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UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

* * *

CHEMEON SURFACE TECHNOLOGY, LLC,

Plaintiff,

v.

METALAST INTERNATIONAL, INC. et al.,

Defendants.

Case No. 3:15-cv-00294-MMD-VPC

Related Case No. 3:15-cv-00295-MMD-VPC

AMENDED¹ ORDER

AND RELATED CLAIMS

I. SUMMARY

The dispute stems from the breakup of a business and disagreement over the terms of a subsequent settlement agreement. Before the Court are three motions: (1) Defendants and Counterclaimants David M. Semas (“Semas”), Metalast International, Inc. (“the Inc.”), Metalast Inc. (“MI”), and Sierra Dorado, Inc.’s (“Sierra Dorado”) (collectively, “Metalast Defendants”) Motion for Partial Summary Judgment (“Metalast Defendants’ Motion”) (ECF No. 313); (2) Plaintiff Chemeon Surface Technology, LLC’s (“Chemeon”) Motion for Summary Judgment (“Plaintiff’s Motion”) (ECF No. 315); and (3) Defendant Marc Harris’ Motion for Summary Judgment (“Harris’ Motion”) (ECF No. 331). The Court has reviewed the parties’ respective responses and replies. (ECF Nos. 324,

¹The Court amends its prior order to correct a misstatement of law concerning whether threats of misappropriation are actionable under the Nevada Uniform Trade Secrets Act (“UTSA”). See discussion *infra* Sec. V(A). Neither Metalast Defendants nor Chemeon referenced the relevant provision, NRS § 600A.040, in their briefs; therefore, the Court only realized the misstatement upon subsequent review of the entire statute.

1 326, 330, 337, 338, 339, 342.) The Court has also reviewed the supplemental briefs filed
2 by the parties in relation to the Second Amended Complaint (“SAC”).² (ECF Nos. 354,
3 356.) The Court held a hearing (“the Hearing”) on the relevant motions on March 16,
4 2018.³ (ECF No. 368.)

5 For the reasons discussed herein, Metalast Defendants’ Motion is granted in part
6 and denied in part, Plaintiff’s Motion is granted in part and denied in part, and Harris’
7 Motion is granted in part and denied in part.

8 **II. RELEVANT BACKGROUND**

9 The Inc. managed Metalast International, LLC (“the LLC”) when the LLC was
10 placed into receivership in April 2013. (ECF No. 313 at ¶¶ 1, 5; ECF No. 315 at ¶¶ 6, 50.)
11 Chemeon’s predecessor, Metalast Surface Technology, LLC (“MST”), acquired the
12 assets of the LLC in November 2013. (ECF No. 315 at ¶ 51.)

13 The next month, David Semas and his wife initiated a personal Chapter 11
14 bankruptcy proceeding. (ECF No. 313 at 3.) On July 14, 2014, MST initiated an adversary
15 proceeding against Semas asserting ownership of the Metalast trademark. (*Id.* at 4.)
16 Bankruptcy Judge Gregg W. Zive mediated a settlement (“the Settlement”) of the dispute
17 on January 27, 2015, in which he stated that “the Meilings have the right to use [the
18 Metalast] mark without compensation and in the ordinary course of their business for a
19 period not to exceed 90 days from the date of the entry of the order approving the
20 settlement by Judge Beesley[.]” (ECF No. 314-14 at 14.) Similarly, Judge Zive stated that
21 “[t]he Meilings agree to dismiss [the adversary proceeding] with prejudice and to waive
22 any and all claims they have from the beginning of time and through the date of *entering*
23 *of the settlement agreement* that they may have, known or unknown, anticipated or
24 *///*

25 ²The Court issued a minute order on December 6, 2017, ordering the parties to file
26 “supplemental briefs in order to supplement the existing dispositive motions based solely
27 on the new allegations in the Second Amended Complaint.” (ECF No. 353.) The SAC
(ECF No. 348) was filed after the motions that the Court resolves in this order.

28 ³The Court issued an oral ruling granting summary judgment in favor of Defendants
Wendi Semas and Greg Semas. (ECF No. 368.)

1 unanticipated, against [David Semas],” that the Semas’s would “release the Meilings and
2 [MST] from any claims they may have . . . from the beginning of time until the *settlement*
3 *agreement is approved*,” and that the release was one “between these parties or related
4 entities.” (*Id.* at 13 (emphasis added).) On March 11, 2015, the Bankruptcy Court (Judge
5 Beesley) entered the order approving the Settlement. (*Id.* at 2.)

6 On February 24, 2015, after the settlement conference but before Judge Beesley’s
7 approval of the Settlement, Semas and Harris contacted a potential investor, sending
8 various investment and marketing materials to him. (ECF No. 343 at 9; ECF no. 326-1 at
9 ¶ 102.) On March 25, 2015, Semas also contacted a distributor of Chemeon. (ECF No.
10 314-16.) Then, on June 21, 2015, Semas applied for renewal of the trademark registration
11 of the Metalast wordmark. (ECF No. 315-3 at 103.)

12 Metalast Defendants seek partial summary judgment as to two issues: (1) whether
13 certain claims are barred based on the prior settlement and release (specifically,
14 trademark infringement,⁴ breach of Semas’ fiduciary duty to the LLC, breach by Semas
15 of the LLC’s operating agreement, contractual and tortious breach of the implied covenant
16 of good faith and fair dealing based on breach of the LLC’s operating agreement,
17 conversion, conspiracy, and breach of Semas’ employment contract with the LLC); and
18 (2) whether Chemeon has any evidence that supports other claims (specifically
19 misappropriation of trade secrets, copyright infringement, intentional interference with
20 prospective economic advantage, unfair competition, consumer fraud, and unjust
21 enrichment). (ECF No. 313 at 1-2.)

22 Plaintiff seeks summary judgment on its claims, consisting of: (1) copyright
23 infringement against Metalast Defendants and Harris; (2) misappropriation of trade
24 secrets against Metalast Defendants and Harris; (3) cancellation of the Metalast
25 wordmark; (4) cancellation of the Logo Marks; (5) breach of fiduciary duty to the LLC
26 against Semas; (6) breach of the LLC’s operating agreement against Semas; (7) breach

27 ⁴Metalast Defendants made no argument about this claim in the body of their
28 Motion and Chemeon does not address the claim. The Court therefore disregards this
claim for purposes of resolving Metalast Defendants’ Motion.

1 by Semas of his employment agreement with the LLC; (8) Counterclaimants' breach of
2 contract counterclaim; and (9) Counterclaimants' specific performance counterclaim.

3 Harris seeks summary judgment on Chemeon's claims of: (1) misappropriation of
4 trade secrets; (2) copyright infringement; (3) intentional interference with prospective
5 economic advantage; and (4) unfair competition.

6 **III. LEGAL STANDARD**

7 "The purpose of summary judgment is to avoid unnecessary trials when there is
8 no dispute as to the facts before the court." *Nw. Motorcycle Ass'n v. U.S. Dep't of Agric.*,
9 18 F.3d 1468, 1471 (9th Cir. 1994) (internal citation omitted). Summary judgment is
10 appropriate when the pleadings, the discovery and disclosure materials on file, and any
11 affidavits show "there is no genuine issue as to any material fact and that the moving
12 party is entitled to judgment as a matter of law." *Celotex Corp. v. Catrett*, 477 U.S. 317,
13 330 (1986). An issue is "genuine" if there is a sufficient evidentiary basis on which a
14 reasonable fact-finder could find for the nonmoving party and a dispute is "material" if it
15 could affect the outcome of the suit under the governing law. *Anderson v. Liberty Lobby,*
16 *Inc.*, 477 U.S. 242, 248-49 (1986). Where reasonable minds could differ on the material
17 facts at issue, however, summary judgment is not appropriate. *See id.* at 250-51. "The
18 amount of evidence necessary to raise a genuine issue of material fact is enough 'to
19 require a jury or judge to resolve the parties' differing versions of the truth at trial.'" *Aydin*
20 *Corp. v. Loral Corp.*, 718 F.2d 897, 902 (9th Cir. 1983) (quoting *First Nat'l Bank v. Cities*
21 *Serv. Co.*, 391 U.S. 253, 288-89 (1968)). In evaluating a summary judgment motion, a
22 court views all facts and draws all inferences in the light most favorable to the nonmoving
23 party. *Kaiser Cement Corp. v. Fishbach & Moore, Inc.*, 793 F.2d 1100, 1103 (9th Cir.
24 1986).

