

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

CV 2022-051638

02/23/2024

HONORABLE CHRISTOPHER COURY

CLERK OF THE COURT
S. Ortega
Deputy

BLACKHAWK NETWORK INC

DAVID A SELDEN

v.

S L CARD COMPANY INC

WILLIAM D FURNISH

ISAAC S CRUM
ROBIN MCGRATH
JASON F HOFFMAN
DANIEL L MARKS
JUDGE COURY

RULINGS ON MOTIONS FOR PARTIAL SUMMARY JUDGMENT

Two motions are pending before the Court. The Court has reviewed and considered the following:

Plaintiff's Motion for Partial Summary Judgment

A. *Blackhawk's Motion for Partial Summary Judgment*, filed November 17, 2023, together with the statement of facts and exhibits filed concurrently therewith;

B. *SL Card Company Inc.'s Opposition to Blackhawk Network, Inc.'s Motion for Partial Summary Judgment*, filed December 18, 2023, together with the statement of facts and exhibits filed concurrently therewith;

C. *Reply in Support of Blackhawk's Motion for Partial Summary Judgment*, filed January 5, 2024, together with the exhibits filed concurrently therewith;

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Defendant's Motion for Partial Summary Judgment

D. *Defendant SL Card Company's Motion for Partial Summary Judgment*, filed November 17, 2023, together with the statement of facts and exhibits filed concurrently therewith;

E. *Blackhawk's Opposition to SL Card Company D/B/A Linq3's Motion for Partial Summary Judgment*, filed December 18, 2023, together with the statement of facts and exhibits filed concurrently therewith;

F. *SL Card Company Inc.'s Reply in Support of Motion for Partial Summary Judgment*, filed January 5, 2024, together with the exhibits filed concurrently therewith; and

G. The arguments and authorities presented during the oral argument held on February 20, 2024.

This dispute arises out of the alleged breach of the Product Distribution Agreement ("PDA") between Plaintiff Blackhawk Network, Inc. ("Blackhawk") and Defendant SL Card Company, Inc. ("SL Card") d/b/a Linq3 ("Linq3")¹ entered into on January 1, 1997.² Pursuant to the PDA, the parties agreed to work together to develop a new lottery product called "Play Now."

Blackhawk has asserted a single claim against Linq3 for breaches of Sections 8 and 10 of the PDA. Linq3 has asserted the following Counterclaims against Blackhawk:

Counterclaim I	Breach of Contract (PDA)
Counterclaim II	Trademark Infringement (15 U.S.C. § 1114)
Counterclaim III	Federal Unfair Competition
Counterclaim V	Common Law Trademark Infringement and Unfair Competition ³

¹ Linq3 is an indirect subsidiary of HI Technology Corp. ("HI Technology"). HI Technology is the direct parent of Interactive Communications International, Inc. ("InComm" or "ICI").

² The PDA refers to Defendant SL Card as "Linq3" throughout. The PDA refers to Linq3 Technologies LLC, a Delaware LLC, Linq3's parent, as "Linq3 Technologies." For purposes of ruling on these Motions, the Court will use the abbreviated names used in the PDA. Defendant's continued refusal throughout this litigation to use the abbreviations for defendant and its affiliates used in the PDA has made it unnecessarily more difficult to keep the various entities straight.

³ On November 2, 2023, Linq3 withdrew Count IV of its Counterclaim for unfair and deceptive trade practices. On November 7, 2023, the Court ordered that Count IV was withdrawn and deemed moot.

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In Blackhawk's motion, it has moved for partial summary judgment on Linq3's Counterclaims on the grounds that each of the counterclaims is barred by the applicable three-year statute of limitations and by the doctrine of laches. Blackhawk also moves for partial summary judgment on Linq3's affirmative defense that Blackhawk's breach of contract claim is preempted by patent law. Linq3 opposes this motion.

In Linq3's motion, it seeks summary judgment on Blackhawk's breach of contract claim, asserting that there is no violation of either Section 8 or Section 10 of the PDA as alleged by Blackhawk. Blackhawk disagrees, and argues that genuine issues of material fact exist.

Summary judgment is appropriate only if no genuine issue of material fact exists and the moving party is entitled to judgment as a matter of law. See Rule 56(a), Arizona Rules of Civil Procedure; *Orme School v. Reeves*, 166 Ariz. 301, 305, 802 P.2d 1000, 1004 (1990); *Hourani v. Benson Hosp.*, 211 Ariz. 427, 432, ¶ 13, 122 P.3d 6, 11 (App. 2005). All facts must be viewed in the light most favorable to the nonmoving party. See *Grain Dealers Mutual Insurance Co. v. James*, 118 Ariz. 116, 575 P.2d 315 (1978); *Farmers Ins. Co. v. Vagnozzi*, 138 Ariz. 443, 448, 675 P.2d 703, 708 (1983). The moving party bears the burden of demonstrating through admissible evidence that no genuine issue of material fact exists. See *Nat'l Hous. Indus., Inc. v. E.L. Joes Dev. Co.*, 118 Ariz. 374, 377, 576 P.2d 1374, 1377 (App. 1978); *Sanchez v. City of Tucson*, 191 Ariz. 128, 130, 953 P.2d 168, 170 (1998); *Nat'l Bank of Ariz. v. Thurston*, 218 Ariz. 112, 116, ¶¶ 16-17, 180 P.3d 977, 981 (App. 2008). Additionally, "summary judgment is not proper where possible inferences to be drawn from the circumstances are conflicting." *Executive Towers v. Leonard*, 7 Ariz. App. 331, 334, 439 P.2d 303, 306 (1968).

