

No. 21-15561

**IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

**CHEMEON SURFACE TECHNOLOGY, LLC, DEAN MEILING, AND
MADYLON MEILING**

Plaintiff-Counter-Defendants-Appellants

v.

METALAST INTERNATIONAL, INC. AND DAVID SEMAS

Defendants-Counter-Claimants-Appellees.

On Appeal from the United States District Court
for the District of Nevada
Case No. 3:15-CV-00294-CLB
Hon. Carla Baldwin

APPELLANTS' OPENING BRIEF

Adam Hosmer-Henner (NSBN 12779)
Chelsea Latino (NSBN 14227)
Jane Susskind (NSBN 15099)
McDONALD CARANO LLP
100 W. Liberty Street, Tenth Floor
Reno, Nevada 89501
Tel.: (775) 788-2000

Robert C. Ryan (NSBN 7164)
Timothy A. Lukas (NSBN 4678)
Joshua M. Halen (NSBN 13885)
HOLLAND & HART LLP
5441 Kietzke Lane, Second Floor
Reno, Nevada 89511
Tel.: (775) 327-3042
Attorneys for Appellants

CORPORATE DISCLOSURE STATEMENT

Pursuant to Fed. R. App. P. 26.1(1), Dean Meiling, Madylon Meiling, and Chemeon Surface Technology, LLC, each state that it is not a corporation, or owned by any other corporation, and that no publicly held corporation owns 10% or more of its stock. Chemeon Surface Technology, LLC is owned by Suite B LLC, which is in turn owned by the DSM/MBM Family Trust. In order to enable the Court to evaluate possible disqualification or recusal, Dean Meiling, Madylon Meiling, and Chemeon Surface Technology, LLC, certify that the following listed parties may have a financial interest in the outcome of this case: DSM Partners, LP, DSM P GP LLC, Suite B LLC, and DSM/MBM Family Trust.

Dated this 5th day of August, 2021.

McDONALD CARANO LLP

/s/ Adam Hosmer-Henner

Adam Hosmer-Henner (NSBN 12779)

Chelsea Latino (NSBN 14227)

Jane Susskind (NSBN 15099)

100 W. Liberty Street, Tenth Floor

Reno, Nevada 89501

Tel.: (775) 788-2000

Robert C. Ryan (NSBN 7164)

Timothy A. Lukas (NSBN 4678)

Joshua M. Halen (NSBN 13885)

HOLLAND & HART LLP

5441 Kietzke Lane, Second Floor

Reno, Nevada 89511

Tel.: (775) 327-3042

Attorneys for Appellants

TABLE OF CONTENTS

CORPORATE DISCLOSURE	i
TABLE OF CONTENTS.....	ii
TABLE OF AUTHORITIES	v
INTRODUCTION	1
JURISDICTIONAL STATEMENT	4
ISSUES PRESENTED.....	5
STATEMENT OF THE CASE.....	6
A. THE METALAST BUSINESS.....	6
B. THE RECEIVERSHIP ACTION AND SUBSEQUENT SALE OF ASSETS	8
C. THE BANKRUPTCY ACTION AND SETTLEMENT AGREEMENT	9
D. THE DISTRICT COURT PROCEEDING	13
SUMMARY OF ARGUMENT	16
STANDARD OF REVIEW	18
ARGUMENT	19
I. THE SETTLEMENT AGREEMENT DID NOT CONSTITUTE AN ABSOLUTE BAN ON THE USE OF “METALAST	19
A. The Interpretation of the Settlement Agreement Violated the Law of the Case.....	20
1. The Findings of Fact Are Contrary to the District Court’s Summary Judgment Rulings	22
2. Chemeon was Denied Due Process at Trial	23
B. The Asserted Affirmative Defenses were more than Adequate to Dispose of the Semas’s Claims	24
1. The District Court Improperly Ignored Trademark Principles when Rejecting Chemeon’s Fair Use Affirmative Defense	24

2.	Government Regulations and Standards Require the Rejection of an Absolute Ban on the Use of Metalast ...	26
3.	Unclean Hands by Semas Constituted a Clear Affirmative Defense	31
4.	Fraud by Semas Constituted a Clear Affirmative Defense	32
C.	The Interpretation of the Settlement Agreement is Contrary to Public Policy	33
II.	THE DISTRICT COURT CORRECTLY APPLIED THE LITIGATION PRIVILEGE TO DISMISS APPELLANTS' COMPLAINT	36
A.	Chemeon Owns a Valid Mark in "TCP-HF" and "AA-200."	36
B.	Chemeon Clearly Established Infringement	38
1.	"TCP-HF" and "AA-200" Are Protected Marks	39
2.	Semas's Threatened and Actual Use of Chemeon's Trademarks	40
3.	Semas's Use of Chemeon's Sub-Marks Was Likely to Cause Confusion.....	43
III.	THE DISTRICT COURT ERRED WHEN IT FAILED TO AWARD ATTORNEY FEES UNDER THE LANHAM ACT	47
A.	The procedural posture justified an analysis of whether this was an exceptional case and the issue was expressly tried and determined by the district court	48
B.	The Totality of the Circumstances Warrants a Finding of an Exceptional Case.....	50
IV.	CHEMEON HAD STANDING TO ASSERT A CANCELLATION CLAIM AGAINST SEMAS'S TRADEMARKS	52
V.	THE RELIEF GRANTED TO APPELLEES CONTAINED SIGNIFICANT ERRORS AND INCONSISTENCIES WITH THE CASE HISTORY	56

A.	The Scope of the Judgment Did Not Reflect Prior Decisions by the Court.....	56
B.	The Scope of the Injunction was not Supported.....	57
	CONCLUSION.....	58
	STATEMENT OF RELATED CASES.....	59
	CERTIFICATE OF COMPLIANCE.....	61
	CERTIFICATE OF SERVICE	62

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>Amarel v. Connell</i> , 102 F.3d 1494 (9th Cir. 1997)	18
<i>AMF Inc. v. Sleekcraft Boats</i> , 599 F.2d 341 (9th Cir. 1979)	43
<i>Avery Dennison Corp. v. Sumpton</i> , 189 F.3d 868 (9th Cir. 1999)	33, 35
<i>Berardelli v. Allied Servs. Inst. of Rehab., Med.</i> , 900 F.3d 104 (3d Cir. 2018)	23
<i>Brookfield Commc'ns, Inc. v. W. Coast Ent. Corp.</i> , 174 F.3d 1036 (9th Cir. 1999)	43
<i>Cadkin v. Loose</i> , 569 F.3d 1142 (9th Cir. 2009)	49
<i>Castner v. First Nat'l Bank of Anchorage</i> , 278 F.2d 376 (9th Cir. 1960)	22
<i>Credit One Corp. v. Credit One Fin., Inc.</i> , 661 F. Supp. 2d 1134 (C.D. Cal. 2009)	37
<i>Delta Savings Bank</i> , 265 F.3d 1017, 1027 (9th Cir. 2001)	21, 22
<i>Dropbox, Inc. v. Thru Inc.</i> , 728 F. App'x 717 (9th Cir. 2018)	51
<i>Ellis v. United States</i> , 313 F.3d 636 (1st Cir. 2002)	23

Fairbank v. Wunderman Cato Johnson,
212 F.3d 528 (9th Cir. 2000).....22

Fourth Estate Public Benefit Corp. v. Wall-Street.com LLC,
586 U.S. __ (2019)14

GoTo.com, Inc. v. Walt Disney Co.,
202 F.3d 1199 (9th Cir. 2000)..... 44, 46

HK Sys., Inc. v. Eaton Corp.,
553 F.3d 1086 (7th Cir. 2009).....23

Jeffries v. Wood,
114 F.3d 1484 (9th Cir. 1997).....21

Kassbaum v. Steppenwolf Productions, Inc.,
236 F.3d 487 (9th Cir. 2000) 13, 24, 25, 26

La Quinta Worldwide LLC v. Q.R.T.M., S.A. de C.V.,
762 F.3d 867, (9th Cir. 2014).....41

LHO Chicago River, L.L.C. v. Perillo,
942 F.3d 384 (7th Cir. 2019).....49

Licensing Corp.,
920 F.Supp.2d 1066 (N.D. Cal. 2013).....46

Martin v. Occupational Safety & Health Review Comm’n,
499 U.S. 144 (1991)28

Massillon–Cleveland–Akron Sign Co. v. Golden State Adver. Co.,
444 F.2d 425 (9th Cir. 1971).....33

Monsanto Chem. Co. v. Perfect Fit Prod. Mfg. Co.,
349 F.2d 389 (2d Cir. 1965)41

Network Automation, Inc. v. Advanced Sys. Concepts, Inc.,
638 F.3d 1137 (9th Cir. 2011).....43

NTN Commc’ns, Inc. v. Interactive Network, Inc.,
 No. C 94-20777 RMW (ENE), 1995 WL 569419 (N.D. Cal. Aug. 17, 1995)41

Octane Fitness, LLC v. ICON Health & Fitness, Inc.,
 572 U.S. 545, 134 S. Ct. 1749 (2014)47

Official Airline Guides, Inc. v. Goss,
 6 F.3d 1385 (9th Cir. 1993).....45

OneBeacon Ins. Co. v. Haas Indus., Inc.,
 634 F.3d 1092 (9th Cir. 2011).....18

OTR Wheel Eng’g, Inc. v. W. Worldwide Servs., Inc.,
 897 F.3d 1008 (9th Cir. 2018)..... 38, 39

Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.,
 984 F.2d 1182 (Fed. Cir. 1993)50

Portsmouth Square Inc. v. S’holders Protective Comm.,
 770 F.2d 866 (9th Cir. 1985).....56

Quiksilver, Inc. v. Kymsta Corp.,
 466 F.3d 749 (9th Cir. 2006)..... 32, 39

S & R Corp. v. Jiffy Lube Int’l, Inc.,
 968 F.2d 371 (3d Cir. 1992)44

San Diego Comic Convention v. Dan Farr,
Prods., 807 F. App’x 674 (9th Cir. 2020)47

Scooter Store, Inc. v. Spinlife.com, LLC,
 777 F. Supp. 2d 1102 (S.D. Ohio 2011).....31

Sengoku Works Ltd. v. RMC Int’l, Ltd.,
 96 F.3d 1217 (9th Cir. 1996).....37

Star-Kist Foods, Inc. v. P.J. Rhodes & Co.,
 735 F.2d 346 (9th Cir. 1984).....55

State of Idaho Potato Comm’n v. G & T Terminal Packaging, Inc.,
425 F.3d 708 (9th Cir. 2005)..... 33, 34

SunEarth, Inc. v. Sun Earth Solar Power Co.,
839 F.3d 1179 (9th Cir. 2016)..... 18, 52

*Survivor Media, Inc. v. Survivor,
Prods.*, 406 F.3d 625 (9th Cir. 2005)40

Tanners’ Council of America, Inc. v. Gary Industries, Inc.,
440 F.2d 1404 (C.C.P.A. 1971).....54

United States v. Lang,
149 F.3d 1044 (9th Cir.).....18

Vilchez v. Holder,
682 F.3d 1195 (9th Cir. 2012).....18

VISA Int’l Serv. Ass’n v. Bankcard Holders of Am.,
784 F.2d 1472 (9th Cir. 1986).....34

Yamamoto & Co (Am.) v. Victor United, Inc.,
219 U.S.P.Q. 968 (C.D. Cal. 1982).....31

Zenith Elecs. Corp. v. PDI Commc’n Sys., Inc.,
522 F.3d 1348 (Fed. Cir. 2008)50

Statutes

15 U.S.C. §1117(a) passim

15 U.S.C. § 1051.....4

15 U.S.C. § 1064.....53

17 U.S.C. § 1014

28 U.S.C. § 1291.....5

28 U.S.C. § 1367.....5

28 U.S.C. §§ 1331, 1338, 2201-22024, 5

Nev. Rev. Stat. § 18.010(2)(b).....50

Rules

F.R.B.P. 901910

Fed. R. App. P. 26.1(1) i

Fed. R. App. P. 28.1(e)(2)(B) and 32(a)(7)(C).....61

Fed. R. App. P. 32(a)(5) and (6)61

Fed. R. App. P. 32(f).....61

Ninth Circuit Rule 28.....59

Ninth Circuit Rule 32-161

Rule 4(a) of the Federal Rules of Appellate Procedure5

Regulations

29 CFR § 1910.1200(g)(5).....26

Other Authorities

3 McCarthy on Trademarks and Unfair Competition § 20:46 (5th ed.).....53

5 McCarthy on Trademarks and Unfair Competition § 30:10 (5th ed.).....41

INTRODUCTION

Appellant Chemeon Surface Technology, LLC (together with Dean and Madylon Meiling referred to as “Chemeon”) is a chemical manufacturer and distributor providing metal treatments and solutions to customers such as the United States Navy, NASA, and Lockheed Martin. In 2013, Chemeon¹ purchased the assets of Metalast International, LLC (“MILLC”), including its goodwill, out of receivership as MILLC had become insolvent and could not pay its debts or make payroll. While Chemeon has simply tried to continue the business of MILLC and obtain the benefit of what it purchased, the former manager – David Semas (together with MILLC and Metalast Inc. referred to as “Semas”) – has attempted to destroy the new company and subjected Chemeon to nearly continuous litigation. In this suit, the district court barred Chemeon from accurately describing itself or its products as “formerly Metalast” or referencing “Metalast” even as part of the history and safety documentation for certain hazardous chemicals. Consequently, the district court’s decision needlessly exposes the public and Chemeon’s customers to harm despite the absence of evidence of customer confusion from Chemeon’s terminology.

