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10 Russell Road Food and Beverage, LLC

11 UNITED STATES DISTRICT COURT
12 DISTRICT OF NEVADA

13 RUSSELL ROAD FOOD AND
14 BEVERAGE, LLC, a Nevada limited
liability company,

15 Plaintiff,

16 vs.

17 FRANK SPENCER, an individual;
18 CRAZY HORSE CONSULTING, INC., an
Ohio corporation; and DOES 1 – 50,
19 inclusive,

20 Defendants.

21 FRANK SPENCER, an individual; and
22 CRAZY HORSE CONSULTING, INC., an
Ohio corporation,

23 Counterclaimants,

24 vs.

25 RUSSELL ROAD FOOD AND
26 BEVERAGE, LLC, a Nevada limited
liability company,

27 Counterdefendant.

Case No. 2:12-cv-01514-LRH-GWF

**PLAINTIFF RUSSELL ROAD FOOD AND
BEVERAGE, LLC'S OPPOSITION TO
DEFENDANTS FRANK SPENCER AND
CRAZY HORSE CONSULTING'S
MOTION FOR PRELIMINARY
INJUNCTION**

Case Filed: August 24, 2012
Judge: Honorable Larry R. Hicks

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1 **I. INTRODUCTION**

2 Defendants Frank Spencer (“Spencer”) and Crazy Horse Consulting, Inc.’s (“CHC”)
3 Motion for Preliminary Injunction is nothing more than transparent gamesmanship. Despite
4 knowing for well over a year that Plaintiff Russell Road Food and Beverage, LLC (“Russell
5 Road”) owns and operates a gentlemen’s club under the CRAZY HORSE III mark, Spencer and
6 CHC did not seek any preliminary relief until Russell Road filed this declaratory action for non-
7 infringement. Their long delay is a clear indication that urgent, extraordinary relief is
8 unnecessary and grounds for denying the injunction. Instead of expeditiously seeking preliminary
9 relief, Spencer and CHC tried to persuade Russell Road to take a license, an offer Russell Road
10 rejected from the outset. Their repeated attempts to extract licensing fees from Russell Road are a
11 clear indication that money damages are adequate and grounds for denying the injunction.
12 Simply put, there is no irreparable harm to support the issuance of a preliminary injunction.

13 The absence of irreparable harm is boldly underscored by the fact that the parties do not
14 compete in the same geographic market. Spencer and CHC operate a few adult clubs under the
15 CRAZY HORSE name in Ohio and claim to license the name to a club in South Carolina,¹
16 whereas Russell Road’s use of the CRAZY HORSE III name is limited to a gentlemen’s club in
17 Las Vegas, Nevada. Over two thousand miles separate the parties’ respective clubs. In such
18 situations, federal courts systemically invoke the *Dawn Donut* rule, a *per se* rule against issuing
19 injunctions in trademark cases when the parties do not compete in the same geographic market,
20 which necessitates the denial of Spencer and CHC’s Motion for Preliminary Injunction.

21 Spencer and CHC’s Motion for Preliminary Injunction should also be denied because they
22 cannot show that they are likely to prevail on their claim for trademark infringement.² In fact,
23 they are bound by a Co-Existence Agreement that explicitly permits Russell Road to use the
24 CRAZY HORSE III trademark. The agreement by itself affords a complete defense to their claim

25 _____
26 ¹ Although Spencer and CHC claim to license the CRAZY HORSE mark to a gentlemen’s club in South Carolina, it
27 appears that this club has recently changed its name from Crazy Horse to Thee Dollhouse. See
www.myrtlebeachcrazyhorse.com. If so, Spencer and CHC’s use is limited even further just to Ohio.

28 ² Although Spencer and CHC asserted counterclaims for unfair competition and dilution in their Answer and
Counterclaims, (PACER Document #12), their Motion for Preliminary Injunction is based solely on their
counterclaim for trademark infringement.

1 of infringement. Even in the absence of such agreement, Spencer and CHC still could not
2 demonstrate that they are likely to succeed on the merits because an evaluation of the *Sleekcraft*
3 factors establishes that Russell Road's use of the CRAZY HORSE III mark does not create a
4 likelihood of confusion. For instance, the first *Sleekcraft* factor, strength of the mark, is
5 particularly significant in this action and should be given substantial weight because the CRAZY
6 HORSE mark is part of a crowded field and widely adopted by third parties in connection with a
7 variety of goods and services, including gentlemen's clubs. This crowded field means that even
8 small differences between marks are sufficient to obviate a likelihood of confusion and, as a
9 matter of law, Spencer and CHC cannot prevent Russell Road from using its CRAZY HORSE III
10 mark. Although this factor alone is overwhelmingly dispositive of the likelihood of confusion
11 analysis, the remaining *Sleekcraft* factors also indicate that there is no likelihood of confusion.

12 And once this Court considers the hardships implicated by the requested injunction, equity
13 demands that a preliminary injunction not issue. If an injunction is denied, Spencer and CHC will
14 truly suffer no harm. The status quo will be maintained, and things will continue as they have for
15 over three years. Spencer and CHC will still have an opportunity to try their case to a jury, and in
16 the unlikely event they prevail, they can obtain permanent injunctive relief and money damages
17 for any past infringement. On the other hand, if the injunction is granted, the status quo will be
18 changed, and Russell Road will lose millions of dollars and suffer untold damage to its reputation
19 and the CRAZY HORSE III brand. The hardships tip in Russell Road's favor, and it's not even
20 close.

21 Against this backdrop, it is clear that the real motivation behind Spencer and CHC's
22 Motion for Preliminary Injunction is to gain an improper advantage in this lawsuit.
23 Consequently, this Court should summarily deny the Motion.

24 **II. RELEVANT BACKGROUND**

25 **A. The original CRAZY HORSE and crowded field of CRAZY HORSE marks**

26 In 1951, long before Spencer or CHC started using CRAZY HORSE, Alain Bernardin
27 opened Le Crazy Horse in Paris, France. Tarabichi Decl., ¶3, Exs. B, C. Also known as Le
28 Crazy Horse Saloon or Le Crazy Horse de Paris, the Parisian cabaret featured racy burlesque

1 routines performed by nude female dancers. *Id.* In the over 50 years since it opened, Le Crazy
2 Horse has become world renown and been featured in several documentaries. *Id.*

3 Not surprisingly, the success and notoriety of Le Crazy Horse spawned a multitude of
4 CRAZY HORSE gentlemen's clubs, night clubs, restaurants, and bars across the United States
5 and the world. *Id.* at ¶¶ 4–5, Exs. D, E. These countless clubs are not owned or licensed by the
6 original Le Crazy Horse in Paris nor by Spencer or CHC; rather, they are owned and operated by
7 independent and unaffiliated third parties. *Id.* In fact, it is quite likely that a CRAZY HORSE
8 gentlemen's club, night club, or restaurant/bar can be found in just about every major city in the
9 United States. *Id.* By way of example, there are Crazy Horse gentlemen's clubs in San
10 Francisco, California, just outside of Atlantic City, New Jersey, in Detroit, Michigan, and many
11 more that are not affiliated with Spencer, CHC, or Russell Road. *Id.*

12 **B. Crazy Horse In Las Vegas and Russell Road's adoption of CRAZY HORSE III**

13 There is a long and storied history surrounding the use of the CRAZY HORSE name and
14 mark in Las Vegas, Nevada. During the late 1970s/early 1980s, Jack Galardi opened the original
15 Crazy Horse Saloon club on Paradise Road in Las Vegas, which eventually closed in the late
16 1980s. *Id.* at ¶¶ 8–12, Ex. F–G. Shortly after the closure of the original Crazy Horse Saloon, the
17 Crazy Horse Too gentlemen's club opened at 2466 Industrial Road in Las Vegas. *Id.* As its
18 name implies, Crazy Horse Too was patterned after the Crazy Horse Saloon on Paradise Road.
19 *Id.* Following the well-publicized legal difficulties of its owner, the Crazy Horse Too club closed
20 its doors on September 7, 2006. *Id.*

21 About three years later, on or about September 4, 2009, Russell Road opened a
22 gentlemen's club under the CRAZY HORSE III name in the Playground complex, a 40,000
23 square foot complex in Las Vegas that features 24-hour attractions, including nightclubs, dining
24 establishments, live music, and live sports viewing. Sostilio Decl., ¶ 2, Ex. A. Since opening its
25 CRAZY HORSE III club over three years ago, Russell Road has not experienced any actual
26 confusion arising out of its use of the CRAZY HORSE III name and mark. *Id.* at ¶ 8. No
27 customers or other third parties have ever inquired about any sponsorship, affiliation, or other
28 relationship between Russell Road and Spencer or CHC or the parties' respective clubs. *Id.*

1 **C. Spencer and CHC try to appropriate the widely adopted CRAZY HORSE mark**

2 Spencer is an Ohio resident who claims to have used the CRAZY HORSE name for strip
3 clubs in Ohio since 1978. Answer, ¶ 122 (PACER Doc #12). Despite Spencer's claim to have
4 used the CRAZY HORSE mark since 1978, he did not file federal trademark applications until
5 over 30 years later. Tarabichi Decl., ¶ 13, Ex. H. During those 30 years, he also failed to engage
6 in any policing or enforcement of his alleged rights in the CRAZY HORSE mark even though the
7 CRAZY HORSE mark was being widely adopted and used by third parties across the United
8 States for gentlemen's clubs, night clubs, restaurants, and bars.³ *Id.* at ¶¶4–7, Ex. A.

9 At some point during the last couple of years, Spencer altered course in his newly
10 determined quest to profit from the CRAZY HORSE mark. After 30 years of failing to protect
11 and enforce his alleged rights, Spencer's new objective was to anoint himself as the exclusive
12 owner of the CRAZY HORSE mark and systematically contact each existing Crazy Horse
13 establishment to shake them down for licensing fees. Of course, the problem with his scheme
14 was and continues to be the fact that he is not the exclusive owner of the CRAZY HORSE mark.