THE COURT FINDS as follows:

I. BLACKHAWK'S MOTION FOR PARTIAL SUMMARY JUDGMENT

A. Statute of Limitations/Laches

1. On January 24, 2023, the Court ruled that Delaware's three-year statute of limitations applies to Linq3's breach of contract counterclaim. (Minute Entry Ruling of January 24, 2023, at 3-4). The Court further ruled that Arizona's three-year statute of limitations applies to Linq3's remaining non-contractual counterclaims. (*Id.* at 4-6).
2. Linq3 filed its counterclaims against Blackhawk on October 31, 2022. Blackhawk asserts that the counterclaims were filed more than three years after the claims accrued.

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3. Counterclaim I alleges a breach of Section 10 of the PDA relating to Blackhawk's marketing of the QuickTicket product and use of the QUICKTICKET mark. (Counterclaim at ¶¶ 55-58). Counterclaim II alleges federal trademark infringement relating to the QUICKTICKET mark. (*Id.* at ¶¶ 61-66). Counterclaim III alleges federal unfair competition relating to the QUICKTICKET mark. (*Id.* at ¶¶ 69-71). Counterclaim V alleges common law trademark infringement and unfair competition related to the QUICKTICKET mark. (*Id.* at ¶¶ 78-80).

Counterclaim I – Breach of Contract

4. On September 13, 2019, Linq3 sent Blackhawk a letter asserting that Blackhawk was in material breach of the PDA (the "Breach Letter"). The Breach Letter stated in part:

Blackhawk's Material Breach of the Agreement

Blackhawk, on the other hand, is in material breach of the Agreement. First, as noted above, Linq3 filed a trademark application for QuickTicket on June 8, 2018, thereby establishing QuickTicket as Linq3's "new intellectual property" as of that date. Notwithstanding this filing, Blackhawk (i) filed a trademark application for QuickTicket over two months later; and (ii) has been promoting the upcoming U.S. launch of a QuickTicket product that it is characterizing as "the Better QuickTicket," all in direct violation of Section 10.1 of the Agreement. Second, by claiming patent ownership to the QuickTicket product, which is a modification/improvement of the Play Now Product owned exclusively by Linq3, Blackhawk is in direct breach of Section 10.1 and 10.3 of the Agreement, in which Blackhawk expressly agreed that Linq3 owns "Linq3's Preexisting Intellectual Property and any modifications, derivatives or improvements made thereto."

In view of the foregoing, Blackhawk has 30 days to withdraw its pending trademark applications for the QuickTicket mark and cure its material breach. Additionally, Blackhawk should immediately cease its promotion of a QuickTicket product in the U.S. and is hereby on notice that any attempt by Blackhawk to launch a QuickTicket product in the U.S. will be deemed a material breach

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of the Agreement, in addition to an infringement of Linq3's trademark rights.
(Blackhawk Ex. 2 at 3, BHN000004846).

5. Under Delaware law, the statute of limitations period begins “on the date that the cause of action accrued.” *Intermec IP Corp. v. TransCore, LP*, 2021 WL 3620435, at * 2 (Sup. Ct. Del. Aug. 16, 2021). Specifically, the statute of limitations “is triggered as soon as the breach occurs, even if the aggrieved plaintiff is ignorant of the breach.” *Id.* The Delaware statute of limitations “is not a ‘discovery statute,’ and the limitations period begins to run from the time the cause of action accrues . . . ‘even if the plaintiff is ignorant of the cause of action.’” *SmithKline Beecham Pharms. Co. v. Merck & Co.*, 766 A.2d 442, 450 (Del. 2000).
6. As stated in the Breach Letter, Linq3 knew that Blackhawk had filed a trademark application for the QUICKTICKET mark by September 13, 2019. Linq3 also knew by September 13, 2019, that Blackhawk was promoting a “QuickTicket” product as “the Better QuickTicket.” Thus, Linq3 was aware by September 13, 2019, of Blackhawk’s alleged breaches of Section 10 of the PDA.
7. Linq3’s breach of contract counterclaim is based on Blackhawk’s unauthorized use of Linq3’s QUICKTICKET mark in violation of the Section 10 of the PDA. Linq3 argues that to establish breach of the PDA it must show that the QUICKTICKET mark was its intellectual property and that Blackhawk used the intellectual property without its permission. Thus, according to Linq3, its claims did not accrue before Linq3 acquired the rights to the QUICKTICKET mark and Blackhawk began using the mark in commerce. Linq3 claims it did not acquire the rights in the QUICKTICKET mark until it began using that mark in commerce on November 5, 2019, within three years of filing its Counterclaim.
8. In Counterclaim I, Linq3 accused Blackhawk of offering for sale and marketing the QuickTicket lottery product, filing for the QUICKTICKET mark, and using the QUICKTICKET mark. (Counterclaim at ¶ 57) (“Blackhawk’s sale, offering for sale, and marketing of QUICKTICKET lottery products using SL Card’s Intellectual Property, without SL Card’s authorization constitutes a material breach of the PDA. Blackhawk’s filing of an application to register and its use of the QUICKTICKET Mark in connection with lottery product and services likewise constitutes a material breach of Section 10 of the PDA.”).