In a separate lawsuit where Semas claimed to own the Metalast trademarks after the receivership, Chemeon and Semas reached a settlement so that Chemeon

¹ This purchase was completed by Chemeon under its prior name, D&M-MI, LLC, on November 4, 2013, out of the Nevada state court receivership.

could continue its business under a new name (“Settlement Agreement”). Ninety days after the settlement was approved by the court, Semas would own the Metalast name and mark and Chemeon would change its name from Metalast Surface Technology, LLC to Chemeon and would also change the names of its product labels, advertising, and other materials to reflect the new name. Yet less than one month after the Settlement Agreement was approved by the court, Semas revealed his plan to “shut [CHEMEON] down with the use of all sub-marks like TCP-HF, AA-200 and so on because that would cause a catastrophic collapse of the [Meilings’] business.” 10-ER-2457–58.

Chemeon filed this suit in response to Semas’s misconduct and obtained summary judgment in its favor on the issue of whether Chemeon had infringed upon certain trademark rights and on the issue of Semas’s abandonment of logo marks and the cancellation of federal Metalast logo mark registrations. Chief Judge Du of the District of Nevada specifically held that an interpretation of the Settlement Agreement providing for an absolute ban on the use of the word “Metalast” by Chemeon would be unreasonable and absurd. The remaining claims and counterclaims proceeded to trial after all parties consented to having all proceedings conducted by Magistrate Judge Baldwin. Despite representing that she would not reconsider the previous rulings in the case, the judgment after trial reversed the law of the case and reached the conclusion previously deemed unreasonable and absurd.

The sweeping injunction against Chemeon was contrary to principles of intellectual property law as well as to the historical purpose and context of Chemeon's purchase of MILLC's assets and to the Settlement Agreement. It was clearly erroneous to interpret the history of the parties' agreements and dealings to reach a conclusion that entirely deprives Chemeon of the benefit of the bargain for its asset purchase from MILLC. This error was compounded as the district court excluded important evidence from this history that Chemeon attempted to introduce to establish claims of common law trademark infringement and their affirmative defenses of fair use, fraud, and unclean hands.

This is not a situation where Chemeon is remotely attempting to gain a commercial advantage by using the term "Metalast," which has not been used in commerce since 2015. Instead, Chemeon's use of the term "Metalast" has primarily been to identify itself and its products as "formerly Metalast" and these references were accurate and historical. The district court made two critical factual errors by holding that Chemeon was incorrect to reference itself as "formerly known as Metalast" and that Chemeon "cannot own the 'TCP-HF' and 'AA-200' sub-marks." 1-ER-14; 1-ER-40. Yet Chemeon was formerly known as Metalast Surface Technology, LLC prior to the Settlement Agreement, and it was undisputed at trial that Chemeon owned the TCP-HF and AA-200 sub-marks. The touchstone of this

///

case is customer confusion and the district court erred by deeming this question as irrelevant.

The record is replete with evidence of Semas's misconduct with respect to Chemeon's intellectual property. Semas filed a fraudulent declaration before the U.S. Patent and Trademark Office in June 2015 that falsely claimed Semas was using trademarks belonging to Chemeon. Then in order to try to maintain the Metalast word mark, Semas tried to submit Chemeon's copyrighted materials to show that he was still using the mark. Further, Semas announced that he was going to start selling products using Chemeon's sub-marks TCP-HF and AA-200 and ultimately filed yet another suit against Chemeon's distributors. While Semas has characterized Chemeon's position as "buyer's remorse" with respect to the Settlement Agreement, it is far more appropriate to describe Semas's position as "seller's remorse" as he continues to try to unwind the original 2013 sale and thwart Chemeon's success.

This Court should reverse the injunction and decree entered against Chemeon, reverse the judgment in favor of Semas on Chemeon's claims for relief, and reverse the judgment in favor of Semas on the first and seventh counterclaims.

JURISDICTIONAL STATEMENT

The district court had jurisdiction over the case under the Declaratory Judgment Act, 28 U.S.C. §§ 1331, 1338, 2201-2202, the Lanham Act, 15 U.S.C. § 1051, *et seq.*, the United States Copyright Act, 17 U.S.C. § 101, *et seq.*, as well as

supplemental jurisdiction over the factually-related state law claims pursuant to 28 U.S.C. § 1367. This Court has appellate jurisdiction under 28 U.S.C. § 1291 and 28 U.S.C. § 1331 because this appeal arises from a final judgment entered in the District of Nevada. After a bench trial, the district court entered its Findings of Fact and Conclusions of Law and Judgment on February 23, 2021, from which Chemeon appeals. 1-ER-4–46. Chemeon filed its notice of appeal on March 25, 2021, and therefore this appeal is timely under Rule 4(a) of the Federal Rules of Appellate Procedure. 10-ER-2687–89.

ISSUES PRESENTED

1. Whether the district court erred by interpreting the Settlement Agreement to constitute an absolute ban on any use of “Metalast” by Chemeon when this was contrary to the law of the case and contrary to the permitted and required uses under trademark law?
2. Whether the district court erred by excluding relevant evidence and enforcing the claims under the Settlement Agreement despite Semas’s fraud and unclean hands and despite Chemeon’s fair use?
3. Whether the district court erred by holding that the threatened use of Chemeon’s common law marks was insufficient to constitute infringement or to warrant protection in the form of an injunction?

4. Whether the district court erred by excluding relevant evidence and not finding this to be an exceptional case under the Lanham Act, 15 U.S.C. §1117(a), entitling Chemeon to attorney's fees, even though the express and documented motivation of Semas was to destroy Chemeon through the misuse of intellectual property?

5. Whether the district court erred by holding that Chemeon lacked standing to seek the cancellation of Semas's marks?

STATEMENT OF THE CASE

A. The Metalast Business

Metalast International, LLC ("MILLC") was formed in 1994. Under the MILLC Operating Agreement, a separate corporate entity, Metalast International, Inc. ("MII"), acted as the "Manager" of MILLC. David Semas was the President and CEO of MII and managed MILLC's business affairs. 2-ER-278.

MILLC, as the operating entity, sold a variety of chemical products for use in the field of metal plating and processing. 2-ER-278; 2-ER-318. From 1994 throughout its operating existence, MILLC produced, manufactured, sold, and collected revenue from products and services under the "Metalast" word and logo mark. 4-ER-1004. MILLC developed and manufactured proprietary Metalast

///

///

products and technologies, like Metalast AA-200² and Metalast TCP-HF,³ and produced and sold those products. *Id.* at 4. MILLC was the sole source of products associated with the “AA-200” and “TCP-HF” sub-marks. 8-ER-2011.

Starting in 1995, Semas began applying for registration of the word and logo marks for “Metalast.” 9-ER-2244–56. Between 1996 and 2011, Semas filed several subsequent applications for registration of these trademarks. 1-ER-7. Although these trademarks were initially registered with MII, all operational use of the Metalast trademarks was solely by MILLC, not its manager, MII. 4-ER-1005; 6-ER-1354; 6-ER-1361. MILLC paid for the Metalast trademarks and identified them as MILLC assets in financial statements and fundraising documents routinely given to potential investors, and deducted amortization of the expenditures for the trademark registrations in the MILLC’s IRS tax returns, also given to investors. 4-ER-1005; *see, e.g.*, 2-ER-215. In 1999, Dean Meiling (“Dean”), individually and through his business entity DSM Partners, Ltd. (“DSM”), began investing in and loaning money to MILLC. 1-ER-8.

² Metalast AA-200 was one of MILLC’s first chemical products for use in metal anodizing. 2-ER-319.

³ In 2004, MILLC entered into a nonexclusive license with the U.S. Navy to practice Trivalent Chromium Process (“TCP”) patents, and in 2006, MILLC signed a new nonexclusive license to practice the Navy TCP patents (“Navy TCP License”). 1-ER-17. Using the Navy TCP License, MILLC formulated, manufactured, sold, and distributed Metalast TCP-HF, which is an improved and enhanced TCP. 1-ER-17; 2-ER-319.

B. The Receivership Action and Subsequent Sale of Assets

In April 2013, Semas admitted that MILLC could no longer pay its debts as they came due, including payroll. 1-ER-8. Because of MILLC’s insolvency, DSM commenced an action in the Ninth Judicial District Court of the State Nevada (“Receivership Action”). 2-ER-279; 1-ER-9. On April 25, 2013, the court found that MILLC was in fact insolvent and appointed a receiver to manage MILLC, from which point on MII and Semas were no longer involved in the management or operation of MILLC. 2-ER-280. On November 4, 2013, the court approved the sale of MILLC’s assets out of receivership to the Meilings’ new company, D&M-MI, LLC (“D&M”), which was DSM’s successor-in-interest. *See* 9-ER-2348–57.

The order approving the sale expressly provided that MILLC’s intellectual property rights, including all of its trademark rights, would be included in the sale of assets. 9-ER-2355–57. The order also provided that “[t]he entire goodwill of or associated with the business now or hereafter conducted by [MILLC] connected with and symbolized by any of the aforementioned properties and assets” was included in the sale of assets. 9-ER-2355. All operations of MILLC (assets, employees, products, customer sales, and service) then continued on as D&M (the Meilings’ entity), until renamed Metalast Surface Technology, LLC (“MST”) in November 18, 2013. 4-ER-1006.⁴ After this transfer of assets, MST became the entity known in

⁴ On March 12, 2015, Metalast Surface Technology, LLC changed its name to

the industry as “Metalast” and from then until June 9, 2015, was the only supplier of Metalast brand products in the field of the registrations. 2-ER-1006.

Critical assets purportedly did not transfer as part of the asset sale: (i) the Metalast tradename and its Metalast word and logo trademarks and registrations, and (ii) the MILLC-invented chemical patent. Semas and MII had, with MILLC’s funds and resources, registered the Metalast word and logo trademarks and the MILLC-invented patent in MII’s name and had purportedly licensed MILLC’s use of the Metalast trademark. Upon the sale of MILLC’s assets, Semas terminated MILLC’s alleged trademark license and assigned the Metalast trademark and registrations, and MILLC’s TCP-HF product mark, to himself. 4-ER-1006.⁵

C. The Bankruptcy Action and Settlement Agreement

On December 11, 2013, David Semas and his wife filed a voluntary petition for Chapter 11 relief in the U.S. Bankruptcy Court for the District of Nevada. 1-ER-9. Chemeon filed a proof of claim for the \$9 million debt owed to Chemeon, and an adversary complaint claiming, among other things, ownership to the Metalast trademarks. 1-ER-10. The parties participated in a settlement conference on January 27, 2015, during which the parties reached an initial settlement whereby Chemeon

Chemeon Surface Technology, LLC (“Chemeon”), which remains the company’s name.