15 Nevertheless, Spencer proceeded to file two federal trademark applications with the
16 United States Patent and Trademark Office ("USPTO") for the CRAZY HORSE trademark, U.S.
17 Application Serial No. 77/557,722 and U.S. Application Serial No. 85/217,717. *Id.*, ¶¶ 13–17,
18 Ex. H. However, upon examination, the USPTO refused registration of Frank Spencer's
19 applications to register CRAZY HORSE based on U.S. Trademark Registration No. 3,044,028 for
20 CRAZY HORSE, owned by an individual named Carl Reid in South Carolina. *Id.*

21 After forming CHC on August 19, 2010, Frank Spencer proceeded to orchestrate an
22 assignment of U.S. Trademark Registration No. 3,044,028 from Carl Reid to CHC in order to
23 overcome the USPTO's rejection of his applications. *Id.*, ¶¶ 18–20, Exs. L–M. The assignment
24 was dated December 10, 2010, and recorded with the USPTO on January 11, 2011. *Id.*

25 However, before assigning U.S. Trademark Registration No. 3,044,028 to CHC, Carl Reid
26 had executed a Trademark Co-Existence Agreement with Crazy Horse Too A Gentlemen's Club,

27 ³ Spencer and CHC point to the very recent 2011 case they filed against Joal Restaurant. What they fail to mention to
28 this Court is that Joal Restaurant never appeared and defaulted, which is how Spencer and CHC got the injunction.
There *was not determination on the merits*. See *CHC v. Joal*, No. 1-11-cv-023550 (SDNY 2011).

1 a Nevada company. *Id.*, ¶¶ 25-29, Exs. P-R. In the Co-Existence Agreement, Carl Reid
2 expressly permitted Crazy Horse Too A Gentlemen's Club to adopt, use, and register *any* mark
3 containing CRAZY HORSE so long as it did not include the words PURE GOLD'S. *Id.* On
4 August 16, 2012, Crazy Horse Too a Gentlemen's Club assigned its rights under the Co-
5 Existence Agreement with Carl Reid to Russell Road. *Id.* As a result, pursuant to the terms of
6 the Co-Existence Agreement, Russell Road has the contractual right to use the CRAZY HORSE
7 III mark. *Id.* Moreover, Spencer and CHC, as the assignee of Carl Reid's U.S. Trademark
8 Registration No. 3,044,028, are bound by the Trademark Co-Existence Agreement. *Id.*

9 In addition to the Trademark Co-Existence with Russell Road, on January 26, 2012,
10 Spencer and CHC entered into another consent agreement with JAT Investments, LLC. *Id.*, ¶ 22,
11 Ex. O. In the agreement, Spencer and CHC consented to JAT Investment, LLC's use of PURE
12 GOLD'S CRAZY HORSE for gentlemen's clubs and JAT Investment, LLC consented to Spencer
13 and CHC's use of CRAZY HORSE for gentlemen's clubs. *Id.*

14 Despite these consent agreements and the crowded field of CRAZY HORSE marks,
15 Spencer and CHC have been contacting third parties who use and have been using the CRAZY
16 HORSE name for lengthy periods of time and demanding that they enter into a licensing or
17 franchising arrangement with CHC. In August of 2011, Spencer contacted Russell Road about its
18 use of the CRAZY HORSE III mark and demanded that Russell Road take a license. Lenson
19 Decl., ¶¶ 2-3. Russell Road declined because it did not believe it infringed any rights owned by
20 Spencer or CHC and did not require a license. *Id.*; Tarabichi Decl., ¶¶ 32-34, Exs. T-V.
21 However, because Spencer and CHC continued to claim that Russell Road was infringing, Russell
22 Road filed this declaratory action for noninfringement. Spencer and CHC's Motion for
23 Preliminary Injunction in response to Russell Road's Complaint is a thinly veiled attempt to gain
24 leverage in this lawsuit.

25 **III. ARGUMENT**

26 A preliminary injunction may be issued *only* if the moving party establishes (1) a
27 likelihood of success on the merits; (2) a likelihood of irreparable harm in the absence of
28 preliminary relief; (3) that the balance of equities tips in its favor; and (4) that the injunction is in

1 the public interest. *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008). In deciding
2 whether to grant a motion for preliminary injunction, a court must be mindful that “injunctive
3 relief [is] an extraordinary remedy that may only be awarded upon a clear showing that the
4 plaintiff is entitled to such relief.” *Id.* at 22.

5 **A. Spencer and CHC will suffer no irreparable harm if an injunction is denied**

6 At the core, the purpose of injunctive relief is to protect a party from irreparable harm
7 when legal remedies are inadequate. *Los Angeles Mem’l Coliseum Comm’n v. Nat’l Football*
8 *League*, 634 F.2d 1197, 1202 (9th Cir.1980). In fact, “the single most important prerequisite for
9 the issuance of a preliminary injunction is a demonstration that if it is not granted the applicant is
10 likely to suffer irreparable harm before a decision on the merits can be rendered.”

11 *InstantCert.com, LLC v. Advanced Online Learning, LLC*, No. 2:11-cv-1833, 2012 U.S. Dist.
12 LEXIS 121103, *14 (D. Nev. Aug. 27, 2012); *Clark County Prosecutors Ass’n v. Clark County*
13 *Bd. of Comm’r*, No. 2:11-cv-1111, 2012 U.S. Dist. LEXIS 64811, *5 (D. Nev. May , 2012).

14 Since irreparable harm is the most important requirement for preliminary relief, it should
15 be no surprise that a party moving for preliminary relief must make a strong showing of
16 irreparable harm. More specifically, the U.S. Supreme Court recently clarified that a party
17 moving for a preliminary injunction must establish *more* than the mere possibility of irreparable
18 harm—it must establish that irreparable injury is *likely*. *Winter*, 555 U.S. at 22.

19 In addition, the Supreme Court also clarified that irreparable harm can no longer be
20 presumed—even in trademark cases. *eBay Inc. v. MercExchange, LLC*, 547 US 388, 393 (2006);
21 *Flexible Lifeline Systems, Inc. v. Precision Lift, Inc.*, 654 F.3d 989, 1000 (9th Cir. 2011)
22 (presumption of irreparable harm in copyright cases no longer permitted). Before the Supreme
23 Court’s decision in *eBay* and the Ninth Circuit’s decision in *Flexible Lifeline*, courts would
24 routinely presume irreparable harm in a trademark infringement case if the party moving for a
25 preliminary injunction could show a likelihood of success on the merits.⁴ Now, after those
26 decisions, the District of Nevada and the other district courts within the Ninth Circuit have held

27 _____
28 ⁴ Even under the *old* standard that allowed a court to presume irreparable harm upon a showing of likelihood of
success on the merits, the presumption was rebuttable.

1 that irreparable harm *may not be presumed* even if a likelihood of success on the merits is shown.
2 *BoomerangIt, Inc. v. ID Armor, Inc.*, No. 5:12-cv-0920, 2012 U.S. Dist. LEXIS 86382, *9 (N.D.
3 Cal. June 21, 2012) (holding that “[d]istrict courts in this [Ninth] Circuit that have addressed this
4 issue have found that the governing law has changed, and a plaintiff is not granted the
5 presumption of irreparable harm upon a showing of likelihood of success on the merits.”); *Herb*
6 *Reed Enter., LLC v. Florida Entm’t Mgmt., Inc.*, No. 2:12-cv-00560, 1012 U.S. Dist. LEXIS
7 102566, *44 (D. Nev. July 24, 2012) (refusing to presume irreparable harm in trademark case).

8 Therefore, when a party moving for preliminary injunction fails to show that irreparable
9 harm is *likely*, courts deny the motion without reaching the remaining factors. *Clark County*,
10 2012 U.S. Dist. LEXIS 64811, *5 (“Indeed, where movant fails to establish irreparable harm,
11 courts have denied the motion without considering the remaining three factors.”); *Delphon Indus.,*
12 *LLC v. Int’l Test Solutions Inc.*, No. 11-cv-1338, 2012 U.S. Dist. LEXIS 119588, *10 (N.D. Cal.
13 Oct. 17, 2011) (“Even if a plaintiff establishes a likelihood of success on the merits, ‘the absence
14 of a substantial likelihood of irreparable injury would, standing alone, make preliminary relief
15 improper.”); *Collins v. Gourdine*, No. 2:12-cv-01599, 2012 U.S. Dist. LEXIS 133046, at *5 (D.
16 Nev. Sept. 18, 2012) (denying preliminary injunction for no likelihood of irreparable harm).

17 **1. Spencer and CHC’s delay of over a year evidences a lack of irreparable harm**

18 If the moving party has delayed in seeking a preliminary injunction, such delay undercuts
19 the sense of urgency that ordinarily accompanies a motion for preliminary relief and suggests that
20 there is, in fact, no irreparable injury. *Oakland Tribune, Inc. v. Chronicle Pub. Co.*, 762 F.2d
21 1374, 1377 (9th Cir. 1985). Directly on point, this Court recently denied a motion for preliminary
22 injunction because the moving party had “waited more than one year after it learned of the
23 alleged trademark infringement to file its Motion.” *JL Beverage Co., LLC v. Beam, Inc.*, No.
24 2:11-cv-00417, 2012 U.S. Dist. LEXIS 137076, *45-46 (D. Nev. Sept. 25, 2012).

25 Likewise, other district courts in the Ninth Circuit have also denied preliminary
26 injunctions where the party has waited eight months or more. *ConocoPhillips Co. v. Gonzalez*,
27 No. 5:12-cv-00576, 2012 U.S. Dist. LEXIS 20972, *8-9 (N.D. Cal. Feb. 17, 2012) (denying
28 preliminary injunction where moving party waited eight months to file); *Kerr Corp. v. North*

1 *American Dental Wholesalers, Inc.*, No. 11-0313, 2011 U.S. Dist. LEXIS 61779, *6-14 (N.D.
 2 Cal. June 9, 2011) (denying preliminary injunction where moving party waited eight months to
 3 file first motion); *Protech Diamond Tools, Inc. v. Liao*, No. C 08-3684, 2009 U.S. Dist. LEXIS
 4 53382, *19-21 (N.D. Cal. June 8, 2009) (denying preliminary injunction and finding no
 5 irreparable harm based on moving party's delay in filing motion); *Studio Red, Inc. v. Rockwell*
 6 *Architecture Planning & Design, P.C.*, No. C 07-396, 2007 U.S. Dist. LEXIS 39562, *12 (N.D.
 7 Cal. May 18, 2007) (denying injunction where moving party waited eight months to file).

