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IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

SECOND APPELLATE DISTRICT

DIVISION FIVE

INSTANT INFOSYSTEMS, INC.,

Plaintiff and Respondent,

v.

OPEN TEXT, INC.,

Defendant and Appellant.

B276691

(Los Angeles County
Super. Ct. No. BC619405)

APPEAL from an order of the Superior Court of Los Angeles County, Robert H. O'Brien, Judge. Affirmed.

Vedder Price, James V. Garvey, Deborah A. Hedley and Christopher Ramos for Defendant and Appellant.

Ervin Cohen & Jessup, Allen Cooper, Barry MacNaughton and Amy S. Russell for Plaintiff and Respondent.

I. INTRODUCTION

Defendant and cross-complainant Open Text, Inc. (Open Text or defendant) appeals from the denial of a preliminary injunction. Plaintiff and cross-defendant Instant InfoSystems, Inc. (Instant InfoSystems or plaintiff) and Open Text had a prior contractual relationship. Instant InfoSystems serviced a product, RightFax, belonging to defendant. After the business relationship ended, defendant allegedly made it known to customers that plaintiff was not permitted to service RightFax, which plaintiff disputed. Instant InfoSystems sued Open Text for intentional interference with a contractual relation and violation of the Unfair Competition Law (Bus. & Prof. Code, § 17200 et seq.).

Open Text cross-complained for, inter alia, trademark infringement, unfair competition, false advertising, and breach of contract. Open Text asserted Instant InfoSystems breached their license agreement which required plaintiff to stop using Open Text's trademark after the agreement ended. Open Text also argued Instant InfoSystems's use of the RightFax trademark amounted to trademark infringement and dilution. Defendant also complained of plaintiff's alleged misleading statements related to RightFax. Defendant subsequently moved for a preliminary injunction on the above grounds. The trial court denied the motion.

Open Text contends the trial court erred by denying the preliminary injunction request. We affirm.

II. BACKGROUND

A. Pleadings

Instant InfoSystems is a California corporation with its principal place of business located in Los Angeles, California. Open Text is a Delaware corporation with its principal place of business located in San Mateo, California. Instant InfoSystems is in the sale and service business for computer enabled fax software and services. A user of the software would be able to fax documents via a computer without the need for a fax machine. The computer enabled fax software and service was sold under the trade name RightFax. RightFax is popular with businesses requiring large scale faxing, such as hospitals and insurance companies. RightFax was originally owned by Captaris, Inc. Open Text purchased Captaris in 2008. It is undisputed Open Text holds the RightFax federal trademark.

Instant InfoSystems previously had a contractual relationship with Captaris to service RightFax products installed by plaintiff in its customers' businesses. Following Open Text's purchase of Captaris, the parties entered into the "Open Text Partner Master Agreement" (master agreement) on or about April 21, 2014. Section 3.4 of the master agreement provides in pertinent part: "Immediately upon termination, Partner [Instant Infosystems] shall stop representing itself as an OT partner and cease use of all OT Products and OT Materials except as explicitly authorized by [Open Text] in writing." Open Text terminated the master agreement on October 31, 2015.

On May 4, 2016, Instant InfoSystems filed its complaint against Open Text. It alleged that following termination of the master agreement, it notified plaintiff's customers that plaintiff

would no longer be able to provide services relating to RightFax. Open Text also allegedly denied Instant InfoSystems access to defendant's Knowledge Center, which would severely limit plaintiff's ability to provide its customers adequate technical support. Open Text allegedly contacted Instant InfoSystems's customers and offered to take plaintiff's place as support services. Plaintiff alleged intentional interference with prospective economic advantage, intentional interference with contractual relations, and unfair competition pursuant to Business and Professions Code section 17200.¹

Open Text filed its cross-complaint on June 15, 2016. It alleged plaintiff's Web site used RightFax trademarks even after its license for such use ended when defendant terminated the master agreement. Instant InfoSystems allegedly sent out e-mails in May 2016 advertising a webinar promoting XMediusFax, a competitor to RightFax, stating, "[i]f you are using RightFax, you will want to join us to learn how you can overcome the shortcomings of the RightFax collective architecture for disaster recovery." On June 2, 2016, Instant InfoSystems allegedly e-mailed multiple Open Text customers stating that certain RightFax products would be reaching its "support end of life" or "end of life." Open Text asserted the "end of life" statements were misleading and false. Open Text alleged 10 causes of action, including: breach of contract; trademark infringement under the Lanham Act (15 U.S.C. § 1114), Business and Professions Code

¹ Plaintiff asserts that in its second amended complaint, the operative pleading, the two remaining causes of action are for interference with a contractual relationship and unfair competition.

section 14245 et seq., and common law; trademark dilution under the Lanham Act (15 U.S.C. § 1125(c)) and Business and Professions Code section 14247; unfair competition under the Lanham Act (15 U.S.C. § 1125(a)) and Business and Professions Code section 17200 et seq.; and false advertising under Business and Professions Code section 17500.