⁵ Notably, the alleged license and cancellation did not surface until just before the January 27, 2015 settlement conference in the adversary proceeding—over 18 months after the Receivership Action, and a year after the sale of assets.

released its creditor claims, Semas agreed to pay Chemeon \$285,000.00 over time, and Chemeon agreed to not use the “Metalast” name. 1-ER-10. At the conclusion of the settlement conference, the judge mediating the case placed the material terms on the record. With respect to the new name, counsel for Semas stressed the importance of avoiding confusion in the marketplace. He stated, “[w]e want to make sure that there’s no confusion in the marketplace and that the new mark that you adopt, the new name, is not confusingly similar.” 9-ER-2373. The parties also agreed to a mutual release of claims. 9-ER-2364–65. The order approving compromise and settlement was entered on March 11, 2015. 10-ER-2665–66.⁶

In compliance with the terms of the settlement, Metalast Surface Technology, LLC changed its name from “Metalast Surface Technology, LLC” to the entirely distinct name “Chemeon Surface Technology, LLC” and similarly adjusted all of its

⁶ Semas’s counsel circulated an initial draft motion under F.R.B.P. 9019 seeking an order approving the settlement with an expansive and highly restrictive interpretation of the settlement agreement that went well beyond the parties’ understanding of the settlement’s terms. Chemeon’s counsel disputed this expansive approach, and Semas’ counsel ultimately filed a more limited motion for bankruptcy court approval under F.R.B.P. 9019. Chemeon filed an objection, stating that Semas’s motion “call[ed] for sweeping changes” and included details not discussed in the settlement conference. *See* 10-ER-2611. Semas responded that the motion would be consistent with the more limited terms discussed at the settlement conference and not did not seek expansion of the language from the on the record settlement. Based on these revisions, Chemeon withdrew its objection. Had Chemeon known that Semas would continue to interpret the settlement agreement as an absolute ban in all instances, in clear contradiction to the discussions during the conference as well as controlling Ninth Circuit law, Chemeon would not have withdrawn its objection.

products. 4-ER-1007. Chemeon used the phrase “formerly Metalast” with respect to Chemeon, and “formerly Metalast [product name]” with respect to formerly Metalast products as a historic reference to inform customers of their name and mark change and to avoid market confusion. 4-ER-1007. For example, on Safety Data Sheets, Chemeon used the phrase “Metalast TCP-HF (prior to June, 2015)” to inform consumers of the prior chemical source, as required by OSHA. 10-ER-2487.

Chemeon worked on removing these references altogether from most of their materials. Semas informed the Meilings that he interpreted the Settlement Agreement to require that they must terminate *all* use of the term Metalast by June 9, 2015. On March 21, 2015, Semas emailed the Meilings informing them of his intent to form a new competing company using the Metalast marks and Chemeon’s trade secrets, copyrights, and other proprietary information and trademarks. 9-ER-2376–82; *see also* 6-ER 1358 (D. Semas testifying about the email). Semas told the Meilings that he planned to use the sub-marks “TCP-HF” and “AA-200,” even though Chemeon was already using these sub-marks and had been for the last 20 years (through its predecessors-in-interest, MILLC). In Semas’s own words to his counsel, he planned to use Chemeon’s product marks to cause Chemeon’s “catastrophic collapse.” 10-ER-2457–58. Semas’s plan threatened to capitalize on MILLC’s goodwill, which Chemeon acquired during the Receivership Action and therefore exclusively owned, and confuse the market.

In furtherance of this plan, on June 21, 2015, Semas's trademark prosecution counsel filed with the United States Patent and Trademark Office (USPTO) a renewal of the "Metalast" mark, with the false claim that Semas's use of the mark was ongoing. 10-ER-2474-81; 10:ER-2497-35. Semas attached two specimens he claimed showed his ongoing use, an MILLC "METALAST TCP-HF" Product Label from 2008 and the MILLC's JobPro Web Page from 2003. 2-ER-281-82. Both of these specimens were actually owned by Chemeon, and Semas fraudulently copied them from Chemeon's database and submitted those marks to the USPTO. 9-ER-2321-29; 9-ER-2330; 9-ER-2338-39.

Based on Semas's fraudulent and deceitful actions, Chemeon filed a Petition for Cancellation with the USPTO, alleging that Semas fraudulently registered the mark and abandoned it by no longer using it. 10-ER-2497-2535. Semas opposed, and denied that his June 2015 renewal statement of ongoing use and the filing of the 2008 TCP-HF label and the 2003 Job Pro advertisement were false or fraudulent. *Compare* 10-ER-2497-2535 *with* 10-ER-2536-47. Semas later admitted to his fraudulent and deceitful acts, admitting that he was not using the Metalast mark for chemicals or software, and that he was not using the specimens that his attorney filed with the USPTO. 6-ER-1419 (Semas admitting that he never used the label submitted with his registration).

///

To prevent Semas's improper use and infringement on Chemeon's product marks and other intellectual property and goodwill, Chemeon sued in the U.S. District Court, District of Nevada.

D. The District Court Proceeding

On June 3, 2015, Chemeon sued MII, Metalast, Inc., Sierra Dorado, Inc., and David Semas (collectively "Semas"), seeking relief for, among other things, trademark and copyright infringement. On September 3, 2015, Semas filed seven counterclaims against Chemeon, alleging, among other things, that Chemeon's use of "formerly Metalast" infringed their trademarks. 5-ER-1172–1204. After unsuccessfully seeking a preliminary injunction against Chemeon and more than one year after bringing the counterclaims, Semas voluntarily dismissed six counterclaims related to trademark infringement.

Semas filed a motion for partial summary judgment on the breach-of-contract counterclaim and the district court denied the motion, ruling that the Settlement Agreement did not unambiguously impose an "absolute ban" on the use of the Metalast name after June 15, 2015 based, in part, on the holding of the Ninth Circuit case, *Steppenwolf*, 236 F.3d 487. 4-ER-993–98. Chief Judge Du later described the March 17, 2017 Order as "clearly resolv[ing] [the interpretation] issue . . . by finding that the Settlement Agreement does not create an absolute prohibition on Chemeon's use of the word 'Metalast.'" 1-ER-83. Chief Judge Du reiterated this finding at the

March 31, 2016 motions hearing, where she stated, “it is necessary to explain the relationship between Chemeon and Metalast, otherwise there would be confusion for products that have already been on the market.” 5-ER-1108. Chemeon followed Judge Du’s advice and therefore included “formerly Metalast” as a historical reference to avoid market confusion.

On June 16, 2017, Chemeon filed a motion for summary judgment as to the remaining counterclaims. After oral argument, the district court denied the motion, again stating that the Settlement Agreement did not unambiguously impose an absolute ban on the use of the Metalast name. Semas’s First, Second, and Seventh Counterclaims (i.e., breach of contract, bad faith, and specific performance) all proceeded to trial, along with the repeated pretrial constructions of the Settlement Agreement as not imposing an absolute ban. The district court granted Chemeon’s claim for declaratory judgment in part (Claim #2), but did not resolve the issue of whether attorney fees should be assessed based on “exceptional circumstances” under the Lanham Act. 1-ER-80–88. Thus, Chemeon’s Second (as to attorneys’ fees only), Fifth, and Sixth Claims proceeded to trial.⁷

⁷ On October 31, 2019, Chemeon filed its Third Amended Complaint. The Third Amended Complaint amended only the copyright infringement claim (Claim #6) to comply with the U.S. Supreme Court’s opinion in *Fourth Estate Public Benefit Corp. v. Wall-Street.com LLC*, 586 U.S. __ (2019).

Up until May 2019, District Court Judge Miranda Du presided over the case and had reviewed and resolved the dispositive motions. However, on May 3, 2019, the parties consented to have their case referred to Magistrate Judge Carla Baldwin to conduct all proceedings and order the entry of a final judgment. Judge Baldwin therefore presided over the bench trial and issued the final order in this matter, despite Judge Du's extensive prior involvement in the case.

On the first day of trial, November 9, 2020, Semas moved to exclude evidence of all conduct occurring prior to the effective date of the Settlement Agreement (March 11, 2015) for the purpose of establishing: (a) unclean hands as a defense to his counterclaim for specific performance of the Settlement Agreement; (b) to challenge ownership of the Metalast word marks under all registration numbers; or (c) to seek cancellation of any marks based upon alleged fraud on the USTPO. Chemeon opposed the improper and untimely motion in limine, and explained that it sought to introduce evidence related to Semas's pre-release conduct to support its affirmative defenses, not to establish its claims. Nonetheless, the district court granted Semas's motion in part and excluded from trial all evidence of their fraudulent conduct in obtaining the logo and word mark registration, their misrepresentations of MILLC trademark and patent ownership to the USPTO, SEC, IRS, and MIILC investors, and the MILLC extensive use and ownership (and thus Chemeon ownership) of product marks such as TCP-HF and AA-200. 1-ER-47-49.

After a five-day trial, the district court ruled in Semas's favor "on Plaintiffs' claims for relief" and Semas's favor on their first and seventh counterclaims for relief (breach of contract and specific performance of the settlement agreement). 1-ER-45. The district court ruled in Chemeon's favor on Semas's second counterclaim for relief (breach of the covenant of good faith and fair dealing). Further, the district court ordered Chemeon to halt all use of "Metalast." It also rejected Chemeon's request for a permanent injunction enjoining Semas and his business entities from using "TCP-HF" or "AA-200" and rejected Chemeon's request for a finding that this is an "exceptional case" under the Lanham Act. *See* 1-ER-45.

SUMMARY OF ARGUMENT

The judgment reached the exact conclusion described as "absurd" and "unreasonable" on multiple occasions by the district court. This judgment depends on serious legal and factual errors that warrant reversal and judgment in favor of Chemeon.

1. The interpretation of the Settlement Agreement violates the law of the case as it imposes an absolute prohibition on the use of "Metalast" by Chemeon. As the district court held that it would be absurd and unreasonable to completely ban Chemeon from accurately referring to the prior history of the company and its products using Metalast, Chemeon was unfairly prejudiced and surprised after trial by a contrary holding. Moreover, the Settlement Agreement directly tracked this

Court's precedent in *Steppenwolf*, which unequivocally allows for uses such as "formerly Metalast," which Chemeon employed. Finally, the interpretation of the Settlement Agreement, under principles of contract law, must give way to an interpretation of the Settlement Agreement, under principles of trademark law, when it would be contrary to public policy to enforce the contract in a way that would increase customer confusion and harm public safety.

2. Chemeon established affirmative defenses to Semas's claims under the Settlement Agreement even with the evidence that was admitted at trial. But the district court's decision to exclude relevant evidence, in a bench trial, on these affirmative defenses warrants reversal.

3. Semas openly and publicly declared an intent to compete against Chemeon using Chemeon's own marks and sub-marks. The district court rejected Chemeon's infringement claims based on a lack of evidence that Semas was actually competing in the marketplace. However, the case law holds otherwise and permits an infringement claim to proceed based only on threatened infringement, which was undoubtedly present here.

4. This case should be considered an exceptional case under the Lanham Act, warranting attorney's fees for Chemeon. 15 U.S.C. § 1117(a). The district court

///

///

narrowed its analysis to just whether the trademark claims were frivolous, but the case law is clear that a court must look at the totality of the circumstances.

5. Finally, the district court erroneously concluded that Chemeon lacked standing to seek the cancellation of Semas's marks. This conclusion constitutes an error of law as Chemeon was not an interloper in the proceeding but was directly affected by Semas's conduct with respect to the marks.