8 In this regard, a comprehensive study of federal trademark cases reveals motions for
 9 preliminary injunctions are denied for lack of irreparable harm when the moving party delayed
 10 six months or more before filing the motion. Between 1990 and 2009, Sandra Edelman and
 11 Robert Raskopf authored four publications for The Trademark Reporter in a series that addresses
 12 the effect of delay in preliminary injunction motions in trademark cases. Sandra Edelman &
 13 Robert Raskopf, *Delay in Filing Preliminary Injunction Motions*, 80 TMR 36 (1990); 85 TMR 1
 14 (1995); 92 TMR 647 (2002); 99 TMR 1074 (2009); Tarabichi Decl., ¶ 30, Ex. S. In their articles,
 15 Raskopf and Edelman's study of trademark cases concluded that while a three month delay is
 16 generally acceptable, a delay of six months runs a significant risk of denial of a motion for
 17 preliminary injunction, and ***most cases deny a motion for preliminary injunction if a year or***
 18 ***more has passed.*** Their articles and studies have been cited with approval by both courts and the
 19 leading trademark practice guide *McCarthy on Trademarks*. *CLT Logistics v. River West Brands*,
 20 777 F. Supp. 2d 1052, 1072 (E.D. Mich. 2011) (citing and referencing *Edelman's* article); J.
 21 Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition*, §§ 31:31 (2012).

22 In the instant case, Russell Road has been using its CRAZY HORSE III mark since at
 23 least as early as September 4, 2009. Sostilio Decl., ¶ 2, Ex. A. Now, after more than three years
 24 since Russell Road's initial use of the mark, Spencer and CHC seek preliminary relief
 25 implausibly claiming a sense of urgency and irreparable harm. Most fatal to the instant Motion is
 26 Spencer and CHC's knowledge of Russell Road's use of CRAZY HORSE III for at least over a
 27 year, as evidenced by Spencer's first contact with Russell Road in August 2011.⁵ Lenson Decl., ¶

28 ⁵ Russell Road does not know when Spencer and CHC first learned of Russell Road's use of the CRAZY HORSE III

¶ 2-3. Moreover, Spencer and CHC’s delay in moving for preliminary relief is not attributable to any ongoing settlement discussions; Russell Road unequivocally declared from the outset that it did not infringe and would not take a license. *Id.*; Tarabichi Decl., ¶¶ 32-34, Exs. T-V. Accordingly, because Spencer and CHC waited well over a year to seek preliminary relief, it is clear that there is no urgency for preliminary relief and no irreparable injury.

2. Spencer and CHC are not entitled to an injunction because monetary damages are adequate as evidenced by their offer to license Russell Road

In order to prove irreparable harm to obtain a preliminary injunction, the moving party must show that it has no adequate remedy at law. *Collins*, 2012 U.S. Dist. LEXIS 133046 at *7 (moving party “cannot simply repeat the phrase ‘irreparable injury’ without providing a basis for that irreparable injury and expect the Court to find a likelihood of irreparable injury”). In other words, the moving party must show that money damages are not adequate. *Id.* In this regard, if a trademark owner offers to license its trademark to the alleged infringer or other third parties, it evidences that the money damages can adequately compensate for any alleged infringement such that there is no irreparable harm and a preliminary injunction is not warranted. *Apple, Inc. v. Samsung*, No. 12-CV-00630, 2012 U.S. Dist. LEXIS 90979, *190-191 (N.D. Cal. July 1, 2012) (“patentee’s willingness to license its patents can weigh against a finding of irreparable harm”).

In the instant case, Spencer and CHC have repeatedly tried to persuade Russell Road to license the CRAZY HORSE trademark for monetary compensation. Lenson Decl., ¶¶ 2-3; Tarabichi Decl., ¶¶ 32-34, Exs. T-V. Spencer and CHC admit this in their Answer and Motion. *See Answer*, ¶¶ 30–33, 147 (PACER Document #12); *Defs.’ Mtn.*, at 9:16–23 (PACER Doc. #14). Likewise, Spencer and CHC also claim to license the CRAZY HORSE mark to two gentlemen’s clubs, one in Ohio and one in South Carolina—presumably in exchange for monetary compensation. *Id.*, ¶¶ 124–25. In light of these undisputed facts, it is clear that, if Spencer and CHC were to somehow prevail in this litigation (though they will not), they could be adequately compensated for any alleged infringement by money damages and a permanent

mark. In fact, an office action issued by the USPTO indicates that Spencer and CHC knew about Russell Road at least as early as April 7, 2011—four months earlier than August 2011. Tarabichi Decl., ¶ 31, Ex. K. It is even possible that Spencer and CHC have known about Russell Road’s use since 2009.

1 injunction to be issued after a full jury trial on the merits. Consequently, Spencer and CHC
2 simply cannot make the required showing that they do not have an adequate remedy at law,
3 which, in turn, means that they cannot satisfy the necessary element of irreparable harm.

4 **3. Spencer and CHC are not entitled to an injunction because they do not use**
5 **the CRAZY HORSE mark in Las Vegas or any nearby geographic markets**

6 Because Spencer and CHC's use of CRAZY HORSE and Russell Road's use of CRAZY
7 HORSE III are confined to geographically separate markets, Spencer and CHC cannot, as a
8 matter of law, enjoin Russell Road's use of CRAZY HORSE III. In the seminal *Dawn Donut*
9 case, the Second Circuit essentially established a *per se* rule against injunctions when a senior
10 federal registrant and a junior user do not compete in the same geographic market. *Dawn Donut*
11 *Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 364 (2d Cir. 1959). This rule is now commonly
12 known as the "*Dawn Donut* rule."

13 In *Dawn Donut*, the plaintiff, a distributor of doughnuts and baked goods, was the senior
14 user and owned a federal trademark registrations for DAWN and DAWN DONUT. *Id.* at 360.
15 The plaintiff sought to enjoin the defendant's use of DAWN in connection with retail sales of
16 doughnuts within a six county area surrounding Rochester, New York. *Id.* However, the plaintiff
17 had not used its marks in the defendant's geographic market (*i.e.*, New York) for over 30 years.
18 *Id.* As a result, despite the plaintiff's seniority and federal trademark registrations, the Second
19 Circuit denied plaintiff's request for an injunction, finding that a senior federal registrant is not
20 entitled to enjoin a junior user's use of a trademark in a geographical market that the federal
21 registrant has not yet entered. *Id.* at 364.

22 Although the *Dawn Donut* case was decided in 1959, it is still good law. While some
23 courts have distinguished *Dawn Donut* based on the specific facts at issue in those decisions, no
24 courts have rejected or overruled the *Dawn Donut* rule. In fact, many courts continue to follow
25 *Dawn Donut* and have applied the *Dawn Donut* rule in recent decisions. *24 Hour Fitness USA,*
26 *Inc. v. 24/7 Tribeca Fitness, LLC*, 447 F. Supp. 2d 266, 287–88 (S.D.N.Y. 2006) (geographic
27 separation precluded confusion where parties offered health club services in New York and
28 California); *George A.Z. Johnson, Jr., Inc. v. Sosebee*, 397 F. Supp. 2d 706, (D.S.C. 2005)

1 (“Under the *Dawn Donut* rule ... there is no likely confusion for a court to enjoin until the senior
 2 user shows ... entry into the junior user’s trade territory.”); *Brennan’s, Inc. v. Brennan’s*
 3 *Restaurant, LLC*, 360 F.3d 125, 134–35 (2d Cir. 2004) (affirming denial of preliminary injunction
 4 where parties offered restaurant services in New York and New Orleans because “geographic
 5 remoteness is critical in this case”). These recent decisions underscore the continued applicability
 6 of the *Dawn Donut* rule, especially when local businesses are involved or the services at issue are
 7 tied to physical and geographical locations. *Id.* In fact, even this Court has recently issued a
 8 decision acknowledging the *Dawn Donut* rule. *Kerzner Int’l Ltd. v. Monarch Casino & Resort,*
 9 *Inc.*, 675 F. Supp. 2d 1029, 1047 (D. Nev. 2009) (Under the *Dawn Donut* rule, “[o]nly once the
 10 federal registrant has expanded its use of the mark, so that the market areas of the two users are
 11 no longer separate and distinct, will the registrant be entitled to an injunction.”).⁶

12 The facts of this case are particularly well-suited to the application of the *Dawn Donut*
 13 rule. First, there is no factual dispute that the parties operate in separate and distinct geographic
 14 markets. Russell Road operates in Las Vegas while Spencer and CHC operate in Cleveland, Ohio
 15 (and the surrounding cities of Brook Park and Bedford) and purportedly in Myrtle Beach, South
 16 Carolina (through a licensee).⁷ Sostilio Decl., ¶ 2; Answer, ¶¶ 124-25 (PACER Doc. #12). To
 17 put this in perspective, Cleveland and Las Vegas are over 2,000 miles apart and Myrtle Beach and
 18 Las Vegas are over 2,300 miles apart. Moreover, Spencer and CHC claim to have been using the
 19 mark since 1978 but have not expanded outside of Ohio in 30 years, with the exception of a
 20 recent licensing arrangement with a club in Myrtle Beach. Answer, ¶¶ 122-25 (PACER Doc.
 21 #12) Accordingly, there is no reason to believe that, now after 30 years, Spencer and CHC will
 22 be entering the Las Vegas market. Moreover, the *Dawn Donut* rule applies because the parties’
 23 services are tied to physical or geographical locations. The parties’ respective services consist of
 24 owning and operating gentlemen’s clubs, which customers would have to physically visit in order

25 _____
 26 ⁶ In *Kerzner*, this Court explicitly found the continued applicability of the *Dawn Donut* rule while opining that there
 27 might perhaps be an exception to the *Dawn Donut* rule when the plaintiff owns a famous foreign mark (the *Grupo*
 28 *Gigante* exception). However, in the instant case, Spencer and CHC do not own a famous foreign mark, so the
Grupo Gigante exception to the *Dawn Donut* rule would not apply.