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9. The Breach Letter makes it clear that Blackhawk was already allegedly in breach of the PDA as of September 13, 2019, for using the QUICKTICKET mark and marketing a QuickTicket product. “Blackhawk ... has been promoting the upcoming U.S. launch of a QuickTicket product that it is characterizing as ‘the Better QuickTicket,’ all in direct violation of Section 10.1 of the Agreement.”
10. It is undisputed, as stated in the Breach Letter, that Blackhawk had filed a trademark application for the QUICKTICKET mark and had begun promoting and marketing its QuickTicket product by September 13, 2019. As such, Blackhawk’s alleged breaches occurred before September 13, 2019, more than three years prior to filing the Counterclaim. As such, Counterclaim I for breach of the PDA accrued no later than September 13, 2019, and is barred by Delaware’s three-year statute of limitations. Counterclaim I is dismissed.

Counterclaims III and V

11. Counterclaims III and V are governed by Arizona’s three-year statute of limitations. In Arizona, the statute of limitations “begins when the act upon which legal action is based took place, even though the plaintiff may be unaware of the facts underlying his or her claim.” *Gust, Rosenfeld & Henderson v. Prudential Ins. Co. of Am.*, 182 Ariz. 586, 588, 898 P.2d 964, 966 (1995). However, Arizona recognizes the discovery rule, under which:

[A] cause of action ‘accrues’ when the plaintiff discovers or by the exercise of reasonable diligence should have discovered that he or she has been injured by a *particular* defendant’s . . . conduct. The cause of action does not accrue until the plaintiff knows or should have known of both the *what* and *who* elements of causation.

Lawhon v. L.B.J. Institutional Supply, Inc., 159 Ariz. 179, 183, 765 P.2d 1003, 1007 (App. 1988) (emphasis in original); *see also Gust, Rosenfeld*, 182 Ariz. at 588, 898 P.2d at 966. This requires the claimant to “possess a minimum requisite of knowledge sufficient to identify that a wrong occurred and caused injury,” *Doe v. Roe*, 191 Ariz. 313, 323, ¶ 32, 955 P.2d 951, 961 (1998), and have a “reason to connect the ‘what’ to a particular ‘who’ in such a way that a reasonable person would be on notice to investigate whether the injury might result from fault.” *Walk v. Ring*, 202 Ariz. 310, 316, ¶ 22, 44 P.3d 990, 996 (2002).

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12. Counterclaim III alleges unfair competition in violation of § 43 of the Lanham Act, 15 U.S.C. § 1125. Linq3 alleges that Blackhawk's use of the QUICKTICKET mark has or is likely to cause confusion with its rights in the QUICKTICKET mark.
13. Counterclaim V alleges that Blackhawk's use of the QUICKTICKET mark constituted common law trademark infringement and unfair competition.
14. Blackhawk asserts that the Counterclaims III and V were discovered no later than the September 13, 2019 Breach Letter and are therefore, barred by the three-year statute of limitations.
15. Linq3 argues that Counterclaims III and V are not time barred because the claims did not accrue until InComm began using the QUICKTICKET mark in commerce in November 2019. Linq3 argues that the QUICKTICKET mark was not protectable until InComm began using it in commerce. There could be no likelihood of confusion until both parties were using the mark in commerce. Thus, Linq3 could not have discovered its claim until November 2019.
16. To make a claim for trademark infringement, the plaintiff must prove that (1) it has a valid and legally protectable mark; (2) it owns the mark; and (3) the defendant's use of the mark is likely to create confusion. *Commerce National Ins. Services, Inc. v. Commerce Ins. Agency, Inc.*, 214 F.3d 432, 437 (3rd Cir. 2000).
17. The Ninth Circuit has recognized that federal trademark rights can vest even before any goods or services are actually sold. *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1052 (9th Cir. 1999); *see also PDK Labs, Inc. v. Proactive Labs, Inc.*, 325 F. Supp. 2d 176, 180 (E.D.N.Y. 2004) ("Trademark infringement, as codified in the Lanham Act, is not limited to situations where the infringing mark has been used in connection with the actual sale of a product.... [Rather], courts have found that trademark infringement litigation may proceed even in the absence of the product having been sold."). Further, a party seeking equitable relief need not wait until the alleged infringer completes a sale using the mark at issue to get an injunction. *See, e.g., Essie Cosmetics, Ltd. v. Dae Do Int'l, Ltd.*, 808 F. Supp. 952, 957 (E.D.N.Y. 1992) (finding that injunctive relief may be granted even before a business opens provided the threatened infringement is "imminent and impending").