STANDARD OF REVIEW

This Court reviews the district court's findings of fact after a bench trial for clear error and its conclusions of law de novo. *OneBeacon Ins. Co. v. Haas Indus., Inc.*, 634 F.3d 1092, 1096 (9th Cir. 2011). This Court reviews pure legal questions, like the application of a legal doctrine or an abuse of due process, de novo. *United States v. Lang*, 149 F.3d 1044, 1046 (9th Cir.), *amended*, 157 F.3d 1161 (9th Cir. 1998); *Vilchez v. Holder*, 682 F.3d 1195, 1198 (9th Cir. 2012). The determination as to whether a case is "exceptional" within the meaning of the Lanham Act's fee-shifting provision are reviewed de novo. *SunEarth, Inc. v. Sun Earth Solar Power Co.*, 839 F.3d 1179, 1180 (9th Cir. 2016). "We review for abuse of discretion a district judge's decision to reconsider an interlocutory order by another judge of the same court." *Amarel v. Connell*, 102 F.3d 1494, 1515 (9th Cir. 1997).

ARGUMENT

I. THE SETTLEMENT AGREEMENT DID NOT CONSTITUTE AN ABSOLUTE BAN ON THE USE OF “METALAST.”

The district court incorrectly held that “‘marketplace confusion’ is a concept that is relevant to trademark law but is irrelevant to contract law” and similarly construed the Settlement Agreement abstracted from principles of trademark law. 1-ER-28, n.13. Trademark concepts were directly relevant as the mediator, Hon. Gregg W. Zive, stated to the parties on the record “there is a trademark regarding the name Metalast . . . [and] [t]here is a dispute regarding ownership,” before resolving this dispute through the “ban provision” of the Settlement Agreement:

[Chemeon] through the Meilings, will continue to use the [disputed Metalast] mark for 90 days following entry of the order approving the settlement agreement by Judge Beesley, if he does approve it. At the end of that 90-day period, [Chemeon], the Meilings, and any other entity in which the Meilings have an interest, will no longer be able to use the name Metalast in any fashion or manner whatsoever. Following that 90 days, the mark will be owned by Mr. and Mrs. Semas, or any entity in which they choose to transfer that mark.

10-ER-2674.

The “ban provision” must be interpreted in accordance with its overall context, which was the resolution of an intellectual property dispute between Chemeon and Semas, involving allegations that Semas had misrepresented the ownership of intellectual property. Even though the Settlement Agreement primarily resolved the ownership of trademarks, the district court refused to apply principles

of trademark law to construe what this resolution actually meant for the parties. There is no suggestion in the record that the parties intended to vary from the body of trademark law. Instead, they relied upon these principles to reach a settlement and then effectuate the settlement. The district court's error resulted in an interpretation of the "ban provision" that was inconsistent with the context, purpose, and intent of the Settlement Agreement.

A. The Interpretation of the Settlement Agreement Violated the Law of the Case.

Few things are less consistent with fairness and due process than proceeding to trial based on the court's established framework only to be surprised by an adverse decision reversing the previous legal conclusions. Chemeon tried the case based on the court's clearly stated interpretation of the "ban provision" as not creating an "absolute prohibition on Chemeon's use of the word 'Metalast.'" 1-ER-83. Chief Judge Du previously held: "while the Settlement Agreement states that Chemeon is absolutely prohibited from using the 'name Metalast in any fashion or manner whatsoever' after June 10, 2015, such a literal interpretation of the provision of the Settlement Agreement would lead to an absurd result." 1-ER-83. Thus, there was "an affirmative defense available to Chemeon – specifically, the defense that despite its use of the word 'Metalast' in the marketplace, such use does not cause confusion because it is accurate and/or historical and thus such use does not amount to a breach of the Settlement Agreement." 1-ER-84.

Consequently, it was a complete surprise to Chemeon when Judge Baldwin ruled after trial that the Settlement Agreement contained an absolute prohibition against the use of Metalast. 1-ER-45. It was further surprising when Judge Baldwin denied the availability of the affirmative defense by holding that marketplace confusion was irrelevant to the analysis. 1-ER-28, n.13. While a second judge in the same case has discretion to reconsider prior orders, this discretion is limited by the doctrine of the law of the case.⁸

In *Delta Savings Bank v. United States*, this Court applied the law of the case doctrine to a subsequent decision by a district court judge that reconsidered a different district court judge's decision in the same case. 265 F.3d 1017, 1027 (9th Cir. 2001). "The prior decision should be followed unless: (1) the decision is clearly erroneous and its enforcement would work a manifest injustice, (2) intervening controlling authority makes reconsideration appropriate, or (3) substantially different evidence was adduced at a subsequent trial." *Id.* (quoting *Jeffries v. Wood*,

⁸ When a district court grants summary judgment or renders a conclusion of law, reconsideration after trial can readily constitute an abuse of discretion. *Delta Savings Bank*, 265 F.3d at 1027. Chemeon moved for reconsideration of the court's summary judgment order. In the subsequent Order, the court announced that it had "clearly resolved this issue in the Wordmark Order by finding that the Settlement Agreement does not create an absolute prohibition on Chemeon's use of the word 'Metalast.'" 1-ER-83. While the district court still found that a genuine dispute of material fact could exist as to whether there was confusion in the marketplace, the district court did not base its conclusion on any facts and certainly not on any facts that changed between summary judgment and trial.

114 F.3d 1484, 1489 (9th Cir. 1997)); *see also Fairbank v. Wunderman Cato Johnson*, 212 F.3d 528, 532–33 (9th Cir. 2000) (finding that there were cogent reasons or exceptional circumstances for the district court to reconsider an earlier decision); *Castner v. First Nat’l Bank of Anchorage*, 278 F.2d 376, 379–80 (9th Cir. 1960) (noting that one judge generally should not overrule the prior decisions of another sitting in the same case because of the “principles of comity and uniformity [which] ... preserve the orderly functioning of the judicial process.”). Reconsideration was appropriate in *Delta Savings Bank* as controlling authority had changed in between the two decisions. No similar circumstances are present here.

1. The Findings of Fact Are Contrary to the District Court’s Summary Judgment Rulings.

Chief Judge Du specifically declined to identify “the specific contexts in which Chemeon’s use of ‘Metalast’ in the marketplace would be permissible under the Settlement Agreement.” 1-ER-83. Yet from the rejection of the absolute prohibition and from this language itself, it is clear that there must be *some* contexts in which the use of Metalast in the “marketplace” would be permissible. Judge Baldwin’s subsequent blanket ban against Chemeon using “‘Metalast’ in commerce” is flatly inconsistent with this prior holding. Chemeon is a Nevada limited liability company and everything that it does could be considered “in commerce.” This is an absolute ban on any use by Chemeon of the term “Metalast” regardless of how

///

descriptive and accurate the term is and regardless of the absence of any customer confusion.

2. Chemeon was Denied Due Process at Trial.

The law of the case doctrine “affords litigants a high degree of certainty as to what claims are—and are not—still open for adjudication.” *Ellis v. United States*, 313 F.3d 636, 647 (1st Cir. 2002). The doctrine has even “greater force . . . when there is a change of judges during the litigation and the new judge is asked to revisit the rulings of his predecessor. Reluctance to admit one’s own errors discourages casual reconsideration of one’s own rulings—but not of another judge’s rulings.” *HK Sys., Inc. v. Eaton Corp.*, 553 F.3d 1086, 1089 (7th Cir. 2009). Despite specifically representing that “she would not revisit or overrule prior orders in this case,” Magistrate Judge Baldwin did exactly that by revisiting and overruling the basis for the previous grant of summary judgment on Defendants’ trademark infringement claim. The law of the case was simply not followed despite the intention of the court to do so.

Based on the clear determinations in the record, Chemeon proceeded to trial on the basis that customer confusion was the key inquiry and under the assumption that there was not an absolute ban on accurate, historical references. The ultimate decision meant that Chemeon had no understanding, let alone “certainty” about which claims and issues were under consideration during the trial. *Berardelli v.*

Allied Servs. Inst. of Rehab. Med., 900 F.3d 104, 125 (3d Cir. 2018) (noting that where a “trial judge rules early in litigation that a rule of law applies to the facts of the case, and that ruling shapes the course of trial and the parties’ strategy, but then the judge reverses course at the jury instruction stage, there may be a risk of prejudice to the parties under the law of the case doctrine.”). Chemeon’s trial strategy and witness decisions were based on an understanding that was then reversed after trial. This constitutes a clear denial of their due process rights and resulted in significant prejudice.

B. The Asserted Affirmative Defenses were more than Adequate to Dispose of the Semas’s Claims.

1. The District Court Improperly Ignored Trademark Principles when Rejecting Chemeon’s Fair Use Affirmative Defense.

Chemeon purchased the goodwill of MILLC and never anticipated that it would be barred from ever referencing “Metalast” or MILLC, which would be part and parcel of the purchased goodwill. The language of the Settlement Agreement must be interpreted in accordance with this historical context as well as with principles of trademark law as that was the context in which the terms were agreed. *Kassbaum v. Steppenwolf Productions, Inc.*, 236 F.3d 487 (9th Cir. 2000) is directly on point as the district court recognized on multiple occasions. In *Steppenwolf*, the parties entered into an agreement under which Kassbaum, a former member of the musical band “Steppenwolf,” agreed not to use the “the name ‘STEPHENWOLF’”

after he had left the band. *Id.* at 489. Kassbaum specifically agreed that he would “waive, relinquish and release any and all of [his] rights in the name ‘STEPPENWOLF’ or any other word or phrase incorporating the name ‘STEPPENWOLF’ for any purpose whatsoever.” *Id.* Subsequently, the parties disputed whether Kassbaum was entitled to make historical references to his former role in Steppenwolf (e.g., “Formerly of Steppenwolf”) under the agreement. The trademark holder in Steppenwolf contended that Kassbaum had “contracted away his ability to refer to his past association with Steppenwolf in a resume sent to a recording company, or in a music industry interview touching upon his background, or, at the center of this case, in his promotional references relating to his performance with World Classic Rockers.” *Id.* at 491. This Court disagreed and described the circumstances underlying Kassbaum’s agreement as being “a continuing dispute between the parties about ownership and control over the trade name Steppenwolf.” *Id.* It concluded that: “it is clear that the contract’s broad language ‘for any purposes whatsoever,’ and ‘all other uses of the name ‘STEPPENWOLF’ in the entertainment industry’ refers to use of the trade name Steppenwolf, and not to the simple use of the name to provide accurate historical information that would not lead reasonable people to think Kassbaum’s new band was Steppenwolf. The terms of the contract do not bar Kassbaum from referring to his former membership in Steppenwolf in the entertainment industry or otherwise.” *Id.* at 492 (emphasis added).

The parties' agreement here was focused on use of the name Metalast and the need to prevent consumer confusion. *See, e.g.*, 9-ER-2362–63; 9-ER-2373. Just as in *Steppenwolf*, the parties' agreement here contains broad language preventing CHEMEON from using “the name Metalast in any fashion or manner whatsoever.” 9-ER-2362–63. Just as in *Steppenwolf*, there is simply no basis to assert that this language was intended by the parties to preclude Chemeon from making, as the Ninth Circuit put it, “simple use of the name to provide accurate historical information.” 236 F.3d at 492. Here, the district court recognized that “in terms of the contract, the argument that Chemeon can never, ever use the word ‘Metalast’ seems unreasonable and absurd” and “there has to be some way for Chemeon to explain its former relationship to Metalast.”

