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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

NEO4J, INC., a Delaware corporation, and
NEO4J SWEDEN AB, a Swedish
corporation,
Plaintiffs,
v.

PURETHINK LLC, a Delaware limited
liability company, IGOV INC., a Virginia
corporation, and JOHN MARK SUHY, an
individual,
Defendants.

AND RELATED COUNTERCLAIMS

CASE NO. 5:18-cv-7182 EJD

**DEFENDANTS AND
COUNTERCLAIMANTS'
MEMORANDUM OF POINTS
AND AUTHORITIES IN
SUPPORT OF OPPOSITION TO
MOTION AT STRIKE
DEFENDANTS' ANSWER TO
THIRD AMENDED
COMPLAINT**

Date: February 11, 2021
Time: 9:00 a.m.
Dept. Courtroom 4, 5th floor
Judge: Hon. Edward J. Davila

1 **I. Introduction**

2 Defendants and Counterclaimants PURETHINK LLC, John Mark Suhy
3 and IGOV INC., (“Defendants”) oppose Plaintiff and Counter Defendant
4 Neo4J, Inc.’s (“Neo4j USA”) motion to strike the Seventh and Ninth
5 Affirmative defenses in Defendants’ Answer to Third Amended Amended
6 Complaint.

7 The basis for the motion is the Court already ruled against these
8 affirmative defenses when applied to the Second Amended Complaint. There
9 are two problems with this argument.

10 The first problem is procedural. The Second Amended Complaint has
11 been superseded by the Third Amended Complaint “[It] is well-established
12 that an “ ‘amended complaint supersedes the original, the latter being treated
13 thereafter as non-existent.’ ” *Forsyth v. Humana, Inc.*, 114 F.3d 1467, 1474
14 (9th Cir.1997) (quoting *Loux v. Rhay*, 375 F.2d 55, 57 (9th Cir.1967)).
15 *Valadez-Lopez v. Chertoff* (9th Cir. 2011) 656 F.3d 851, 857. With amended
16 complaints, the 9th circuit resolved the issue of repleading dismissed claims
17 on amendments. The court noted the choice for counsel is between failing to
18 preserve issues for appeal and risking sanctions by realleging dismissed
19 claims. *Lacey v. Maricopa County* (9th Cir. 2012) 693 F.3d 896, 927. *Lacey*
20 resolved the issue on amending complaints after dismissal of the prior
21 pleading. The solution was prior rulings are appealable based on the prior
22 pleadings. But there appears no case discussing what happens when the
23 plaintiff files a new amended complaint to which the defendants must
24 answer. Defendants filed a new answer because plaintiffs filed a new
25

1 complaint. Defendants did not file a new counter claim as there is a
2 difference of opinion if that is allowed.

3 The problem in this case is on a final appealable judgment, the operative
4 pleadings are what normally control the appeal. Defendants should not be
5 forced to waive the right to appeal rulings on a prior pleadings when that
6 pleading no longer exists. And, defendants did not simply repeat the same
7 affirmative defenses.

8 The second reason the 7th and 9th affirmative defenses are proper is they
9 have been changed to address the significant impact of the ownership of the
10 Neo4J mark and the license agreement between Neo4j Sweden and Neo4j
11 USA. This document was produced in discovery by Neo4j Sweden in March
12 30, 2020. See Dec. of Adron G. Beene ¶5. Defendants did not have that license
13 agreement when they conceded the Seventh Affirmative Defense for
14 Cancellation of Trademark. It was raised on the 9th affirmative defense
15 motion later but the full impact of the license situation was not previously
16 pled.

17 The new facts show Neo4j Sweden did not assign the Neo4J trademark
18 to Neo4j USA. See Dec. of Adron G. Beene ¶6. And see Dkt No. 91 ¶21. Neo4j
19 Sweden retained ownership of the trademark and only granted a non-
20 exclusive license to Neo4j USA. As Neo4j USA is 1) not the owner of the
21 Neo4J trademark, and 2) does not have rights over Neo4j Sweden's use of the
22 trademark, the affirmative defenses now state clear defenses to the amended
23 pleading.

II. Discussion

1. Fraud on the PTO

Originally, defendants asserted the false prior use dates on this affirmative defense. But that alone was not sufficient. Defendants had no other evidence of fraud and conceded the issue. But later, they bobtained the evidence through discovery. That evidence is the non exclusive license agreement between Neo4J Sweden and Neo4j USA. Under the license agreement, Neo4j USA is **not** the owner of the Neo4J trademark. They are only a non-exclusive licensee. Dkt. 91 p.20 7th affirmative defense. Yet Neo4j USA falsely represented to the PTO they were the owner of the trademark and had used the mark since 2006.