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18. Claims for common law trademark infringement and unfair competition do not require a federal or state registered mark. Rather, such claims require that the plaintiff controls a mark that identifies a good or service. *See Angel's Gate Inc. v. All-Star Grand Canyon Tours Inc.*, 2013 WL 12114580, at *2 (D. Ariz. Sept. 30, 2013) (citing *Restatement (First) of Torts* § 717, which “allows for liability in a trademark infringement action if a plaintiff controls a mark that identifies certain goods or services in a market and can prove another party has adopted a mark ‘which is identical with or confusingly similar to [the plaintiff’s] trade name [or mark].’”).
19. By September 13, 2019, Linq3 was aware that Blackhawk had filed a trademark application for QuickTicket and was “promoting” the launch of a QuickTicket product in the U.S. that was the “Better” QuickTicket product. Linq3 advised Blackhawk that its actions constituted an infringement of its trademark rights in the QUICKTICKET mark.
20. Counterclaims III and V accrued no later than September 13 2019, the date of the Breach Letter. As such, Counterclaims III and V are barred by the applicable statutes of limitations. Counterclaims III and V are dismissed.⁴

Counterclaim II

21. Counterclaim II asserts a violation of § 32 of the Lanham Act, 15 U.S.C. § 1114, which prohibits the “use in commerce” or any “reproduction, counterfeit, copy or colorable imitation of a registered mark” that is likely to cause confusion. Generally, a § 32 claim does not arise until the registration of a trademark is issued.
22. On June 7, 2018, Linq3 Technologies filed a trademark application seeking registration of the QUICKTICKET mark with the United States Patent and Trademark Office (“USPTO”). (Blackhawk Ex. 12 at SLCARD_0000192).
23. On January 1, 2019, the USPTO issued a Notice of Allowance to Linq3 Technologies for the QUICKTICKET mark. (*Id.* at SLCARD_0000175). The Notice of

⁴ Because the Court finds that Counterclaims I, III and V are barred by the statutes of limitations, the Court does not need to address whether these Counterclaims are also barred by the doctrine of laches.

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Allowance provided that Linq3 Technologies had six months to file a statement of use or a request for extension of time to file a statement of use. (*Id.*).

24. On June 28, 2019, Linq3 Technologies filed for an extension of time to file a statement of use for the QUICKTICKET mark. (*Id.* at SLCARD_0000173-174). The USPTO approved the extension on July 2, 2019, giving Linq3 Technologies another 6 months to file a statement of use. (*Id.* at SLCARD_0000170). On December 31, 2019, Linq3 Technologies filed for a second extension of time and a statement of use. (*Id.* at SLCARD_0000156-62, 167-69).
25. The USPTO issued the registration on the QUICKTICKET mark to Linq3 Technologies on February 18, 2020. (*Id.* at SLCARD_0000145).
26. Blackhawk argues that Counterclaim II accrued on January 1, 2019, when the USPTO issued the notice of allowance because as of that time, Linq3 Technologies had control over when the trademark would become registered. Blackhawk argues that Linq3 Technologies' unilateral delay in registering the trademark does not toll the statute of limitations on its infringement claim.
27. Blackhawk cites to *Angel's Gate*, 2013 WL 12114580, at *6. In *Angel's Gate*, the plaintiff, Angel's Gate, argued that because Arizona's trademark infringement statute requires a registered trademark, the limitations period on its statutory trademark infringement claim did not begin to run until it registered the mark in 2012. *Id.* The court disagreed, finding that "[n]o legal authority supports Angel's Gate's contention. To allow plaintiffs to essentially toll the statute of limitations until they elect to register a mark would defeat the purpose of a limitations period. Angel's Gate's statutory trademark infringement action became ripe in 2007 when it first discovered [defendant's allegedly infringing] mark, and it, along with the rest of Angel's Gate's claims relating to the logo, is barred by the statute of limitations." *Id.*
28. Linq3 also argues that the holding in *Angel's Gate* does apply because that case involved the infringement of an Arizona trademark, not a federal trademark.
29. Linq3 argues that, under federal trademark law, Counterclaim II did not accrue until February 2020, when the registration for the QUICKTICKET mark was officially issued. *See adidas-America, Inc. v. Payless Shoesource, Inc.*, 546 F. Supp. 2d 1029,

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1051 (D. Or. 2008) (“To prevail on a trademark ... infringement claim under the Lanham Act, a plaintiff must prove that the alleged infringer used the plaintiff’s validly registered trademark.”).

