

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

14-16096

RUSSELL ROAD FOOD AND BEVERAGE, LLC,
Plaintiff-counter-defendant – Appellee,

v.

FRANK SPENCER and
CRAZY HORSE CONSULTING, INC.,
Defendant-counter-claimant – Appellants.

BRIEF FOR APPELLANTS

On appeal from the United States District Court
for the District of Nevada
D.C. No. 2:12-cv-01514 – LRH-GWH

LIPSON, NEILSON, COLE, SELTZER, GARIN, P.C.
Kaleb D. Anderson, Esq., NV Bar No. 7582
9080 West Post Road, Ste. 100
Las Vegas, Nevada 89148
(702) 382-1500
(702) 382-1512 – fax
kanderson@lipsonneilson.com

STARK & KNOLL CO., L.P.A.
Harold M. Schwarz, III, Esq.
3475 Ridgewood Road
Akron, Ohio 44333
(330) 572-1316
(330) 572-1266 – fax
hschwarz@stark-knoll.com

Attorneys for Appellants, Frank Spencer and Crazy Horse Consulting, Inc.

CORPORATE DISCLOSURE STATEMENT

Crazy Horse Consulting, Inc., one of the defendants-appellants herein, submits the following information regarding its corporate interests and affiliations for use by the Judges of this Court:

1. Crazy Horse Consulting, Inc. is not a publicly-held corporation or other publically-held entity;
2. Crazy Horse Consulting, Inc. is not a subsidiary or affiliate of a publicly traded corporation;
3. No publicly-held company owns 10% or more of the stock of Crazy Horse Consulting, Inc.;
4. No other publicly-held corporation or other publicly-held entity has any direct financial interest in the outcome of this litigation.

/s/ Harold M. Schwarz, III

Harold M. Schwarz, III, Esq.
One of the Attorneys for Appellants, Frank
Spencer and Crazy Horse Consulting, Inc.

TABLE OF CONTENTS

TABLE OF AUTHORITIES	iv
JURISDICTIONAL STATEMENT	1
STATEMENT OF ISSUES.....	2
STATEMENT OF CASE.....	3
A. Introduction.....	3
B. Statement of the Procedural History of the Present Matter.....	3
C. Statement of Relevant Factual Background to the Present Matter.....	8
SUMMARY OF ARGUMENT	19
ARGUMENT	21
I. THE DISTRICT COURT ERRED IN GRANTING RUSSELL ROAD’S MOTION FOR SUMMARY JUDGMENT.....	21
A. Standard of review	21
B. The District Court’s Finding That the Assignment of the Co-Existence Agreement is Valid is in Error as the Co- Existence Agreement is an Executory Contract That Cannot Be Assigned Without the Consent of Spencer and CHC.....	21
C. The Grant of Summary Judgment Was Improper as Genuine Issues of Material Fact Exist as to the Validity of the Alleged Assignment of the Co-Existence Agreement to Russell Road.....	24
1. The District Court’s finding is in err as Spencer and CHC raised genuine issues of material fact	

regarding whether consideration was paid for the assignment.....	25
2. Summary judgment was also inappropriate as genuine issues of material fact exist as to whether the purported assignment materially changed the terms of the co-existence agreement.....	26
3. CHTAGC’s failure to use the rights initially granted by the co-existence agreement also create genuine issues of material fact making the summary judgment determination for Russell Road improper.....	27
D. The Grant of Summary Judgment Was Further Improper as, to the Extent the Assignment Was Valid, the Co-Existence Agreement Was Legally Rescinded Due to Russell Road’s Breach	29
II. THE DISTRICT COURT ERRED BY FAILING TO DEFER RULING ON RUSSELL ROAD’S MOTION.....	31
A. Standard of Review	31
B. Determination of Russell Road’s Motion Should Have Been Deferred as its Reply Brief Improperly Proffered New Evidence and Raised New Arguments for the First Time and Defendants Were Deprived of an Opportunity to Respond.....	31
C. The District Court Should Have Postponed Ruling on Russell Road’s Motion Due to the Unavailability of Facts Necessary to Oppose the Motion.	32
STATEMENT OF RELATED CASES.....	37
CONCLUSION.....	37
CERTIFICATE OF COMPLIANCE.....	39

