and failure to use the mark.

A. Summary Judgment Standard

Summary judgment is proper only if the pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). The moving party is entitled to judgment as a matter of law when the nonmoving party fails to make a sufficient showing on an essential element of a claim in the case on which the nonmoving party has the burden of proof. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). There is no genuine issue of fact for trial where the record, taken as a whole, could not lead a rational trier of fact to find for the nonmoving party. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp*., 475 U.S. 574, 586 (1986) (nonmoving party must present specific, significant probative evidence, not simply "some metaphysical doubt"). *See also* Fed. R. Civ. P. 56(e). Conversely, a genuine dispute over a material fact exists if there is sufficient evidence supporting the claimed factual dispute, requiring a judge or jury to resolve the differing versions of the truth. *Anderson v. Liberty Lobby, Inc*., 477

U.S. 242, 253 (1986); *T.W. Elec. Serv., Inc. v. Pac. Elec. Contractors Ass'n*, 809 F.2d 626, 630 (9th Cir. 1987).

The determination of the existence of a material fact is often a close question. The Court must consider the substantive evidentiary burden that the nonmoving party must meet at trial – e.g., a preponderance of the evidence in most civil cases. *Anderson*, 477 U.S. at 254; *T.W. Elec. Serv., Inc*., 809 F.2d at 630. The Court must resolve any factual issues of controversy in favor of the nonmoving party only when the facts specifically attested by that party contradict facts specifically attested by the moving party. The nonmoving party may not merely state that it will discredit the moving party's evidence at trial, in the hopes that evidence can be developed at trial to support the claim. *T.W. Elec. Serv., Inc*., 809 F.2d at 630 (relying on *Anderson*, 477 U.S. at 255). Conclusory, nonspecific statements in affidavits are not sufficient, and missing facts will not be presumed. *Lujan v. Nat'l Wildlife Fed'n*, 497 U.S. 871, 888-89 (1990).

B. Schreiner's Motion

In this case, Schreiner moves for summary judgment on its counterclaim that Grey Matter's trademark registration should be canceled for fraud. Dkt. 25 at 13. While fraud in procuring a trademark is sufficient grounds to cancel a registration, the moving party bears a heavy burden of proving

> a false representation regarding a material fact, the registrant's knowledge or belief that the representation is false, the intent to induce reliance upon the misrepresentation and reasonable reliance thereon, and damages proximately resulting from the reliance.

Robi v. Five Platters, 918 F.2d 1439, 1444 (9th Cir. 1990) (citing *San Juan Products, Inc. v. San Juan Pools of Kansas, Inc.*, 849 F.2d 468, 473 (10th Cir. 1988)). For purposes of Schreiner's motion, "*where the moving party has the burden*—the plaintiff on a claim for relief or the defendant on an affirmative defense—*his showing must be sufficient for the court to hold that no reasonable trier of fact could find other than for the moving party*." *Calderone v. United States*, 799 F.2d 254, 259 (6th Cir. 1986) (citation omitted); *see also Southern Calif. Gas Co. v. City of Santa Ana*, 336 F.3d 885, 888 (9th Cir. 2003). Therefore, Schreiner bears the burden of showing that no reasonable juror could find other than for Schreiner.

In this case, Schreiner has failed to meet its burden. Schreiner requests cancelation of Grey Matter's trademark because Grey Matter failed to describe its actual product in the application. Dkt. 25 at 8-13. Grey Matter counters that Schreiner has failed to cite any authority in support of its position. Dkt. 26 at 13. The Court agrees with Grey Matter. At the very least, Schreiner has failed to show that no reasonable juror could find other than for Schreiner on the issues of whether Grey Matter (1) intended to induce reliance when it stated on the application that the product was a recapper, (2) actually induced reasonable reliance, and (3) damage proximately resulted from the statement. Therefore, the Court denies Schreiner's motion for summary judgment on its counterclaim.

C. Grey Matter's Motion

In its counterclaim, Schreiner alleges that Grey Matter's mark should be cancelled for fraud, abandonment, and prior use. Dkt. 14, ¶¶ 52-59. Grey Matter moves for summary judgment on each alleged theory. Dkt. 26 at 15.

1. Fraud

In the Ninth Circuit, the movant must show intent to deceive, reliance, and damages proximately resulting from the reliance. *Five Platters*, 918 F.2d at 1444.

In this case, Schreiner has failed to submit evidence showing that material issues of fact exist on intent to deceive, reliance, or damages. At most, Schreiner has shown material misrepresentations that amount to false representation, which falls below the level of fraudulence that is required to cancel a trademark registration. Therefore, the Court grants Grey Matter's motion for summary judgment on the issue of cancellation due to fraud.

