

Not intended for print publication.

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF WEST VIRGINIA

CHARLESTON DIVISION

HEALTHNET, INC.,

Plaintiff,

v.

CIVIL ACTION NO. 2:01-0835

HEALTH NET, INC.,

Defendant.

MEMORANDUM OPINION AND ORDER

Pending before the court are the parties' cross-motions for summary judgment concerning the plaintiff's use of the "HealthNet" service mark and the plaintiff's motion for oral argument on these motions. The plaintiff, HealthNet, Inc., filed this action on September 12, 2001, seeking a declaratory judgment that its use of the mark "HealthNet" is not likely to cause confusion and thus does not constitute trademark infringement and/or unfair competition under the Lanham Act, 15 U.S.C. §§ 1051-1127, as against the defendant's mark "Health Net." The defendant, Health Net, Inc., asserts counterclaims for trademark infringement and for false designation of origin and false impression of association.

The cross-motions for summary judgment concern the ripeness of the plaintiff's request for declaratory relief and the likelihood of confusion of the respective marks. The court **FINDS** that the plaintiff's declaratory judgment action presents a justiciable case or controversy as required by Article III of the Constitution. The court also **FINDS** that there is a material question of fact as to

whether there is a likelihood of confusion between the plaintiff's mark "HealthNet" and the defendant's mark "Health Net." Accordingly, the court **DENIES** the defendant's motion for summary judgment [Docket 40] and **DENIES** the plaintiff's cross-motion for summary judgment [Docket 48]. Furthermore, the court **DENIES as moot** the plaintiff's motion for oral argument on these cross-motions [Docket 63].

## **I. Background**

The defendant, Health Net, Inc. (HNT), provides healthcare, healthcare administration, and HMO services. HNT has subsidiaries located in California, Washington, Oregon, New York, Connecticut, New Jersey, and Pennsylvania. HNT's primary subsidiary, Health Net of California (HN-CA), offers various prepaid medical insurance plans (including HMO and PPO products) throughout the state of California. In 1997, HNT acquired an HMO company that also serviced Ohio, Western Pennsylvania, and West Virginia; however, by February 2001, HNT shut down its HMO services in those states.

HNT is publicly traded on the New York Stock Exchange and has over 3.75 million members with annual revenues exceeding \$7 billion. HNT has a web site located at [www.health.net](http://www.health.net) that provides information about the company and has links to its many subsidiaries, including a link to HN-CA's website, [www.healthnet.com](http://www.healthnet.com). This web site, [www.healthnet.com](http://www.healthnet.com), offers a wide range of health care related education and information to a number of target audiences, including the public at large, brokers and consultants, medical care providers, and its members.

The predecessor-in-interest of HN-CA first used the mark "Health Net" as a service mark and company name in 1978. On February 17, 1981, HN-CA's predecessor-in-interest obtained a federally registered trademark for the "Health Net" mark in connection with "medical and

hospitalization insurance underwriting services,” under Reg. No. 1,147,331. HNT’s federal registration of the mark “Health Net” is still in force and became incontestible on March 17, 1986, pursuant to 15 U.S.C. § 1065.

The plaintiff, HealthNet, Inc. (HealthNet), has used the mark “HealthNet” as a trade name and trademark in West Virginia since it began operations in June of 1986. HealthNet was formed as a not-for-profit corporation to offer air ambulance services in West Virginia. HealthNet’s services are also used by safety and health care officials in Ohio, Pennsylvania, Virginia, Maryland, and Kentucky. The name “HealthNet” appears on the company’s helicopters and fixed wing airplanes. HealthNet has a website located at [www.healthnetwv.org](http://www.healthnetwv.org) that provides information concerning HealthNet’s air ambulance services.

By letter dated August 11, 1999, HNT advised HealthNet that HealthNet’s use of the “HealthNet” mark for air ambulance services was likely to cause confusion with HNT’s federally registered “Health Net” mark for medical and hospitalization insurance underwriting services. HealthNet responded by letter dated September 27, 1999, stating that the services of the two companies were distinct and noting that it had separate and valid legal rights in the “HealthNet” name and mark. On December 6, 2000, HNT sent HealthNet another cease and desist letter, to which HealthNet responded by pointing out that it had already answered the assertion in HNT’s previous letter and that it considered the issues resolved and the matter closed.