CERTIFICATE OF SERVICE.....40

TABLE OF AUTHORITIES

CASES

<i>Am. Civ. Liberties Union of Nevada v. City of Las Vegas</i> , 13 F.Supp.2d 1064 (D.Nev. 1998)	32
<i>Burgess v. Gilman</i> , 475 F.Supp.2d 1051 (D.Nev. 2007)	27, 28
<i>Burlington N. Santa Fe R.R. Co. v. Assiniboine & Sioux Tribes of Fort Peck Reservation</i> , 323 F.3d 767 (9th Cir.2003)	36
<i>Cash Processing Services v. Ambient Entertainment, Inc.</i> , 418 F.Supp.2d 1227 (D.Nev. 2006)	27
<i>Chere Amie, Inc. v. Windstar Apparel Corp.</i> , 191 F.Supp.2d 343 (S.D.N.Y. 2001)	28
<i>Easton Bus. Opp. v. Town Executive Suites</i> , 230 P.3d 827 (Nev. 2010)	26
<i>Emmpresa Cubana Del Tabaco v. Culbro Corp.</i> , 213 F.Supp.2d 247 (S.D.N.Y. 2002)	28
<i>Garrett v. City and County of San Francisco</i> , 818 F.2d 1515 (9th Cir. 1987)	31
<i>Great Am. Ins. Co. v. Gen. Builders, Inc.</i> , 113 Nev. 346, 934 P.2d 257 (Nev. 1997)	29
<i>In re Pacific Exp., Inc.</i> , 780 F.2d 1482, 1487 (9th Cir. 1986)	22
<i>In re Wegner</i> , 839 F.2d 533, 536 (9th Cir. 1988)	21
<i>In re W. States Wholesale Natural Gas Antitrust Litig.</i> , 619 F. Supp. 2d 1062 (D. Nev. 2008)	33
<i>Jones v. Blanas</i> , 393 F.3d 918 (9th Cir. 2004)	31, 33
<i>Lingle v. Eikenberry</i> , 849 F.2d 409 (9th Cir. 1988)	33

<i>May v. Anderson</i> , 121 Nev. 668, 672 (2005)	25
<i>NLRB v. Bildisco & Bildisco</i> , 464 U.S. 513, 104 S.Ct. 1188, 79 L.Ed.2d 482 (1984)	21
<i>Oswalt v. Resolute Industries, Inc.</i> , 642 F.3d 856 (9th Cir. 2011).....	21
<i>Pacquiao v. Mayweather</i> , No. 2:09-cv-2448, 2010 WL 3271961 (D.Nev. Aug. 13, 2010)	31-32
<i>Provenz v. Miller</i> , 102 F.3d 1478 (9th Cir. 1996)	32
<i>Rano v. Sipa Press, Inc.</i> , 987 F.2d 580 (9th Cir. 1993)	29
<i>RealNetworks, Inc. v. QSA ToolWorks, LLC</i> , No. C07-1959MJP, 2009 WL 2512407 (W.D.Wash., Aug. 14, 2009)	22, 23, 24
<i>Siegel v. Chicken Delight, Inc.</i> , 448 F.2d 43 (9th Cir. 1971)	29
<i>Silverman v. CBS, Inc.</i> , 870 F.2d 40 (2d Cir. 1989)	28
<i>Star-Kist Foods, Inc. v. P.J. Rhodes & Co.</i> , 769 F.2d 1393 (9th Cir. 1985)	27
<i>Tatum v. City & County of San Francisco</i> , 441 F.3d 1090 (9th Cir.2006)	33
<i>Tovar v. United States Postal Service</i> , 3 F.3d 1271 (9th Cir. 1993)	32
<i>Traffic Control Servs., Inc. v. United Rentals Northwest, Inc.</i> , 120 Nev. 468 (2004)	23
<i>Wallis v. Princess Cruises, Inc.</i> , 306 F.3d 827, 832 (9th Cir. 2002).....	21