⁷ Again, it appears that the Myrtle Beach gentlemen’s club has recently changed its name from Crazy Horse to Thee
 Dollhouse. See www.myrtlebeachcrazyhorse.com. If so, Spencer and CHC’s use is limited to Ohio.

1 to purchase and use the services. This is not a situation where goods are being purchased and
 2 shipped across the U.S. Finally, it should be noted that Russell Road adopted and started using
 3 the CRAZY HORSE III mark in good faith without any knowledge of Spencer or CHC (CHC did
 4 not even exist when Russell first used its mark). Sostilio Decl., ¶ 3. For these reasons, this Court
 5 should adopt and apply the *Dawn Donut* rule and hold that Spencer and CHC are not yet entitled
 6 to an injunction as they have not yet started to use the CRAZY HORSE mark in Las Vegas.

7 **B. Spencer and CHC cannot demonstrate a likelihood of success on the merits**

8 In order to prevail on a motion for preliminary injunction, the moving party must
 9 demonstrate a likelihood of success on the merits. *JL Beverage*, 2012 U.S. Dist. LEXIS 137076
 10 at *10. And to establish a likelihood of success on the merits of a trademark infringement claim,
 11 the moving party must establish that (1) it owns a valid, protectable mark, and (2) the alleged
 12 infringer's use creates a likelihood of confusion. *Id.* Moreover, "Plaintiff's burden to prove likely
 13 success on the merits includes a showing that it would likely prevail against any affirmative
 14 defenses raised by Defendant." *3 Point Distribution, LLC v. CafePress.com, Inc.*, No. 07-0432,
 15 2008 U.S. Dist. LEXIS 17128, *7 (C.D. Cal. Feb. 25, 2008).

16 As analyzed below, Spencer and CHC have not and cannot demonstrate a likelihood of
 17 success on the merits of their trademark infringement claim for several reasons: (1) Russell Road
 18 has a formidable defense to any claims of trademark infringement by virtue of a co-existence
 19 agreement; (2) an analysis and proper weighing of the *Sleekcraft* likelihood of confusion factors
 20 reveals that there is no likelihood of confusion; and (3) there is irrefutable evidence contesting the
 21 ownership by Spencer and CHC of any valid and protectable trademark rights covering the State
 22 of Nevada. Consequently, their Motion for Preliminary Injunction should be denied.

23 **1. Spencer and CHC are bound by a co-existence agreement that permits**
 24 **Russell Road to use of the CRAZY HORSE III mark**

25 Co-existence agreements, also called consent agreements, are contracts in which a
 26 trademark owner consents to another party's defined usage of a mark. *Brennan's Inc. v. Dickie*
 27 *Brennan & Co. Inc.*, 376 F.3d 356, 354 (5th Cir. 2004); McCarthy, *supra*, at § 18:79. As long as
 28 the party is using the mark in a manner permitted by the consent agreement, the trademark owner

1 is contractually prohibited from asserting trademark infringement. *Brennan's*, 376 F.3d at 364–
2 368; *T&T Mfg. Co. v. A.T. Cross Co.*, 587 F.2d 533 (1st Cir. 1978); *Rush Bev. Co., Inc. v. South*
3 *Beach Bev. Co., Inc.*, No. 01-C-5684, 2002 U.S. Dist. LEXIS 23486, *28–33 (N.D. Ill. Dec. 6,
4 2002) (finding trademark claims barred by consent agreement).

5 In the absence of language to the contrary, a contract is freely assignable. *Easton*
6 *Business Opportunities, Inc. v. Town Executive Suites-Eastern Marketplace, LLC*, 230 P.3d 827,
7 830 (Nev. 2010). Likewise, trademark consent agreements are freely assignable and binding on
8 each party's successors and assigns. *Waukesha Hygeia Mineral Springs Co. v. Hygeia Sparkling*
9 *Distilled Water Co.*, 63 F. 438 (7th Cir. 1894) (defendant held bound by the terms of a consent
10 agreement governing the use of the HYGEIA mark entered into by defendant's predecessor and
11 the plaintiff); *T&T Mfg.*, 587 F.2d 533 (agreement between First Quill and A.T. Cross found
12 enforceable against A.T. Cross where T&T purchased the agreement from First Quill and then
13 assigned the rights to Second Quill, which used the mark A.T. Cross originally consented to).

14 In the instant case, Spencer and CHC are bound by a co-existence agreement that allows
15 Russell Road to use the CRAZY HORSE III mark. At the outset, it is important to remember that
16 Spencer and CHC's claims of infringement are entirely premised on U.S. Registration No.
17 3,044,028 for CRAZY HORSE. This federal registration provides the only purported legal basis
18 for Spencer and CHC to claim any trademark rights in Nevada. *Spencer and CHC own no other*
19 *federal registrations for CRAZY HORSE and have never used the CRAZY HORSE mark in*
20 *Nevada (i.e., they have no common law trademark rights in Nevada).*

21 However, the original owner of U.S. Registration No. 3,044,028 was an individual named
22 Carl Reid. Tarabichi Decl., ¶¶ 23-29, Exs. P-Q. On July 10, 2009, a Nevada company called
23 Crazy Horse Too A Gentlemen's Club petitioned to cancel U.S. Registration No. 3,044,028 on
24 multiple grounds, including fraud and abandonment. *Id.* In order to resolve the dispute and
25 prevent the cancellation of his mark, Mr. Reid entered into a co-existence agreement with Crazy
26 Horse Too A Gentlemen's Club on September 16, 2009. *Id.* Under the terms of the agreement,
27 Mr. Reid explicitly consented to Crazy Horse Too A Gentlemen's Club's use and registration of
28 "any mark that includes the phrase CRAZY HORSE provided the mark does not contain the

1 phrase PURE GOLD'S." *Id.* In exchange, the cancellation proceeding against U.S. Registration
2 No. 3,044,028 was dismissed. *Id.*

3 On December 10, 2010, Mr. Reid assigned U.S. Registration No. 3,044,028 to CHC. *Id.*
4 at ¶ 20, Ex. M. The law is clear that, as the assignee of the trademark and registration, CHC is
5 bound by the September 16, 2009 co-existence agreement between Mr. Reid and Crazy horse Too
6 A Gentlemen's Club. *Premier Dental Prod. Co. v. Darby Dental Supply Co.*, 794 F.2d 850, 853
7 (3d Cir. 1986) (following a proper assignment of a trademark, "the assignee steps into the shoes
8 of the assignor"); *California Packing Corp. v. Sun-Maid Raisin Growers*, 64 F.2d 370 (CCPA
9 1933) (assignee of trademark bound by any agreements previously entered into by assignor
10 concerning trademark even without notice); *R.L. Polk & Co. v. InfoUSA, Inc.*, 230 F. Supp. 2d
11 780, 794 (E.D. Mich. 2002) (trademark assignee cannot acquire rights greater than those held by
12 assignor and any burdens or limitations incumbent on assignor); McCarthy, *supra*, at § 18:15;
13 Lawrence W. Greene, *The Ties That Bind? Considerations in Drafting and Maintaining U.S.*
14 *Trademark Consent and Coexistence Agreements*, INTABulletin Vol. 67 No. 6 (March 15, 2012).

15 On August 16, 2012, Crazy Horse Too A Gentlemen's Club assigned all of its rights, title,
16 and interest in the September 16, 2009 Co-Existence Agreement to Russell Road. *Id.* at ¶ 27, Ex.
17 Q. As Crazy Horse Too A Gentlemen's Club's assignee, Russell Road obtained all the benefits
18 under the agreement, including Mr. Reid and his successors' (i.e., CHC's) explicit contractual
19 consent to use and register "any mark that includes the phrase CRAZY HORSE provided the
20 mark does not contain the phrase PURE GOLD'S." This necessarily includes Russell Road's
21 CRAZY HORSE III mark, which is a mark that includes the phrase CRAZY HORSE but does
22 not contain the phrase PURE GOLD'S. Accordingly, Spencer and CHC are contractually
23 prohibited (and equitably estopped) from asserting a trademark infringement claim against
24 Russell Road based on its use of the CRAZY HORSE III mark. Therefore, Spencer and CHC are
25 clearly *not* likely to succeed on the merits, and the preliminary injunction should not be issued.

26 **2. Russell Road's use of CRAZY HORSE III does not create a likelihood of**
27 **confusion with Spencer and CHC's purported use of CRAZY HORSE**

28 In determining whether a likelihood of confusion exists, a court should consider and

1 weigh the following factors: (1) the strength of the mark, (2) the proximity of the goods or
 2 services, (3) the similarity of the marks, (4) evidence of actual confusion, (5) marketing channels
 3 used, (6) the type of goods or services and the degree of care likely to be exercised by the
 4 purchasers, (7) defendant's intent in selecting the mark, and (8) likelihood of expansion of
 5 product lines. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir. 1979). However, the
 6 Ninth Circuit has repeatedly cautioned that the *Sleekcraft* factors are not exhaustive and should
 7 not be used as a scorecard or rote checklist. *Network Automation, Inc. v. Advanced Systems*
 8 *Concepts, Inc.*, 638 F.3d 1137, 1145, 1154 (9th Cir. 2011) (reversing district court's grant of
 9 preliminary injunction because the “district court did not weigh the *Sleekcraft* factors flexibly to
 10 match the specific facts of the case”). Accordingly, the factors are intended as guidance, and “the
 11 relative important of each factor will be case-specific.” *Fortune Dynamic, Inc. v. Victoria's*
 12 *Secret Stores Brand Mgmt., Inc.*, 618 F.3d 1025, 1031 (9th Cir. 2010).