30. Linq3 further claims that it had no control over when the registration would issue and that it did not delay the registration. It asserts that it requested the extensions until InComm received approval from the Multi State Lottery Association (“MUSL”) and could launch its product. Linq3 argues that it and InComm had no control over MUSL’s approval. Linq3, however, does not explain why it needed MUSL’s approval before it could file a statement of use and complete the registration of the QuickTicket trademark.
31. As of the September 13, 2019 Breach Letter, Linq3 asserted that Blackhawk was infringing on its claim to the QUICKTICKET mark. There are questions of material fact, however, concerning whether Linq3 had control over when to file a statement of use or whether it unilaterally delayed registration of the QuickTicket trademark. As such, the Court will deny Blackhawk’s Motion for Summary Judgment on Counterclaim II based on the statute of limitations.
32. Blackhawk also argues the Counterclaim II is barred by the doctrine of laches.
33. Laches “is an equitable counterpart to the statute of limitations, designed to discourage dilatory conduct” that “will generally bar a claim when the delay is unreasonable and results in prejudice to the opposing party” even when a statute of limitations does not technically bar the claims. *Sotomayor v. Burns*, 199 Ariz. 81, 82-83, ¶ 6, 13 P.3d 1198, 1199-1200 (2000). Laches can be used to bar injunctive relief when a party unreasonably delays bringing claims. *See Southwest Fabrication LLC v. City of Phoenix*, 2019 WL 4794604, at *4, ¶ 18 (Ariz. App. Dec. 17, 2019) (applying laches to bar injunctive relief when defendant had already begun performance).
34. In the context of trademarks, laches “embodies the principle that a plaintiff cannot sit on the knowledge that another company is using its trademark, and then later come forward and seek to enforce its rights.” *Internet Specialties West, Inc. v. Milon-DiGiorgio Enterprises, Inc.*, 559 F.3d 985, 989-90 (9th Cir. 2009). “If a Lanham Act claim ‘is filed within the analogous state limitations period, the ‘strong presumption’ is that laches is inapplicable; if the claim is filed after the analogous limitations

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period has expired, the presumption is that laches is a bar to suit.” *Au-Tomotive Gold Inc. v. Volkswagen of America, Inc.*, 603 F.3d 1133, 1139-40 (9th Cir. 2010) (quoting *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 835-37 (9th Cir. 2002)).

35. Linq3 argues that there is no showing of any delay in bringing its claims.
36. Linq3 also asserts that Blackhawk has not made a sufficient showing of prejudice to establish its laches defense. *See League of Arizona Cities & Towns v. Martin*, 219 Ariz. 556, 558, ¶ 6, 201 P.3d 517, 519 (2009) (for laches to apply, party must show prejudice in the form of an “injury or a change in position as a result of the delay”); *Grupo Gigante SA De CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1105 (9th Cir. 2004) (“[A] defendant can make the required showing of prejudice by proving that it has continued to build a valuable business around its trademark during the time that the plaintiff delayed the exercise of its legal rights.”). Linq3 points out that if its infringement claim is successful, Blackhawk could still sell its product using a name other than QuickTicket.
37. Linq3 cannot deny that it was aware in September 2019, that Blackhawk was promoting a product under the QUICKTICKET name. There is material issue of fact whether Linq3 was unreasonably dilatory in pursuing its trademark registration under the circumstances.
38. For these reasons, the Court will deny Blackhawk’s Motion for Partial Summary Judgment on Counterclaim II. Laches is an equitable defense that will be tried before the Court.

B. Preemption

39. Blackhawk moves for partial summary judgment on Linq3’s preemption defense.
40. Blackhawk’s Complaint asserts that Linq3 breached provisions of Sections 8 and 10 of the PDA. (Complaint at ¶¶ 28-34).
41. In ruling on Linq3’s Motion to Dismiss, the Court stated: “This is a relatively straight-forward breach of contract claim, not a patent enforcement action.” (Minute Entry Ruling, Oct. 4, 2022, at 10 n.9).

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42. On July 17, 2023, the Court allowed Linq3 to amend its answer and add the defense that Blackhawk's breach of contract claim is preempted by federal patent law. (Minute Entry Ruling, July 17, 2023, at 1-2). The Court's decision was contingent on Linq3's concern that the breach of contract claim might "morph" into "the functional infringement of a patent infringement claim, or into a disguised patent infringement claim." (*Id.*).
43. There is no genuine issue of material fact supporting the notion that Blackhawk's breach of contract claim has somehow "morphed" into a patent infringement claim.
44. Patent law does not preempt Blackhawk's breach of contract claim. "Commercial agreements traditionally are the domain of state law. State law is not displaced merely because the contract relates to intellectual property which may or may not be patentable; the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law." *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979). State courts are similarly not preempted from enforcing state laws protecting unpatented products just because they are potentially patentable. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 154 (1989) ("[A]ll state regulation of potentially patentable but unpatented subject matter is not ipso facto pre-empted by the federal patent laws.").
45. *C.G.H., Inc. v. Nash Finch, Inc.*, 2012 WL 1070116 (Minn. App. Apr. 2, 2012), is not controlling or persuasive. In *C.G.H., Inc.*, the court recognized that "state law is not displaced merely because the contract relates to intellectual property which may or may not be patentable; the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law." *Id.* at *3 (*quoting Aronson*, 440 U.S. at 262).
46. For these reasons, the Court will grant Blackhawk's Motion for Summary Judgment on Linq3's preemption defense.⁵

⁵ Blackhawk also argues that Linq3 is estopped from asserting a preemption defense because in a prior federal lawsuit Linq3 argued that Blackhawk's claims were "pure questions of contract construction and application and do not require the resolution of any issue of patent law." (Blackhawk Ex. 20 at 10). Because Blackhawk's breach of contract claim is not preempted, the Court will not address Blackhawk's argument that Linq3 is estopped from asserting the defense.