25 The moving party bears the burden of showing that there are no genuine issues of
26 material fact. *Zoslaw v. MCA Distrib. Corp.*, 693 F.2d 870, 883 (9th Cir. 1982). "In order
27 to carry its burden of production, the moving party must either produce evidence negating
28 an essential element of the nonmoving party's claim or defense or show that the

1 nonmoving party does not have enough evidence of an essential element to carry its
2 ultimate burden of persuasion at trial.” *Nissan Fire & Marine Ins. Co., Ltd v. Fritz Cos.,*
3 *Inc.*, 210 F.3d 1099, 1102 (9th Cir. 2000) (internal citation omitted). Once the moving
4 party satisfies Rule 56’s requirements, the burden shifts to the party resisting the motion
5 to “set forth specific facts showing that there is a genuine issue for trial.” *Anderson*, 477
6 U.S. at 256. The nonmoving party “may not rely on denials in the pleadings but must
7 produce specific evidence, through affidavits or admissible discovery material, to show
8 that the dispute exists,” *Bhan v. NME Hosps., Inc.*, 929 F.2d 1404, 1409 (9th Cir. 1991),
9 and “must do more than simply show that there is some metaphysical doubt as to the
10 material facts.” *Orr v. Bank of Am., NT & SA*, 285 F.3d 764, 783 (9th Cir. 2002) (internal
11 citations omitted). “The mere existence of a scintilla of evidence in support of the plaintiff’s
12 position will be insufficient.” *Anderson*, 477 U.S. at 252.

13 A party is permitted to seek partial summary judgment as to any claim or defense
14 in a case. Fed. R. Civ. P. 56(a); see also *First Nat’l Ins. Co. v. Fed. Deposit Ins. Corp.*,
15 977 F. Supp. 1051, 1055 (S.D. Cal. 1997) (a court may grant summary adjudication as to
16 specific issues if it will narrow the issues for trial). Further, “when parties submit cross-
17 motions for summary judgment, ‘[e]ach motion must be considered on its own merits.’”
18 *Fair Hous. Council of Riverside Cty., Inc. v. Riverside Two*, 249 F.3d 1132, 1136 (9th Cir.
19 2001) (quoting William W. Schwarzer, et al., *The Analysis and Decision of Summary*
20 *Judgment Motions*, 139 F.R.D. 441, 499 (Feb. 1992) (citations omitted)). “In fulfilling its
21 duty to review each cross-motion separately, the court must review the evidence
22 submitted in support of each cross-motion.” *Id.*

23 **IV. METALAST DEFENDANTS’ MOTION (ECF No. 313)**

24 Metalast Defendants move for partial summary judgment on the basis that the
25 release provision in the Settlement bars many of Chemeon’s claims and that Chemeon
26 has no evidence to establish the elements of certain of its other claims. The Court agrees
27 with Metalast Defendants except as for one of Chemeon’s claims (copyright
28 infringement).

1 **A. The Settlement**

2 The parties dispute the effective date of the release provision in the Settlement.
3 Chemeon contends that the effective date of the Settlement was the January 27th hearing
4 before Judge Zive because Judge Zive stated the parties were “bound immediately upon
5 the completion of [that] hearing” to the terms of the Settlement and that at that time there
6 was a fully enforceable agreement. (ECF No. 324 a 17.) However, as to the term of the
7 release, Judge Zive used the phrase “entering of” and “approv[al]” of the Settlement. In
8 particular, he stated on the record that Chemeon’s predecessors “waive any and all
9 claims they have from the beginning of time and through the date of *entering of the*
10 *settlement agreement* that they may have, known or unknown, anticipated or
11 unanticipated, against [David Semas].” (ECF No. 314-14 at 13 (emphasis added).) The
12 plain meanings of these terms favor reading the release term as becoming effective upon
13 Judge Beesley’s approval of the Settlement because Chemeon waived claims through
14 the date the Settlement was entered. Moreover, if Judge Zive had intended the release
15 to take effect at the time of the hearing, he would have said so, particularly since he clearly
16 stated that he believed the agreement became binding at that time. (*Id.* at 20 (“I consider
17 [the agreement] to be binding as of this time”).) Further, Judge Zive stated that the
18 Settlement had to be approved by the Bankruptcy Court. (*Id.* at 11.)

19 Chemeon also argues that Judge Zive’s use of the phrase “related entities” does
20 not extend to MI or Sierra Dorado because they did not participate in the settlement
21 conference or have pending claims against them and further asserts that the phrase, “[a]t
22 best, . . . may have encompassed [the Inc.] since that entity . . . was a named defendant
23 in the bankruptcy adversary action initiated by Chemeon’s owners.” (ECF No. 324 at 9.)
24 The Court disagrees. As Semas points out, the only parties to the adversary action were
25 Chemeon’s predecessor MST, Semas, and the Inc. (ECF No. 342 at 7), yet the Meilings
26 were indisputably a part of the release (ECF No. 314-14 at 13). While the Meilings
27 participated in the settlement conference representing MST, Semas maintained
28 controlling interests in MI and Sierra Dorado at the time of the conference, which was

1 readily available information disclosed in the bankruptcy schedules. (See ECF No. 314-5
2 at 6.) Moreover, at the hearing, Chemeon admitted that these two entities were vehicles
3 through which Semas advanced the Inc.'s business interests. Chemeon does not contend
4 that "related entities" is ambiguous; rather it advocates for a particular reading that is far
5 narrower than the plain language of the phrase permits. The Court therefore finds that
6 "related entities" encompasses MI and Sierra Dorado.

7 In sum, the Court considers March 11, 2015, to be the effective date of the release
8 provision in the Settlement. Thus, Chemeon's claims cannot be based on conduct that
9 occurred on or before March 11, 2015 ("the Release Date"). The Court also finds that the
10 release provision covers Semas and the Inc., as well as MI and Sierra Dorado.

11 **B. Claims Affected by the Settlement**

12 Metalast Defendants argue that claims for breach of Semas' employment
13 agreement, breach of the LLC's operating agreement, contractual and tortious breach of
14 the implied covenant of good faith and fair dealing, breach of fiduciary duty, conversion,
15 and conspiracy are barred under the Settlement's release provision. (ECF No. 313 at 10-
16 12.) The Court agrees that all claims identified by Metalast Defendants except for the
17 breach of employment agreement claim⁵ are covered under the Settlement's release
18 provision.

19 Chemeon generally relies on alleged conduct that occurred before the dissolution
20 of the LLC through the 2013 asset sale to support these claims. For instance, in the SAC,
21 Plaintiff bases the breach of operating agreement, breach of implied covenant of good
22 faith and fair dealing, and breach of fiduciary duty claims on Semas causing the LLC to
23 pay for trademark registrations of Semas/the Inc., improperly paying excessive perquisite
24 benefits, travel and entertainment expenses, and reimbursements using the LLC's funds.
25 (See ECF No. 348 at 53-57). Chemeon's Motion similarly points to Semas spending LLC

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27 ⁵Because Plaintiff cross-moved for summary judgment on this claim and the claim
28 relates to purported actions occurring after the Release Date, the Court addresses the
claim in the following section, see discussion *infra* Sec. V(E).

1 funds on trademark registrations that he owned as the basis for the claims related to
2 breach of the operating agreement and breach of fiduciary duty. (ECF No. 315 at 31-34.)
3 This alleged conduct occurred while the LLC still existed. Thus, the release provision of
4 the Settlement bars these claims, and the Court grants summary judgment in favor of
5 Metalast Defendants as to these claims.