13 **a. The crowded field of CRAZY HORSE marks precludes confusion**

14 In assessing the first *Sleekcraft* factor, strength of the mark, a court must evaluate not only
 15 the conceptual strength of the mark but the commercial strength of the mark (*i.e.*, the strength of
 16 the mark in the marketplace). *One Industries, LLC v. Jim O'Neal Distributing, Inc.*, 578 F.3d
 17 1154, 1164 (9th Cir. 2009). When similar marks permeate the marketplace (known as a
 18 “crowded field”), the mark is weak and “merely one of a crowd of marks”. *Id.*; *Miss World (UK)*
 19 *Ltd. v. Mrs. America Pageants, Inc.*, 856 F.2d 1445, 1449 (9th 1988). As the Ninth Circuit
 20 explained, a crowded field can eliminate any likelihood of confusion: “In such a crowd,
 21 customers will not likely be confused between any two of the crowd and may have learned to
 22 carefully pick out one from the other.” *Id.* Importantly, in a crowded field of similar marks,
 23 “each member of the crowd is relatively weak in its ability to prevent use by others in the crowd.”
 24 *One Indus.*, 578 F.3d at 1164.

25 There can be no dispute that there is a crowded field of CRAZY HORSE mark. Tarabichi
 26 Decl., ¶¶ 4-6, Exs. D-E. CRAZY HORSE has been adopted for a wide variety of goods and
 27 services, including gentlemen's clubs, night clubs, restaurants, and bars. *Id.* For example, there
 28 are Crazy Horse gentlemen's club in San Francisco, Atlantic City, Detroit, Anchorage, Los

1 Angeles, Denver, Tampa, Forest Park, New Orleans, Nashville, Milwaukee, and many more. *Id.*

2 Accordingly, because CRAZY HORSE is part of a crowded field for gentlemen's clubs,
3 the CRAZY HORSE mark is clearly a weak mark entitled to little legal protection. As the alleged
4 owner of a mark in a crowded field, Spencer and CHC's ability to prevent others from using the
5 CRAZY HORSE mark is legally limited.⁸ The consuming public has already been exposed to
6 numerous uses of the CRAZY HORSE mark by unrelated parties and has grown accustomed to
7 distinguishing between multiple uses of the CRAZY HORSE mark. In light of the crowded field
8 and weak nature of the CRAZY HORSE mark, this factor weighs against a finding of likelihood
9 of confusion. In fact, Russell Road respectfully submits that, in this case, this first *Sleekcraft*
10 factor is the most important and dominant factor in the likelihood of confusion analysis.

11 **b. The lack of proximity of services weighs against confusion**

12 As more fully discussed in Section III.A.3. above, the *Dawn Donut* rule states that an
13 injunction should not be issued when the parties do not compete in the same geographic market.
14 In the cases that apply the rule, the courts analyze the rule both as a separate overall principle and
15 under this *Sleekcraft* factor, proximity of the goods or services. *See, e.g., Brennan's*, 360 F.3d
16 125 at 134. Accordingly, for all the same reasons articulated in Section III.A.3, the geographic
17 separation between the parties' services underscores a lack of proximity of the services such that
18 this factor weighs against likelihood of confusion.



19 **c. Similarity of Marks**

20 In considering the similarity of the marks, courts must compare the marks in terms of
21 sight, sound, meaning, and overall commercial impression. *Sleekcraft*, 599 F.2d at 351.
22 Moreover, the marks must be considered as they are encountered in the marketplace. *Id.* In
23 addition, the marks should be analyzed in the context of other identifying features. *JL Beverage*,
24 2012 U.S. Dist. LEXIS 137076 at *24. Furthermore, when the marks exist in a crowded field,

25 ⁸ Spencer and CHC argue that the USPTO determined that there is not a crowded field. Defs. Mtn., at 12. First, no
26 such determination was made. Second, they are referencing an application that was filed by a different party for a
27 different mark. Third, this is incorrect because examining attorneys are not permitted to consider marks in use in the
28 marketplace that are not registered with the USPTO. TMEP § 1207. As such, crowded field decisions can only be
made by courts. Fourth, a decision of an examining attorney is not a decision by the USPTO, is not binding, and no
weight is given to any decisions of an examining attorney during *ex parte* prosecution. *A&H v. Victoria's Secret*, 237
F.3d 198 (3d 2000) (rejecting assertion that the District Court erred in failing to give weight to examining attorney).

1 even small differences in the marks are sufficient to obviate a likelihood of confusion. *King*
 2 *Candy Co. v. Eunice King’s Kitchen Inc.*, 182 U.S.P.Q. 108 (C.C.P.A. 1974) (“confusion is
 3 unlikely because the marks are ... so widely used that the public easily distinguishes slight
 4 differences in the marks as well as differences in the goods ...”); *Jupiter Hosting Inc. v.*
 5 *Jupitermedia Corp.*, 76 U.S.P.Q.2d 1042 (N.D. Cal. 2004).

6 In the instant case, even though both parties’ marks incorporate CRAZY HORSE, there
 7 are significant differences between the parties’ marks. This is immediately apparent when one
 8 compares the marks as they are actually used in the marketplace and in the context of other
 9 identifying features:

Russell Road’s CRAZY HORSE III Mark	Spencer and CHC’s CRAZY HORSE Mark
	

15 Sostilio Decl, ¶¶ 3-4. Russell Road’s mark contains a classic design of three horses, which
 16 reinforces and underscores the roman numeral III, a reference to the fact that Russell Road’s club
 17 is the third Crazy Horse club in Las Vegas after the previous two clubs closed. *Id.* In contrast,
 18 Spencer and CHC’s mark contains a prominent logo of a goofy looking horse with its red tongue
 19 hanging out.⁹ Tarabichi Decl., ¶ 35 This logo always accompanies Spencer and CHC’s use of
 20 CRAZY HORSE. Likewise, Spencer and CHC’s mark contains no roman numerals or numbers.
 21 In addition, the parties utilize different fonts. Moreover, Russell Road’s mark contains the
 22 additional phrase “Gentlemen’s Club,” which does not appear in Spencer and CHC’s mark.

23 Because the CRAZY HORSE mark is part of a crowded field, the purchasing public is
 24 aware of the existence and use of multiple CRAZY HORSE marks and is conditioned to
 25 distinguish between them based on even slight differences. As a result, the differences listed in

26 ⁹ It is worth noting that, as much as Spencer and CHC try to argue that multiple uses of different CRAZY HORSE
 27 marks creates a likelihood of confusion in an already crowded field, Spencer and CHC themselves use different
 28 variations of CRAZY HORSE. One of their clubs isn’t even Crazy Horse, it is Platinum Horse. Another one of their
 clubs in Ohio is actually called The Crazy Horse Saloon. Spencer and CHC’s position seems hypocritical,
 considering their own muddled and indiscriminate use of different Crazy Horse variations.

1 the preceding paragraph are sufficient to preclude any likelihood of confusion, which means this
2 factor weighs against any likelihood of confusion.

3 **d. Evidence of Actual Confusion**

4 If the parties have both been using their marks without any actual confusion, then there is
5 less likelihood of confusion. *Sleekcraft*, 599 F.2d at 352. In the over three years since Russell
6 Road opened its CRAZY HORSE III club, there have been no instances of actual confusion.
7 Sostilio Decl., ¶ 8. In their opposition, Spencer and CHC unconvincingly argue that there has
8 been an instance of confusion because some blog post made a passing reference to a New York
9 club having to change its name due to a dispute with the “Vegas Crazy Horse” instead of Spencer
10 and CHC. *See* Defs.’ Mtn. at 13:24–14:2. Not only is this a stretch of epic proportions, but when
11 this blog post was written, Russell Road’s CRAZY HORSE III club was not the only Crazy
12 Horse in Las Vegas—the MGM had a Crazy Horse show in Las Vegas as well and the blog post
13 could have been referring to that “Vegas Crazy Horse” or even perhaps one of the prior Crazy
14 Horse clubs in Las Vegas. The blog post simply lacks any probative value. Second, this single,
15 isolated blog post is insufficient evidence of actual confusion. *Sleekcraft*, 599 F.2d at 352
16 (discounting isolated instances of past confusion negligible). The fact that this is the only thing
17 that Spencer and CHC can point to evidences the real truth: there has been no actual confusion
18 over the past three years.¹⁰ Accordingly, this factor weighs against any likelihood of confusion.

19 **e. The parties’ differing marketing channels weigh against confusion**

20 Convergent marketing channels increase the likelihood of confusion. *Network*
21 *Automation*, 638 F.3d at 1151. However, this factor becomes less important when the marketing
22 channel is less obscure: “Today, it would be the rare commercial retailer that did not advertise
23 online, and the shared use of a ubiquitous marketing channel does not shed much light on the
24 likelihood of consumer confusion.” *Id.* This has led the Ninth Circuit to explicitly hold that the
25 shared use of the Internet alone is *insufficient* to find likelihood of confusion. *Id.* (“the district

26 ¹⁰ In their opposition, Spencer and CHC purposely mislead this Court by stating that Russell Road’s tweet of “Third
27 time’s a charm!” somehow purposely implies a connection with them. Opp’n. at 14:3–5. When the entire tweet is
28 reproduced, it is clear that it refers to the third year anniversary: “Third time’s the charm! Celebrate our three year
anniversary party.” *See* Gordon Decl., Ex. B (Pacer Doc. # 15-2). Such an intentional mischaracterization to mislead
the Court appears sanctionable.

1 court's determination that because both parties advertise on the Internet this factor weighed in
2 favor of Systems was incorrect.")

3 Notably, Spencer and CHC did not address this factor in their Motion, apparently
4 conceding that the parties use different marketing channels. While both parties do have websites,
5 the Ninth Circuit has found that insufficient. Moreover, the CRAZY HORSE III gentlemen's
6 club is destination place, and any Internet searches will be destination driven (e.g., "gentlemen's
7 club Las Vegas" or "strip club Las Vegas" or "Crazy Horse III Las Vegas), thereby even further
8 minimizing the importance of the Internet as a shared channel. Other than the fact that both
9 parties have their own websites, Russell Road is unaware of any shared marketing channels. In
10 fact, much of Russell Road's marketing is targeted to Las Vegas residents and visitors. Sostilio
11 Decl., ¶ 7. Such targeted marketing would not overlap with Spencer and CHC's Ohio-specific
12 marketing efforts. Consequently, this factor also weighs against a finding of confusion.