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II. LINQ3'S MOTION FOR PARTIAL SUMMARY JUDGMENT

47. Linq3 moves for partial summary judgment on Blackhawk's breach of contract claim.
48. Blackhawk alleges that Linq3 breached Section 10 of the PDA relating to intellectual property rights and Section 8 concerning confidential information.
49. Blackhawk and Linq3 entered into the PDA to develop a lottery card called Play Now. This lottery card allowed the consumer to buy a card at the checkout. After purchase, the consumer would scratch off the back, revealing a code that could be texted to a mobile phone to get the numbers for the lottery drawing.
50. The PDA included provisions regarding the sharing of "Confidential Information." Section 8.1 defined "Confidential Information" as:
- 8.1 Confidential Information – Definition. For purposes hereof, "Confidential Information of a disclosing Party shall mean all confidential and/or proprietary information or material which (i) gives such disclosing Party some competitive business advantage or the opportunity of obtaining such advantage or the disclosure of which could be detrimental to the interests of such disclosing Party; and/or (ii) which is either (A) marked "Confidential," "Restricted," or "Proprietary Information" or with other similar marking, (B) known by the Parties to be considered confidential and proprietary, or (C) from all the relevant circumstances should reasonably be assumed to be confidential and proprietary.
51. The definition of Confidential Information excluded any information which "the receiving Party can demonstrate: (i) is or becomes generally available to the public by any means other than a breach of the obligations of the receiving Party under this Agreement;" (Blackhawk Ex. 1 at § 8.1).⁶

⁶ Because the Court finds that the QuickTicket and QuickTicket V2 concepts and mark were generally available to the public at the time Linq3 filed its patent and trademark applications, the Court does not need to decide whether any of the other exclusions to Confidential Information apply.

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52. Section 8.4 provided that “Blackhawk’s Confidential Information shall remain the sole and exclusive property of Blackhawk.” (*Id.* at § 8.4).
53. Section 10 of the PDA included provisions relating to Intellectual Property. The PDA defined “Intellectual Property” to mean “any patents, patent rights...**trade secrets**, trademarks, trade names, service marks...and all other intellectual property, and all applications and the rights to apply for registration or protection rights pertaining thereto.” (*Id.* at BHN000165060 (emphasis added)). Section 10.1 provided that as between Blackhawk and Linq3, Blackhawk owns its Preexisting Intellectual Property and “any modifications, derivatives or improvements thereto.” (*Id.* at § 10.1). “Preexisting Intellectual Property was defined to mean “all Intellectual Property that a Party owed or had the exclusive right to use as of immediately prior to” the effective date of the PDA. (*Id.* at BHN000165061).
54. The QuickTicket concept originated in Canada by the Ontario Lottery & Gaming Corporation (“OLG”). (Blackhawk’s Response to SOF at ¶ 16). QuickTicket is a physical, pre-printed lottery ticket that is displayed at a retail outlet. At the time of purchase, the clerk scans the bar code to activate the ticket for entry into the next lottery drawing. The QuickTicket card is the lottery ticket, rather than the printed receipt.
55. Blackhawk had been providing activation services for OLG’s implementation of QuickTicket since June 1, 2017. Blackhawk alleges that prior to entering into the PDA, it had acquired patent rights to “QuickTicket.”
56. The QuickTicket product and process was disclosed in U.S. Patent Application No. 14/679,028 (the “028 Application”) filed on April 6, 2015. The patent rights were assigned to Blackhawk on September 21, 2016. (Blackhawk Ex. 25). The 028 Application was granted as Patent No. 9,865,135 (the “135 Patent”) on January 9, 2018. (Linq3 Ex. 82).
57. Blackhawk’s 135 Patent also disclosed a second embodiment of QuickTicket, known as “QuickTicket V2.” (Complaint at ¶ 76). QuickTicket and QuickTicket V2 concepts are nearly identical except that QuickTicket V2 has the lottery numbers already printed on the ticket hidden under a protective coating to be scratched off by the customer to reveal the lottery numbers.