RULES

Fed. R. Civ. P. 56.....	7, 31, 32-33
-------------------------	--------------

Fed. R. App. P. 4.....1

STATUTES

15 U.S.C. § 1121.....1

15 U.S.C. § 1127..... 27

28 U.S.C. § 1291.....1

28 U.S.C. § 13311

28 U.S.C. § 13381

N.R.S. § 78.575..... 16

N.R.S. § 78.585.....7

OTHER

3 McCarthy on Trademarks and Unfair Competition, ¶ 18:79
(4th ed. 2014) 28

JURISDICTIONAL STATEMENT

The District Court had jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 1338, and 15 U.S.C. § 1121 as Plaintiff's Complaint sought to impose liability against Defendants for a variety of claims relating to trademarks, and Defendants asserted Counterclaims for trademark infringement, false designation of origin and unfair competition in violation of federal and state law. (Excpt. 356, 325). Plaintiff filed a Motion for Summary Judgment on October 14, 2013, Defendants filed a response on November 7, 2013, and Plaintiff filed a reply on November 25, 2013. (Excpt. 390-391). On May 6, 2014, the District Court entered an Order granting summary judgment for Plaintiff as to its first claim for declaratory judgment of non-infringement and on Defendants' counterclaims, and dismissing Plaintiff's remaining claims as moot. (Excpt. 54). The District Court Clerk then entered final judgment for Plaintiff on May 7, 2014. (Excpt. 53). Pursuant to Fed. R. App. P. 4(a)(1)(A), Defendants timely appealed the entry of judgment on June 5, 2014. (Excpt. 24, 7). This appeal is from a final judgment that disposed of all parties' claims and this Court has jurisdiction pursuant to 28 U.S.C. § 1291.

STATEMENT OF ISSUES

- I. THE DISTRICT COURT ERRED IN GRANTING RUSSELL ROAD'S MOTION FOR SUMMARY JUDGMENT.
 - A. Standard of Review.
 - B. The District Court's Finding That the Assignment of the Co-Existence Agreement is Valid is in Error as the Co-Existence Agreement is an Executory Contract That Cannot Be Assigned Without the Consent of Spencer and CHC.
 - C. The Grant of Summary Judgment Was Improper as Genuine Issues of Material Fact Exist as to the Validity of the Alleged Assignment of the Co-existence Agreement to Russell Road.
 - D. The Grant of Summary Judgment Was Further Improper as, to the Extent the Assignment Was Valid, the Co-Existence Agreement Was Legally Rescinded Due to Russell Road's Breach.
- II. THE DISTRICT COURT ERRED BY FAILING TO DEFER RULING ON RUSSELL ROAD'S MOTION.
 - A. Standard of Review.
 - B. Determination of Russell Road's Motion Should Have Been Deferred as its Reply Brief Improperly Proffered New Evidence and Raised New Arguments for the First Time and Defendants Were Deprived of an Opportunity to Respond.
 - C. The District Court Should Have Postponed Ruling on Russell Road's Motion Due to the Unavailability of Facts Necessary to Oppose the Motion.

STATEMENT OF CASE

A. Introduction

Defendants, Frank Spencer (“Spencer”) and Crazy Horse Consulting, Inc. (“CHC”), are the owners of four incontestable, federally-registered marks for the use of the CRAZY HORSE[®] name and logo in connection with exotic entertainment services – *e.g.*, gentlemen’s clubs. Spencer has continuously used the “Crazy Horse” name for his clubs since 1978, and obtained the federal registration for the CRAZY HORSE[®] mark by assignment. Plaintiff, Russell Road Food and Beverage, LLC (“Russell Road”), operates a gentlemen’s club at the Playground in Las Vegas known as “Crazy Horse III.” In the District Court proceedings, Spencer and CHC claimed that Russell Road appropriated Spencer’s CRAZY HORSE[®] mark without consideration. Russell Road, on the other hand, contended that it has the right to use the “Crazy Horse III” name as the alleged assignee of a co-existence agreement. The co-existence agreement, entered into between Carl Reid (the prior owner of the federally registered CRAZY HORSE[®] mark who assigned the mark to Spencer and CHC) and CHTAGC, was allegedly assigned to Russell Road by CHTAGC, giving rise to Russell Road’s claims.

B. Statement of the Procedural History of the Present Matter

Russell Road initiated this lawsuit on August 24, 2012 seeking a variety of declarations regarding the trademarks held by Spencer and CHC, and requesting

that those trademarks be cancelled. (Excpt. 356). Spencer and CHC answered Russell Road's Complaint on November 6, 2012, and asserted counterclaims for trademark infringement, unfair competition, and dilution. (Excpt. 325). Spencer and CHC also moved for a preliminary injunction, seeking to enjoin Russell Road from using or displaying the CRAZY HORSE[®] marks or confusingly similar marks. (Excpt. 387). After full briefing by the parties, the Court ultimately denied Spencer and CHC's motion for preliminary injunction. (Excpt. 388). The parties then exchanged written discovery, including interrogatories, requests for admissions, and requests for production of documents. Each party also issued document subpoenas to third parties.