6 Similarly, while Chemeon does not actually address Semas' contention that the
7 conversion claim is based on acts arising before the Release Date, in the SAC Plaintiff
8 states that the conversion claim is based on Defendants "spending [the LLC's] funds on
9 property, such as trademark registrations, that were owned or to be owned by the Inc. or
10 D. Semas, and improperly paying excessive perquisite benefits, large travel and
11 entertainment expenses, and reimbursements to themselves and others with [the LLC's]
12 funds." (ECF No. 348 at ¶ 336.) Because these events clearly arose while the LLC still
13 existed, and thus prior to the Release Date, and because Chemeon has not met its burden
14 in opposing summary judgment on this claim, the Court grants summary judgment in favor
15 of Semas on Plaintiff's conversion claim.

16 Semas argues that the basis for Plaintiff's conspiracy claim arises from activities
17 that necessarily arose before the sale of the LLC's assets to Chemeon. (ECF No. 313 at
18 12.) The SAC states that the conspiracy occurred between David Semas, the Inc., MI,
19 Sierra Dorado, and Greg Semas⁶ and that the unlawful objective included "acquiring, by
20 registration, the Logo Marks; assigning rights in the Logo Marks first to [the Inc.] instead
21 of the [LLC], and second from [the Inc.] to [David Semas] in his personal capacity;
22 trademark infringement . . .; copyright infringement . . .; misappropriation of trade secrets;
23 breach of various duties and agreements; and conversion of Chemeon property, including
24 utilizing Chemeon property to file for a renewal of the Word Marks." (ECF No. 348 at ¶
25 343.) Plaintiff admits that many of these activities occurred before the Release Date, but
26 states that David Semas' "acts in threatening to and misappropriating trade secrets,

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28 ⁶Greg Semas is no longer a party to this action. *See supra* n.3.

1 infringing copyrights, converting Chemeon property to fraudulently renew his trademark .
2 . . . furthered the objective of the conspiracy.” (ECF No. 324 at 17.)

3 This argument, however, falls short of Plaintiff’s burden in opposing summary
4 judgment, as no evidence is specifically cited to in its opposition to support that these acts
5 occurred after the Release Date. Plaintiff also fails to address what acts the other
6 purported parties to the conspiracy—the Inc., MI, Sierra Dorado, Greg Semas and/or
7 Wendi Semas—took in concert with David Semas and in furtherance of any unlawful
8 objectives.⁷ Summary judgment is therefore granted in favor of Metalast Defendants on
9 the civil conspiracy claim.

10 C. Remaining Claims

11 Metalast Defendants next move for summary judgment on Plaintiff’s claims of
12 misappropriation of trade secrets, copyright infringement, interference with prospective
13 economic advantage, unfair competition, consumer fraud, and unjust enrichment against
14 them, contending that Plaintiff fails to support these claims with any evidence. (ECF No.
15 313 at 13-15.) The Court finds that summary judgment should be granted in favor of
16 Metalast Defendants as to Plaintiff’s claims for intentional interference with prospective
17 economic advantage, unfair competition, consumer fraud, and unjust enrichment.⁸

18 i. Intentional Interference with Prospective Economic Advantage

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21 ⁷It is important to note that Semas is the controlling shareholder and agent of the
22 three corporate entities and therefore as a matter of law is unable to conspire with them
23 to further an unlawful objective after the Release Date. *See Collins v. Union Fed. Sav. &*
24 *Loan Ass’n*, 662 P.2d 610, 622 (Nev. 1983) (“Agents and employees of a corporation
25 cannot conspire with their corporate principal or employer where they act in their official
26 capacities on behalf of the corporation and not as individuals for their individual
27 advantage.”) No evidence is presented that Greg or Wendi Semas conspired with David
28 Semas or his related corporate entities after the Release Date either.

26 ⁸Plaintiff cross-moves for summary judgment on its claims of misappropriation of
27 trade secrets and copyright infringement against Metalast Defendants. (ECF No. 315 at
28 *infra* Sec. V.

1 To prevail on a claim of intentional interference with prospective economic
2 advantage, Chemeon must prove: (1) a prospective contractual relationship between
3 Chemeon and a third party; (2) Semas knew about the relationship; (3) Semas intended
4 to harm Chemeon by preventing the relationship; (4) the absence of privilege or
5 justification by Semas and his related entities; and (5) Chemeon suffered actual harm as
6 a result of Semas' actions. See *Wichinsky v. Mosa*, 847 P.2d 727, 729-30 (Nev. 1993).

7 Semas contends that Plaintiff has failed to specify what relationships or potential
8 contracts he interfered with as between Chemeon and its suppliers or distributors. (ECF
9 No. 313 at 14.) While Chemeon's opposition does not actually address the elements of
10 this tort or provide specific evidence to demonstrate a genuine issue of material fact as
11 to the elements of this claim (see ECF No. 324 at 15-16), Chemeon's Motion, which it
12 incorporates by reference into its opposition (see ECF No. 324 at 15 n.15), identifies a
13 March 25, 2015 email from Semas to one of Chemeon's distributors about "re-
14 establishing a business relationship." (ECF No. 315 at ¶ 90.) Semas does not object to
15 the admission of the email as an exhibit⁹ but identifies the email as an attempt to sell the
16 Metalast brand and related trademarks to the distributor, not to interfere with any contract
17 between Chemeon and the distributor. (ECF No. 326-1 at ¶ 90.) Similarly, in Chemeon's
18 Motion it states that in a May 2015 press release, Semas asserted that he was "presently
19 conducting discussions with several prominent chemical companies and other industry
20 leaders to continue offering the trusted Metalast brand of 'green' specialty chemicals to
21 the world market." (ECF No. 315 at ¶ 95.) Semas also does not object to admission of
22 this press release as an exhibit¹⁰ but states that the exhibit fails to establish any element
23 of any of Plaintiff's claims. (ECF No. 326-1 at ¶ 95.)

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25 ⁹This email was properly authenticated by Semas. (ECF No. 314 at ¶ 23 (stating
26 that it is a true and correct copy of an email he sent to Julia Murray at Chemetall on March
25, 2015.)

27 ¹⁰This document is unauthenticated. To the extent these documents may have
28 been produced during the course of discovery, neither party met its burden in order for
the Court to properly authenticate them. See *Orr*, 285 F.3d at 777 (stating that to provide
adequate foundation for documents produced in discovery an affidavit must be produced

1 The Court agrees with Semas and finds that Chemeon has failed to meet its burden
2 in opposing summary judgment on this claim. Even viewing the email and the statement
3 in the press release in the light most favorable to Chemeon, Chemeon has failed to
4 provide even a scintilla of evidence that Chemeon suffered any actual harm as a result of
5 Semas' or his related entities' actions—it does not claim any prospective contract with a
6 distributor or supplier was affected or that its prospective contracts with specific
7 “prominent chemical companies and other industry leaders” were harmed.

8 The Court therefore grants summary judgment in favor of Metalast Defendants on
9 Chemeon's intentional interference with prospective economic advantage claim.

10 **ii. Unfair Competition under 15 U.S.C. § 1125(a)**

11 Semas contends that no evidence exists to prove that he or his related entities
12 engaged in conduct in violation of 15 U.S.C. § 1125(a),¹¹ as Semas never offered any
13 goods under the Chemeon brand. (ECF No. 313 at 14.) He admits that “[h]e has
14 conducted some commerce under the Metalast brand, but only after the Settlement
15 confirmed his right to do so.” (*Id.*)

16 Chemeon's opposition does not actually address the unfair competition claim with
17 any particularity. Instead, Chemeon states that Semas “made contacts with Chemeon
18 distributors and suppliers to find interest by those companies to acquire rights to the
19 Metalast brand (including logo and product marks and goodwill he did not own),”¹² that

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21 _____
22 stating who wrote/created the document and who produced it during discovery from
23 someone who has personal knowledge of these things); see also *In re Homestore.com,*
24 *Inc. Sec. Litig.*, 347 F. Supp. 2d at 781 (deeming documents authentic because the
25 plaintiff had identified the documents as being produced by the parties in discovery).
26 However, because Semas does not object to the existence of the press release or its
27 content, the Court takes the content and existence of the release as undisputed.

28 ¹¹15 U.S.C. § 1125(a) states in relevant part that “[a]ny person who, on or in
connection with any goods . . . uses *in commerce* any word, term, name, symbol, or
device, or any combination thereof, or any false designation of origin, false or misleading
description of fact, or false or misleading representation of fact, which is likely to cause
confusion. . . shall be liable in a civil action by any person who believes that he or she is
or is likely to be damaged by such act.” 15 U.S.C. § 1125(a)(1)(A) (emphasis added).