13 **f. The type and nature of the parties' services weigh against confusion**

14 In assessing likelihood of confusion, courts should consider the type and nature of the
15 parties' goods or services and the degree of consumer care in making purchases. *Network*
16 *Automation*, 638 F.3d at 1152; *Sleekcraft*, 599 F.2d at 353. For example, when the goods or
17 services are expensive, the purchasers is expected to exercise greater care. *Id.*

18 Here, the fact that the parties operate strip clubs weighs against any likelihood of
19 confusion. To put it bluntly, customers who want to visit a strip club when visiting Las Vegas are
20 not going to be confused and accidentally end up in a strip club in Ohio—nor will they confuse
21 the operations of the respective establishments. It is axiomatic that the geographic location of the
22 parties' respective clubs plays an important role in the analysis of this factor as well. The reality
23 is that the parties' respective exotic dancers perform at brick and mortar locations situated
24 thousands of miles apart. In addition to the thousands of miles separating the parties' strip clubs,
25 Russell Road's CRAZY HORSE III gentlemen's club strives to provide a more upscale
26 experience at a greater cost than Spencer and CHC's Ohio clubs. Sostilio Decl., ¶¶ 5-6, Exs. B-C.
27 For example, Russell Road's CRAZY HORSE III club features well-known celebrities such as
28 Heidi Montag, Carmen Electra, and Jenna Jameson, as well as Playboy Playmates and adult film

1 stars. *Id.* In addition, a night at Russell Road's CRAZY HORSE III club would be significantly
 2 more expensive than a night in a strip club outside of Cleveland, Ohio. *Id.* For example, Russell
 3 Road's Double Eagle Platinum Package costs \$22,500. *Id.* A review of Spencer and CHC's Ohio
 4 clubs reveals that they feature no celebrities and premium packages hover around \$20. Tarabichi
 5 Decl., ¶ 37, Ex. V. Consequently, the type and nature of the parties' respective services weights
 6 against any likelihood of confusion.

7 **g. Russell Road adopted the CRAZY HORSE III mark in good faith**

8 When an alleged infringer adopts a trademark in good faith and is unaware of the
 9 plaintiff's mark, then this factor weighs against finding a likelihood of confusion. *Sleekcraft*, 599
 10 F.2d at 354 (agreeing with district court that there was no evidence that defendant was aware of
 11 plaintiff's mark when he adopted the Sleekcraft name). In the instant case, Russell Road adopted
 12 the CRAZY HORSE III mark on or before September 4, 2009 and was completely unaware of
 13 Spencer or CHC when it adopted the mark. Sostilio Decl., ¶ 3. When Russell Road adopted the
 14 mark, the first Crazy Horse Saloon club in Las Vegas had already closed and the second Crazy
 15 Horse Too club in Las Vegas had recently closed. *Id.* As such, CRAZY HORSE III was adopted
 16 based on the idea that Russell Road's club would be the third Crazy Horse club in Las Vegas—
 17 Russell Road's choice of CRAZY HORSE III had nothing to do with Spencer or CHC. *Id.* Of
 18 course, it is not surprising that Russell Road had never heard of Spencer or CHC since CHC did
 19 not even exist at the time (it was not formed until August 19, 2010) and Spencer had not (and still
 20 hasn't) used the CRAZY HORSE mark in Nevada. Spencer and CHC have submitted no
 21 evidence whatsoever that Russell Road adopted its CRAZY HORSE III mark with an intent to
 22 infringe their alleged rights in the CRAZY HORSE mark.¹¹ Accordingly, this factor clearly
 23 weights against likelihood of confusion.

24 **h. The expansion of product lines factor is neutral**

25 When the goods or services of the parties are related, the likelihood of the expansion of

26 ¹¹ Spencer and CHC speciously argue that Russell Road knew about Spencer and CHC prior to adopting the CRAZY
 27 HORSE III mark because of office actions issued by the USPTO. *See* Opp'n at 14:16–19. However, those office
 28 actions were issued over a year *after* Russell Road first used its CRAZY HORSE III mark on September 4, 2009.
See Gordon Decl., Exs. C–E (PACER Doc. # 15-3, 15-4, 15-5). In addition, those office actions cited trademark
 registrations that, at the time, were owned by Carl Reid, not Spencer or CHC. *Id.*

1 product lines is irrelevant and does not favor either party. *JL Beverage*, 2012 U.S. Dist. LEXIS
2 137076 at *41; *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1029
3 (9th Cir. 2004). In the instant case, both Russell Road and Spencer and CHC operate gentlemen's
4 clubs. Therefore, this factor is neutral and does not favor either party.

5 In their opposition, Spencer and CHC acknowledge the rule that, when the parties offer
6 related services, this factor is irrelevant. Nevertheless, they proceed to try to argue that this factor
7 favors them because Spencer intends to enter the Las Vegas market and because Russell Road
8 filed this lawsuit in the District of Nevada. These arguments have no merit. First, Spencer's bald
9 assertion that he intends to enter the Las Vegas market should be given no credence—especially,
10 since he claims to have first used the CRAZY HORSE mark in Ohio in 1978 but still has not
11 entered the Las Vegas market over 30 years later. Second, Russell Road filed this lawsuit in this
12 district because Russell Road is a Nevada limited liability company with its principal place of
13 business in Las Vegas—not because it believes Spencer or CHC will enter the Las Vegas market.
14 Russell Road has not ceded this factor. Rather, this factor is neutral and weighs in no one's favor.

15 **i. Consent agreements demonstrate there is no likelihood of confusion**

16 As detailed in Section III.B.1 above, Russell Road believes that Spencer and CHC are
17 contractually prohibited from asserting a claim for trademark infringement. However, separate
18 and apart from the contractual prohibition argument, it is well-established that a plaintiff's
19 consent agreements can evidence that there is no likelihood of confusion and serve as a form of
20 estoppel as well. *Freedom Card, Inc. v. JP Morgan Chase & Co.*, 432 F.3d 463 (3d Cir. 2005)
21 (UTN's own statements and actions, which included entering into a consent agreement with
22 another party, undermine any claim of likelihood of confusion).

23 Russell Road is aware of at least two consent agreements in which Spencer and CHC have
24 allowed other parties to use the CRAZY HORSE mark. The first agreement is the one discussed
25 at length in Section III.B.1. above. The second agreement is a very recent January 26, 2012
26 consent agreement in which Spencer and CHC explicitly consented to JAT Investments, LLC's
27 use of PURE GOLD'S CRAZY HORSE. Tarabichi Decl., ¶ 22, Ex. O. These two consent
28 agreements constitute strong evidence that there is no likelihood of confusion not only between

1 multiple uses of the CRAZY HORSE mark but specifically between Russell Road's use of
2 CRAZY HORSE III and Spencer and CHC's use of CRAZY HORSE.

3 **3. Spencer and CHC's registration and applications are likely void or invalid**

4 In addition to proving likelihood of confusion, Spencer and CHC must prove that they
5 own a valid and protectable trademark. *JL Beverage*, 2012 U.S. Dist. LEXIS 137076 at *10. In
6 this regard, Spencer and CHC's alleged rights in the CRAZY HORSE trademark emanate from
7 only one of four possible bases: (1) common law trademark rights by virtue of their use of the
8 CRAZY HORSE mark in the actual marketplace, (2) Spencer's two pending federal trademark
9 applications for CRAZY HORSE, and (3) CHC's U.S. Registration No. 3,044,028, which CHC
10 acquired by assignment *after* Russell Road had already adopted its CRAZY HORSE III mark.¹²

11 However, for purposes of this Motion, the court only needs to focus on the U.S.
12 Registration No. 3,044,028 because Spencer and CHC's common law rights and pending
13 applications do not provide them any trademark rights in Las Vegas or Nevada. This is because
14 common law rights only extend to the geographic areas in which the trademark is used, and
15 Spencer and CHC have only used CRAZY HORSE in Ohio and South Carolina.¹³ Answer, ¶¶
16 122–25 (PACER Doc. #12); *Gold's Gym Enterprises, Inc. v. Nixon*, 1981 U.S. Dist. LEXIS
17 17407, *2 (D. Ariz. 1981) (“At common law, trademark rights are geographically limited to the
18 territory in which the user has actually used the trademark.”). Likewise, pending trademark
19 applications do not confer any rights until they issue as registrations.¹⁴ 15 U.S.C. § 1057
20 (constructive nationwide use/priority requires that the application actually register).

21 U.S. Registration No. 3,044,028 should be cancelled because it was obtained by Carl Reid
22 through fraud on the USPTO. To cancel a trademark registration for fraud on the USPTO, the
23 party seeking cancellation must establish the following elements: "a false representation
24 regarding a material fact, the registrant's knowledge or belief that the representation is false, the

25 ¹² While Spencer and CHC argue this mark is incontestable, (1) even incontestable marks are subject to cancellation,
26 *see* 15 U.S.C. §§ 1064-65, and (2) obviously, it does not change the likelihood of confusion requirement.

27 ¹³ To be clear, Russell Road is not admitting that Spencer or CHC actually own any common law rights or that they
28 have made proper trademark use of CRAZY HORSE in Ohio or South Carolina. Rather, Russell Road is simply
pointing out that, assuming arguendo that they do have such rights, they are insufficient to obtain injunctive relief.

¹⁴ Although it is not necessary to address these pending applications in the context of this Motion, Russell Road also
believes these applications are void or invalid for the reasons enumerated in its Complaint.

1 intent to induce reliance upon the misrepresentation and reasonable reliance thereon, and damages
2 proximately resulting from the reliance." *Robi v. Five Platters, Inc.*, 918 F.2d 1439, 1444 (9th
3 Cir. 1990). Carl Reid originally filed the application for CRAZY HORSE that matured into U.S.
4 Registration No. 3,044,028. Mr. Reid made false representations in the application: he
5 represented that he was entitled to use the CRAZY HORSE mark in commerce and that no other
6 person or entity had the right to use the mark, and he represented that he was the owner of the
7 mark and proper applicant. These representations of material fact were false, Mr. Reid knew they
8 were false, he made the false representations with the intent to induce the USPTO to rely on them
9 to issue a registration, the USPTO did rely on them, and Russell Road is now being damaged by
10 the registration. Tarabichi Decl., ¶ 24. Accordingly, Russell Road submits that Reid's
11 successors, Spencer and CHC, do not even own any trademark rights in Nevada that would
12 support their request for injunctive relief.