2. Government Regulations and Standards Require the Rejection of an Absolute Ban on the Use of Metalast.

As a chemical manufacturer, Chemeon is bound by OSHA's hazardous communication requirements. 4-ER-773–74. Under those requirements, a manufacturer must include product identifiers on product labels and safety data sheets (“SDS”). 4-ER-774 (citing 29 CFR § 1910.1200(g)(5)). In interpreting its own regulation, OSHA has further explained that a product identifier must include “any other common names or synonyms by which the substance is known.” 4-ER-774; 4-ER-780. In compliance with OSHA's clear mandate, Chemeon included “Metalast [applicable product name]” as a common name on its labels and SDS. 8-

ER-2036–37; *see e.g.*, 10-ER-2466–73 (SDS for Chemeon Deox 3300(A)); 10-ER-2487 (SDS for Chemeon TCP-HF). Failure to do so would have been a clear violation of law.

Despite this, the district court held that “[n]othing in the text of the OSHA Regulation . . . mandates that Chemeon identify itself or its products as ‘formerly Metalast.’” 1-ER-29. It disregarded OSHA’s interpretation of its regulation, contained in the OSHA Brief, because Chemeon “did not authenticate or otherwise lay an evidentiary foundation” and “did not request judicial notice of the OSHA Brief.” 1-ER-29. It also found that “formerly Metalast” is not a “common name” or “synonym” for Chemeon’s products, despite trial testimony to the contrary and Judge Du’s explanation that deletion of “formerly Metalast TCP-HF” from engineering specifications would cause confusion. 1-ER-30. And it faulted Chemeon for not listing every other brand name by which Metalast products are known, even those sold by separate and independent manufacturers and for which there was no evidence that Chemeon had any knowledge of them being the same products as Chemeon’s. 1-ER-30.

First, the district court erred in holding that it need not consider the OSHA Brief for failure to move for its admission into evidence. An agency’s interpretation of its rules and regulations is entitled to substantial deference and a district court “should give effect to the agency’s interpretation so long as it is reasonable.” *See*

Martin v. Occupational Safety & Health Review Comm'n, 499 U.S. 144, 149 (1991).

The OSHA Brief was properly cited as part of the agency's interpretation of its regulation, not as evidence, and therefore did not require admission or authentication. The OSHA Brief, which was properly cited as law, clearly provides that the *required* information for an SDS includes: "Product identifier used on the label *and any other common names or synonyms by which the substance is known.*" 4-ER-760. OSHA therefore required Chemeon to provide any other common names or synonyms by which its products are known.

Second, the district court erred when it alternatively found that "formerly Metalast" is not a common name or synonym for any of Chemeon's products. 1-ER-29–30. For almost 20 years, MILLC manufactured and distributed chemical products under the product house name of "Metalast [particular product name]." 1-ER-6; 3-ER-760–62. When MILLC's operations and products transferred to Chemeon in 2013, Chemeon therefore inherited products that had long been labeled as "Metalast [particular product name]." Chemeon then became the entity known in the industry as "Metalast" and was the only supplier of Metalast brand products in the field of the registrations. 4-ER-1006. Semas and his counsel even admitted that "Metalast [particular product name]" is strongly associated with these particular products, making inclusion of them in the pertinent OSHA labels and SDS an accurate and necessary disclosure for the downstream users. 6-ER-1254–55

(Counsel Hoy advising that the Navy QPLs would be changed for its CHEMEON TCP-HF products “if you make sure to include ‘formerly Metalast’ in your name”).

Tellingly, there was no dispute at trial that all the products were and are commonly known as “formerly Metalast [applicable product name],” as set forth in Chemeon’s SDS. Ted Ventresca, President and CFO of Chemeon, testified that “when there was a reference to ‘formerly Metalast,’ it was a historical reference. It was not done in a marketing aspect.” 8-ER-2040; *see also* 7-ER-1731–32 (Dean Meiling testifying that “for many of our products, certainly the TCP products, the synonym would have been Metalast TCP-HP”). Semas made no attempt to rebut the evidence and testimony from Chemeon that its use of Metalast did not cause confusion because it was accurate and/or historical. The undisputed facts and admissions in the record therefore directly contradict the district court’s arbitrary and unsubstantiated finding that “Metalast” is not a common name or synonym for any of Chemeon’s products.

Third, the district court criticized Chemeon for not identifying other common product names for any of its other products. 1-ER-30. But Chemeon’s obligation extends only to listing names known to it—i.e., product names manufactured in Chemeon’s vertical chain of production. This is exactly what Chemeon did. Neither Semas nor the district court cited any authority suggesting that Chemeon is responsible for identifying all names under which the product is sold by independent

manufacturers. Such an obligation would require Chemeon to know the chemical composition of products other suppliers are manufacturing. At trial, however, there was no evidence that Chemeon knew of any other common product names for any product except its AA-200 product; in fact, it was uncontested that Chemeon had no such knowledge except with regard to its AA-200 product. 8-ER-2042; 8-ER-2047.

Further, the district court's holding ignores the overriding public policy reflected in OSHA's regulations, which aim to "ensure that employers and employees alike receive the information necessary to anticipate and to protect against potential chemical hazards." 4-ER-772–73. Chemeon manufactures and sells dangerous chemicals, so it must be able to provide information necessary for customers to accurately identify these chemical products in their workplaces so they can protect their employees' health and safety, which is the exact and express purpose of the OSHA hazard communications standard. As Ted Ventresca testified, the entire industry agreed to the use of the phrase for very good reasons, including manufacturing accuracy, safety, auditing, and for accounting reasons. 8-ER-1982–83; 8-ER-2003–04. And it was uncontested at trial that these products are potentially hazardous. The OSHA brief confirms that OSHA had these very concerns in mind when implementing the hazard communications standard, and that there are important public safety reasons to require use of accurate historical reference to these products' former association with the Metalast name and mark. Thus, even if the

district court did not err in refusing to consider the OSHA brief (which it did), public safety and policy justify Chemeon's limited use of the term "formerly Metalast" on its labels and SDS.

3. Unclean Hands by Semas Constituted a Clear Affirmative Defense.

Semas's extensive pattern of manipulating intellectual property to harm Chemeon rather than build a new company constitutes unclean hands that should have warranted the denial of his claims. Semas attempted to renew his Metalast word mark on June 15, 2015 by filing documents replete with misrepresentations. 10-ER-2474–81. He claimed that the Metalast mark was being used in commerce when it was not. He represented that Metalast, Inc. has a U.S. Navy license to the TCP patents, when it did not. This conduct strongly supports the denial of his claims. *See, e.g., The Scooter Store, Inc. v. Spinlife.com, LLC*, 777 F. Supp. 2d 1102, 1113 (S.D. Ohio 2011) ("If a plaintiff is suing for trademark infringement, fraud in the procurement of the mark may constitute unclean hands . . . Additionally, if such a plaintiff brings suit to browbeat and coerce" defendants allegedly using its mark, this action may also give rise to an affirmative defense of unclean hands.") (internal quotations and citations omitted); *Yamamoto & Co (Am.) v. Victor United, Inc.*, 219 U.S.P.Q. 968 (C.D. Cal. 1982) (finding unclean hands, holding "trademark unenforceable even if it were not void.").

///

4. Fraud by Semas Constituted a Clear Affirmative Defense.

Chemeon alleged fraudulent procurement as an affirmative defense to the Semas's trademark infringement claims. Fraud in procuring a registration "occurs when an applicant knowingly makes false, material representations of fact in connection with an application." *Quiksilver, Inc. v. Kymsta Corp.*, 466 F.3d 749, 755 (9th Cir. 2006) (internal quotation marks omitted). Chemeon presented ample evidence that Semas did in fact intend to deceive the USPTO by making false, material representations about his alleged ongoing use of the mark. In his June 21, 2015 registration with the USPTO, Semas represented to the USPTO that his use of the "Metalast" mark was ongoing, attaching a TCP-HF Product Label from 2008 and a JobPro Web Page from 2003 to prove his ongoing use. 10-ER-2474-81; 10-ER-2497-35. Both of these specimens were actually owned by Chemeon, and Semas fraudulently copied them from Chemeon's database and submitted those marks to the USPTO. 9-ER-2321-29; 9-ER-2330; 9-ER-2335-37. Semas was well aware that the specimens were not his own, and sought confirmation from his attorney to confirm that they would be sufficient to "prove" his ongoing use. *Id.*

The district court erroneously excluded this evidence from trial, finding that it was not admissible because it predated the mutual release of claims in the Settlement Agreement. But even so, Semas admitted in 2016 that he was not actually using the Metalast mark for chemicals or software when he filed the application with

the USPTO. 6-ER-1419. His representation to the USPTO of ongoing use in connection to his June 2015 application was therefore undisputedly false.⁹

C. The Interpretation of the Settlement Agreement is Contrary to Public Policy.

Federal trademark law aims to guard against customer confusion by accurately identifying the source of a product. *State of Idaho Potato Comm’n v. G & T Terminal Packaging, Inc.*, 425 F.3d 708, 715 (9th Cir. 2005). Its goal is “to protect consumers who have formed particular associations with a mark.” *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 873 (9th Cir. 1999). This Circuit has held that these strong public policy interests can trump those underlying state contract law, and has frequently concluded that contract provisions conflicting with the policies underlying the Lanham Act are unenforceable. *State of Idaho Potato Comm’n*, 425 F.3d at 718 (concluding that no-challenge provision in certification mark licensing agreement conflicted with public interest and was therefore unenforceable); *Massillon–Cleveland–Akron Sign Co. v. Golden State Adver. Co.*,

⁹ To establish its defense of fraud, Chemeon also sought to introduce evidence revealing the original date of the “1996” license agreement that purported to license the right to use the “Metalast” mark from MII and MILLC. *E.g.*, 2-ER-177–79. Chemeon also sought to introduce evidence disputing that MII (and not MILLC) is the true owner of the “Metalast” mark. *E.g.*, 2-ER-177–79. And Chemeon sought to introduce evidence showing that MILLC hid the reality about MII’s ownership of the “Metalast” mark. *E.g.*, 2-ER-181–184. This evidence was both relevant and probative, but was erroneously excluded it from trial because it predated the release of claims in the Settlement Agreement.

444 F.2d 425, 427 (9th Cir. 1971) (holding that covenant in settlement agreement whereby defendants agreed not to contest validity of patent was unenforceable because it directly conflicted with strong federal policy).

The district court expressly acknowledged that “you can’t contract to do something illegal” and “[y]ou can’t contract to do something in violation of public policy.” 3-ER-617. Yet in clear disregard of its acknowledgement, as well as controlling Ninth Circuit caselaw, the district court analyzed the Settlement Agreement in a vacuum, focusing only on contract principles, while ignoring federal trademark principles. 1-ER-28, n.13. In this Circuit, courts analyzing contracts resolving trademark disputes must “balance the public interest against confusion, one of the significant purposes of trademark law, against the interest in enforcing contracts.” *VISA Int’l Serv. Ass’n v. Bankcard Holders of Am.*, 784 F.2d 1472, 1474 (9th Cir. 1986) (citations omitted); *see e.g., State of Idaho Potato*, 425 F.3d at 718 (balancing the public policy underlying federal trademark and certification law against that underlying state contract law to find a contract unenforceable). Where such a contract will result in “injury to the public through confusion,” it may be unenforceable. *VISA*, 784 F.2d at 1473–74.

Interpreting the Settlement Agreement to impose an absolute ban, as the district court did, violates the public policy of protecting consumers from confusion and dangerous inaccuracies. For over 22 years, customers and suppliers purchased

Chemeon's chemical products under the "Metalast" mark. The products became inextricably linked to the mark. When Chemeon removed the term "Metalast" from its brand name in 2015, it needed to inform consumers that the same product that had been sold as "Metalast" for the last 22 years was now being sold as "Chemeon." This was done not only for commercial purposes but also to match the specifications of customers. 8-ER-1982–83 (Ted Ventresca explaining that customers who had records with the "Metalast" name were able to find the Chemeon products because of Chemeon's inclusion of "formerly Metalast" on Safety Data Sheets); 8-ER-2005 (Ted Ventresca explaining the need to associate the former product name to the source).