On May 24, 2001, HNT again wrote HealthNet to announce its nationwide expansion and to state the following:

Your client’s continued use of “HEALTH NET AEROMEDICAL SERVICES” and any other marks or names that incorporate our client’s HEALTH NET mark, or any confusingly similar variation thereof, is at your client’s own peril. Indeed, if Health Net brings a lawsuit

against your client to enforce its rights in the HEALTH NET mark, the courts will consider your client to be a deliberate and willful infringer . . . [Y]our client has no reasonable basis why it should not agree to comply with Health Net's requests to cease and permanently refrain from future use of "HEALTH NET AEROMEDICAL SERVICES" and its variations.

(Pl.'s Statement of Undisputed Facts, ¶ 20).

In response, on September 12, 2001, HealthNet filed a complaint in this court for declaratory relief against HNT. Specifically, HealthNet seeks a declaration that its use of the mark "HealthNet" does not constitute infringement or unfair competition against HNT's "Health Net" mark. In addition, HealthNet seeks a declaration that it has superior rights in the "HealthNet" mark for certain medical services offered in West Virginia and bordering counties. Finally, HealthNet requests injunctive relief concerning the defendant's use of a "confusingly similar" mark in West Virginia and the bordering counties of West Virginia. On December 12, 2001, HNT answered the complaint and therein asserted a counterclaim for infringement and unfair competition.

On August 29, 2002, HNT filed a motion for summary judgment, alleging that the plaintiff's request for declaratory relief is premature because the matter is not ripe for decision on the question of whether a likelihood of confusion exists between the parties' respective use of their marks. HNT also asserts that its incontestible federal trademark registration for the "Health Net" mark gives it the exclusive right to use that mark, in connection with the goods and services recited in the registration, anywhere in the United States. On September 30, 2002, Health Net filed a cross-motion for summary judgment, alleging that the issues in this case are ripe and that there is no likelihood of confusion as a result of the parties' respective use of their marks for different services.

## **II. Standard of Review**

To obtain summary judgment, the moving party must show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law. *Fed. R. Civ. P.* 56(c). In considering a motion for summary judgment, the court will not “weigh the evidence and determine the truth of the matter.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249 (1986). Instead, the court will draw any permissible inference from the underlying facts in the light most favorable to the nonmoving party. *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587-88 (1986).

Although the court will view all underlying facts and inferences in the light most favorable to the nonmoving party, the nonmoving party nonetheless must offer some “concrete evidence from which a reasonable juror could return a verdict in his [or her] favor.” *Anderson*, 477 U.S. at 256. Summary judgment is appropriate when the nonmoving party has the burden of proof on an essential element of his or her case and does not make, after adequate time for discovery, a showing sufficient to establish that element. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322-23 (1986). The nonmoving party must satisfy this burden of proof by offering more than a mere “scintilla of evidence” in support of his or her position. *Anderson*, 477 U.S. at 252.

## **III. Discussion**

As previously discussed, this case presents federal claims for trademark infringement and unfair competition. The first issue before the court is whether this case presents an actual case or controversy under the Declaratory Judgment Act, 22 U.S.C. § 2201. The second issue before the court is whether there is a genuine issue of material fact as to whether a likelihood of confusion exists between the parties’ respective marks.

## **A. Justiciability of Declaratory Judgment Action**

HNT first contends that no declaratory relief can be granted in this case because there is no actual “case or controversy.” HNT argues that because the parties do not use their marks in the same geographical area, the matter is not “ripe for decision” on the question of whether a likelihood of confusion exists between the parties’ respective use of their marks. Specifically, HNT asserts that it does no business in West Virginia or the border counties of the surrounding states and that it has no plans to do business in those areas. In response, HealthNet contends that HNT fails to apply the correct law in this case because the action is for declaratory judgment rather than for injunctive relief. HealthNet asserts that the Declaratory Judgment Act applies and that there is a current and real case or controversy between the parties.