13 **4. The preliminary injunction should also be denied due to Spencer and**
14 **CHC's fraudulent marking, which constitutes unclean hands**

15 Because preliminary injunctive relief is a purely equitable relief, a party seeking
16 injunctive relief must come into court with clean hands. *Calvin Klein Cosmetics Corp. v. Lenox*
17 *Laboratories, Inc.*, 815 F.2d 500 (8th Cir. 1987) (reversing preliminary injunction); *Fox Stanley*
18 *Photo Prods., Inc. v. Otaguro*, 339 F. Supp. 1293, 1295 (D. Mass. 1972); McCarthy, *supra*, at
19 § 30:53. A trademark owner is not permitted to use the registration symbol ® unless the
20 trademark has been registered with the USPTO. 15 U.S.C. § 1111. In this regard, courts have
21 held that when a party uses the federal registration symbol in connection with an unregistered
22 trademark (often called fraudulent marking), such use constitutes unclean hands sufficient to bar
23 preliminary injunctive relief. *L.F. Gaubert & Co., Inc. v. Institute of Electrical & Electronics*
24 *Engineers, Inc.*, 563 F. Supp. 122, 128 (E.D. La. 1983) ("plaintiffs, whether intentionally or
25 through careless disregard for the significance of such actions, misused the encircled 'R'
26 symbolic of trademark registration and thus are precluded from obtaining the equitable remedy of
27 injunctive relief under the unclean hands doctrine"); *Sterling Acceptance Corp. v. Tommark, Inc.*,
28 227 F. Supp.2d 454, 468 (D. Md. 2002) (noting that plaintiff's misuse of the registration symbol

1 was sufficient to deny injunctive relief even if defendant may not ultimately prevail on liability on
2 the unclean hands defense); *Fox Stanley*, 339 F. Supp. at 1295 (finding plaintiff’s illegal use of
3 the registration symbol “a violation of the clean hands doctrine of such serious magnitude as to
4 disqualify plaintiff from obtaining injunctive relief.”

5 Here, there is no factual dispute that Spencer and CHC used the registration symbol ® in
6 connection with the CRAZY HORSE trademark *before* they owned a federal registration.
7 Tarabichi Decl., ¶¶ 13-15, Ex. H; Defs.’ Mtn. at 16:18-26. In response, Spencer and CHC argue
8 that their illegal use of the registration symbol was “fleeting and inadvertent.” Defs’ Mtn. at
9 16:26. However, at the time of their fraudulent marking, Spencer and CHC had competent legal
10 counsel and were already familiar with the trademark registration process at the USPTO.
11 Tarabichi Decl., ¶ 15. Therefore, the fraudulent marking appears knowing and intentional.
12 Whether Russell Road will ultimately prevail on this defense is a question for another day. For
13 purposes of the Motion before the Court, the law is clear that, in seeking the equitable remedy of
14 a preliminary injunction, Spencer and CHC must come to this Court with clean hands. Their
15 illegal use of the registration symbol—whether inadvertent or not—constitutes unclean hands
16 sufficient to bar preliminary relief at this stage of this lawsuit. *See L.F. Gaubert & Co.*, 563 F.
17 Supp. at 128; *Sterling*, 227 F. Supp.2d at 468; *Fox Stanley*, 339 F. Supp. at 1295.

18 **C. The Balance of Hardships Tips Significantly in Russell Road’s Favor**

19 As an exercise in equitable power, a court must balance the harms and hardships to each
20 party when considering a motion for preliminary injunction. *JL Beverage*, 2012 U.S. Dist. LEXIS
21 137076 at *46–47. Moreover, a preliminary injunction should not issue unless the balancing of
22 hardships tips *sharply* in the moving party’s favor. *Caesars World, Inc. v. July*, No. 11-cv-00536,
23 2011 U.S. Dist. LEXIS 122914, *4–8 (D. Nev. Oct. 24, 2011). Stated another way, if the
24 granting of a preliminary injunction would cause the non-moving party financial loss and damage
25 to business reputation that outweighs any damage to the moving party, preliminary injunctive
26 relief is not appropriate. *JL Beverage*, 2012 U.S. Dist. LEXIS 137076 at *46–47. In addition, if
27 the case is close on the merits, then the moving party’s delay in seeking injunctive relief tips the
28 balance of hardships in the non-moving party’s favor because the “harm to the defendant

1 increases with the passage of time.” McCarthy, *supra*, at § 30:51; *Stokley-Van Camp, Inc. v.*
2 *Coca-Cola Co.*, 2 USPQ2d 1225 (N.D. Ill. 1987). In fact, even if the moving party shows a
3 likelihood of success on the merits, the court should deny injunctive relief if the balance of
4 hardships favors the non-moving party. *JL Beverage*, 2012 U.S. Dist. LEXIS 137076 at *46–47.

5 Not only does the balance of hardships not tip sharply in favor of Spencer and CHC, it
6 decidedly tips sharply in favor of Russell Road. If the preliminary injunction is denied, Spencer
7 and CHC will suffer no harm. If Spencer and CHC prevail in this lawsuit, they will still be able
8 to seek a permanent injunction at that time and they will be able to seek monetary compensation
9 for any infringement between now and final decision on the merits after a full trial. In short,
10 things will just continue as they have for the last three years. On the other hand, if this Court
11 issues a preliminary injunction, it will cost Russell Road \$23 million and its business reputation
12 will be irreparably harmed. Sostilio Decl., ¶¶ 9-17; *see also* Section III.E below. The balancing
13 of hardships confirms that it would be inequitable to issue an injunction on the facts of this case.

14 **D. A preliminary injunction is not in the public interest**

15 A party moving for a preliminary injunction must show that injunctive relief serves the
16 public interest. *Winter*, 555 U.S. at 20. In trademark infringement cases, if the moving party is
17 unable to establish that it will prevail on the merits, then the injunction will not serve the public
18 interest because there is no likelihood of confusion. *JL Beverage*, 2012 U.S. Dist. LEXIS 137076
19 at *48; *Rodan & Fields, LLC v. Estee Lauder Cos.*, No. 10-CV-02451, 2010 U.S. Dist. LEXIS
20 109573, *20 (N.D. Cal. Oct. 5, 2010). In fact, if the moving party has failed to show a likelihood
21 of confusion, an injunction would “violate the public’s interest in fair and healthy competition.”
22 *The Active Network, Inc. v. Electronic Arts, Inc.*, No. 10-cv-1158, 2010 U.S. Dist. LEXIS 90602,
23 *17 (S.D. Cal. Aug. 31, 2010); *Calvin Klein*, 815 F.2d 500 (“the value placed on free competition
24 must be weighed against any individual’s property interest in that trademark”). Finally, should
25 the Court find that Spencer and CHC have not established irreparable harm, a likelihood of
26 success, or that the hardships weigh in their favor, the court need not reach the public interest
27 issue. *MarketQuest Group, Inc. v. Bic Corp.*, No. 11-cv-618, 2011 U.S. Dist. LEXIS 128778,
28 *48 (S.D. Cal. Nov. 7, 2011).

1 In the instant case, this Court should not even reach this issue because Spencer and CHC
2 have not shown that irreparable harm is *likely* or that they are *likely* to succeed on the merits.
3 Nevertheless, as discussed in Section III.B.2. above, an analysis and proper weighing of the
4 *Sleekcraft* factors leads to the conclusion that there is no likelihood of confusion. Because there
5 is no likelihood of confusion, a preliminary injunction is not in the public interest. *See Rodan*,
6 2010 U.S. Dist. LEXIS at *20. Along these same lines and without needlessly repeating points
7 already made in this opposition, there is no confusion that the public needs to be protected from
8 because the parties operate in separate and distinct geographic markets. Moreover, there is
9 already a crowded field of CRAZY HORSE marks and enjoining Russell Road will not change
10 that fact, leaving the public in the same position. As a result, this case is one where the public's
11 interest in fair and healthy competition trumps Spencer and CHC's alleged (and suspect) property
12 rights in the CRAZY HORSE mark. In addition, as discussed in Section III.E below, if an
13 injunction were issued nearly 400 people would lose their jobs and the closure of the CRAZY
14 HORSE III club would also have a negative impact on the local Las Vegas economy. As such,
15 the public interest weighs in favor of denying the request for preliminary relief.

16 **E. Spencer and CHC should be required to post a \$23 million bond as security in**
17 **the event that Russell Road is wrongfully enjoined**

18 As detailed throughout this Opposition, Spencer and CHC's request for a preliminary
19 injunction should be denied because (1) they have not proven any irreparable harm, (2) they have
20 not shown a likelihood of success on the merits, (3) the balance of hardships tips against them,
21 and (4) the status quo would not be maintained pending a full trial on the merits. However,
22 should this Court disagree and issue a preliminary injunction, Russell Road requests that the
23 Court require a bond in the amount of \$23,000,000 to protect Russell Road against the costs it
24 would incur and the damages it would sustain by being wrongfully enjoined.

25 Rule 65(c) of the Federal Rules of Civil Procedure allows a court to issue a preliminary
26 injunction "*only* if the movant gives security in an amount that the court considers proper to pay
27 the costs and damages sustained by any party found to have been wrongfully enjoined or
28 restrained." Fed. R. Civ. P. 65(c). In determining the amount of the bond, a court should

1 consider the potential financial ramifications of issuing the preliminary injunction because the
2 “bond should attempt to create a fund from which all of [the] potential damage from an erroneous
3 preliminary injunction can be compensated.” McCarthy, *supra*, at § 30:55. Accordingly, the
4 court must take into account the additional profits the enjoined party would have earned, the out-
5 of-pocket corrective marketing expenses to re-brand (ad reprints, repackaging, etc.), and damage
6 to the enjoined party’s reputation. *Id*; *Hansen Beverage Co. v. Cytosport, Inc.*, No. 09-0031,
7 2009 U.S. Dist. LEXIS 120508, *71 (C.D. Cal. Nov. 4, 2009) ; *Maidenform, Inc. v.*
8 *Munsingwear, Inc.*, 1977 U.S. Dist. LEXIS 14726, *17–18 (S.D.N.Y. 1977). Therefore, as the
9 Seventh Circuit cautioned, “district courts should err on the high side” in setting bond amounts in
10 trademark cases. *Mead Johnson & Co. v. Abbott Laboratories*, 201 F.3d 883 (7th Cir. 2000).

