

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

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ARROWPOINT CAPITAL CORP., )  
 )  
 Plaintiff, )  
 )  
 v. )  
 )  
 ARROWPOINT ASSET MANAGEMENT, LLC, )  
 et al., )  
 )  
 Defendants. )

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C.A. No. 1:10-CV-00161-GMS

ARROWPOINT ASSET MANAGEMENT, LLC, )  
 )  
 Counterclaim-Plaintiff, )  
 )  
 v. )  
 )  
 ARROWPOINT CAPITAL CORP., )  
 Counterclaim-Defendant. )

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C.A. No. 1:10-CV-00161-GMS

**ORDER**

WHEREAS, Plaintiff/Counterclaim Defendant Arrowpoint Capital Corp. (“AC”) moved the court for partial summary judgment requesting the following relief: (1) that AC has valid and legally protectable marks; (2) that AC owns the marks; (3) that the marks are distinctive; and (4) that Arrowpoint Asset Management’s counterclaims are dismissed;

WHEREAS, Defendant Arrowpoint Asset Management LLC (“AAM”) moved the court for summary judgment: (1) on its first counterclaim for a declaratory judgment; (2) on all of Plaintiff AC’s claims for relief; (3) that any infringement was not willful; and (4) that disgorgement of infringing profits is not appropriate,

WHEREAS, having considered Arrowpoint Capital Corp.'s Motion for Partial Summary Judgment (D.I. 196), Arrowpoint Asset Management's Motion for Summary Judgment (D.I. 201), the parties' submissions in connection with these motions (D.I. 198, 202, 240, 241, 250, 252), and the applicable law;

IT IS HEREBY ORDERED THAT:

1. AC's motion for partial summary judgment that it has valid and legally protectable marks is GRANTED.<sup>1</sup>
2. AC's motion for partial summary judgment that AC owns the marks is GRANTED.<sup>2</sup>
3. AC's motion for partial summary judgment that AC owns the marks is GRANTED.<sup>3</sup>

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<sup>1</sup>AAM argues there is a material question of fact as to whether AC's asserted registrations are valid or were obtained through fraud on the USPTO and should be cancelled. (D.I. 241 at 15.) A trademark is valid and legally protectable if the mark is inherently distinctive or has achieved secondary meaning. *Ford Motor Co. v. Summit Motor Prods.*, 930 F.2d 277, 291 (3d Cir. 1991). To be inherently distinctive, the mark must be fanciful, arbitrary, or suggestive. *Commerce Nat'l Incs. Servs., Inc. v. Commerce Ins. Agency, Inc.*, 214 F.3d 432, 438 n.5 (3d Cir. 2000). Registration of a mark on the Principal Register is "prima facie evidence of the validity of the mark." 15 U.S.C. §§ 1057(b), 1115.

Here, the record shows that AC's word mark (ARROWPOINT CAPITAL), Registration No. 3,484,564, and its design mark Arrowpoint CAPITAL, Registration No. 3,484,563, are registered on the Principal Register of the USPTO which establishes a prima facie case that those marks are valid and legally protectable. AAM has admitted these marks are inherently distinctive for the purposes which they are registered, (D.I. 208, Ex. 48, Resp. Nos. 8, 9), further substantiating AC's claim of validity. Regarding AAM's affirmative defense, the court finds that AC participates in underwriting and writing. (D.I. 253, Ex. 82, Ex. 92, Ex. 85). The record conclusively establishes that AC has been underwriting and writing since its inception. (D.I. 252 at 5-6.) Thus, there is no genuine dispute that ARROWPOINT CAPITAL and Arrowpoint CAPITAL are valid and legally protectable, and AC is entitled to summary judgment on this issue.

<sup>2</sup> AC asserts that it established ownership because AAM admitted that AC began using the marks in question before AAM began using its marks. (D.I. 198 at 2.) A trademark registration on the federal Principal Register is prima facie evidence of the registrant's ownership of the mark. 15 U.S.C. § 1115(a); 2 McCarthy on Trademarks and Unfair Competition § 16:19 (4th ed.). The court finds that AAM cannot show that they first used the Arrowpoint element *before* AC was already using its marks in commerce: (1) AAM noted that it first used the marks featuring the Arrowpoint element "for investment services in November or December 2007" (D.I. 241 at 2.) and (2) AC used the Arrowpoint element in March 2007 (D.I. 198 at 3.) Because there is no genuine issue of material fact that AC used its Registered Marks *before* AAM used their marks, AC is entitled to summary judgment on the issue of ownership.

