

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

STEWART TITLE GUARANTY COMPANY, §
§
Plaintiff, §
VS. § CIVIL ACTION NO. 4:12-CV-3269
§
STEWART TITLE LATIN AMERICA, INC., §
et al, §
§
Defendants. §

OPINION AND ORDER

Pending before the Court is the Rule 12(b)(6) Motion to Dismiss First Amended Counterclaim¹ (Doc. 23) filed by Counter-Defendant Stewart Title Guaranty Company (“STGC”) and Third-Party Defendants Stewart Title Company (STC), Michael B. Skalka, and Charles M. Craig (collectively, “Counter-Defendants”). Counter-Defendants move alternatively for a Rule 12(e) motion for more definite statement. Doc. 23. Having considered the motion, the facts of the case, and the applicable law, the Court concludes that the motions should be granted in part and denied in part.

I. Background

On October 10, 2012, STGC filed its Original Petition (Doc. 1-2) in the 215th Judicial District Court of Harris County, Texas, seeking (i) a declaration of its legal rights concerning Defendants’ and Counter-Plaintiffs’² allegedly unauthorized use of STGC’s trademarks and

¹ Pursuant to Federal Rule of Civil Procedure 10(c), Counter-Defendants incorporate by reference their first Rule 12(b)(6) Motion to Dismiss and Rule 12(e) Motion for More Definite Statement (Doc. 13) and their Reply (Doc. 20) in support of that motion. Other directly relevant filings include the following:

- Counter-Plaintiffs’ Response to Counter-Defendants’ Motion to Dismiss (Doc. 28)
- Counter-Defendants’ Reply in Support of Their Rule 12(b)(6) Motion to Dismiss (Doc. 30)
- Counter-Plaintiffs’ Sur-Reply to Counter-Defendants’ Reply in Support of Motion to Dismiss (Doc. 33)
-

² Counter-Plaintiffs include: Stewart Title Latin America, Inc., Stewart Latin America, S.A. de C. V., Stewart Title

name and (ii) damages arising from Defendants' and Counter-Plaintiffs' alleged failure to pay premiums and post-termination use of STGC's trademarks and name. On November 5, 2012, Defendants and Counter-Plaintiffs removed the action to this Court, (Notice of Removal, Doc. 1), and, on November 13, 2012, they filed their Answer, Counterclaim, and Third Party Complaint (Doc. 3). Counter-Plaintiffs stated the following six counterclaims: breach of contract (Joint Venture Agreement); breach of contract (Underwriting Agreements); promissory estoppel; business disparagement; breach of fiduciary duty; and conspiracy to breach fiduciary duty. (Doc. 3 ¶¶ 104-30). On December 31, 2012, Counter-Defendants filed their first Rule 12(b)(6) Motion to Dismiss and Alternative 12(e) Motion for More Definite Statement (Doc. 13); on January 21, 2013, Counter-Plaintiffs responded by filing their First Amended Counterclaim and Third Party Complaint (Doc. 17), stating the same six counterclaims and adding additional factual details.

Counter-Defendants then filed their second Rule 12(b)(6) Motion to Dismiss and Alternative Rule 12(e) Motion for More Definite Statement, which is pending before the Court and is now ripe for adjudication. Unlike the first motion, the second motion addressed specifically the dismissal of only three of Counter-Plaintiffs' six counterclaims: those for (i) breach of the Joint Venture Agreement based only on the alleged perpetual license; (ii) business disparagement; and (iii) promissory estoppel. Doc. 23 ¶ 7. Counter-Defendants did, however, incorporate their first Rule 12(b)(6) Motion (Doc. 13) to dismiss all claims by reference under Rule 10(c). Doc. 23 ¶ 6. The Counter-Plaintiffs' Response noted that the Counter-Defendants no longer sought dismissal of the other three counterclaims and claims for breaches of the Joint Venture Agreement apart from the breach based on the perpetual license. Doc. 28 at 2 n.1.

Baja, S.A. de C. V., Stewart Title Dominicana, S.A., Stewart Title Eastern Caribbean, Ltd. d/b/a Stewart Title Eastern Caribbean, Inc., Stewart Title Guadalajara, S.A. de C.V., Stewart Title Los Cabos, S.A. de C.V., Stewart Title Puerto Peñasco, S.A. de C.V., Stewart Title Riviera Maya, S.A. de C.V., and Stewart Costa Rica ABC, S.A.
2 / 15

Counter-Defendants' reply (Doc. 30) did not correct the assumption, and continued to focus their arguments on the same three counterclaims discussed in the second motion to dismiss. As such, the Court assumes that Counter-Defendants seek to dismiss only the three counterclaims which were the focus of Counter-Defendants' second motion to dismiss, and considers here only those counterclaims.

The facts of this case are extensive and quite complex. The business relationships among the over one dozen parties go back over fifteen years and involve a number of contracts. For simplicity, the Court's analysis will focus on the facts implicated in the three counterclaims which are the subject of Counter-Defendants' motion.