B. Motion for Preliminary Injunction

Open Text moved for a preliminary injunction on June 20, 2016.² It argued it had a likelihood of prevailing on the merits for its claims of: breach of contract; trademark infringement and trademark dilution under the federal Lanham Act; and false advertising and unfair competition under California's False Advertising Law and Unfair Competition Law. It also contended irreparable harm would occur if the injunction was not granted and sought to enjoin Instant InfoSystems from: using defendant's intellectual property, including the RightFax marks, for any purpose, including plaintiff's Web site; representing itself or holding itself out to the public as being associated with RightFax or Open Text in any way; and misrepresenting the nature, characteristics, or qualities of RightFax to the public.

Instant InfoSystems asserted no breach occurred and argued its use of RightFax marks is nominative fair use. Plaintiff contended its use of the phrase "end of life" was factually accurate under an industry standard and thus was not false or misleading. Plaintiff also asserted Open Text failed to

² Defendant also moved for a temporary restraining order on June 17, 2016. Defendant does not appeal the denial of that order.

demonstrate irreparable harm. Instant InfoSystems contended the balance of hardships tips in favor of itself, not Open Text.

On July 13, 2016, the trial court issued its ruling by minute order. The minute order stated: “The court is unable to conclude that the moving party is likely to prevail in this lawsuit (either party). [¶] Request for preliminary injunction denied.” This appeal followed.

III. DISCUSSION

A. Standard of Review

Code of Civil Procedure section 527, subdivision (a) provides in pertinent part: “A preliminary injunction may be granted at any time before judgment upon a verified complaint, or upon affidavits if the complaint in the one case, or the affidavits in the other, show satisfactorily that sufficient grounds exist therefor.” Code of Civil Procedure section 526 describes when an injunction may be granted, including: “(1) When it appears by the complaint that the plaintiff is entitled to the relief demanded, and the relief, or any part thereof, consists in restraining the commission or continuance of the act complained of, either for a limited period or perpetually. [¶] (2) When it appears by the complaint or affidavits that the commission or continuance of some act during the litigation would produce waste, or great or irreparable injury, to a party to the action. [¶] . . . [¶] (4) Where pecuniary compensation would not afford adequate relief. [¶] (5) Where it would be extremely difficult to ascertain the amount of compensation which would afford adequate relief.”

Generally, a trial court's grant or denial of a preliminary injunction is reviewed for abuse of discretion. (*Oiye v. Fox* (2012) 211 Cal.App.4th 1036, 1047.) For preliminary injunction requests, a trial court evaluates 1) the likelihood a plaintiff will prevail on the merits at trial, and 2) the interim harm a plaintiff is likely to sustain absent an injunction against the harm a defendant is likely to sustain if the injunction is granted. (*White v. Davis* (2003) 30 Cal.4th 528, 554.) For the denial of a preliminary injunction, the standard of review on appeal is whether the trial court abused its discretion in ruling on both the balancing factors. (*Cohen v. Board of Supervisors* (1985) 40 Cal.3d 277, 286-287.) "Discretion is abused when a court exceeds the bounds of reason or contravenes uncontradicted evidence. [Citation.]' [Citation.]" (*14859 Moorpark Homeowner's Assn. v. VRT Corp.* (1998) 63 Cal.App.4th 1396, 1402.) The more likely it is that the plaintiff will ultimately prevail, the less severe must be the harm that the plaintiff alleges will occur if the injunction does not issue. (*King v. Meese* (1987) 43 Cal.3d 1217, 1226.)