<sup>3</sup> "Proof of distinctiveness necessary to satisfy the anti-dilution statutes typically is the same proof used to show inherent or acquired distinctiveness for infringement purposes under the Lanham Act." *Sanofi-Aventis v. Advancis Pharm. Corp.*, 453 F. Supp. 2d 834, 855 (D. Del. 2006) (quoting *Barnes Group, Inc. v. Connell Ltd. P'ship*, 793 F.Supp. 1277, 1304 (D.Del.1992)) (considering a state dilution claim under the Delaware Trademark Act, 6 Del. C. § 3313). AAM has already admitted, and the court has already concluded, that the marks in question

4. AC's motion for partial summary judgment on AAM's counterclaims I, III, IV, and V is DENIED, AC's motion on counterclaim II is GRANTED.<sup>4</sup>

are inherently distinctive; therefore, AC owns distinctive marks and is entitled to summary judgment on the first element of its Delaware dilution claim.

<sup>4</sup> AC asserts dismissal of all of AAM's counterclaims is appropriate, primarily, because AAM failed to produce evidence to establish that AAM, not AC, was first to use the marks for investment management. (D.I. 198 at 2.) AC also argues summary judgment is appropriate on counterclaims II, III, and IV because AAM maintains there is no evidence of likelihood of confusion from the parties' respective uses of their Arrowpoint marks. (*Id.* at 2-3.)

"Rule 56(c) mandates the entry of summary judgment, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex Corp. v. Catrett*, 477 U.S. 317, 322-23, 106 S. Ct. 2548, 2552-53, 91 L. Ed. 2d 265 (1986). As a matter of law, all AAM's counterclaims require AAM to prove a likelihood of confusion from the parties' use of their respective Arrowpoint marks. *See A&H Sportswear, Inc.*, 237 F.3d 198, 210 (3d Cir. 2000) (explaining proof of a violation of 15 U.S.C. § 1125(a) requires plaintiff to demonstrate that "the defendant's use of the mark to identify goods or services causes a likelihood of confusion."); *Schering-Plough*, 702 F. Supp. 2d 266, 272 (D. Del. 2010) (noting that "proof of a Lanham Act claim would necessarily meet the requirements for a claim under the DTPA"); *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 481 (3d Cir. 1994) ("The district court concluded that Fison's Lanham Act claims failed because there was no likelihood of confusion and, therefore, its state law claims [including common law trademark and common law unfair competition] failed as well.").

AAM has adduced enough evidence to create a genuine issue of material fact regarding which party has priority in the investment management field. (D.I. 202 at 10-16; D.I. 241 at 8-14.) Although the court agrees AAM has failed to present any of its own evidence to establish a likelihood of confusion to support its counterclaims, (D.I. 252 at 8), Rule 56 allows a party to cite to materials in the record to show that a fact is genuinely disputed. AAM correctly points out that the likelihood of confusion element will need to be determined at trial, and AAM would prevail on its counterclaims if it prevails on its priority claim at trial. (D.I. 241 at 18-19.) Therefore, the court will deny AC's motion for summary judgment on AAM's counterclaims.