Several Stipulations and Orders to Extend Scheduled Deadlines Pursuant to the District Court's Local Rules 6-1 and 26-4 were filed by the parties and approved by the Court. At the time the District Court entered summary judgment in Plaintiff's favor, the discovery cut-off had been extended to August 4, 2014 and the dispositive motion deadline had been extended to August 29, 2014. (Excpt. 391). In support of their Stipulation for Extension, the parties identified the need for multiple depositions, including those of Russell Road and its representatives, Nando Sostilio and Bob Lenson, multiple third-party subpoenas for documents and depositions, and follow-up written discovery consisting of document requests, requests for admission and interrogatories.

After requesting, receiving, and utilizing thirty additional days to respond to Spencer's written discovery requests, Russell Road provided its initial responses to Spencer's Requests for Production of Documents and Requests for Admissions on September 23, 2013, producing one thousand, eighty-seven (1,087) documents, and to Spencer's Interrogatories on September 30, 2013. (Excpt. 65). In response to Spencer's request for copies of all communications between Russell Road and CHTAGC and all documents concerning, referring to, relating to, or evidencing the alleged Assignment of Trademark Co-Existence Agreement by CHTAGC to Russell Road, Russell Road stated that the only non-privileged documents in its possession, custody or control consisted of the assignment of the trademark co-existence agreement. Russell Road provided no communications or other documents relating to these requests. Moreover, although subpoenas were issued to CHTAGC and John Salvador, the process server was unable to locate them at the address identified in the supposed Assignment relied upon by Russell Road or in previous administrative filings by CHTAGC. (Excpt. 66).

On October 14, 2013, just fourteen days after responding to Spencer's initial discovery requests, nearly ten months before the close of discovery, and more than ten months before the dispositive motion deadline, Russell Road filed a Motion for Summary Judgment. (Excpt. 390). Russell Road argued that it is the assignee of a co-existence agreement by which it claims to have the right to use the "CRAZY

HORSE III” mark without infringing Spencer and CHC’s CRAZY HORSE® mark. Spencer and CHC responded on November 7, 2013, arguing that: (1) the alleged assignment of the co-existence agreement to Russell Road was invalid and unenforceable as, among other things, it was made without consideration by CHTAGC, a corporate assignor that had never conducted business anywhere, had long abandoned a futile registration attempt, had never used any mark in commerce, and had dissolved one and one-half years before the supposed assignment; (2) to the extent the assignment was valid, Russell Road materially breached the co-existence agreement by initiating an action to cancel Spencer and CHC’s CRAZY HORSE® mark; or (3) the Court should defer ruling on the Motion to permit additional discovery regarding the validity of the alleged assignment of the co-existence agreement. (Excerpt. 390).

In its Reply of November 25, 2013, Russell Road – despite having failed to provide any documents evidencing communications with CHTAGC or the creation and consummation of the assignment of the co-existence agreement in response to Spencer’s discovery requests – produced for the first time in the litigation self-serving declarations claiming that it paid CHTAGC in exchange for the alleged assignment of the co-existence agreement. Conspicuously absent from the declarations were any bank statement, cancelled check, wire transfer confirmation or other documents confirming the factual averments. Russell Road also argued

for the first time that CHTAGC had the right to assign the co-existence agreement pursuant to N.R.S. § 78.585(1).¹

On May 6, 2014, the District Court granted summary judgment to Russell Road on its first claim for declaratory judgment of non-infringement and upon Spencer and CHC's counterclaims, and dismissed Russell Road's remaining claims. In so doing, the District Court rejected Spencer and CHC's arguments that the assignment of the co-existence agreement was invalid and unenforceable, and found that they did not otherwise dispute the validity of the assignment. After granting Russell Road's summary judgment, the District Court then denied Spencer and CHC's Fed. R. Civ. P. 56(f) motion. It is from the District Court's Order granting summary judgment to Russell Road and denying Spencer and CHC's Fed. R. Civ. P. 56(f) motion that Spencer and CHC now appeal.

¹ N.R.S. § 78.585(1) states: "The dissolution of a corporation does not impair any remedy or cause of action available to or against it or its directors, officers or stockholders commenced within 2 years after the date of the dissolution with respect to any remedy or cause of action in which the plaintiff learns, or in the exercise of reasonable diligence should have learned of, the underlying facts on or before the date of dissolution, or within 3 years after the date of dissolution with respect to any other remedy or cause of action. Any such remedy or cause of action not commenced within the applicable period is barred. The corporation continues as a body corporate for the purpose of prosecuting and defending suits, actions, proceedings and claims of any kind or character by or against it and of enabling it gradually to settle and close its business, to collect its assets, to collect and discharge its obligations, to dispose of and convey its property, to distribute its money and other property among the stockholders, after paying or adequately providing for the payment of its liabilities and obligations, and to do every other act to wind up and liquidate its business and affairs, but not for the purpose of continuing the business for which it was established."