Chemeon's use of the phrase "formerly Metalast" was therefore critical to serving the strong public policy in favor of "protect[ing] consumers who have formed particular associations with a mark." *Sumpton*, 189 F.3d at 873. The need for customer protection is all the more critical where, as here, the product involves hazardous chemicals. In fact, the United States Navy requested the inclusion of "formerly Metalast" for exactly these safety reasons. 6-ER-1254–55.

Thus, the judgment should be reversed as the public would be harmed by failing to know that the products sold by Chemeon used to be sold under a different product name, and the evidence reflects this is done for the Safety Data Sheets and instructions. Rather than create customer confusion, the use of "formerly Metalast"

reduces customer confusion, increases safety, and serves public policy. Had the district court balanced this public policy against the policy underlying contract enforcement, it would have concluded that the strong public policy in protecting customers from confusion and safety hazards renders a settlement agreement that imposes an absolute ban unenforceable.

II. THE DISTRICT COURT ERRED IN REJECTING CHEMEON'S COMMON LAW TRADEMARK INFRINGEMENT CLAIM.

After summarily concluding that Chemeon did not own the “TCP-HF” and “AA-200” sub-marks, despite a clear stipulation at trial that Chemeon owned those sub-marks, the district court rejected Chemeon’s common law trademark infringement claim. Notably absent from the district court’s order was any discussion of whether Semas’s improper use of Chemeon’s sub-marks was likely to cause confusion. The district court’s failure to recognize Chemeon’s ownership in the sub-marks (to which the parties stipulated) and its subsequent failure to include a likelihood-of-confusion analysis constitutes an abuse of discretion and warrants reversal.

A. Chemeon Owns a Valid Mark in “TCP-HF” and “AA-200.”

The district court concluded that “Chemeon cannot own the ‘TCP-HF’ and ‘AA-200’ sub-marks.” 1-ER-40. It based its conclusion solely on the fact that Chemeon and MILLC sold products called *Metalast* TCP-HF and *Metalast* AA-200, and did not sell the products without “Metalast” preceding the sub-marks. 1-ER-40.

Most importantly, counsel for Semas stipulated at trial that there was no dispute over whether Chemeon owned the “TCP-HF” and “AA-200” sub-marks. 6-ER-1481 (Court stating that “if [the Meiling Defendants] are not disputing that they had those marks, we don’t need to establish that they had those marks.”); 6-ER-1484 (Semas’s counsel stipulating “[t]hat TCP-HF and its variants and AA-200 are owned by Chemeon Surface Technology, LLC.”).

Even so, Chemeon established that MILLC was the first and only manufacturer to produce and sell chemical products by the name of “TCP-HF” and “AA-200.” 8-ER-2011 (Ted Ventresca testifying that Chemeon is “the sole sources”); *see Sengoku Works Ltd. v. RMC Int’l, Ltd.*, 96 F.3d 1217, 1219 (9th Cir. 1996) (“[T]he party claiming ownership [of a trademark] must have been the first to actually use the mark in the sale of goods or services.”). Chemeon also established that in 2013, Chemeon (then called D&M) acquired all MILLC’s assets, including its common law trademarks, through the court-approved sale of MILLC’s assets. 9-ER-2348–57. Chemeon, through its historic and continuing use of the marks, therefore became the rightful owner of the sub-marks “TCP-HF” and “AA-220.” *See Credit One Corp. v. Credit One Fin., Inc.*, 661 F. Supp. 2d 1134, 1138 (C.D. Cal. 2009). Even Semas’s own intellectual property attorney confirmed as much when he advised Semas (by email) that Chemeon, not MII, owned MILLC’s sub-marks. 9-ER-2395 (“Unfortunately, MII did not register any of the sub-marks and

the settlement agreement did not address it. If there is no obligation to assign the trademark right to MII, then MILLC would have owned the trademark rights.”); 6-ER-184 (D. Semas verifying the email).

Contrary to the district court’s cursory finding otherwise, Chemeon presented extensive evidence that these sub-marks stand alone, and are therefore sub-marks independent of their association with Metalast. For example, Ted Ventresca expressly confirmed that the product names “TCP-HF” and “AA-200” have, standing alone, obtained significance in the market. 8-ER-2017; *see also* 8-ER-1983 (when asked whether there is ever a request for “Metalast AA-200,” Vestresca testified that “it is usually simply AA-200”). Similarly, Dean Meiling testified that people in the industry often use the acronyms “TCP” or “TCP-NP” without “Metalast” or “Chemeon” preceding its use. 7-ER-1762.

B. Chemeon Clearly Established Infringement.

To establish its claim of trademark infringement, Chemeon must show that it is the owner of a valid mark that is subsequently used by a defendant in a manner likely to cause confusion. *OTR Wheel Eng’g, Inc. v. W. Worldwide Servs., Inc.*, 897 F.3d 1008, 1022 (9th Cir. 2018). By demonstrating that the “TCP-HF” and “AA-200” marks are protected marks, that Semas threatened use, and that his use was likely to cause confusion, Chemeon clearly established infringement.

1. “TCP-HF” and “AA-200” Are Protected Marks.

To be valid and protectable, a mark must be “distinctive.” *OTR Wheel*, 897 F.3d at 1022. Marks exist on a spectrum of distinctiveness: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful. *Quicksilver, Inc. v. Kymsta Corp.*, 466 F.3d 749, 760 (9th Cir. 2006). At one end of the spectrum are “generic” marks, which give the general name of a product, and thus are not protected. *Id.* At the other end of the spectrum are suggestive, arbitrary, and fanciful marks, which are “deemed inherently distinctive and are automatically entitled to protection because they naturally serve to identify a particular source of a product.” *Id.* (citations omitted). “Descriptive” marks are somewhere in the middle, and receive protection “if it has acquired distinctiveness by establishing ‘secondary meaning’ in the marketplace.” *Id.*

Chemeon presented undisputed evidence that Chemeon’s sub-marks are inherently distinctive. Since at least as early as November 2000, MILLC distributed and sold a chemical additive called “AA-200,” which became a leading seller among MILLC’s products. 7-ER-1577. At least as early as 2004, under license from the U.S. Navy to several patents for a “trivalent chromium [manufacturing] process” typically abbreviated as “TCP,” MILLC developed a widely-recognized and superior product it sold under the mark “TCP-HF,” and subsequently developed and sold additional product formulations under “TCP”-variant marks. 1-ER-17. By

2006, TCP-HF had become MILLC's leading seller and "most lucrative chemical product." 9-ER-2271. Semas did not dispute this evidence.

Through their historic and continued use, these marks have become inherently distinctive. The "AA-200" mark is neither descriptive nor does it resemble the product itself, making it arbitrary or fanciful. *See Survivor Media, Inc. v. Survivor Prods.*, 406 F.3d 625, 632 (9th Cir. 2005) (explaining that "[f]anciful marks have no commonly known connotation to the product at hand"). The "TCP-HF" mark and its variants are also inherently distinctive because as either suggestive or arbitrary marks. As Semas admitted on the last day of trial, "we referred to 'TCP-HF' all the time," without the word "Metalast" preceding it. 9-ER-2217. Even if the "TCP" mark is construed as descriptive (based on the abbreviation of "trivalent chromium process"), it has acquired a second meaning, and is therefore a protected mark. 7-ER-1762 (Dean Meiling explaining that the acronyms have become shorthand for Chemeon products).

2. Semas's Threatened and Actual Use of Chemeon's Trademarks.

The district court concluded that even if Chemeon owned the sub-marks, Semas did not use them "in commerce," thereby precluding liability for common law trademark infringement. This is not the test for common law trademark infringement. Rather, this Court has found that impending use of a trademark is all that is required for injunctive relief for a common law trademark infringement claim.

La Quinta Worldwide LLC v. Q.R.T.M., S.A. de C.V., 762 F.3d 867, 873, (9th Cir. 2014) (Defendant Quinta Real’s plans to enter the U.S. market, even though it had not yet opened, was sufficient to justify injunctive relief); *see also* 5 McCarthy on Trademarks and Unfair Competition § 30:10 (5th ed.) (“Injunctive relief may be obtained even before defendant actually opens for business, if the threatened act of defendant is imminent and impending.”).¹⁰ Chemeon presented ample evidence that Semas threatened to use Chemeon’s marks and took substantial steps to market and sell products under the “TCP-HF” and “AA-200” sub marks, not only privately to the Meilings, but also publicly to investors and customers.

Semas first emailed the Meilings in March 2015, expressly stating that he was going to market the entire MILLC product line through pre-existing marketing channels. 9-ER-2376–82; *see also* 6-ER 1358 (Semas testifying about the email). His email reveals not only that he threatened to use Chemeon’s marks, but that he had *already* taken steps to market and sell products under those marks. 9-ER-2376 (stating that he would “continue to” prepare to sell the same products under Chemeon’s mark directly to Chemeon’s customer base). One month later, Semas sent an email admitting that he “would like to see us shut them down with the use of

¹⁰ *See also NTN Commc’ns, Inc. v. Interactive Network, Inc.*, No. C 94-20777 RMW (ENE), 1995 WL 569419, at *2 (N.D. Cal. Aug. 17, 1995) (citing 1a Jerome Gilson, Trademark Protection & Practice, § 8.07[2], at 8-156 to 157 (1987), which states that liability exists where infringing product has been proposed and steps are taken to market it); *Monsanto Chem. Co. v. Perfect Fit Prod. Mfg. Co.*, 349 F.2d 389, 392 (2d Cir. 1965) (explaining that injunctive relief may be warranted by the mere possibility of such injury resulting from another’s use of his mark).

all sub-marks like TCP-HF, AA-200 and so on because that would cause a catastrophic collapse of their business.” 10-ER-2457–58. His intent to market and sell products under Chemeon’s marks and destroy Chemeon’s business could not be clearer. He proceeded to issue multiple, publicly distributed press releases to the same effect. 10-ER-2459–64; 10-ER-2465; 7-ER-1582–84. He simultaneously solicited Chemeon’s Chemetall distributor and SIC supplier to partner with him, instead of Chemeon. 9-ER-2383–87; 10-ER-2388–89. At trial, Semas even admitted that Chemeon had good reason to be concerned with his email and threatened use. 6-ER-1358 (Semas admitting it was “fair” for the Meilings to be concerned).

Even under the district court’s erroneous interpretation of the “in commerce” test, Chemeon presented evidence that Semas did indeed use Chemeon’s product marks in commerce. *See* 9-ER-2383–87; 9-ER-2388–89; 10-ER-2459–64; 10-ER-2465; 10-ER-2482–86. Since June 10, 2015, he has repeatedly filed in the USPTO very public statements of ongoing use of Chemeon’s TCP-HF sub-marks. *See, e.g.*, 10-ER-2474–81; 9-ER-2320 (TCP-HF label); 10-ER-2536–47. In December 2016, he filed his Opposition to Chemeon’s Petition for Cancellation of that registration, saying his June 2015 renewal statement of ongoing bona fide use in commerce and the filing of the 2008 TCP-HF label and the 2003 Job Pro advertisement were not false or fraudulent. *Compare* 10-ER-2497–2535 *with* 10-ER-2536–47. The district

///

court's conclusion that Semas did not use Chemeon's marks in commerce is therefore erroneous and ignores the undisputed evidence presented at trial.

3. Semas's Use of Chemeon's Sub-Marks Was Likely to Cause Confusion.

“[T]he linchpin of trademark infringement is consumer confusion.” *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1154 (9th Cir. 2011). Despite this clear proclamation, the district court failed to address whether Semas's improper use of Chemeon's sub-marks was likely to cause confusion or analyze the *Sleekcraft* factors.