While Neo4j USA relies on a parent subsidiary relationship to support its position, the fact Neo4j Sweden is the owner of the Neo4j trademark entirely disables that theory. Ownership of a mark is not based on the related companies doctrine:

Under section 1 of the Lanham Act, only the owner of a mark is entitled to apply for registration. If one who is not the owner seeks registration, the application must be denied and any registration which issues is invalid. *Smith v. Tobacco By-Products & Chemical Corp.*, 243 F.2d 188, 44 CC Pa 880, 113 USPQ 339 (1957); see also, *In re Alexander*, 114 USPQ 547, 548 (Comm'r Pats.1957); J. McCarthy, *Trademarks and Unfair Competition* §§ 16:14, 19:14 (2d ed. 1984); E. Vandenburg, *Trademark Law and Procedure* § 10.11(b) (2d ed. 1968); 37 C.F.R. 2.33 (1985).

In re Wella A.G. (Fed. Cir. 1986) 787 F.2d 1549, 1554

1 In *Wella*, Judge Nies, in his concurring opinion, addressed the issue of
2 ownership between a parent and a subsidiary. A parent subsidiary relation
3 does not support a theory that either related party may apply for
4 registration. *In re Wella A.G.*, 1554.

5 Because Neo4j USA is not the owner of the Neo4j mark, they cannot use
6 Neo4j Sweden's prior use. The use of the mark may inure to the benefit of a
7 related party. "Under the doctrine of "related companies," the first use of a
8 mark by a person "controlled by the registrant or applicant for registration of
9 the mark" shall inure to the benefit of the controlling entity. 15 U.S.C. §
10 1055; see also *In re Wella A.G.*, 787 F.2d 1549, 1551 (Fed.Cir.1986)." *Secular*
11 *Organizations for Sobriety, Inc. v. Ullrich* (9th Cir. 2000) 213 F.3d 1125, 1131
12 However, the Wella opinion cited, breaks down the details showing the
13 related companies use may only benefit the mark's **owner**:

14 There is no provision in the statute, or in general principles of
15 trademark law, which might support Wella A.G.'s argument that
16 in a related company situation it is immaterial which entity is
17 the applicant or registrant of the mark which both entities are
18 entitled to use. Wella A.G.'s reliance on section 5 is misplaced.
19 Nothing in section 5 confers a right to register on a non-owner.
20 See *In re Alexander*, 114 USPQ at 548. Section 5 does provide
21 that the "use " by a related company "shall inure to the benefit of
22 the registrant or applicant for registration...." (Emphasis added.)
23 But since a registrant or applicant for registration must be the
24 owner, section 5 benefits only the owner of the mark. The
25 definitions of "applicant" and "registrant" in section 45 do not

1 include a related company. See *Hertz Corp. v. Knickerbocker*, 206
 2 F.Supp. 305, 306, 135 USPQ 9, 10 (S.D.N.Y.1962).

3 *In re Wella A.G.* (Fed. Cir. 1986) 787 F.2d 1549, 1555

4 Neo4j USA cannot use Neo4j Sweden's prior use under the related
 5 company doctrine to support use for the trademark application because
 6 Neo4J USA is not the owner of the mark. Thus, the use information in the
 7 application is false.

8 Neo4j Sweden owns the Neo4j software and the Neo4j trademark and
 9 licenses the Neo4J software under the GPL and AGPL. Neo4j USA only has a
 10 non-exclusive license to Neo4j Sweden's intellectual property including the
 11 trademark. Neo4j USA does not does not acquire ownership of a trademark
 12 through its registration of the mark. *Fusco Grp., Inc. v. Loss Consultants*
 13 *Int'l, Inc.* 462 F.Supp.2d 321, 327 (N.D.N.Y.2006).

14 Neo4j USA only has a non-exclusive license to use Neo4j Sweden's
 15 Neo4J's trademark and Neo4j Sweden retains all ownership of the
 16 trademark.

17 The license agreement Neo4j Sweden produced in discovery after the 7th
 18 affirmative defense was conceded, now shows Neo4j USA lied to the PTO
 19 both about its ownership and the dates of use so the affirmative defense is
 20 proper.¹

21 ¹ The license agreement will also, on a proper evidentiary motion, show Neo4j
 22 USA lacks standing to bring the trademark claims at all. "Where the license
 23 is non-exclusive the licensee does not have standing to bring an infringement
 24 action. *Quabaug Rubber Co. v. Fabiano Shoe Co.*, 567 F.2d 154, 159–160 (1st
 25 Cir.1977). Also, the licensee lacks standing when provisions in the contract
 indicate that the licensor retains exclusive ownership of the mark. *DEP Corp.*
v. Interstate Cigar Co., 622 F.2d 621, 623 (2nd Cir.1980)." *Ultrapure Systems,*
Inc. v. Ham-Let Group (N.D. Cal. 1996) 921 F.Supp. 659, 665.