### **1. Justiciable Case or Controversy**

A claim for declaratory judgment, like any other claim, must present a justiciable case or controversy within the meaning of Article III of the Constitution. *See* 28 U.S.C. § 2201(a). The two pronged test for determining whether a case or controversy exists in a declaratory judgment action for trademarks requires a showing that (1) the declaratory claimant has a real and reasonable apprehension of litigation, and (2) the claimant has engaged in a course of conduct which brought it into adversarial conflict with the declaratory defendant. *See Maryland Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941); *see also Starter Corp v. Converse, Inc.*, 84 F.3d 592, 594 (2d Cir. 1996); *Windsurfing Int’l, Inc. v. AMF, Inc.*, 828 F.2d 755, 757 (Fed. Cir. 1987); *Intel Corp v. CFW Wireless, Inc.*, 2000 WL 1455830, at \*1 (W.D. Va. 2000).

As to the first prong, the parties dispute whether HealthNet had a real and reasonable fear of litigation. HNT claims that it did not “directly” threaten suit against HealthNet; rather, it asserts that

it “merely advised [HealthNet] that its continued use of ‘Healthnet’ was at [HealthNet]’s peril.” (Def.’s Mem. Supp. Summ. J. at 5). HealthNet, however, points to the fact that HNT sent it three separate cease-and-desist letters maintaining the exact same position - that HealthNet infringed upon HNT’s rights. These letters stated a prima facie case for trademark infringement in that they alleged HNT’s ownership of a registered mark and HealthNet’s use in commerce of a mark so similar to HNT’s that it was likely to cause confusion.<sup>1</sup> As the “likelihood of confusion” standard is relevant to infringement proceedings, it was reasonable for HealthNet to infer from HNT’s letters a threat of litigation. *See Chesebrough-Pond’s, Inc. v. Faberge, Inc.*, 666 F.2d 393, 396-97 (9th Cir. 1982); *Dunn Computer Corp., d/b/a Steelcloud v. Loudcloud, Inc.*, 133 F. Supp. 2d 823, 828 (E.D. Va. 2001).

Moreover, instead of disclaiming an intent to pursue an infringement action, HNT responded to HealthNet’s filing of this declaratory judgment action by including a counterclaim for trademark

---

<sup>1</sup> The letter dated May 24, 2001, from HNT to HealthNet stated the following:

We are surprised that [HealthNet] is not willing to voluntarily cease use of its mark and agree to refrain from future use of “HEALTH NET AEROMEDICAL SERVICES” and all confusingly similar variations of [HNT]’s HEALTH NET mark. After notifying [HealthNet] of [HNT]’s superior rights and incontestable federal registration, we had hoped to obtain [HealthNet]’s agreement to cease and permanently refrain from adopting, using, or seeking registration with any governmental entity of any trademark . . . and/or Internet domain name that includes the phrase “Health Net” or any variation thereof.

[HNT] has recently announced the nationwide expansion of its HEALTH NET mark. [HealthNet]’s continued use of “HEALTH NET AEROMEDICAL SERVICES” and any other marks or names that incorporate [HNT]’s HEALTH NET mark, or any confusingly similar variation thereof, is at [HealthNet]’s own peril. Indeed, if [HNT] brings a lawsuit against [HealthNet] to enforce its rights in the HEALTH NET marks, the courts will consider your client to be a deliberate and willful infringer.

(Pl.’s Undisputed Fact, ¶ 20).

infringement, dilution, and unfair competition. The actual filing of a counterclaim for infringement, dilution, and unfair competition only strengthens HealthNet's claim that it had a real and reasonable apprehension of litigation. See *Chesebrough-Pond's*, 666 F.2d at 396-97; *Dunn Computer Corp.*, 133 F. Supp. 2d at 828; *Progressive Apparel Group, Inc. v. Anheuser-Busch, Inc.*, 1996 WL 50227, at \*3 (S.D.N.Y. Feb. 8, 1996). Given HNT's cease-and-desist letters and its decision to file a counterclaim, it is clear that HealthNet had a real and reasonable apprehension of litigation.