In addition, AC argues that it is entitled to summary judgment on AAM's Lanham Act claim (Counterclaim II) because "harm" is an essential requirement for a party to have standing to assert a Lanham Act claim, and AAM admits it has suffered no harm. (D.I. 198 at 12.) The United States Supreme Court delineated the analytical framework for determining a party's standing to maintain an action for false advertising under the Lanham Act. *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014). In *Lexmark*, the Court recognized that "[t]o invoke the Lanham Act's cause of action for false advertising, a plaintiff must plead (and ultimately prove) an injury to a commercial interest in sales or business reputation proximately caused by the defendant's misrepresentations." *Id.* at 1395; *see id.* at 1391 ("We thus hold that a plaintiff suing under § 1125(a) ordinarily must show economic or reputational injury flowing directly from the deception wrought by the defendant's advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff."). Nevertheless, AAM attempts to avoid the entry of summary judgment by asserting that *Lexmark* involves a false advertising claim. AAM's argument is unavailing. *Lexmark* standing analysis applies equally to unfair competition (false association) claims. *See Belmora LLC v. Bayer Consumer AG*, 819 F.3d 697, 705-13 (applying *Lexmark* standing analysis to both false association and false advertising claims); *N.J. Physicians United Reciprocal Exch. v. Boynton & Boynton, Inc.*, 141 F. Supp. 3d 298, 304-06 (D.N.J. 2015) (applying *Lexmark* to unfair competition and false advertising claims); *Lundgren v. Ameristar Credit Solutions, Inc.*, 40 F. Supp. 3d 543, 548-51 & n.4 (W.D. Pa. 2014) (applying *Lexmark* to both claims and finding "no distinction between the two types of actions" and dismissing both claims on summary judgment); *Scholz v. Goudreau*, 132 F. Supp. 3d 239, 254-55 (D. Mass. 2015) (dismissing Lanham Act claims on summary judgment because plaintiff failed to offer "evidence in the record demonstrating reputational injury.").

5. Arrowpoint Asset Management's Motion for Summary Judgment with respect to its Counterclaim for declaratory relief is DENIED.<sup>5</sup>

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AAM attempts to demonstrate injury by claiming that it is likely to be injured because of AC's use of the Arrowpoint marks. (D.I. 241 at 20.) This so called harm is at best speculative and not within the "zone of interests" contemplated by the Lanham Act, as it is merely an unsupported allegation. *Lexmark*, 134 S. Ct. at 1390; §1125(a). Instead, the record reveals that AAM has suffered no harm or reputational damage: (1) AAM's Rule 30(b)(6) representative testified that he is not "aware of any events or occurrences that have harmed [AAM's] reputation"; and (2) Mr. Grove testified that any mistakes related to the parties' respective uses of the Arrowpoint marks are not harmful to AAM. (D.I. 208, Ex. 52, 158:12-15; 87:5-7). The court concludes that AAM has failed to present sufficient evidence raising a material issue of fact for trial as to whether AAM suffered an injury to a commercial interest in reputation or sales. AAM cannot obtain relief without evidence of an injury proximately caused by AC's alleged conduct. Accordingly, AC's motion for summary judgment with respect to AAM's Lanham Act claim (Counterclaim II) will be granted.

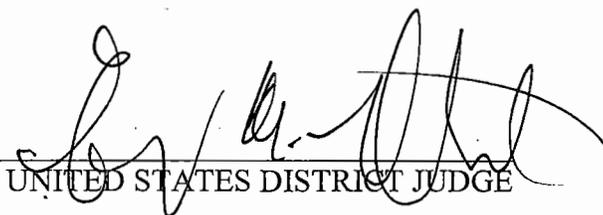
<sup>5</sup> AAM asserts that summary judgment should be granted with respect to its counterclaim for a declaration that it has priority of use of the "ARROWPOINT" element for investment management services. (D.I. 202.) Specifically, AAM asserts that it selected and first used its Arrowpoint marks to provide investment management services to *bona fide* third party customers in January 2008. (*Id.* at 11 (citing Ex. 1, Ex. 24, Ex. 23)). Thus, AAM claims its use of its marks were sufficiently public to obtain common law rights in them. (*Id.*) AAM maintains that AC did not provide investment management services to any *bona fide* third parties before AAM established these rights. (*Id.* at 12.) AAM asserts that AC did not obtain such common law rights to the mark because AC failed to indicate to the public that it offered investment management services to third parties under the mark. (*Id.* at 13.) In support, AAM contends that AC did not engage in advertising of investment management services or receive unsolicited press coverage concerning those services. (*Id.* (citing ex. 20, Tr. 34:22-35:16; 35:25-37:3)). Finally, relying on evidence from the parties' experts, AAM states that when it commenced use of its Arrowpoint marks for investment management services purchasers would not have expected those services to originate from the same source as AC's property casualty insurance services. (*Id.* at 15.)