On December 5, 2001, Stewart Information International, Inc. (SII), the predecessor of STC, entered into a contract for the formation of Counter-Plaintiff Stewart Title Latin America, Inc. (STLA) (the "Joint Venture Agreement" or the "Agreement"). Doc. 17 ¶ 14; Stewart Title Latin America, Inc. Holding Company Formation Agreement, Doc. 13-1, Ex. A. The other parties to the Agreement to form STLA were (1) Corporation Abacus de San Jose, S. A., (2) Siglo XXI, S. A., (3) Corporacion Banex, S.A. and (4) Christopher Dennis Hill. The Agreement provided that STLA and its subsidiaries would "develop, implement, and provide to consumers, commercial entities and governmental entities real estate title information, issuance of insurance or guaranty..., and escrow and closing services" in a defined territory including some Central, South American, and Caribbean countries. Doc. 13-1 ¶ II. The Agreement did not cover the United Mexican States. The Joint Venture Agreement gave SII a 20 percent stake in STLA. Doc. 13-1 ¶ III.

Although STGC was not a party to the Joint Venture Agreement, STLA argues that SII acted as STGC's agent in entering all contracts related to STLA and its subsidiaries, and that SII

acted within the scope of its agency when it executed the Joint Venture Agreement and the subsequent amendment to the Joint Venture Amendment³. Doc. 17 ¶ 15; 76. The Joint Venture Agreement contains a choice of law provision which states that it “shall be governed by and construed in accordance with the laws of the British Virgin Islands, without reference to any conflict of law rules.” Doc. 13-1 ¶ XXVI.

With regard to the trademarks that are at issue in this case, the Joint Venture Agreement provided:

“The Parties hereto hereby acknowledge:

A. That the name, trademark, and service mark “Stewart Title,” exclusively belongs to [STGC];

B. That the use of name, trademark, and service mark “Stewart Title” in [STLA]’s corporate or assumed name is only an non-exclusive license granted to [STLA] by [STGC] by virtue of a separate exclusive Underwriting Agreement to be entered into by and between [STLA] and [STGC] concurrently herewith;

C. Use and appearance of any [STGC] trademark to be used by [STLA] shall be subject to [STGC]’s complete and final approval and at [STGC]’s sole discretion.” Doc. 13-1 ¶ IX.

The Joint Venture Agreement provided that it would terminate upon (1) written agreement of the Parties; (2) bankruptcy, receivership, dissolution, or insolvency of STLA, or cessation of its business; or (3) the effective date of any registration statement filed with the Securities and Exchange Commission of the United States. Doc. 13-1 ¶ XVI.

On January 3, 2005, the parties to the Joint Venture Agreement entered into the First Addendum (the “Addendum”), which amended the Agreement. Doc. 17 ¶ 14. The Addendum provides in pertinent part:

³ Throughout their briefing on the motion to dismiss the Counter-Plaintiffs refer to the Stewart Title counter-defendant entities as “STC/STGC.” The Counter-Plaintiffs treat them as a single entity. .

“during the term of this AGREEMENT, STLA shall enter into a . . . License Agreement with STGC to use the “Stewart” name in the territory of Mexico and shall abide by the terms contained therein.” Doc. 30-1 ¶ at 3.

“...due to the fact that (i) [STGC] has granted [STLA] and its subsidiaries the unrestricted and perpetual right to use the Stewart trademark and trade name, in all of the countries of the TERRITORY and (ii) that the parties have agreed that Stewart Title Latin American will be the vehicle that the partners will use to expand in the TERRITORY, the shareholder’s agree that due to such valuable consideration” SII’s stake in STLA shall be increased from 20 percent to 30 percent. Doc. 30-1 ¶ 4.

STLA claims that without the security of the “unrestricted and perpetual” right to use the Stewart name and trademark, STLA would not have invested millions of dollars in developing its business in the United Mexican States. Doc. 17 ¶ 26. The separate Non-Exclusive License Agreement to which it is assumed the Addendum refers was executed between STGC and “Stewart Title Latin America, S.A. de C.V. a variable stock corporation, duly organized and existing under the laws of the United Mexican States. . . .” on February 2, 2005, a bit over a month after the execution of the Addendum. Doc. 30-1, Ex. A.

This Non-Exclusive License Agreement, referred to as the “AGREEMENT” granted STLA the right to use the Stewart name and trademark, consistent with the terms of the Joint Venture Agreement and states, “this AGREEMENT shall be in full force and effect perpetually, so long as [STLA] complies with the terms and conditions stated in this AGREEMENT, unless otherwise agreed to in writing by both parties, and subject to [STGC]’s right to revoke the AGREEMENT sooner in accordance with the terms and provisions hereof.” Doc. 30-1 ¶ 2. The Non-Exclusive License Agreement provides (1) it “constitutes the entire agreement of the Parties and supersedes all prior contracts or agreements, whether oral or written” and (2) that Texas law governs the agreement.” Doc. 30-1 ¶ 18-19.

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.