To determine whether common law trademark infringement is likely to cause confusion, this Court considers the eight *Sleekcraft* factors: (1) the similarity of the marks; (2) the relatedness of the two companies' products or services; (3) the marketing channel used; (4) the strength of the mark; (5) the defendant's intent in selecting its mark; (6) evidence of actual confusion; (7) the likelihood of expansion into other markets; and (8) the degree of care likely to be exercised by purchasers. *See AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979). “Some factors are much more important than others, and the relative importance of each individual factor will be case-specific.” *Brookfield Commc'ns, Inc. v. W. Coast Ent. Corp.*, 174 F.3d 1036, 1054 (9th Cir. 1999). But “the similarity of the marks and whether the two companies are direct competitors” will always be important, and in some cases dispositive. *Id.*

Here, Semas was attempting to use identical marks for identical types of products in the same industry. These first two factors alone are sufficient to prove a likelihood of confusion. *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1211 (9th Cir. 2000) (finding that “two remarkably similar marks” were likely to cause consumer confusion); *see also S & R Corp. v. Jiffy Lube Int’l, Inc.*, 968 F.2d 371, 375 (3d Cir. 1992) (“[C]oncurrent use [of the same mark] is highly likely to cause consumer confusion about [defendant’s] affiliation with the [plaintiff]”).

Nonetheless, Chemeon presented evidence demonstrating that the remaining factors also weigh in Chemeon’s favor. Chemeon presented direct evidence that Semas intended to contact Chemeon’s customers—i.e., use the exact same marketing channel as Chemeon to target Chemeon’s customers—thereby satisfying the third *Sleekcraft* factor. 9-ER-2376–82 (Semas email to the Meiling explaining that he intended to sell his products to “long-standing Metalast customers”). Regarding the fourth factor (strength of the mark), this Court has held that where the conflicting marks and the products or services are closely related or identical, this factor is less important. *GoTo.com, Inc.*, 202 F.3d at 1208. Even so, Chemeon presented overwhelming evidence that the “AA-200” and “TCP”-variant marks have an extensive history of exclusive use by Chemeon and its predecessor-in-interest (e.g., MILLC) and that MILLC had significant sales of products under these marks over a period of decades. 8-ER-2011; 7-ER-1577; 9-ER-2271. The marks are

therefore not only inherently distinctive and have conceptual strength, but also have significant commercial strength.

Regarding the fifth factor (intent in selecting the mark), this Court has held that “[w]hen an alleged infringer knowingly adopts a mark similar to another’s, courts will presume an intent to deceive the public.” *Official Airline Guides, Inc. v. Goss*, 6 F.3d 1385, 1394 (9th Cir. 1993). In Semas own words to his counsel, he explained his plan to use Chemeon’s product marks to cause Chemeon’s “***catastrophic collapse.***” 10-ER-2457–58 (emphasis added). Notably, this document also refers to the sub-marks by themselves, without the word “Metalast” preceding it, further proving that the sub-marks stand alone.

Based on the ongoing litigation and the extensive emails exchanged between the parties and counsel, Semas undoubtedly knew that Chemeon intended to sell its products as “Chemeon TCP-HF” and “Chemeon AA-200.” In fact, when questioned at trial about his statement, he confirmed that he meant what he said. 6-ER-1402; 8-ER-2021 (Vestresca testifying that Semas’s statement was a “vindictive and calculated attempt and plan to hijack the Chemeon history, the Chemeon IP, [and] . . . the brands”). Semas’s intent in selecting these product marks could hardly be more maliciously deceptive.

Chemeon also presented undisputed evidence that Semas’s deceptive and confusing use of Chemeon’s sub-marks damaged its company and brand, satisfying

Sleekcraft's sixth factor. Ted Ventresca's trial testimony confirms this point. He testified that Semas's press release warning of his impending and actual use of the sub-marks damaged Chemeon's business, and continues to harm Chemeon to this day. 8-ER-2012–13. When asked whether Semas's marketing and sale of "TCP-HF" and "AA-200" products would prevent Chemeon's from expanding its chemical product line, Ventresca, Chemeon's head of marketing and president, responded, "In my opinion, not only would it cause confusion, it would diminish and limit even current sales because of the confusion that would occur." 8-ER-2018. Semas did not provide any testimony or evidence disputing Ventresca's testimony or suggesting that Metalast's use of the sub-marks did not and would not confuse the market.

Had the district court analyzed the *Sleekcraft* factors, it would have undoubtedly concluded that they weigh heavily in favor of finding the likelihood of market confusion.¹¹

¹¹ Because the products sold by Chemeon and Semas are identical, Chemeon need not analyze the seventh or eighth *Sleekcraft* factors, but these factors also support a likelihood of confusion conclusion. See *GoTo.com, Inc.*, 202 F.3d at 1209; *Monster Inc. v. Dolby Labs. Licensing Corp.*, 920 F.Supp.2d 1066, 1074 (N.D. Cal. 2013) ("[W]hen the products themselves are very similar, and the marks are as well, sophistication of the typical buyer alone cannot be relied on to prevent confusion.").

III. THE DISTRICT COURT ERRED WHEN IT FAILED TO AWARD ATTORNEY FEES UNDER THE LANHAM ACT.

Section 35(a) of the Lanham Act provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” 15 U.S.C. § 1117(a). After the Supreme Court’s decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 134 S. Ct. 1749, 1756 (2014), the district court should have examined the “totality of the circumstances” to determine if the case was exceptional and should have considered factors including, “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* Despite citing to *Octane*, the district court nevertheless considered “only Semas’s conduct with respect to trademark issues because the authority for ‘exceptional case’ fees exists in the Lanham Act, which does not reach non-trademark claims.” 1-ER-39. This an incorrect and outdated statement of law, which precluded a full and fair examination of the conduct at issue. In *Octane* and its progeny, courts expanded the “exceptional case” doctrine beyond patent claims that were brought in bad faith to a broader range of cases, including where a litigant’s conduct, throughout the litigation, makes the case one that “stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” *Octane*, 134 S. Ct. at 1756; *see also San*

Diego Comic Convention v. Dan Farr Prods., 807 F. App'x 674, 676 (9th Cir. 2020) (“[T]he district court indicated that Defendants’ exceptional conduct occurred at every stage of this litigation, including prior to filing, and that such conduct caused SDCC to expend unnecessary legal fees and the court to squander limited judicial resources . . . it was not an abuse of discretion to award fees related to the entirety of the case.”). By limiting the analysis to the substance of Semas’s trademark claims and by excluding categories of evidence relevant to this determination, the district court committed reversible error.

A. The procedural posture justified an analysis of whether this was an exceptional case and the issue was expressly tried and determined by the district court.

Chemeon’s second claim for relief sought a declaratory judgment that it had not infringed on the “Metalast” trademark and further sought attorney fees under 15 U.S.C. § 1117(a). 2-ER-354–55. After Semas voluntarily dismissed the trademark infringement counterclaims with prejudice, the district court granted Chemeon’s declaratory relief claim for non-infringement. 4-ER-999–1001;1-ER-84. The district court did not resolve Chemeon’s request for attorney fees in the motion practice and so this issue proceeded to trial, which the district court expressly acknowledged in its ultimate order. 1-ER-5. All parties therefore prepared for and litigated this issue at trial.

///

Nonetheless, the district court ultimately found that “[n]othing in the stipulation suggests that Chemeon has reserved the right to seek attorney fees to defend against those trademark claims.” 1-ER-40. Its cursory conclusion is erroneous and misstates the record. First, Chemeon can seek fees based on Semas’s voluntary dismissal. In *Cadkin v. Loose*, this Court explained that a “defendant is a prevailing party following dismissal of a claim if the plaintiff is judicially precluded from refileing the claim against the defendant in federal court.” 569 F.3d 1142, 1150 (9th Cir. 2009). Thus, “stipulating to a dismissal with prejudice” was a sufficient alteration in the parties’ legal relationship to confer prevailing party status on Chemeon. *Id.*; see also *LHO Chicago River, L.L.C. v. Perillo*, 942 F.3d 384, 385, 389 (7th Cir. 2019) (remanding and vacating because the “district judge here did not address the parties’ fee dispute under *Octane*” even though the appeal involved a “request for Lanham Act attorney fees following the plaintiff’s voluntary dismissal of its trademark infringement suit.”). The Second Circuit addressed this precise question in *Penshurst Trading Inc. v. Zodax L.P.* when it analyzed the issue of whether the case was exceptional and held that “Zodax was the prevailing party in light of Penshurst’s voluntary dismissal of this action with prejudice.” 652 F. App’x 10, 11–12 (2d Cir. 2016).

Second, nothing in the stipulation for dismissal affected Chemeon’s right to bring a claim for attorney fees under the Lanham Act based upon the district court

granting Chemeon declaratory relief claim. *See, e.g., Zenith Elecs. Corp. v. PDI Commc'n Sys., Inc.*, 522 F.3d 1348, 1366 (Fed. Cir. 2008) (“It is clear that a finding of noninfringement does not moot a counterclaim for inequitable conduct.”); *Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1188 n.6 (Fed. Cir. 1993) (holding that inequitable conduct issue was not mooted by prior decision holding patent invalid). The district court’s suggestion is incorrect that Chemeon somehow waived its right to seek fees by stipulating to the dismissal of Semas’s frivolous claims.

B. The Totality of the Circumstances Warrants a Finding of an Exceptional Case.

The district court focused incorrectly on whether the trademark claims themselves were frivolous, holding that “Chemeon has offered no evidence or analysis to show that those dismissed trademark claims were frivolous or otherwise ‘exceptional.’” 1-ER-40. The ability to recover attorney’s fees already exists for frivolous claims, *see, e.g., Nev. Rev. Stat. § 18.010(2)(b)*, which is why the post-*Octane* decisions make clear that something less is required to obtain an award of attorney’s fees under 15 U.S.C. § 1117(a). Chemeon presented significant evidence both before and at trial related to the frivolousness, motivation, and unreasonableness of the conduct by Semas. Rarely is a party’s improper motivation laid out as clearly as it was in this case as there is an email from Semas where he stated that he “would like to see us shut them down with the use of all sub-marks

like TCP-HF, AA-200 and so on because that would cause a catastrophic collapse of their business.” 10-ER-2457–58. At trial, Semas confirmed that he meant what he said. 6-ER-1402.

Chemeon also presented substantial evidence that Semas committed fraud on the USPTO and deliberately infringed on Chemeon’s marks in its filings. Additionally, Chemeon presented evidence that on June 21, 2015, more than two years after Semas had left MII and had been removed as the Manager of MILLC, Semas caused his counsel, Ian Burns, to file for renewal of one of the registrations for the word mark “Metalast” (USPTO registration number 2963106) even though he had not been making any on-going use of the mark. 9-ER-2321–29; 9-ER-2330; 9-ER-2338–39; 10-ER-2474–81. To feign on-going use, Semas fraudulently copied specimens from Chemeon’s database and submitted those marks to the USPTO. 9-ER-2321–29; 9-ER-2330; 9-ER-2338–39. Counsel for Semas *admitted* as much when he admitted that Semas had abandoned the logo marks, and the district court therefore granted summary judgment in Chemeon’s favor. 1-ER-139. Yet Semas brought trademark infringement claims against Chemeon, maintained those claims for *over a year* despite that Semas was not using the marks, and then dismissed those claims with prejudice after causing Chemeon to spend substantial sums litigating the issues. *Dropbox, Inc. v. Thru Inc.*, 728 F. App’x 717, 719–20 (9th Cir. 2018) (“Thru filed a frivolous motion to dismiss and gave inaccurate responses to discovery

requests” in addition to trying to “strategically ‘slow walk[]’ its dispute with DBX to take advantage of DBX’s initial public offering.” On the basis of this conduct, the district court did not abuse its discretion in finding this case an “exceptional case” and awarding attorneys’ fees and costs.”) This litigation conduct alone supports a finding that this is an “exceptional case.”

Finally, the district court improperly excluded significant evidence that was relevant to the exceptional case determination “evidence of pre-release date conduct related to alleged fraudulent conduct engaged in by Defendants in relation to obtaining the logo and word marks directed at third parties, including but not limited to the USPTO, SEC investigation, IRS, other investors or the like, is excluded from trial.” 2-ER-172–215. Chemeon’s Offer of Proof significantly details the reasons why this evidence was relevant to the exceptional case determination as it bears on the motivations and unreasonableness of Semas’s post-release conduct.