1 “Semas re-asserted his intention to use Chemeon’s logo and product marks” during
2 litigation, and then incorporates by reference the sixteen pages of “undisputed facts” in
3 its Motion. (ECF No. 324 at 15.) Chemeon does not cite to any specific evidence to
4 support these assertions in its opposition. In fact, the only evidence cited to regarding this
5 claim is Defendants’ answer to the FAC, Defendants’ statements in response to
6 Chemeon’s motion for preliminary injunction, and Semas’ renewal of the Metalast
7 wordmark registration. (ECF Nos. 32, 36, 115; ECF No. 315-3 at 100-108.) None of these
8 things implicate Semas’ or his related entities’ false use or misrepresentation of items
9 owned by Chemeon *in commerce*; Semas was not attempting to market or sell a good
10 when making statements during the course of litigation or when renewing a registration
11 with the United States Patent and Trademark Office (“USPTO”). Moreover, because
12 Chemeon is not moving for summary judgment on this claim the Court will not sift through
13 the facts section of its Motion in an attempt to discern what other evidence its unfair
14 competition claim may be based on to support its opposition to summary judgment. See
15 *Independent Towers of Washington v. Washington*, 350 F.3d 925, 929 (9th Cir. 2003)
16 (“judges are not like pigs, hunting for truffles buried in briefs”) (internal alteration omitted).

17 The Court therefore grants summary judgment in favor of Metalast Defendants¹³
18 on this claim.

19 **iii. Consumer Fraud under Nevada Deceptive Trade Practices Act**

20 Metalast Defendants contend that because the Settlement conferred ownership of
21 the Metalast trademarks on Semas, he is not passing off for sale any of Chemeon’s
22 products and thus cannot be liable under the Nevada Deceptive Trade Practices Act
23 (“NDTPA”), NRS §.598.0903 *et seq.* (ECF No. 313 at 14.) Chemeon fails to identify in its
24 opposition any specific instances *after* the Release Date where Metalast Defendants

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26 ¹²It is unclear what specific contacts Chemeon is referring to in this statement. To
27 the extent Chemeon is referring to the March 25th email sent from Semas to one of
28 Chemeon’s distributors, the Court is unsure what purported “logo or product marks” or
“goodwill” that Semas passed off as his own.

¹³The SAC fails to designate which Defendants Chemeon brings the unfair
competition claim against.

1 solicited consumers for a transaction of goods. See NRS § 598.0915(1) (stating that a
2 person is engaged in a deceptive trade practice if during the course of his business he
3 “knowingly passes off goods or services for sale or lease as those of another person”).
4 Instead Chemeon merely states that “[b]efore and after [the Release Date], David Semas
5 made several attempts to contact companies that might be interest in controlling the
6 Metalast trademark” and that he “made contacts with Chemeon distributors and suppliers
7 to find interest by those companies to acquire rights to the Metalast brand (including logo
8 and product marks and goodwill he did not own).” (ECF No. 324 at 15.) Regardless of
9 Chemeon’s failure to meet its burden in opposing summary judgment on this claim, the
10 Settlement made clear that David Semas owned the Metalast wordmark; as such, it is
11 unclear how Semas perpetuated fraud by trying to sell something he owned (or at least
12 believed that he legally owned), and Chemeon presents no indication of what logo or
13 product marks it, in fact, owned that Semas tried to sell to a consumer. Similarly, because
14 Chemeon is not moving for summary judgment on this claim the Court will not sift through
15 the facts section of Chemeon’s Motion in an attempt to discern what other evidence its
16 consumer fraud claim may be based on to support its opposition to summary judgment.

17 The Court therefore grants summary judgment in favor of Metalast Defendants on
18 this claim.

19 **iv. Unjust Enrichment**

20 “Unjust enrichment is the unjust retention of a benefit to the loss of another, or the
21 retention of money or property of another against the fundamental principles of justice or
22 equity and good conscience.” *Topaz Mut. Co., Inc. v. Marsh*, 839 P.2d 606, 613 (Nev.
23 1992) (citing *Nev. Indus. Dev. v. Benedetti*, 741 P.2d 802, 804 n.2 (Nev. 1987)). The
24 essential elements of an unjust enrichment claim are: (1) a benefit conferred on the
25 defendant by the plaintiff; (2) appreciation by the defendant of such a benefit; and (3)
26 acceptance and retention by the defendant of such a benefit. *Unionamerica Mortg. &*
27 *Equity Tr. v. McDonald*, 626 P.2d 1272, 1273 (Nev. 1981).

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1 Metalast Defendants argue that no evidence shows that they “have used any of
2 Chemeon’s intellectual property” after the Release Date such that they were unjustly
3 enriched. (ECF No. 313 at 15.) While the SAC contends that the benefit is the “past and
4 continued use of [Chemeon’s] intellectual property, including its trade secrets, the
5 Chemeon trademarks, and logo marks and copyrights,” the only evidence of this in
6 Chemeon’s opposition is Semas’ purported use of Chemeon’s intellectual property to
7 renew the Metalast wordmark after the Release Date. (ECF No. 324 at 16.) However, no
8 evidence is introduced that Chemeon actually conferred the purported benefit of use on
9 Semas or any of Metalast Defendants; rather, the Motion itself argues that one of
10 Chemeon’s employees “improperly acquired the specimens from Chemeon’s database”
11 and then gave those specimens to Semas. (ECF No. 315 at ¶ 110.) Thus, it is unclear
12 how this factual situation implicates “unjust enrichment” as opposed to some other legal
13 remedy; as a result, the Court grants summary judgment in favor of Metalast Defendants
14 on this claim.

15 **V. PLAINTIFF’S MOTION¹⁴ (ECF No. 315)**

16 Both Plaintiff and Metalast Defendants move for summary judgment on Plaintiff’s
17 claims of misappropriation of trade secrets, copyright infringement, and David Semas’
18 breach of his employment agreement. Independently, Plaintiff moves for summary
19 judgment on its claims of cancellation of the logo marks due to abandonment, cancellation
20 of the Metalast wordmark due to fraudulent renewal, and Metalast Defendants’
21 counterclaims of breach of contract and specific performance.

22 The Court resolves the motions and claims as follows: (1) grants summary in favor
23 of Metalast Defendants on Chemeon’s claims of misappropriation of trade secrets and
24 breach of Semas’ employment agreement with the LLC; (2) denies summary judgment
25 as to Chemeon on Metalast Defendants’ counterclaims of breach of contract and specific
26

27 ¹⁴This section is limited to the remaining claims against Metalast Defendants. The
28 Court incorporates the arguments in Plaintiff’s Motion regarding Marc Harris in the
following section addressing Harris’ Motion. See discussion *infra* Sec. VI.

1 performance; (3) denies summary judgment as to both parties on Chemeon's claim of
2 copyright infringement; (4) denies summary judgment as to Chemeon on its claim of
3 cancellation of the Metalast wordmark; and (5) grants summary judgment as to Chemeon
4 on its claim of cancellation of the Logo Marks.

5 **A. Misappropriation of Trade Secrets**

6 Both Plaintiff and Metalast Defendants move for summary judgment on Plaintiff's
7 claim of misappropriation of trade secrets. Metalast Defendants contend that "Chemeon
8 cannot point to any evidence that David Semas used, disclosed, or otherwise
9 appropriated any trade secrets that Chemeon acquired through the asset purchase or by
10 itself." (ECF No. 313 at 13.) In Chemeon's opposition, it identifies the supposed "threat of
11 misappropriation" made by Semas during litigation¹⁵ as the basis for liability. (ECF No.
12 324 at 16.) Chemeon failed to cite to any authority under Nevada law supporting its
13 contention that a threat of misappropriation can form a basis for liability under the Nevada
14 Uniform Trade Secrets Act ("UTSA"), NRS § 600A.010 *et seq.* (See ECF No. 315 at 26
15 (citing to California law and federal law¹⁶.) However, UTSA provides that a party may
16 obtain injunctive relief if there is a threat of misappropriation. See NRS § 600A.040(1).
17 The Court therefore considers whether any of the instances Chemeon relies upon
18 constitute "threats" of misappropriation.