11 In analogous trademark cases in which the enjoined party had been using its mark for
12 several years and expended significant resources adopting and marketing its goods or services
13 under the mark, federal courts routinely require the moving party to post a bond in the amount of
14 several millions of dollars. *Philip Morris Inc. v. Star Tobacco Corp.*, 879 F. Supp. 379 (S.D.N.Y.
15 1995) (requiring \$5,000,000 bond); *Team Gordon, Inc. v. Specialized Bicycle Components, Inc.*,
16 No. 10-1379, 2010 U.S. Dist. LEXIS 130738, *15 (C.D. Cal. Nov. 18, 2010) (requiring a
17 \$3,000,000 bond); *Emra Corp. v. Superclips Ltd.*, 559 F. Supp. 705, 720 (E.D. Mich. 1983)
18 (requiring \$1,500,000 bond); *Hansen Beverage*, 2009 U.S. Dist. LEXIS 120508 at *2 (“The
19 preliminary injunction is conditional on the posting of a \$1,300,000 bond”); *The Topline Corp. v.*
20 *Report Footwear, Inc.*, No. C07-938Z, 2007 U.S. Dist. LEXIS 58983, *48 (W.D. Wash. Aug. 13,
21 2007) (requiring \$1,000,000 bond); *3 Point Distribution, LLC v. Cafepress.com, Inc.*, No. 07-
22 0432, 1008 U.S. Dist. LEXIS 17128, * 27 (C.D. Cal. Feb. 25, 2008) (requiring \$1,000,000 bond).

23 If Russell Road is enjoined from using its mark, it will suffer approximately \$23 million
24 in damages and lose the invaluable consumer recognition and goodwill that it has built since
25 opening its gentlemen’s club over three years ago. Sostilio Decl., ¶¶ 9-17. The \$23 million
26 factors in a number of items, including the loss of sales while the club is closed for 3-6 months,
27 loss of sales over 18 months after the club reopens and attempts to get back to its current sales
28 levels, cost of new signage and refitting the club, advertising and promotional costs, printing and

1 impressions, web design, ecommerce, and SEO expenditures, licensing and permitting expenses,
2 public relations expenditures, legal fees and expenses, and new uniforms and staff imaging. *Id.*
3 Should the Court require additional evidentiary proof in support of the bond amount, Russell
4 Road is willing to submit detailed breakdowns and financials *under seal* at the Court's request.
5 *Id.* Notably, the \$23 million does not include the losses and harm that would be suffered by
6 approximately 400 individuals who would be out of work while Russell Road is forced to close
7 the club to rebrand. *Id.* Likewise, it does not take into consideration the effect the closure of the
8 CRAZY HORSE III club would have on the local Las Vegas economy. *Id.* In the past three
9 years, Russell Road has worked strenuously to build its brand and has achieved a high level of
10 publicity. Russell Road's CRAZY HORSE III club has attracted celebrities and adult
11 entertainment stars, been featured on TV shows and magazines, and become a well-known
12 attraction in Las Vegas. *Id.* at ¶ 5. The cost of retooling and rebranding would be astronomical,
13 requiring Russell Road to undertake an advertising campaign to educate the public about the
14 transition to a new mark. In addition, there would be the stigma associated with the alleged
15 infringement. Based on the foregoing, Russell Road requests that the Court require a bond in the
16 amount of \$23,000,000 to compensate Russell Road for all damages for being wrongly enjoined.

17 **F. A preliminary injunction should not be granted because it alters the status quo**

18 The fundamental purpose of a preliminary injunction is to preserve the status quo until the
19 action can be decided on its merits. *Blue v. Johnson*, No. 07-05370, 2008 U.S. Dist. LEXIS
20 120253, *6 (N.D. Cal. May 9, 2008); *Chalk v. U.S. Dist. Ct.*, 840 F.2d 701, 704 (9th Cir. 1988).
21 In this regard, the status quo does not necessarily refer to the situation immediately before the
22 lawsuit is filed, but to the "last uncontested status" that proceeded the controversy. *GoTo.com,*
23 *Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1210 (9th Cir. 2000). Importantly, if the moving party's
24 request for injunctive relief would alter the status quo, the request is subject to higher scrutiny and
25 carries a higher burden of persuasion. *Blue*, 2008 U.S. Dist. LEXIS 120253 at *6.

26 In trademark cases, the status quo is often the situation that existed before the alleged
27 trademark infringement began; however, when the non-moving party has been using its mark for
28 years, federal courts regularly hold that issuing an injunction would alter the status quo and that

1 preserving the status quo requires denying injunctive relief and allowing the non-moving party to
2 continue to use the mark pending a full adjudication on the merits. *Bridges in Org., Inc. v.*
3 *Bureau of Nat'l Affairs, Inc.*, No. B-91-23, 1991 U.S. Dist. LEXIS 15449, * 7 (D. Md. June 25,
4 1991) (Because “defendants have used the word ‘Bridges’ for more than a year ... maintaining
5 the status quo would lead the Court to withhold the injunction.”); *Mail Boxes Etc., Inc. v. CMS*
6 *Enter., Inc.*, No. 06-130, 2006 U.S. Dist. LEXIS 17252, *8 (W.D. Okla. Feb. 27, 2006) (“issuance
7 of the injunction would alter the status quo as it would require defendants to cease using
8 telephone numbers they have employed for ten years.”); *Marshak v. The Five Platters, Inc.*, No.
9 96-cv-2292, 2000 U.S. Dist. LEXIS 19577, *14 (E.D.N.Y. 2000) (“the parties to this action have
10 made competing claims to perform ... as ‘The Platters’ ... plaintiffs have not furnished sufficient
11 basis for now disturbing this *status quo*”); *Paleteria La Michocana, Inc. v. Productos Lacteos*
12 *Tocumbo S.A. De C.V.*, No. 11-1623, 2012 U.S. Dist. LEXIS 157074, *8-9 (D.D.C. Nov. 1, 2012)
13 (holding injunction would alter status quo where non-moving party had used the marks for a year
14 and the moving party knew as much); *Porsche v. Manny’s Porshop, Inc.*, No. 96 C 5924, 1997
15 U.S. Dist. LEXIS 4519, *28 (N.D. Ill. Apr. 9, 1997) (“granting the injunction would alter the
16 status quo” because “Porsche, having lived with this situation for over 10 years, suffers no harm
17 by waiting for a final judgment on the merits.”); *Welch Allyn, Inc. v. Tyco Int’l Serv. AG*, 200 F.
18 Supp. 2d 130, 136, n.4 (N.D.N.Y. 2002) (“the injunctive relief that Plaintiff seeks will alter,
19 rather than maintain, the *status quo*, by requiring Defendants to cease using the Tyco/Healthcare
20 mark which they have used for years”); *Virginia Tech Found. Inc. v. Family Group Ltd.*, 666 F.
21 Supp. 856, 860 (W.D. Va. 1987) (“Plaintiff is not asking the Court to preserve the status quo, but
22 to change it. The conditions which exist now have existed since November 7, 1986.”).

23 In the instant case, Russell Road has used its CRAZY HORSE III trademark since at least
24 as early as September 4, 2009. Sostilio Decl., ¶ 2. Accordingly, preserving the status quo as it
25 has existed for more than three years means that Russell Road should be permitted to continue
26 using the CRAZY HORSE III mark, which requires denying the requested preliminary injunction.

27 Likewise, Russell Road was already using the CRAZY HORSE III mark for over a year in
28 the “last uncontested status” that preceded the dispute between Russell Road and Spencer and

1 CHC. It was not until December 10, 2010 when Spencer orchestrated the assignment of U.S.
 2 Trademark Registration No. 3,044,028 from Carl Reid to CHC that the dispute arose. Tarabichi
 3 Decl., ¶ 20, Ex. M. Prior to that, there was no basis for Spencer or CHC to even try to claim
 4 trademark rights in Nevada because they had not made any common law use in Nevada and they
 5 did not own any federal trademark registrations. Accordingly, the “last uncontested status” would
 6 be December 9, 2010, the day before U.S. Registration No. 3,044,028 from Carl Reid to CHC.
 7 As of that date, Russell Road had been using the CRAZY HORSE III mark for over a year since
 8 September 4, 2009. Therefore, the “last uncontested status” in this case was not before Russell
 9 Road adopted and started using the CRAZY HORSE III mark but well after that.

10 **G. Russell Road requests leave to take discovery to oppose this motion if necessary**

11 Russell Road believes that it has submitted sufficient arguments and evidence to convince
 12 this Court that the Motion for Preliminary Injunction should be denied. However, to the extent
 13 this Court is inclined to grant preliminary injunctive relief, Russell Road requests that the Court
 14 stay a hearing on this Motion and permit it to conduct discovery to obtain additional evidence that
 15 Spencer and CHC will not be irreparably harmed and are not likely to succeed on the merits of
 16 their trademark infringement claim. Tarabichi Decl., ¶¶ 38-41 (detailing the additional discovery
 17 requested); *Signeo USA, LLC v. SOL Republic, Inc.*, No. 11-6370, 2012 U.S. Dist. LEXIS 30560,
 18 *3 (N.D. Cal. 2012) (“the court finds that limited, expedited discovery of a reciprocal nature is
 19 appropriate to facilitate the proper resolution of Signeo’s motion for preliminary injunction”).

20 **IV. CONCLUSION**

21 For all the foregoing reasons, Russell Road respectfully requests that this Court deny
 22 Spencer and CHC’s Motion for Preliminary Injunction.

23 Dated: November 30, 2012

Respectfully submitted,

OWENS TARABICHI LLP

25
 26 By 
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