1 **2. Defendants have stated an abandonment defense**

2 On the 9th affirmative defense, Neo4j Sweden did nothing to control the
3 use of the Neo4J mark when third parties modified and distributed the open
4 source versions of the software. That was four years (2007-2011) before
5 Neo4j USA existed (7-7-2011). And as Neo4j USA only has a non-exclusive
6 license to the trademark from Neo4j Sweden, Neo4j USA has no contractual
7 control or rights over Neo4j Sweden's use, and lacks control over Neo4j
8 Sweden's use of the Neo4j trademark.

9 Neo4j USA asserts trademark infringement claims in this case based
10 on the invalid registered trademark "Neo4J". Defendant's use of Neo4j USA's
11 licensed mark is a proper nominative fair use to 1) use the mark for
12 comparative advertising as permitted if not cherished by law (See 16 C.F.R.
13 §14.15(b)) and 3) to advise others PureThink was no longer a partner with
14 Neo4j USA. *Adobe Sys. Inc. v. Christenson*, 809 F.3d 1071, 1081 (9th Cir.
15 2015).

16 Defendants' use of Neo4j Sweden's trademark in Neo4J is to identify an
17 open source software product they support called Neo4J. As Neo4j USA is a
18 non-exclusive licensee of the Neo4J trademark, they have no standing to
19 challenge that use. Neo4j USA cannot control open source software users' use
20 of Neo4j Sweden's trademark. Defendants object to Exhibits 4, 5, 6 and 7 as
21 they are not relevant and are heresay. Control of the Neo4j trademark is
22 solely up to Neo4j Sweden.

23 Neo4j Sweden never had contractual control or actual control over
24 parties who downloaded Neo4J modify and redistributed the software as
25 permitted under the GPL and AGPL licenses. Neo4j Sweden has done

1 nothing to police the persistent use of its trademark. See millions of
2 unfettered use of the mark at Dkt. No. 71 ¶94.

3 Under 15 U.S.C.A §1127, a trademark is “abandoned” “When any course
4 of conduct of the owner, including acts of omission as well as commission,
5 causes the mark to become the generic name for the goods or services on or in
6 connection with which it is used or otherwise to lose significance as a mark.”

7 The well established Naked License doctrine is based on the duty of a
8 trademark owner to control the quality of products which use their
9 trademarks. If the owner does not control quality of products using the
10 trademark, they have a Naked License and the trademark is abandoned and
11 the owner may not assert trademarks rights. The leading case on this point is
12 *FreecycleSunnyvale v. Freecycle Network* (9th Cir. 2010) 626 F.3d 509, 515.

13 In *Freecycle*, the question on summary judgment was if the trademark
14 owner allowed use of the trademark with so few restrictions as to compel a
15 finding they engaged in naked licensing and abandoned the trademarks.
16 *Freecycle* at, 516. In *Freecycle*, the Court affirmed a summary judgment
17 ruling the trademark owner did not have adequate quality controls rendering
18 the trademark abandoned.

19 While anyone can use, modify, support, combine and convey the Neo4j
20 software (Dkt. No. 55 pg.3, ¶9), there are no provisions in the AGPL to
21 require or allow Neo4j Sweden to inspect the modified versions of Neo4j to
22 ensure quality controls. (Dkt. No. 55 Exhibit A). Likewise, Neo4j Sweden does
23 not actually control the trademark use on the open source community.

24 “The absence of an agreement with provisions restricting or monitoring
25 the quality of goods or services produced under a trademark supports a

finding of naked license.” *FreecycleSunnyvale v. Freecycle Network*, 626 F.2d 509, 516 (9th Cir. 2010).

III. Sanctions

Plaintiff seeks sanctions to make defendants waive any right to appeal. This is the problem the court was looking to avoid in *Lacey v. Maricopa County* (9th Cir. 2012) 693 F.3d 896, 927. But that ruling does not go so far as to cover the duty of a defendant to assert defenses or waive them when a plaintiff files an amended complaint. Since the procedural law is silent and the risk too high, pleading the defenses is not frivolous, harassing or improper. On the merits, the defenses are new as they include the impact of the ownership of the mark and Neo4j USA’s limited non-exclusive license to the mark which has significant ramifications on all the trademark claims and defenses.

IV. Conclusion

Defendants have a right to answer and assert defenses to a new amended complaint. They should not be forced to waive an appeal under threats of sanctions. Because adequate facts are alleged, the motion to strike the 7th and 9th affirmative defenses should be denied. Since the affirmative defenses are not frivolous, harassing or improper, sanctions should be denied.

Dated: November 13, 2020

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Defendants’ Opposition to Plaintiff’s Motion to Strike Answer to TAC

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