19 The UTSA defines misappropriation as follows:

- 20 (a) *acquisition* of the trade secret of another by a person by improper means;
21 (b) *acquisition* of a trade secret of another by a person who knows or has reason to
22 know that the trade secret was acquired by improper means; or

23 ¹⁵Chemeon is referring specifically to a March 31, 2016 hearing in this Court, where
24 Chemeon contends "Defendants' counsel threatened to misappropriate the AA-200 trade
25 secret." (ECF No. 315 at 27.) This appears to relate to the source of AA-200 (*id.* at ¶ 68),
but the Court is unclear what Chemeon means by that.

26 ¹⁶Chemeon brings this claim under Nevada law only, seeking "exemplary damages
27 and punitive damages, unjust enrichment damages and attorneys' fees pursuant to NRS
28 [§] 600A.040-060" and a permanent injunction. (See ECF No. 348 at 38-40.) Thus, to the
extent Chemeon makes arguments in its Motion and reply regarding the federal Defend
Trade Secrets Act, the Court will not consider them. (See ECF No. 315 at 26; ECF No.
343 at 6.)

1 (c) *disclosure* or *use* of a trade secret of another without express or implied consent
2 by a person who:

3 (1) Used improper means to acquire knowledge of the trade secret;

4 (2) At the time of disclosure or use, knew or had reason to know that his or her
5 knowledge of the trade secret was:

6 (I) Derived from or through a person who had used improper means to
7 acquire it;

8 (II) Acquired under circumstances giving rise to a duty to maintain its secrecy
9 or limit its use; or

10 (III) Derived from or through a person who owed a duty to the person seeking
11 relief to maintain its secrecy or limit its use; or

12 (3) Before a material change of his or her position, knew or had reason to know
13 that it was a trade secret and that knowledge of it had been acquired by accident
14 or mistake.

15 NRS § 600A.030(2) (emphasis added). While acquisition of a trade secret through
16 improper means is a form of misappropriation, the supposed “threat” to misappropriate
17 the AA-200 trade secret at the March 31st hearing appears to be related to statements
18 made by Semas’s counsel about the number of vendors of product AA-200, but these
19 statements do not even reflect the existence of a trade secret or that Semas had acquired
20 the information through “improper means.”¹⁷ (See ECF No. 369-3 at 4.) Therefore,
21 Chemeon has failed to establish the existence of factual dispute as to this purported
22 incident of threatened or actual misappropriation under Nevada law.

23 In its own Motion, Plaintiff points to three other incidents of purported actual or
24 threatened misappropriation of trade secrets but fails to analyze the elements required
25 for the determination that particular information is a “trade secret.” (See ECF No. 315 at
26 26-27; see also ECF No. 326 at 20-23.) One of these incidents occurred prior to the
27 Release Date¹⁸ so the Court will only consider the other two: (1) “using Chemeon’s trade

28 ¹⁷Semas would ostensibly know the vendors of the product AA-200 because of his
prior employment with the LLC, so it is not clear Chemeon would be to show that Semas
acquired this information through improper means.

¹⁸Specifically, the email sent in February 2015, which supposedly contained trade
secrets of “profit margins, cost of goods sold, and “the Company’s confidential

1 secret list, on March 21, 2015, Semas threatened the Meilings that he would use his
 2 knowledge concerning the maker and supplier of TCP-HF and AA-200 chemicals, and
 3 sell those to Chemeon's customers under the Metalast mark";¹⁹ and (2) a press release
 4 disclosing to the public the identify of one of Chemeon's suppliers. (ECF No. 315 at 27.)
 5 As noted, a threat does not constitute misappropriation under the UTSA; therefore, the
 6 Court addresses only whether the press release disclosed a trade secret.

7 To establish misappropriation under the UTSA a plaintiff must show: "(1) a valuable
 8 trade secret; (2) misappropriation of the trade secret through use, disclosure, or
 9 nondisclosure of use of the trade secret; and (3) the requirement that the misappropriation
 10 be wrongful because it was made in breach of an express or implied contract or by a party
 11 with a duty not to disclose." *Frantz v. Johnson*, 999 P.2d 351, 358 (Nev. 2000). UTSA
 12 defines a trade secret as "information, including, without limitation, a . . . pattern,
 13 compilation . . . product, system, process, design . . . procedure, computer programming
 14 instruction or code" that "[d]erives independent economic value . . . from not being
 15 generally known to," or readily ascertainable to the public. NRS § 600A.030(5). The
 16 Nevada Supreme Court has found that whether corporate information is a trade secret is
 17 a "question for the finder of fact," and requires analyzing factors such as:

- 18 (1) The extent to which the information is known outside of the business and the
 19 ease or difficulty with which the acquired information could be properly acquired
 by others;
- 20 (2) whether the information was confidential or secret;
- 21 (3) the extent and manner in which the employer guarded the secrecy of the
 22 information; and

23 ///

24 _____
 25 relationship with suppliers and distributors." (ECF No. 315 at 27.) However, the actual
 26 attachments to this email are not admitted into evidence based on Chemeon's failure to
 properly authenticate them. See discussion *infra* Sec. V(B).

27 ¹⁹The purported threat was in an email sent from David Semas to the Meilings.
 28 (ECF No. 315-3 at 9-11.) However, this email is not properly authenticated. While David
 Semas does not object to the admission of the email (ECF No. 326-1 at ¶ 84),
 authentication is a condition precedent to admissibility. See discussion *infra* Sec. V(B).

1
2 (4) the former employee's knowledge of customer's buying habits and other
3 customer data and whether this information is known by the employer's
4 competitors.

5 *Frantz*, 999 P.2d at 358-59.

6 Here, the supposed trade secret in the press release is "the identity of one of
7 Chemeon's suppliers." (ECF No. 315 at 27.) As support for Chemeon's supplier identity
8 being a trade secret, Plaintiff cites to Dean Meiling's declaration in which he states that
9 Chemeon's "customers, suppliers, product formulations, price points, [and] profit margins"
10 are "all confidential information that represents a unique and valuable asset to Chemeon."
11 (ECF No. 343 at 7 (citing ECF No. 14).) Stating that Chemeon believes the identities of
12 its suppliers are "confidential information" does not make those identities a trade secret,
13 particularly in light of the factors considered in *Frantz*. Moreover, the press release does
14 not identify any entity as a supplier of Chemeon. The press release merely states that
15 "many Metalast branded chemical have been approved or in many cases specified by a
16 wide range of globally renowned manufacturers including BAE Systems, General
17 Dynamics, Honeywell, Lockheed Martin, Northrop Grumman, Pratt & Whitney, Sikorsky
18 and others." (ECF No. 315-3 at 31.) While one of these manufacturers may be Chemeon's
19 supplier, the press release does not specify which manufacturer is a supplier or even
20 mention Chemeon in the sentence. Objectively, it is unreasonable to construe this as a
21 disclosure of the identity of one of Chemeon's suppliers. The Court therefore finds that
22 Chemeon has failed to demonstrate the existence or a factual dispute regarding the
23 existence of a protected trade secret or misappropriation of the same.

24 Given Chemeon's failure to meet its burden in opposing summary judgment, the
25 Court grants summary judgment in favor of Metalast Defendants on Chemeon's claim of
26 misappropriation of trade secrets under the UTSA.

27 **B. Copyright Infringement**

28 Both Plaintiff and Metalast Defendants seek summary judgment on Plaintiff's claim
of copyright infringement against Metalast Defendants. (ECF No. 313 at 13; ECF No. 315

1 at 24-25.) Metalast Defendants argue that there is no evidence that copyright infringement
 2 occurred after the Release Date. (ECF No. 313 at 13.) Chemeon’s Motion states that
 3 copyright infringement occurred when Semas distributed Chemeon’s copyrighted works
 4 to Sutter and when Semas submitted specimens in his June 2015 wordmark renewal
 5 application to the USPTO. (ECF No 315 at 25.) The Court denies summary judgment and
 6 finds there is a factual dispute regarding whether infringement occurred when Semas
 7 used the specimens in support of his renewal application.