In light of the record evidence, the parties' submissions, and the relevant law, the court finds that several material facts remain in dispute raising genuine issues for trial on AAM's counterclaim. Specifically, the court finds material facts in dispute as to whether: (1) AC invested for *bona fide* third parties; (2) AC established that its use of the mark was sufficiently public to indicate that it offered investment management to third parties under the mark; and (3) AAM has shown there was no likelihood of confusion during the relevant time AAM commenced use of Arrowpoint marks for investment management services. As a result, AAM is not entitled to summary judgment.

With respect to the first factual dispute, the court disagrees with AAM's contention that there are no disputed facts underlying the assertion that AC did not provide investment management services to any *bona fide* third parties. Rather, the court finds disputed material facts evidenced by deposition testimony and expert opinion. (D.I. 240 at 13 (citing Ex. 70; Ex. 76)). Moreover, even if AC failed to engage in advertising or receive marketing inquiries concerning investment management services, the court finds there is a genuine issue of material fact as to whether AC's use of the mark has been sufficiently public based on the fact that AC had executed a significant number of trades with several third-party broker-dealers. (*Id.* (citing Ex. 58; Ex. 81)).

6. Arrowpoint Asset Management's Motion for Summary Judgment with respect to Counts I-V<sup>6</sup> of Arrowpoint Capital Corp.'s First Amended Complaint (D.I. 201) is DENIED.<sup>7</sup>
7. Arrowpoint Asset Management's Motion for Summary Judgment on Arrowpoint Capital Corp.'s claim of willful infringement the marks is DENIED.<sup>8</sup>
8. Arrowpoint Asset Management's Motion for Summary Judgment on Arrowpoint Capital Corp.'s claim for disgorgement relief is DENIED.<sup>9</sup>

Dated: October 11, 2016



UNITED STATES DISTRICT JUDGE

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<sup>6</sup> AC sued for Trademark Infringement under Section 32 of the Lanham Act, 15 U.S.C. § 1114; Unfair Competition and False Advertising Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); Common Law Trademark Infringement and Misappropriation; Delaware Deceptive Trade Practices Act, Del. Code Ann. Tit. 6, §2532; and Delaware Trademark Act, Del. Code Ann. Tit. 6 §3313. (D.I. 112, ¶¶ 169-95.)

<sup>7</sup> With respect to AC's claims against AAM in the First Amended Complaint, AAM argues it is entitled to summary judgment because AAM's marks are entitled to priority in the investment management field, which precludes AC from establishing an element of its claims. (D.I. 202 at 16.) As previously discussed, AC has established material factual disputes as to whether it is the senior user of ARROWPOINT CAPITAL for investment management services. Therefore, AAM is not entitled to summary judgment on this issue.

<sup>8</sup> AAM asserts there is no evidence to support AC's claim that defendants willfully infringed AC's marks. (D.I. 202 at 16.) The record does not support AAM's contention. (D.I. 240 at 18, 20-21.) Thus, the court finds that AC presented genuine issues of material fact precluding summary judgment on this issue.

<sup>9</sup> Finally, AAM asserts that the court should grant summary judgment on AC's claim for disgorgement of any allegedly infringing profits. (D.I. 202 at 16.) Applying the Third Circuit test articulated in *Banjo*, 399 F.3d 168, 175 (3d Cir. 2005), AAM argues no reasonable balancing of these factors could weigh in favor of ordering disgorgement of profits. (D.I. 202 at 18.) In contrast, AC argues that the court on summary judgment should not make factual determinations on disgorgement of profits and willfulness. (D.I. 240 at 16.) AC further asserts that the *Banjo* factors favor AC. (*Id.* at 20.)

It is clear from the record that material factual disputes remain as to: (1) whether AAM demonstrated the requisite intent to confuse or deceive; (2) whether AC unreasonably delayed in asserting its rights; and (3) whether it would be in the public interest to make the alleged misconduct unprofitable. Because the court finds genuine issues of material fact remain with respect to the claim for disgorgement of AAM's profits, it concludes that summary judgment is inappropriate at this stage.