Schreiner requests that, if the Court were inclined to grant Grey Matter's motion on any issue, the Court allow Schreiner to conduct additional discovery before rendering judgment. Dkt. 30 at 8. In order to request such relief, the party must "show by affidavit or declaration that, for specified reasons, it cannot present facts essential to justify its opposition . . . ." Fed. R. Civ. P 56(d). Schreiner has failed to show that it cannot present facts essential to justify its opposition to this issue and instead makes a blanket request to allow additional discovery. Based on the record, there is a complete lack of any evidence that Grey Matter intended to deceive either the USPTO or the public when it filed its application. There is no evidence that Grey Matter needed to establish priority at the time

of filing or that Grey Matter falsely represented prior adverse actions regarding the mark in question. *See Five Platters*, 918 F.2d at 1444. In fact, there is also a complete lack of evidence that Grey Matter could be considered a "trademark troll," as Schreiner contends. Instead, the uncontested evidence establishes that Grey Matter may have provided some immaterial misstatements on its application. Such facts may warrant amendment and alter some aspects of enforceability, but they do not warrant outright cancellation. Therefore, the Court denies Schreiner's request to withhold judgment on this issue pending additional discovery.

2. Abandonment

"The Lanham Act defines abandonment as (1) discontinuance of trademark use *and* (2) intent not to resume such use . . . ." *Electro Source, LLC v. Brandess-Kalt-Aetna Group, Inc.*, 458 F.3d 931, 935 (9th Cir. 2006). "Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment." 15 U.S.C. § 1127. However,

> "use" of a trademark defeats an allegation of abandonment when: the use includes placement on goods sold or transported in commerce; is bona fide; is made in the ordinary course of trade; and is not made merely to reserve a right in a mark.

Electro Source, 458 F.3d at 936.

In this case, Schreiner asserts that Grey Matter has abandoned its mark because (1) Grey Matter has never marketed a "recapper" as stated in the application and (2) there has been at least three years of non-use. Dkt. 30 at 9–14. With regard to the former issue, Schreiner has failed to submit any authority for the proposition that

mischaracterizing one's actual product in a trademark application amounts to abandonment of a registered trademark. This is especially true when the alleged mischaracterization amounts to what type of needle management system was declared, as opposed to an entirely different market of products. *See, e.g., Imperial Tobacco Ltd., Assignee of Imperial Group PLC v. Philip Morris, Inc.*, 899 F.2d 1575, 1582 (Fed. Cir. 1990) (application listed product as cigarettes, but company efforts were "directed to marketing 'incidental' products, such as whisky, pens, watches, sunglasses and food . . . ."). Therefore, Schreiner's arguments on this issue do not overcome summary judgment.

With regard to actual non-use of the mark, there are clearly questions of fact. *See* Dkt. 30 at 10 (listing additional allegations indicating no intention to use mark). Even Grey Matter concentrates on some activities between 2005 and 2009 (Dkt. 32 at 6), with little to no evidence of use since 2009 (Dkt. 26 at 5–8). Taking all inferences in favor of Schreiner, the Court concludes that material questions of fact exist on the issues of discontinuance of use and intent not to resume use. Therefore, the Court denies Grey Matter's motion on the issue of abandonment.

3. Commercial Use

The "use in commerce" requirement is met when a mark is (1) placed on the goods or container, or on documents associated with the goods if the nature of the goods makes placement on the goods or container impracticable, and (2) that good are then "sold or transported in commerce." 15 U.S.C. § 1127; *Aycock*, 560 F.3d at 1357. "[T]rademark rights can vest even before any goods or services are actually sold if 'the totality of

[one's] prior actions, taken together, [can] establish a right to use the trademark.'" *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1052 (9th Cir. 1999) (quoting *New West Corp. v. NYM Co. of Calif., Inc.*, 595 F.2d 1194, 1200 (9th Cir. 1979)). "The registration of a mark that does not meet the use requirement is void ab initio." *Id.* at 1357.

In this case, the Court is unable to conclude, based on the briefing, which party bears the burden of proof on this issue. It appears that, because commercial use is a requirement of obtaining the trademark, Grey Matter bears the burden. Thus, in order to obtain summary judgment, Grey Matter must show that no reasonable juror could find other than for Grey Matter. In other words, Grey Matter must show that no reasonable juror could find other than Grey Matter's alleged uses prior to application constitute use in commerce. The Court is unable to reach that conclusion because the transportation of one product across state lines for a showing to one customer does not seem to meet the commercial use requirement. Usually, the Court would request additional briefing to clarify this issue. However, the dispositive motion deadline is months from now and the parties have sufficient opportunity to file another motion on this issue before that deadline. Therefore, the Court denies Grey Matter's motion without prejudice for a failure to show that Grey Matter is entitled to judgment as a matter of law on this issue.

IV. ORDER

Therefore, it is hereby **ORDERED** that Schreiner's motion for partial summary judgment (Dkt. 25) is **DENIED** and Grey Matter's cross-motion for summary judgment

(Dkt. 26) is **GRANTED in part** on the issue of fraud and **DENIED in part** as to all other issues.

Dated this 2nd day of July, 2014.

BENJAMIN H. SETTLE
United States District Judge