8 *i. Evidentiary Issues*

9 In its Motion, Plaintiff states that it is undisputed that:

- 10 (1) Plaintiff filed copyright registration applications with the U.S. Copyright
 11 Office on May 18, 2015, May 28, 2015, June 1, 2015, February 15, 2016,
 12 March 17, 2017, and March 20, 2017 for which nine registrations have
 13 issued and two applications are still pending;
 14 (2) David Semas provided marketing and investment materials to a potential
 15 investor that copied and made use of Plaintiff’s copyrighted materials; and
 16 (3) Semas used two of Chemeon’s specimens that are protected by copyright
 17 when Semas applied for trademark registration renewal.

18 (ECF No. 315 at ¶¶ 99-102, 110-112.) Plaintiff then attached various exhibits in support
 19 of these “undisputed facts.” However, two of the four exhibits²⁰ that purport to show that
 20 Semas infringed Plaintiff’s copyrights—exhibits 29, 41—are not properly authenticated.

21 “Authentication is a condition precedent to admissibility,” and unauthenticated
 22 documents cannot be considered by a court when ruling on a motion for summary
 23 judgment. *Orr*, 285 F.3d at 773. “[D]ocuments authenticated through personal knowledge
 24 must be attached to an affidavit that meets the requirements of [Rule] 56(e) and the affiant

25 _____
 26 ²⁰The Court takes judicial notice of Exhibit 39 (ECF No. 315-3 at 33-45), which
 27 contains printouts from the United States Copyright Office website of certain copyrights
 28 claimed by Chemeon. *See Daniels-Hall v. Nat’l Educ. Ass’n*, 629 F.3d 992, 998-99 (9th
 Cir. 2010) (“It is appropriate to take judicial notice of this information, as it was made
 publicly available by government entities . . . and neither party disputes the authenticity
 of the websites or the accuracy of the information displayed therein”).

The Court also takes judicial notice of Exhibit 43 (ECF No. 315-3 at 100-08), which
 is David Semas’ application for renewal of the Metalast wordmark filed with the USPTO
 and two specimens attached in support of that application.

1 must be a person through whom the exhibits could be admitted into evidence.” *Id.* at 773-
2 74. However, a foundation for authenticity may be established by any manner permitted
3 under Fed. R. Evid. 901(b) and 902. See *id.* at 774.

4 Exhibit 29 appears to be an email with various attachments. (ECF No. 369.) A
5 printout of an e-mail may be authenticated through “affidavits from the actual authors
6 laying the foundation that the emails are what they purport to be” or through a party’s
7 identification of the document as being produced by the parties in discovery. See *In re*
8 *Homestore.com, Inc. Sec. Litig.*, 347 F. Supp. 2d 769, 781 (C.D. Cal. 2004) (citing *Orr*,
9 285 F.3d at 777, 777 n.20). While Metalast Defendants do not object to the admission of
10 Exhibit 29, the Court cannot admit a document that is not properly authenticated. The
11 Court therefore does not consider this document when ruling on the copyright
12 infringement claim against Metalast Defendants but takes as undisputed that Semas sent
13 marketing and investment materials to Sutter. This fact, however, is irrelevant in light of
14 the Settlement. (See ECF No. 326 at 10-11 (pointing out that the email embodied in
15 Exhibit 29 was sent on February 24, 2015).)

16 Exhibit 41 appears to be a comparison chart of “Chemeon’s Copyrighted Material”
17 and “Defendants’ Use/Infringement.” (ECF No. 315-3 at 87.) Chemeon’s Motion itself
18 states that Exhibit 41 is “exemplary evidence of Defendants’ copyright infringement” (ECF
19 No. 315 at ¶ 101). Metalast Defendants object that Exhibit 41 is not properly authenticated
20 and that no foundation has been laid as to “which defendant supposedly copied the work,
21 how, or when.” (ECF No. 326-1 at ¶ 101.) The Court agrees and will not consider it in
22 ruling on Plaintiff’s Motion.

23 *ii. Genuine Dispute of Material Fact*

24 To establish a claim for copyright infringement, a plaintiff must prove: “(1)
25 ownership of a valid copyright; and (2) copying of constituent elements of the work that
26 are original.” *L.A. Printex Indus., Inc., v. Aeropostale, Inc.*, 676 F.3d 841, 846 (9th Cir.
27 2012). The issue with Chemeon’s Motion is that, in spite of its contentions of when it
28 applied for copyright registration, the only purported incident of infringement after the

1 Release Date occurred on June 21, 2015, when two purported specimens of Chemeon
2 were attached to the Metalast wordmark registration renewal with the USPTO. At that
3 time, it appears the four copyright registrations Chemeon had applied for were “Metalast
4 IPC LinePro,” “Metalast JobPro Image,” “Photographs of Metalast International, LLC” and
5 “Metalast Systems Composite Image.” (ECF No. 315-3 at 35-39.) While Chemeon
6 attached its copyright registration applications with deposits of work and any issued
7 certificates of registration to its supplemental brief (ECF Nos. 348-2, 348-3), Chemeon
8 fails to point to what portion of that roughly two-hundred-page exhibit contains the
9 certificates of registration that would demonstrate that the two specimens attached to the
10 renewal application are exact copies of copyright-protected works of Chemeon. While it
11 is not the job of this Court to sift through Chemeon’s exhibit to try to figure out what
12 copyrighted work has been infringed, a cursory review of the exhibit appears to establish
13 a factual dispute as to whether the two specimens infringed Chemeon’s copyrighted
14 works, and Metalast Defendants’ response suggests that a factual dispute does indeed
15 exist. (See ECF No. 356 at 10-11 (stating that judgment is premature but that it intends
16 to challenge Chemeon’s claimed authorship of the Inc.’s shipping labels).) The Court
17 therefore denies both parties summary judgment as to this claim.

18 **C. Cancellation of the Logo Marks**

19 Plaintiff argues that registration of the Logo Marks—U.S. Trademark Reg. Nos.
20 2091140, 2112805, 2884333 (ECF No. 348 at 43)—should be cancelled because Semas
21 and the Inc. have abandoned the Logo Marks for the requisite three consecutive years.
22 (ECF No. 315 at 27-29.) At the Hearing, counsel for Metalast Defendants agreed that they
23 have abandoned the Logo Marks, which effectively conceded that summary judgment
24 should issue in favor of Chemeon on this claim. (ECF No. 368.) The Court gave the parties
25 until March 21, 2018, to reach a settlement as to cancellation of the Logo Marks and file
26 a stipulation of dismissal of this claim with the Court. However, the parties were unable
27 to reach an agreement as to the terms of that stipulation. (See ECF Nos. 371, 376.) Given

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1 Metalast Defendants' concession that they have abandoned the Logo Marks, the Court
2 grants summary judgment in Chemeon's favor as to this claim.

3 **D. Cancellation of Metalast wordmark**

4 Chemeon moves for summary judgment on its claim for cancellation of the
5 Metalast wordmark—U.S. Trademark Registration No. 2963106—arguing that because
6 Semas misrepresented that he was currently using the wordmark the renewal was
7 fraudulent. (ECF No. 315 at 29-31.) The Court finds that Chemeon has failed to meet its
8 burden on summary judgment and that it has not established that it has standing to bring
9 a claim for cancellation of the Metalast wordmark. The Court therefore denies summary
10 judgment as to Chemeon on this claim and directs supplemental briefing on the issue of
11 standing.

12 *i. Fraudulent Renewal*

13 “A party may seek cancellation of a registered trademark on the basis of fraud . . .
14 by proving a false representation regarding a material fact, the registrant's knowledge or
15 belief that the representation is false, the intent to induce reliance upon the
16 misrepresentation and reasonable reliance thereon, and damages proximately resulting
17 from the reliance.” *Robi v. Five Platters, Inc.*, 918 F.2d 1439, 1444 (9th Cir.1990).
18 Chemeon claims that Semas fraudulently renewed the Metalast wordmark because he
19 “intentionally and falsely stated the Metalast mark was in current use by him for all of the
20 products listed in the Registration.” (ECF No. 315 at 30.) Yet, in its Motion, reply,
21 supplemental brief, and at the Hearing, Chemeon presented no evidence of damages
22 proximately caused by its reasonable reliance on Semas' purported misrepresentation.
23 Moreover, Chemeon does not even aver that it reasonably relied on this
24 misrepresentation. Instead Chemeon focuses solely on the intent and false
25 representation elements of the test for fraudulent renewal. The Court therefore finds that
26 Chemeon has failed to meet its burden and denies summary judgment as to the
27 cancellation of the Metalast wordmark claim.