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58. Blackhawk claims that QuickTicket and QuickTicket V2 were its Preexisting Intellectual Property under the PDA. (*Id.* at ¶¶ 75, 78).
59. On December 13, 2017, Blackhawk gave Linq3 a PowerPoint presentation entitled “QuickTicket.” The presentation described QuickTicket’s unique features. This December 2017 presentation also included slides on the QuickTicket V2 concept, with the pre-printed lottery numbers covered by a scratch-off coating hiding the lottery numbers. The PowerPoint materials were marked “Confidential.”
60. Blackhawk made a second PowerPoint presentation to Linq3 in May 2018, which disclosed a commercial version of QuickTicket V2. This PowerPoint presentation was also marked confidential.
61. Blackhawk asserts that the information provided to Linq3 about QuickTicket and QuickTicket V2 in December 2017 and May 2018 constitutes Confidential Information under the PDA.
62. On June 7, 2018, Linq3 Technologies filed a U.S. trademark application for the QUICKTICKET mark.
63. On June 15, 2018, Linq3 Technologies filed U.S. Patent Application No. 16/010,398 (the “398 Application”). The 398 Application included information that looked very similar to information Blackhawk had provided to Linq3 in the PowerPoint presentations about the QuickTicket V2 concept. On March 12, 2019, the 398 Application was granted as U.S. Patent No. 10,229,561 (the “561 Patent”).
64. Blackhawk alleges that Linq3 took Blackhawk’s confidential QuickTicket V2 concept and mark and included it in Linq3 Technologies’ 398 Application in violation of the PDA. Blackhawk further claims that it did not give Linq3 Technologies’ permission to file the trademark application for QUICKTICKET.
65. In 2019, InComm, a competitor of Blackhawk, acquired Linq3, Linq3 Technologies, and all of the patents and trademarks involving QuickTicket. An InComm entity now markets and distributes QuickTicket-branded products, using the QuickTicket V2 concept.

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66. Blackhawk's breach of contract claim is based on the assertion that Linq3 used or disclosed specific information concerning the QuickTicket and QuickTicket V2 concepts in three ways: (1) Linq3's 398 Application/561 Patent; (2) Linq3's trademark application for the QUICKTICKET mark; and (3) InComm's marketing of QuickTicket and QuickTicket V2 products.
67. Linq3 argues that summary judgment should be granted in part on Blackhawk's breach of contract claim because the information Blackhawk provided about QuickTicket and QuickTicket V2 were neither confidential nor trade secrets when Linq3 used or disclosed the information. Linq3 further argues that it did not breach the PDA through InComm's marketing and sale of QuickTicket-related products.
68. Section 8.1 of the PDA excludes as confidential any information "generally available to the public by any means" other than breach of the PDA.
69. The QuickTicket and QuickTicket V2 concepts were "generally available to the public" in January 2018 when Blackhawk was granted a patent pursuant to the 028 Application.
70. Information disclosed in a patent is not confidential information because "publication of [a] patent provides notice and information to the world and makes the information widely disclosed." *See Town & Country Linen Corp. v. Ingenious Designs LLC*, 556 F. Supp. 3d 222, 275 (S.D.N.Y. 2021); *On-Line Tech. v. Bodenseewerk Perkin-Elmer*, 386 F.3d 1133, 1141 (Fed. Cir. 2004) (information in published patent could not constitute "confidential information" under nondisclosure agreement).
71. Blackhawk's expert, Stacy Friedman, admitted that Blackhawk's QuickTicket V2 concept was publicly disclosed in the 135 Patent. In his report, Friedman expressly stated that "[t]he QuickTicket V2 product was disclosed by Blackhawk's patents and patent applications." (Linq3 Ex. 91 at ¶¶ 132, 144). He further stated that in his opinion "the '028 Application [issued as the 135 Patent] discloses virtually all aspects of QuickTicket V2." (*Id.* at ¶ 135). He included a chart in his report showing where each feature of the QuickTicket V2 was disclosed in the 028 Application. (*Id.* at ¶¶ 138-142). He repeated that "the fundamental aspects of QuickTicket V2 are disclosed by the 028 Application." (*Id.* at ¶ 144).

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72. Blackhawk's witness, Richard Gotlieb, confirmed that the features of the QuickTicket V2 product were not confidential.

Q: Is there anything about a product that has all the features that we just went through for QUICKTICKET V2 that you believe to be confidential information for Blackhawk?

A: No.

(Linq3 Ex. 50 at 85:4-18).

73. Blackhawk's QuickTicket V2 concept was also disclosed in the "Szrek Patent" filed on September 30, 2004. The Szrek patent disclosed a "preprinted" ticket, with "computer generated selections (quick pick ... enveloped or covered by latex" and "activated at the cash register or the lottery terminal" with the "preprinted ticket used as a bearer's bond." (Linq3 Ex. 93 at 3:29-32, 38-40 and 4:26-30; Ex. 94). Although the Szrek patent did not use the phrase "QuickTicket" or "QuickTicket V2," it is undisputed that the Szrek Patent described a lottery ticket concept virtually identical to the QuickTicket V2 concept.
74. Blackhawk has not identified any confidential information in the 561 Patent not previously disclosed in the 135 Patent or the Szrek Patent.
75. Blackhawk argues that the patent disclosures did not "reveal the business plan for the QuickTicket product: its look and feel, how to market it in the U.S., potential further improvements, covering the numbers with latex, and all of the other elements that would make a potentially patentable invention into an actual product for the market." (Blackhawk Response at 10-11). Blackhawk's Complaint, however, is based on the claim that Linq3 filed patent applications which included the QuickTicket and QuickTicket V2 concepts. The Complaint does not allege that Linq3 revealed Blackhawk's business and marketing plan. There is also no evidence that Linq3 revealed any confidential information about Blackhawk's plan in the patent applications or anywhere else.
76. The QuickTicket and QuickTicket V2 concepts also do not qualify as trade secrets under the PDA. *See On-Line Tech.*, 386 F.3d at 1141 ("After a patent has issued, the information contained within it is ordinarily regarded as public and not subject to protection as a trade secret.").