If the likelihood of prevailing on the merits depends on a question of pure law rather than on evidence to be introduced at trial, the standard of review is whether the law was correctly interpreted and applied by the trial court. (*SB Liberty, LLC v. Isla Verde Assn., Inc.* (2013) 217 Cal.App.4th 272, 281; *Garamendi v. Executive Life Ins. Co.* (1993) 17 Cal.App.4th 504, 512.) If the trial court was presented with evidence on both factors but failed to make express findings, we will presume that the judge found in favor of the prevailing party on both factors. (*14859 Moorpark Homeowner's Assn. v. VRT Corp.*, *supra*, 63 Cal.App.4th at p. 1402.) "In assessing the trial court's factual findings underlying a preliminary injunction, we apply the

substantial evidence standard and view the evidence in the light most favorable to the court’s ruling. [Citation.]” (*Integrated Dynamic Solutions, Inc. v. VitaVet Labs, Inc.* (2016) 6 Cal.App.5th 1178, 1184.) “Whether the trial court granted or denied a preliminary injunction, the appellate court does not resolve conflicts in the evidence, reweigh the evidence, or assess the credibility of witnesses. [Citation.]” (*Whyte v. Schlage Lock Co.* (2002) 101 Cal.App.4th 1443, 1450.)

B. Likelihood of Success on the Merits

1. Trademark Infringement

Under the Lanham Act, a registered federal trademark is prima facie evidence of the registrant’s exclusive right “to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b)” (15 U.S.C. § 1115(a).) Fair use is a defense for a party when “the use of the . . . term, or device charged to be an infringement is a use, otherwise than as a mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party” (15 U.S.C. § 1115(b)(4); *New Kids on the Block v. New America Pub., Inc.* (9th Cir. 1992) 971 F.2d 302, 306 (*New Kids*).) The party asserting trademark infringement must demonstrate likelihood of confusion. (*KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.* (2004) 543 U.S. 111, 118.)

The United States Court of Appeals for the Ninth Circuit recognizes two types of fair use, classical and nominative. (*Cairns v. Franklin Mint Co.* (9th Cir. 2002) 292 F.3d 1139, 1150.) Plaintiff here asserted nominative fair use. Defendant contends nominative fair use is not applicable. We agree with plaintiff. “If the defendant’s use of the plaintiff’s trademark refers to something other than the plaintiff’s product, the traditional fair use inquiry will continue to govern. But, where the defendant uses a trademark to describe the plaintiff’s product, rather than its own, we hold that a commercial user is entitled to a nominative fair use defense” (*New Kids, supra*, 971 F.2d at p. 308.) Here, Instant InfoSystems used the RightFax trademark to refer to Instant InfoSystems’s services in providing support for RightFax software. Thus, the appropriate fair use analysis is nominative.

The nominative fair use defense applies if the following three requirements are met: “First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.” (*Ibid.*, fn. omitted; accord, *Toyota Motor Sales, U.S.A., Inc. v. Tabari* (9th Cir. 2010) 610 F.3d 1171, 1175-1176.) All three requirements are factual questions. Because we do not reweigh the evidence, and presume the trial court made all findings necessary to support the order, we will affirm if substantial evidence exists to support such findings.

As to the first requirement, chief executive officer David Klein declared Instant InfoSystems is in the business of

providing sale service and support for a number of products in the fax software industry, including RightFax. The service Instant InfoSystems provides for support of RightFax is not readily identifiable without specifically naming RightFax. (See *Volkswagenwerk Aktiengesellschaft v. Church* (9th Cir. 1969) 411 F.2d 350, 352 [use of Volkswagen trademark was necessary for automobile repair defendant to advertise he serviced Volkswagen vehicles, as long as he did not do so in a manner likely to suggest to customers that he was part of Volkswagen's organization of franchised dealers and repairmen].)

Plaintiff also submitted evidence that it used only so much of the mark as was reasonably necessary to identify their service. In a link on its Web site in which RightFax is listed as one of nine products, the RightFax Web page states: "Instant InfoSystems has been providing world-class technical support for RightFax for nearly 20 years. Our vast experience and depth of technical expertise with RightFax has helped large and small companies implement reliable, secure, and cost-effective solutions for sending and receiving documents" Klein declared Instant InfoSystems limited its use of RightFax on its Web site to its service of RightFax products.

Finally, Klein declared that on its Web site Instant InfoSystems made clear that it was not endorsed or sponsored by Open Text regarding RightFax. Instant InfoSystems's homepage on its Web site, which displays a list of Instant InfoSystems's partners, does not list Open Text as a partner. Instant InfoSystems also included a Web page dedicated to explaining the company's history, the previous partnership with Open Text, and that the partnership had come to an end. Instant InfoSystems at one point referred to itself as "the *Right Fax Experts*." However,

Klein declared the term was replaced with “the Fax Experts.” Klein also declared Instant InfoSystems had removed from its Web site all references to partnership awards from Open Text.