28 *ii. Standing*

1 “Cancellation of a registration is proper ‘when (1) there is a valid ground why the
2 trademark should not continue to be registered and (2) the party petitioning for
3 cancellation has standing.’”²¹ *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 735 F.2d 346,
4 348 (9th Cir. 1984) (quoting *Int’l Order of Job’s Daughters v. Lindeburg & Co.*, 727 F.2d
5 1087, 1091 (Fed. Cir. 1984)); *Halicki Films, LLC v. Sanderson Sales & Mktg.*, 547 F.3d
6 1213, 1228-1229 (9th Cir. 2008). To establish standing as a cancellation petitioner,
7 Chemeon “must show a real and rational basis for [its] belief that [it] would be damaged
8 by the registration sought to be cancelled, stemming from an actual commercial or
9 pecuniary interest in [its] own mark.” *Star-Kist*, 735 F.2d at 349.

10 In *Star-Kist Foods*, Star-Kist, a canner and seller of fish, acquired an unregistered
11 United State trademark, ROSE BOWL, for canned sardines and mackerel as well as a
12 registration for the same mark in the Philippines in late 1980. *Id.* at 347, 348. Rhodes, an
13 international merchandiser, had a United States trademark registration for ROSE BOWL,
14 although the trademark was used on canned fruit, vegetable products, and fish such as
15 tuna and salmon, which it had acquired in March 1981. *Id.* at 347. Rhodes petitioned to
16 have Star-Kist’s Philippines registration cancelled, and Star-Kist countersued contending
17 that cancellation of Rhodes’ U.S. trademark was proper because Rhodes had abandoned
18 it and because one of Rhodes’ predecessors had committed fraud in renewing the
19 registration. *Id.* at 348. The appeal before the Ninth Circuit focused on whether Star-Kist
20 had standing “to challenge the continued presence on the register of [Rhodes’]
21 registration.” *Id.* (quoting *Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1026
22 (C.C.P.A. 1982)). The Ninth Circuit found that Star-Kist had “established facts which
23 showed it had a legitimate personal interest” in cancellation of Rhodes’ trademark for

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25 ²¹Standing here refers to prudential or statutory standing, not constitutional
26 standing. See *Empresa Cubana Del Tabaco v. Gen. Cigar Co., Inc.*, 753 F.3d 1270, 1274
27 (Fed. Cir. 2014) (stating that the question of standing in cancellation petitions is “more
28 appropriately viewed as interpretation[] of a statutory cause of action”). Courts have
discretion to raise a prudential standing issue *sua sponte* and are not required to do so
as with constitutional standing. See *City of Los Angeles v. Cty. of Kern*, 581 F.3d 841,
845-46 (9th Cir. 2009).

1 three reasons. *Id.* at 349 (quoting *Lipton*, 670 F.2d at 1029). First, Star-Kist had applied
2 to register ROSE BOWL in the United States, and Rhodes’ trademark “impeded its own
3 application because of a potential likelihood of confusion.” *Id.* at 350. The court further
4 stated that Star-Kist’s desire for registration was a legitimate commercial interest,
5 especially in light of Star-Kist’s prior substantial sales under the trademark. Second,
6 Rhodes’ attorneys had contacted Star-Kist’s customers in the Philippines stating that
7 Rhodes was “the true owner of the ROSE BOWL trademark,” which implicated a real
8 interest given Star-Kist’s business in the Philippines. *Id.* Third, the record reflected that
9 Star-Kist had also made sales and promotion efforts under the mark, which represented
10 a pecuniary interest in the mark. *Id.*

11 Chemeon’s Motion does not address how it has or would be damaged by the
12 registration renewal of the Metalast wordmark—in fact, it has no apparent interest in the
13 wordmark because the Settlement made clear that Chemeon could not use the wordmark
14 past June 9, 2015. (See ECF No. 51 at ¶ 19; see also ECF No. 62 at ¶ 19.) Moreover,
15 Chemeon’s position is inconsistent with its claim of no trademark infringement, as it seeks
16 a ruling from this Court that its use of the Metalast wordmark to describe its history does
17 not infringe Semas’s ownership of the mark, stating that its limited use of the mark “is not
18 likely to cause confusion, mistake, or deception, or confuse the . . . public.” (ECF No. 348
19 at ¶ 195.) Because Chemeon contends there is no likelihood of confusion and has failed
20 to establish it has used the mark for commercial or pecuniary gain, it is unclear how it has
21 standing to seek cancellation of the mark.

22 The Court therefore directs supplemental briefing from the parties as to why this
23 claim should not be dismissed because Chemeon lacks standing to assert the claim.

24 **E. Breach of David Semas’ Employment Agreement with the LLC**

25 Plaintiff and Semas cross-move for summary judgment on Plaintiff’s claim of
26 breach of Semas’ employment agreement with the LLC. (ECF No. 313 at 10; ECF No.
27 315 at 34-35.) Both parties argue about whether Chemeon has the ability to enforce the
28 non-compete and confidentiality provisions in the employment agreement.

1 *i. Non-compete Provision*

2 In Chemeon's reply, it appears to concede that under Nevada law it cannot enforce
3 the non-compete provision in Semas' employment contract. (ECF No. 343 at 15-17.)
4 Regardless, the Nevada Supreme Court has held that an employer in a corporate sale
5 may not assign rights under an employee's covenant not to compete without the
6 employee's consent where that consent is supported by independent consideration.
7 *Traffic Control Serv. v. United Rentals Nw. Inc.*, 87 P.3d 1054, 1055 (Nev. 2004).
8 Chemeon does not aver that either occurred here.

9 *ii. Confidentiality Provision*

10 Chemeon relies on a Seventh Circuit case, *Chemetall GMBH v. ZR Energy, Inc.*,
11 320 F.3d 714 (7th Cir. 2003), to argue that Semas' confidentiality obligation under the
12 employment agreement is not personal in nature and is not temporally limited. (ECF No.
13 324 at 11.) Even assuming that the confidentiality provision in Semas' employment
14 agreement is enforceable, Chemeon does not produce evidence in opposition of Metalast
15 Defendants' Motion of specific instances where Semas divulged trade secrets or
16 confidential and proprietary information after the Release Date such that he breached this
17 provision. The Court previously analyzed the alleged instances where Semas disclosed
18 trade secrets or confidential information and found that none of those instances
19 demonstrated such a disclosure. See discussion *supra* Sec. V(A). As there is no evidence
20 that Semas actually breached the confidentiality provision, the Court grants summary
21 judgment in favor of Semas on Chemeon's claim for breach of the employment
22 agreement.

23 **F. Counterclaim for Breach of Contract**

24 Plaintiff argues that Counterclaimants are unable to establish any damages as a
25 result of Plaintiff's purported breach of the Settlement. (ECF No. 315 at 35-36.) Semas
26 responds that he is not seeking damages for the breach of contract counterclaim; rather,
27 he is seeking Chemeon's "specific performance of the covenant to stop using 'Metalast'"
28 pursuant to the Settlement. (ECF No. 326 at 30.) In light of this clarification, the Court

1 denies Chemeon summary judgment on Counterclaimants’ breach of contract
2 counterclaim.

3 **G. Counterclaim for Specific Performance**

4 Plaintiff argues that because of “Counterclaimants’ fraudulent renewal of the
5 Metalast mark . . . their equitable claim seeking specific performance should be denied.”
6 (ECF No. 315 at 36.) The Court disagrees.