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77. Under Delaware law, a trade secret means “information, including a formula, pattern, compilation, program, device, method, technique or process, that: (a) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.” 6 Del. C. § 2001(4). If a “method, technique or process in question can be found in the public domain or public literature, it is considered to be generally known and readily ascertainable and thus, cannot qualify as a trade secret.” *Nucar Consulting, Inc. v. Doyle*, 2005 WL 820706, at *6 (Del. Ch. Apr. 5, 2005).
78. Blackhawk does not assert that the QUICKTICKET mark is a trade secret or confidential information. Nor can Blackhawk establish that the QUICKTICKET mark was either confidential information or a trade secret, either in January 2018 when Blackhawk’s patent was issued, or in June 2018 when Linq3 Technologies filed a trademark application. Furthermore, the OLG was using the QUICKTICKET mark as early as 2017, with lottery tickets in Canada.
79. Blackhawk contends that its *intent to use* the QUICKTICKET mark was confidential when Linq3 Technologies filed its trademark application in June 2018. However, even if true, a genuine issue of material fact does not exist because Linq3 Technologies’ trademark application only shows *its own* intent to use the QUICKTICKET mark. It does not disclose Blackhawk’s intent with respect to the mark. This does not support Blackhawk’s Section 8 breach of contract claim.
80. Finally, Blackhawk has not cited any provision in the PDA holding Linq3 liable for breach of the PDA based on InComm’s marketing and sales of QuickTicket-branded products. InComm is not a party to the PDA and is not bound by its confidentiality and intellectual property provisions. It is undisputed that the assets of Linq3, including the PDA, were not acquired by InComm but by Linq3 Acquisition LLC, an indirect subsidiary of HI Technology, and a distant affiliate of InComm.
81. In sum, no genuine issue of material fact exists with respect to the claim for breach of the confidentiality provision (Section 8) of the PDA. There is also no genuine issue of material fact that the QuickTicket and QuickTicket V2 concepts were not trade secrets under Section 10 of the PDA. As such, dismissal of Blackhawk’s claim for breach of the PDA is warranted as to the claim for breach of Section 8’s

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confidentiality provision and as to the portion of the claim based on trade secrets under Section 10 of the PDA

III. ORDERS.

For the foregoing reasons and good cause appearing,

IT IS ORDERED granting-in-part Blackhawk's *Motion for Partial Summary Judgment*, filed November 17, 2023, as to Counterclaims I, III and V, and as to Linq3's affirmative defense of preemption. Counterclaims I, III and V, and Linq3's preemption defense, are dismissed in their entirety.

IT IS FURTHER ORDERED denying-in-part Blackhawk's *Motion for Partial Summary Judgment*, November 17, 2023, as to Counterclaim II.

IT IS FURTHER ORDERED granting-in-part Defendants' *Motion for Partial Summary Judgment*, filed November 17, 2023. The following claims in Blackhawk's Complaint are dismissed: (a) that Linq3 breached of Section 8 (confidentiality) of the PDA; (b) that Linq3 breached of Section 10 of the PDA with respect to use of trade secrets; and (c) that Linq3 breached either Section 8 or Section 10 of the PDA based on the actions and products of InComm. Defendant's *Motion for Partial Summary Judgment* is denied in all other respects.

LET THE RECORD REFLECT that the only claims and counterclaims remaining are as follows:

- Blackhawk's Breach of Contract claim, which has been narrowed substantially. The only remaining portion of this claim is that Linq3 breached Section 10 of the PDA pursuant to theories unrelated to the use of trade secrets.
- Linq3's Counterclaim II asserting that Blackhawk violated of § 32 of the Lanham Act, 15 U.S.C. § 1114. This claim remains subject to dismissal according to the doctrine of laches and/or by being filed after the statute of limitations.

LET THE RECORD FURTHER REFLECT that the Court is receptive to creative methods of trying Counterclaim II. The Court is cogent that Blackhawk's breach of contract claim seeks only injunctive / equitable relief from the Court. Because no money damages are sought, a jury trial is not required for the remainder of Blackhawk's claim. The Court envisions only a brief trial being required to litigate the matters associated with the statute of limitations / laches arguments for Counterclaim II. The jury (for the statute of limitations argument) and the Court

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(for the laches argument) would not need to receive lengthy evidence to decide this issue. And, this short trial may entirely obviate the need for a trial on the merits of Counterclaim II, thus making this trial one conducted entirely to the Court. As such, a bifurcated proceeding may be appropriate.

LET THE RECORD FURTHER REFLECT that the Court strongly encourages the parties to re-convene their private mediation on the remaining claim and counterclaim. A mere shell of this case remains and proceeding to trial may not make tremendous business sense for either party, given the present posture of the case.