Based on all of the above, we find substantial evidence supports the trial court’s implied finding that the nominative fair use doctrine applies here. Hence, the trial court did not abuse its discretion by finding defendant could not demonstrate a likelihood of success on the merits for its trademark infringement claim.

2. Trademark Dilution

The Lanham Act also proscribes trademark dilution. “Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner’s mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.” (15 U.S.C. § 1125(c)(1).) However, nominative fair use is also a defense against trademark dilution. “A nominative use, by definition, refers to the trademark holder’s product. It does not create an improper association in consumers’ minds between a new product and the trademark holder’s mark.” (*Playboy Enterprises, Inc. v. Welles* (9th Cir. 2002) 279 F.3d 796, 806; see 15 U.S.C. § 1125(c)(3)(A).) Because we have found substantial evidence supports the trial court’s implied finding that the nominative fair use defense applies, defendant has not

demonstrated a likelihood of success on the merits for its trademark dilution claim.

3. False Advertising

“The UCL [unfair competition law] prohibits ‘any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising,’ and any act prohibited by the false advertising law. (Bus. & Prof. Code, § 17200.) The false advertising law generally prohibits advertising that contains ‘any statement . . . which is untrue or misleading, and which is known, or . . . should be known, to be untrue or misleading’ (Bus. & Prof. Code, § 17500.) The remedies available to a private plaintiff under the UCL and the false advertising law include injunctive relief and restitution. (Bus. & Prof. Code, §§ 17203, 17535; *Kasky v. Nike, Inc.* (2002) 27 Cal.4th 939, 950 (*Kasky*).)” (*Chapman v. Skype Inc.* (2013) 220 Cal.App.4th 217, 226.) “[T]o state a claim under either the UCL or the false advertising law, based on false advertising or promotional practices, ‘it is necessary only to show that “members of the public are likely to be deceived.”’ [Citations.]” (*Kasky, supra*, 27 Cal.4th at p. 951; *Chapman v. Skype Inc., supra*, 220 Cal.App.4th at p. 226.) “The question whether consumers are likely to be deceived is a question of fact” (*Ibid.*)

As to this claim, defendant has not demonstrated a likelihood of success on the merits. Both plaintiff and defendant submitted conflicting evidence pertaining to whether a consumer would be deceived regarding the term “end of life.” Open Text submitted a declaration from Michael Stover, product manager of

RightFax.³ He declared that (1) Instant InfoSystems's statement on its Web site that RightFax was reaching its "end of life" was misleading because Open Text is not putting RightFax into "end of life;" (2) Instant InfoSystems sent e-mails in June 2016 to customers stating RightFax 10.5 and 10.6 will reach "end of life;" (3) these e-mails caused confusion amongst customers, which required him to make on-site visits to customers to convince them RightFax would continue to be supported; and (4) Instant InfoSystems had informed several customers RightFax was dead, which required him to give contrary information to both customers and Open Text's partners. However, Instant InfoSystems submitted a declaration from Julie Freguia, a former employee at Captaris, who declared "end of life" was used properly by plaintiff as it is understood in the industry, and was even used in such a way by Open Text's current partners when referring to RightFax. She further declared several of Open Text's authorized partners referred to RightFax versions as going to "end of life."

"All intendments and presumptions are made to support the judgment on matters as to which the record is silent." (*Cahill v. San Diego Gas & Electric Co.* (2011) 194 Cal.App.4th 939, 956,

³ The trial court failed to rule on Instant InfoSystems's initial objections to Open Text's evidence in support of its preliminary injunction motion, which included objections to Stover's declaration. Instant InfoSystems contends that when a trial court fails to make express findings, we are to presume the court made the appropriate factual findings in support of the ruling. Open Text contends that the failure to rule on the objections means the evidence submitted was deemed admissible. We presume without deciding that all of Instant InfoSystems's objections were overruled.

citing *Denham v. Superior Court* (1970) 2 Cal.3d 557, 564.) Again, this court does not resolve conflicts in the evidence, reweigh the evidence, or assess witness credibility. (*Whyte v. Schlage Lock Co.*, *supra*, 101 Cal.App.4th at p. 1450.) Because we presume the trial court resolved the conflicting evidence in favor of Instant InfoSystems, and substantial evidence supports such a finding, Open Text has not demonstrated a likelihood that it will prevail on the merits here. We find no abuse of discretion.