The second prong requires the court to determine whether HealthNet's conduct has brought it into "actual controversy" with HNT. In other words, the question is whether the facts alleged, under all the circumstances, show that there is a "substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *White v. Nat'l Union Fire Ins. Co.*, 913 F.2d 165, 167-68 (4th Cir. 1990) (citing *Maryland Cas. Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). In this case, HealthNet is currently offering the same services and using the same mark that prompted HNT's cease-and-desist letters. Thus, HealthNet has engaged in conduct that puts it into an adversarial relationship with HNT. See *Jeffrey Banks, Ltd. v. Jos. A. Bank Clothiers, Inc.*, 619 F. Supp. 998, 1002 (D. Md. 1985) ("Even in the absence of direct charges of infringement against plaintiff by defendant, an 'actual controversy' can be found if the commercial realities of the situation puts plaintiff in a position where it must run a real risk of potential liability if it goes ahead to exercise what it believes are its legal rights in the commercial market."). Accordingly, the court **FINDS** that this case presents an actual controversy.

## **B. Likelihood of Confusion**

In a trademark infringement action, the plaintiff must show: (1) that its mark is valid and protected and (2) that the defendant's use of the contested mark is likely to cause confusion concerning the origin of the goods or services. *See Petro Stopping Centers, L.P. v. James River Petroleum, Inc.*, 130 F.3d 88, 91 (4th Cir. 1997); *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.*, 43 F.3d 922, 903 (4th Cir. 1995). Because HNT's mark is incontestible, its validity is conclusively presumed. *See* 15 U.S.C. § 1115(b). Therefore, the only matter before the court is whether there is a likelihood of confusion between the marks used by HNT and Health Net.

The Fourth Circuit uses a seven-factor test in assessing whether a likelihood of confusion exists: (1) the strength and distinctiveness of the mark; (2) the similarity of the two marks; (3) the similarity of the goods and services that the marks identify; (4) the similarity of the facilities that the two parties use in their businesses; (5) the similarity of the advertising used by the two parties; (6) intent; and (7) actual confusion. *Pizzaria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984). Not all of these factors are of equal relevance in every case. *See id.*; *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 463 (4th Cir. 1996); *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 320 (4th Cir. 1992). At the same time, the Fourth Circuit has stated that the seventh factor, actual confusion, is often paramount because “[w]hen the plaintiff's mark is strong and the defendant's use of a similar mark ‘has actually confused the public, our inquiry ends almost as soon as it begins.’” *Lyons P'ship, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789, 804 (4th Cir. 2001) (citing *Sara Lee Corp.*, 81 F.3d at 467).

The Fourth Circuit has also recognized that “likelihood of confusion is an inherently factual issue.” *Petro Stopping Centers*, 130 F.3d at 92 (citing *Lone Star Steakhouse*, 43 F.3d at 933). In

this case, viewing the facts in the light most favorable to the nonmoving party, the question of likelihood of confusion is quintessentially factual in nature. The court **FINDS** that there are several questions of material of fact to be resolved by the factfinder. Accordingly, the court **DENIES** the defendant's motion for summary judgment and **DENIES** the plaintiff's cross-motion for summary judgment.

#### **IV. Conclusion**

In accordance with the foregoing discussion, the court **FINDS** that although there is an actual case or controversy between HealthNet and HNT, there are still several questions of material fact to be resolved by the factfinder. Accordingly, the court **DENIES** the defendant's motion for summary judgment and **DENIES** the plaintiff's cross-motion for summary judgment. The court also **DENIES as moot** the plaintiff's motion for oral argument on the summary judgment motions.

The court **DIRECTS** the Clerk to send a copy of this Order to counsel of record and any unrepresented party.

ENTER:            January 7, 2003

---

JOSEPH R. GOODWIN  
UNITED STATES DISTRICT JUDGE