Given the evidence supporting a finding that this case is “exceptional” and the error in excluding additional evidence, Chemeon requests that this Court reverse and remand with instructions for the district court to address and analyze the evidence in accordance with *Octane* and *SunEarth, Inc.* 839 F.3d at 1180.

IV. CHEMEON HAD STANDING TO ASSERT A CANCELLATION CLAIM AGAINST SEMAS’S TRADEMARKS.

Chemeon moved for summary judgment on its claim for cancellation of the Metalast wordmark based on Semas’s misrepresentation that he was using the

wordmark—a misrepresentation to which Semas later admitted. The district court found that nonetheless, Chemeon could not establish standing and dismissed Chemeon’s cancellation claim. 1-ER-60–62.

“A petition to cancel a registration of a mark, . . . may . . . be filed . . . by any person who believes that he is or will be damaged” 15 U.S.C. § 1064. To establish standing, a party “need only be something more than a gratuitous interloper or a vicarious enforcer of someone else’s rights.” 3 *McCarthy on Trademarks and Unfair Competition* § 20:46 (5th ed.) (explaining that “few [trademark] proceedings are ever dismissed for lack of standing”). In *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, this Court explained that “[t]he Lanham Act requires only that the cancellation petitioner plead and prove facts showing a ‘real interest’ in the proceeding in order to establish standing.” 735 F.2d 346, 349 (9th Cir. 1984) (internal citations omitted).

Chemeon undisputedly satisfied these liberal standing requirements. It presented undisputed evidence that it did in fact have a “real interest” in the proceeding. For example, Chemeon presented evidence that although it purchased the goodwill of MILLC, Semas continued to improperly use that goodwill by falsely claiming ownership to Metalast chemical products (i.e., products that Chemeon undisputedly acquired). 4-ER-914; 4-ER-822–23. Semas falsely claimed that he was the sole source of “TCP-HF,” a chemical product manufactured and sold exclusively by MILLC under a patent licensed from the U.S. Navy, and that Semas had a license

from the Navy to provide the product. 4-ER-914; 4-ER-822–23. Semas’s false statements and improper use of MILLC’s goodwill (acquired by Chemeon) interfered with, and unfairly competed with, Chemeon’s fair use of that goodwill and caused direct damage to Chemeon. 4-ER-914–15; *see also* 8-ER-2018; 8-ER-2012.

Nonetheless, the district court concluded that Chemeon did not have standing because it did not provide evidence that its own mark would be harmed if Semas’s “Metalast” mark was not cancelled. 1-ER-61. In doing so, the district court misconstrued *Star-Kist*. While *Star-Kist* stated that a cancellation plaintiff must show damage “stemming from an actual commercial or pecuniary interest in its mark,” that was because the cancellation plaintiff in that case only asserted damage by reason of its mark. *Star-Kist*, 735 F.2d at 348. The court thus was not holding that harm to one’s own mark was the only form of damage satisfying the cancellation standing requirement, but instead: (1) not only cited in support *Tanners’ Council of America, Inc. v. Gary Industries, Inc.*, 440 F.2d 1404, 1406 (C.C.P.A. 1971), which expressly held that the cancellation petitioner, a trade association in that matter, need not be a user of a mark to establish standing interest, (2) but also further stated: “Interest assertions will vary with the facts surrounding each cancellation dispute, and therefore, a petitioner’s standing much be scrutinized case-by case.” *Id.*

///

CHEMEON presented voluminous evidence of damage by SEMAS. By falsely claiming ownership over Metalast’s chemical products, SEMAS created confusion as to the source of the chemical products, which CHEMEON rightfully and exclusively owned. 8-ER-2012 (testimony from Ted Ventresca that SEMAS’s improper use of the sub-marks damaged CHEMEON’s business); 8-ER-2018 (testimony from Ted Ventresca that SEMAS’s improper use would cause confusion and limit current and future sales); 8-ER-1899–1902 (testimony from Madylon Meiling about the harm SEMAS’s improper use caused to CHEMEON’s goodwill); *see also Star-Kist*, 735 F.2d at 250 (considering potential likelihood of confusion in standing consideration). CHEMEON therefore demonstrated that its own marks would be harmed by SEMAS’s continued and improper use of the “Metalast” mark when referring to CHEMEON-owned chemical products.

CHEMEON established that it had a “real interest” in the proceeding and was more than merely a gratuitous interloper. This is all that is required to establish standing. CHEMEON therefore requests that this Court reverse the district court’s erroneous holding that CHEMEON’s cancellation claim failed for lack of standing.

///

///

///

///

V. THE RELIEF GRANTED TO APPELLEES CONTAINED SIGNIFICANT ERRORS AND INCONSISTENCIES WITH THE CASE HISTORY.

A. The Scope of the Judgment Did Not Reflect Prior Decisions by the Court.

The parties engaged in extensive motion practice leading up to trial, resulting in the disposition of many of the parties' claims, in part or in full, before trial. The district court correctly identified the remaining claims for trial, but instructed the Clerk, in relevant part, as follows:

IT IS HEREBY ORDERED that judgment is granted in favor of Defendants on Plaintiff's claims for relief;

1-ER-45.

This holding does not identify *which* of Chemeon's claims the district court is granting in Semas's favor. As written, its plain meaning grants *all* of Chemeon's claims in Defendants' favor. Such a ruling contradicts the previous motion practice, which unequivocally granted judgment in favor of Chemeon on certain claims including Chemeon's fourth claim for cancellation of the logo marks on the basis that Semas had abandoned the Metalast logo marks. 1-ER-139; 1-ER-109–10. The district court also granted summary judgment in Chemeon's favor on its second claim for declaratory relief of no trademark infringement as to the word marks. 1-ER-84. Thus, in so far as the district court's broad language refers to *all* Chemeon's claims, it constitutes clear error. *See, e.g., Portsmouth Square Inc. v. S'holders Protective Comm.*, 770 F.2d 866, 869 (9th Cir. 1985) ("A litigant is entitled to

reasonable notice that the sufficiency of his or her claim will be in issue” and sua sponte summary judgment is only permitted when the “party against whom judgment was entered had a full and fair opportunity to develop and present facts and legal arguments in support of its position.”).

B. The Scope of the Injunction was not Supported.

The district court held that Chemeon had no right to use “Metalast” or “formerly Metalast” in commerce and also ordered that Chemeon must halt “all use of ‘Metalast’ on any product labels, advertisements, sales orders, invoices, purchase orders, technical data sheets, safety data sheets, web pages, brochures, or other documents of commerce.” 1-ER-45. First, this injunction constitutes an absolute prohibition on the use of “Metalast” and so is directly contrary to the law of the case. Second, the injunction is clearly overbroad as it would prevent Chemeon from even disclosing that its former name was Metalast Surface Technology, LLC, which is an undisputed fact.

Third, the injunction does not even fit the district court’s own framework. In its order, the district court stated that it “must determine whether the use of the word ‘Metalast’ fit within the terms of the Settlement Agreement.” 1-ER-25. The district court did not undertake the analysis necessary to determine whether there was a likelihood of customer confusion by each of the allegedly objectionable uses of “Metalast.” Instead, the district court issued a blanket ban that still requires the

parties to determine what “in commerce” means, which is a phrase that the district court inserted into the language of the Settlement Agreement.

CONCLUSION

The district court’s judgment should be reversed.

DATED August 5, 2021.

McDONALD CARANO LLP

/s/ Adam Hosmer-Henner

Adam Hosmer-Henner (NSBN 12779)
Chelsea Latino (NSBN 14227)
Jane Susskind (NSBN 15099)
100 W. Liberty Street, Tenth Floor
Reno, Nevada 89501
Tel.: (775) 788-2000

Robert C. Ryan (NSBN 7164)
Timothy A. Lukas (NSBN 4678)
Joshua M. Halen (NSBN 13885)
HOLLAND & HART LLP
5441 Kietzke Lane, Second Floor
Reno, Nevada 89511
Tel.: (775) 327-3042

Attorneys for Appellants

STATEMENT OF RELATED CASES

Pursuant to Ninth Circuit Rule 28-2.6, Appellants identify the following related cases pending in this Court:

1.) *Alexander v. Meiling*, Docket No. 20-16688. *Alexander v. Meiling* was the first putative class action filed against the Meiling Defendants and others arising out of the Nevada State court approved receivership for MILLC and subsequent state court approved credit bid sale of MILLC's assets. The United States District Court for the District of Nevada dismissed the *Alexander* complaint as being barred by the litigation privilege. Plaintiffs filed a notice of appeal on August 31, 2020, which remains pending.

2.) *Alexander v. Meiling*, Docket No. 21-15223. The Meiling Defendants filed a notice of appeal on February 5, 2021, appealing the district court's order denying their Motion for Attorney's Fees, which remains pending.

3.) *Harris v. Meiling*, Docket No. 20-16931. *Harris v. Meiling* was the second putative class action filed against the Meiling Defendants and others arising out of the same allegations as in *Alexander v. Meiling*, Docket No. 20-16688. The United States District Court for the District of Nevada dismissed the *Harris* complaint as being barred by the statute of limitations. The Plaintiffs did not appeal, but the Meiling Defendants filed a notice of appeal of the denial of their Motion for Attorney's Fees, which remains pending.

4.) *Baker v. Meiling*, Docket No. 20-17215. *Baker v. Meiling* is the third-putative class action filed against the Meiling Defendants and others arising out of the same allegations as in *Alexander v. Meiling*, Docket No. 20-16688. Plaintiffs in *Baker* filed a motion for remand, which was denied by the United States District Court for the District of Nevada and then this Court dismissed the appeal in Case No. 20-04335 due to Plaintiffs' failure to petition for leave to appeal. The District Court for the District of Nevada dismissed the *Baker* complaint and Plaintiffs filed a notice of appeal on August 31, 2020, which remains pending.

DATED August 5, 2021.

McDONALD CARANO LLP

/s/ Adam Hosmer-Henner

Adam Hosmer-Henner (NSBN 12779)
Chelsea Latino (NSBN 14227)
Jane Susskind (NSBN 15099)
100 W. Liberty Street, Tenth Floor
Reno, Nevada 89501
Tel.: (775) 788-2000

Robert C. Ryan (NSBN 7164)
Timothy A. Lukas (NSBN 4678)
Joshua M. Halen (NSBN 13885)
HOLLAND & HART LLP
5441 Kietzke Lane, Second Floor
Reno, Nevada 89511
Tel.: (775) 327-3042

Attorneys for Appellants

CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 28.1(e)(2)(B) and 32(a)(7)(C) and Ninth Circuit Rule 32-1, I am the attorney for Appellants and certify that the type size and typeface of Appellants' Opening Brief comply with Fed. R. App. P. 32(a)(5) and (6) and that the brief contains 13,530 words, excluding the items exempted by Fed. R. App. P. 32(f).

DATED August 5, 2021.

/s/ Adam Hosmer-Henner

Adam Hosmer-Henner (NSBN 12779)
Chelsea Latino (NSBN 14227)
Jane Susskind (NSBN 15099)
McDONALD CARANO LLP
100 W. Liberty Street, Tenth Floor
Reno, Nevada 89501
Tel.: (775) 788-2000

Robert C. Ryan (NSBN 7164)
Timothy A. Lukas (NSBN 4678)
Joshua M. Halen (NSBN 13885)
HOLLAND & HART LLP
5441 Kietzke Lane, Second Floor
Reno, Nevada 89511
Tel.: (775) 327-3042

Attorneys for Appellants

CERTIFICATE OF SERVICE

I hereby certify that on August 5, 2021, I electronically filed the foregoing Appellants' Opening Brief with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system.

I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the appellate CM/ECF system.

/s/ Jill Nelson
An Employee of McDonald Carano LLP