4. Breach of Contract

We finally address defendant's claim for breach of contract. "The essential elements of a claim of breach of contract . . . are the contract, plaintiff's performance or excuse of nonperformance, defendant's breach, and the resulting damages to plaintiff. [Citations.]" (*San Mateo Union High School Dist. v. County of San Mateo* (2013) 213 Cal.App.4th 418, 439-440.)

Open Text asserts Instant InfoSystems breached the contract, but we need not determine whether a breach occurred. Even assuming a contract breach, there is a factual dispute as to the issue of damages. Open Text asserted damage to the RightFax brand, citing Stover's declaration about Instant InfoSystems's alleged misleading and false statements of RightFax's "end of life." As we discussed above, however, Klein's and Freguia's declarations indicated Instant InfoSystems did not provide misleading or false statements about RightFax's "end of life." Because we presume the trial court made all necessary findings in favor of the order, substantial evidence supports the trial court's implicit finding there was no harm even assuming a contract breach. The trial court did not abuse its discretion here

by finding Open Text did not have a likelihood of success on the merits for its breach of contract claim.

C. Balance of Harm

Though the trial court made no explicit finding as to the balance of harms, we presume the trial court made findings necessary to support the order, including finding the balance of harm favored Instant InfoSystems. (*14859 Moorpark Homeowner's Assn. v. VRT Corp.*, *supra*, 63 Cal.App.4th at p. 1402.) “The latter factor [balance of harms] involves consideration of such things as the inadequacy of other remedies, the degree of irreparable harm, and the necessity of preserving the status quo.’ [Citation.]” (*Ibid.*)

Open Text argues that by showing a likelihood of success on the merits as to a trademark infringement, irreparable harm is presumed, citing *Jay Bharat Developers, Inc. v. Minidis* (2008) 167 Cal.App.4th 437, 444. That case is readily distinguishable. First, as discussed, Open Text did not demonstrate a likelihood of success on the merits as to its trademark infringement claim. Second, *Jay Bharat Developers, Inc. v. Minidis*, *supra*, involved a trial court’s *grant* of a preliminary injunction. (*Id.* at p. 439.)

Substantial evidence supports the implied finding that the balance of harms does not tip in favor of Open Text. Klein declared Instant InfoSystems’s harm if the preliminary injunction was granted was the loss of business involving RightFax services. Instant InfoSystems had been servicing RightFax products for its customers for over 15 years.

Additionally, the purpose of a preliminary injunction is to preserve the status quo until a final determination of the

controversy following a trial. (*SB Liberty, LLC v. Isla Verde Assn., Inc.*, *supra*, 217 Cal.App.4th at p. 280; *Dodge, Warren & Peters Ins. Services, Inc. v. Riley* (2003) 105 Cal.App.4th 1414, 1418.) The status quo ““has been defined to mean ‘the last actual peaceable, uncontested status which preceded the pending controversy.’” [Citation.]’ [Citations.]” (*14859 Moorpark Howowner’s Assn. v. VRT Corp.*, *supra*, 63 Cal.App.4th at p. 1408.) Here, the status quo between the parties is the termination of the master agreement and seven months of Instant InfoSystems using the RightFax trademark on its Web site and in other communications. Thus, granting the preliminary injunction would cause an immediate change to the status quo.

There is also a question of delay. Here, after termination of the master agreement on October 31, 2015, more than seven months went by before plaintiff’s alleged violation of the master agreement or trademark infringement and dilution became an issue. (See *O’Connell v. Superior Court* (2006) 141 Cal.App.4th 1452, 1481 [long delays in seeking preliminary injunction are a factor against finding a claim of imminent irreparable injury].) Given all these factors, the trial court did not abuse its discretion by the implied finding that the balance of harms tipped in favor of Instant InfoSystems.

IV. DISPOSITION

The order denying the motion for preliminary injunction is affirmed. Plaintiff and cross-defendant Instant InfoSystems, Inc. may recover its costs on appeal from defendant and cross-complainant Open Text, Inc.

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LANDIN, J.*

We concur:

KRIEGLER, Acting P.J.

BAKER, J.

* Judge of the Los Angeles Superior Court, assigned by the Chief pursuant to article VI, section 6 of the California Constitution.