



TRADEMARK—D. NEV.: NO RIGHT TO USE ‘METALAST’ MARK AFTER SETTLEMENT AGREEMENT

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Using the names formerly Metalast or formerly known as Metalast breached the terms of a settlement agreement and was not fair use.

In a dispute involving rights in the registered mark METALAST after a failed business relationship, the federal district court in Reno, Nevada, has ruled that plaintiff Chemeon Surface Technology, LLC (Chemeon) had no right to use the name Metalast. Following a bench trial, the court concluded that Chemeon breached a settlement agreement approved by the bankruptcy court and use of the name was not fair use. The court ordered Chemeon to stop using the name Metalast, including the names formerly Metalast or formerly known as Metalast. The court ruled against Chemeon on its common law trademark infringement claim, finding no use in commerce. Additionally, the court ruled against Chemeon on its copyright infringement claim because the asserted works were not registered before the filing of the complaint (*Chemeon Surface Technology v. Metalast International, Inc.*, February 23, 2021, Baldwin, C.).

Following a failed business undertaking, Chemeon filed suit against various defendants, including Metalast International, Inc. and Metalast International, LLC (collectively Metalast defendants) and David Semas. The parties disputed rights in METALAST trademarks. The dispute arose in late 2013, after Metalast Surface Technology, LLC (MST) acquired the assets of Metalast International, LLC. MST was subsequently acquired by Chemeon. Before the acquisition, Semas and his wife personal filed a personal Chapter 11 bankruptcy proceeding, and MST initiated an adversary proceeding against David Semas, asserting ownership of the METALAST trademark. A bankruptcy judge mediated a settlement (the Settlement Agreement) of the dispute on January 27, 2015. The bankruptcy court entered the order approving the Settlement Agreement on March 11, 2015. On June 21, 2015, David Semas applied for renewal of the trademark registration of the METALAST word mark.

In an earlier ruling, the court granted summary judgement to the Metalast defendants on several of Chemeon's claims. In January 2019, the court granted summary defendant in favor of Greg Semas on several claims. The court held a five-day bench trial in November 2020 on the remaining claims, including the breach of contract claim brought by Metalast against Chemeon, along with Chemeon's common law trademark infringement and copyright infringement against David Semas. After conducting a five-day bench trial in November 2020, the court made its findings of fact and conclusions of law.

Breach of contract counterclaim. The court ruled in favor of Metalast on its counterclaim for breach of contract, concluding that Chemeon's use of Metalast breached the Settlement Agreement. After approval of the Settlement Agreement, Chemeon began referencing itself as formerly Metalast and formerly known as Metalast. Chemeon used the Metalast term on product labels, technical data sheets, safety sheets, business correspondence and documents, and in a variety of other means in commerce. Therefore, Chemeon breached the terms of the Settlement Agreement.

Fair use defense. The court rejected Chemeon's defense that use of the phrase formerly Metalast was fair use. While the Settlement Agreement may not be deemed an absolute ban, the court found that the ban provision did ban Chemeon from utilizing the name in commerce. The use plainly violated the terms of the Settlement Agreement and implied that the company Metalast ceased to exist or was subsumed by Chemeon. Moreover, Chemeon's use of formerly Metalast was not limited to historical references, and in fact, was not historically accurate in several respects based on the evidence presented at trial.

Good faith and fair dealing. While the court found that Chemeon breached the Settlement Agreement, the court concluded that Chemeon did not breach the duty of good faith and fair dealing. Rather, Chemeon actions were based upon the advice of counsel. Therefore, Chemeon did not breach the Settlement Agreement in bad faith.

Specific performance. The court granted specific performance ordering Chemeon to perform the Settlement Agreement by halting all use of Metalast. The court also rejected Chemeon's unclean hand argument. The court ordered Chemeon to stop using 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. The court ruled that Chemeon could be found in contempt for using the name Metalast.

Common law trademark infringement. Additionally, the court sided against Chemeon on the common law trademark infringement claim for the sub-marks TCP-HP and AA-200. The court concluded that Chemeon cannot own the TCP-HF and AA-200 sub-marks. Before the settlement, Chemeon sold Metalast TCP-HF and Metalast AA-200. No products were labeled or advertised for sale as TCP-HF or AA-200 without the preceding Metalast. Additionally, the Lanham Act, which applies to both registered and unregistered trademarks, requires use in commerce. Chemeon offered no trial evidence that David Semas ever labeled, advertised, or offered to sell any products as TCP-HF or AA-200 in commerce. Therefore, the court ruled denied Chemeon's request for a permanent injunction enjoining use of TCP-HF or AA-200.

Copyright infringement. Finally, the court ruled against Chemeon on its copyright infringement claim against David Semas. A plaintiff cannot file an action for copyright infringement until the Copyright Office has issued a Certificate of Registration for the work. Chemeon failed to file an amended complaint after the issuance of the Certificate of Registration but before the expiration of the three-year statute of limitations. Accordingly, Chemeon did not bring its action for copyright infringement within the appropriate window. The court also found independent grounds to rule against Chemeon on its copyright infringement claim. Chemeon failed to prove authorship or any actual damages caused by the alleged infringement after registration.

This case is No. 3:15-cv-00294-CLB.

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Companies: [Chemeon Surface Technology, LLC](#); [Metalast International, Inc.](#); [Metalast, Inc.](#); [Sierra Dorado, Inc.](#)

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