7 A party asking a court for equitable relief “must come with clean hands.” *Johnson*
8 *v. Yellow Cab Transit Co.*, 321 U.S. 383, 387 (1944). To determine whether unclean
9 hands bars equitable relief, a court must consider “(1) the egregiousness of the
10 misconduct at issue, and (2) the seriousness of the harm caused by the misconduct.” *Las*
11 *Vegas Fetish & Fantasy Halloween Ball, Inc., v. Ahern Rentals, Inc.*, 182 P.3d 764, 767
12 (Nev. 2008). Moreover, the alleged inequitable conduct must be connected with the
13 matter in the litigation “otherwise the doctrine is not available as a defense.” *Truck Ins.*
14 *Exch. v. Palmer J. Swanson, Inc.*, 189 P.3d 656, 662 (Nev. 2008).

15 Semas argues that with his specific performance claim he “is trying to enforce the
16 settlement agreement, to obtain what he bargained for in exchange for agreeing to pay
17 certain claims and releasing others” and that “none of the conduct alleged in [Plaintiff’s
18 Motion] has anything to do with the formation or enforcement of the settlement
19 agreement.” (ECF No. 326 at 30.) Chemeon contends that because Semas negotiated
20 for ownership of the wordmark as part of the Settlement, his hands are unclean with
21 respect to that mark. (ECF No. 343 at 22.) The Court disagrees—it is possible that Semas’
22 hands were “clean” at the time he negotiated the Settlement and the ownership of the
23 wordmark and then became “unclean” when he renewed the wordmark’s registration
24 many months later. The two are unrelated and the theory of unclean hands as advanced
25 in Plaintiff’s Motion is unavailing. The Court therefore denies summary judgment in favor
26 of Chemeon on this counterclaim.

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1 **VI. HARRIS' MOTION²² (ECF No. 331)**

2 Harris moves for summary judgment on the claims he identifies as being brought
3 against him: (1) misappropriation of trade secrets; (2) copyright infringement; (3)
4 intentional interference with prospective economic advantage; and (4) unfair
5 competition.²³ (ECF No. 331 at 6.) Chemeon moves for summary judgment against Harris
6 on its claims for misappropriation of trade secrets claim and copyright infringement. (ECF
7 No. 315 at 37; ECF No. 339 at 3.) Because granting Plaintiff's Motion as to Harris would
8 inevitably require the Court to assess whether the requested relief—a permanent
9 injunction against Harris—is warranted, and because neither Plaintiff nor Harris
10 addressed the four-factor test for a permanent injunction, the Court denies Plaintiff's
11 Motion as it relates to Harris and grants in part²⁴ and denies in part Harris' Motion.

12 “[P]ermanent injunctions may be granted on summary judgment[] given the proper
13 record.” *Sec. Exchange Comm'n v. Murphy*, 626 F.2d 633, 655 (9th Cir. 1980). “[A]
14 plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may
15 grant such relief.” *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006). These four
16 factors are: (1) that Plaintiff has suffered irreparable injury; (2) remedies at law, such as
17 monetary damages, are inadequate to compensate for Plaintiff's injury; (3) considering
18 the balance of hardships between Plaintiff and Harris, a remedy in equity is warranted;

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20 ²²At the Hearing, the parties indicate that they may be able to reach a resolution
21 on the claims against Harris. However, based on the subsequent filings (ECF Nos. 370,
22 372), it is apparent that the parties once again have reached an impasse as to settlement.
The Court will refer Harris and Chemeon's dispute for settlement.

23 ²³Harris' Motion also includes an argument regarding Plaintiff's unjust enrichment
24 claim (ECF No. 331 at 12), but he does not state that he is moving for summary judgment
25 on that claim. Nor does Chemeon argue that it is asserting an unjust enrichment claim
against Harris.

26 ²⁴Chemeon does not address Harris' Motion as to its claim for intentional
27 interference with prospective economic advantage. Because no evidence whatsoever is
28 offered to oppose summary judgment on this claim, the Court will grant summary
judgment in favor of Harris on Chemeon's claim of intentional interference with
prospective economic advantage.

1 and (4) the public interest would not be disserved by a permanent injunction against
2 Harris. See *id.*

3 In Plaintiff's Motion, it seeks "a permanent injunction against [Harris] regarding use
4 of Chemeon's trade secrets and copyrights" and "statutory attorney's fees and costs
5 arising from the copyright infringement." (ECF No. 315 at 37.) Moreover, on April 7, 2017,
6 Magistrate Judge Valerie P. Cooke ruled on Harris' motion *in limine* to exclude evidence
7 of undisclosed damages, stating that "Chemeon concedes that they are not seeking
8 compensatory damages from Harris, but rather permanent injunctive relief and attorneys'
9 fees." (ECF No. 262 at 1 (citing ECF No. 247 at 4).) Thus, there is no doubt that Plaintiff
10 seeks only a permanent injunction against Harris and does not seek money damages for
11 past misconduct.

12 Neither party addresses whether Chemeon has suffered and continues to suffer
13 irreparable harm from Harris' actions²⁵ or whether monetary damages for Harris' prior
14 actions are inadequate to address Chemeon's injuries.²⁶ Moreover, neither party
15 addresses whether a permanent injunction is warranted in light of Harris' representation
16 at the Hearing that, as far as he knows, he no longer possesses the copyrighted items or
17 "trade secrets" Plaintiff contends he used in 2015 to help solicit investor funding for
18 Semas. Similarly, at the Hearing Harris contended that he was not even aware what
19 materials Chemeon believes he still possesses. Without any indication that Harris still has
20 these materials or that there is a viable threat Harris will use them going forward (*cf.* ECF
21 No. 315 at 27 (stating that Defendants' counsel, not Harris, had "threatened" to
22 misappropriate a trade secret of Plaintiff during a March 2016 hearing)), it is not clear that

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24 ²⁵In its reply, Chemeon points to Harris' involvement in another lawsuit as evidence
25 that "Harris has elected to fight Chemeon at every turn" (ECF No. 337 at 13, 13 n.31), but
26 without more this is not clearly relevant to Harris' current and future misappropriation of
Chemeon's trade secrets or infringement of Chemeon's copyrighted works.

27 ²⁶In fact, any supposed admission by Harris that he previously utilized Plaintiff's
28 copyright protected works or disclosed trade secrets or any evidence tending to
demonstrate this would relate to past injury properly compensable through money
damages, not permanent injunctive relief.

1 Chemeon will suffer continued irreparable harm from Harris' actions such that a
2 permanent injunction would redress that injury.

3 For these reasons, the Court grants Harris' Motion as to the claim for intentional
4 interference with prospective economic advantage and denies the remainder of Harris'
5 Motion. The Court denies Plaintiff's Motion as it relates to Harris.

6 **VII. CONCLUSION**

7 The Court notes that the parties made several arguments and cited to several
8 cases not discussed above. The Court has reviewed these arguments and cases and
9 determines that they do not warrant discussion as they do not affect the outcome of the
10 parties' motions.

11 It is therefore ordered that Metalast Defendants' Motion for Partial Summary
12 Judgment (ECF No. 313) is granted in part and denied in part. Summary Judgment is
13 granted in favor of Metalast Defendants as to Plaintiff's claims for: (1) breach of fiduciary
14 duty; (2) breach of operating agreement; (3) contractual and (4) tortious breach of implied
15 covenant of good faith and fair dealing; (5) conversion; (6) conspiracy; (7) breach of
16 employment contract; (8) misappropriation of trade secrets; (9) interference with
17 prospective economic advantage; (10) unfair competition; (11) statutory deceptive trade
18 practices/consumer fraud; and (12) unjust enrichment. Summary judgment is denied as
19 to Plaintiff's claim for copyright infringement.

20 It is further ordered that Plaintiff's Motion (ECF No. 315) is granted in part and
21 denied in part. It is granted as to Plaintiff's claim of cancellation of the Logo Marks but
22 denied as to all other claims.

23 It is further ordered that Harris' Motion (ECF No. 331) is granted in part and denied
24 in part. It is granted as to the claim for intentional interference with prospective economic
25 advantage. It is denied as to the remaining claims.

26 It is further ordered that Chemeon and Metalast Defendants must provide
27 supplemental briefing of no more than five (5) pages within seven (7) days of this order

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1 on the issue of Chemeon's standing to bring its claim for cancellation of the Metalast
2 wordmark registration.

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4 DATED *nunc pro tunc* THIS 30th day of March 2018.

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MIRANDA M. DU
UNITED STATES DISTRICT JUDGE

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