C. Statement of Relevant Factual Background to the Present Matter

1. Relevant Background Regarding Spencer's Development, Ownership, and Policing of the CRAZY HORSE® Brand

a. Development of the brand since 1978

Spencer, individually and through various closely-held companies that he owns and controls, has continuously operated gentlemen's clubs under the CRAZY HORSE® trade name since 1978. (Excpt. 113 at ¶ 4). Throughout his 35 years in business, Spencer has aggressively marketed his CRAZY HORSE® brand, and has established one of the most recognizable names in the industry. Spencer currently owns and operates three CRAZY HORSE® gentlemen's clubs, and has licensed the CRAZY HORSE® mark to the CRAZY HORSE® SALOON in Brookpark, Ohio, and a club in Myrtle Beach, South Carolina. (*Id.* at ¶¶ 6, 25).

Spencer has acquired substantial intellectual property rights related to the CRAZY HORSE® brand, including four incontestable federal registrations as follows:

- U.S. Reg. No. 2069552, for the following CRAZY HORSE® design mark:
- U.S. Reg. No. 3044028, for the CRAZY HORSE® mark; and
- U.S. Reg. Nos. 2378133 and 2336694, both for the PLATINUM HORSE® marks.

(*Id.* at ¶¶ 17-19, Exhs. D-F). In addition, Spencer has owned and operated the internet domain name "crazyhorse.com" since at least 1995, which Spencer has

used continuously to promote his CRAZY HORSE[®] brand in interstate commerce and all over the world. (*Id.* at ¶ 20, Exh. C).

b. Spencer's Acquisition of the Federal Registration for the CRAZY HORSE[®] Marks

In order to protect the brand that he built over the past three decades, Spencer has filed for many federal registrations in connection with the CRAZY HORSE[®] mark. (*Id.* at ¶¶ 14-19, 21-22, Exhs. C-F, H-I). For example, Spencer filed for CRAZY HORSE SALOON on July 13, 1992 through a related company, Larrabee Management Corp. He has also filed for CRAZY HORSE CLEVELAND, CRAZY GEAR, and the CRAZY HORSE head design mark on June 10, 1996; CRAZY HORSE GENTLEMEN'S CLUB on October 15, 1996; PLATINUM HORSE and SILVER HORSE on April 24, 1998; CRAZY HORSE, PLATINUM HORSE, GOLD HORSE, SILVER HORSE, AND CRAZYHORSE.COM on November 2, 1998; CRAZYHORSE.COM on December 27, 1999; CRAZY HORSE relating to online adult entertainment on August 28, 2008; and CRAZY HORSE[®] in international class 42 on January 14, 2011. (*Id.* at ¶ 14, Exh. C).

Through his efforts, Spencer obtained registrations for PLATINUM HORSE[®] (in international classes 41 and 42), SILVER HORSE (in international classes 41 and 42), GOLD HORSE (in international class 41) and CRAZY HORSE head design marks. (*Id.* at ¶¶ 14, 17-18, Exhs. D-E). But Spencer encountered difficulties registering

his other marks due to the existence of a steakhouse called the Crazy Horse Saloon, which in 1979 registered with the USPTO. (*Id.* at ¶ 16).

On or about November 18, 2004, and after the steakhouse closed, Carl Reid, another longtime (but still junior to Spencer) owner of adult clubs in the southeastern United States, successfully applied for the CRAZY HORSE® mark in international class 41. (*Id.* at ¶ 19, Exh. F). The mark was registered on January 17, 2006 and assigned U.S. Reg. No. 3044028. On the basis of Reid's CRAZY HORSE® application and subsequent registration, the USPTO also registered Reid's PURE GOLD'S CRAZY HORSE® mark on January 31, 2006. (*Id.* at ¶ 26, Exh. J).

On December 10, 2010, Reid assigned all his right, title and interest to the CRAZY HORSE® mark, along with goodwill and the right to all claims for damages for past infringement and the right to sue and collect damages therefor, to Spencer's wholly owned licensing entity, CHC. (*Id.* at ¶ 19, Exh. F). This assignment was recorded with the USPTO on January 11, 2011. (*Id.*). CHC filed a combined declaration of use and incontestability under Sections 8 and 15 with the commissioner for trademarks on January 19, 2011, thus rendering Spencer's CRAZY HORSE® mark incontestable under 15 U.S.C. § 1065.

c. Spencer's Policing of the Marks and Expansion of His Brand

Since acquiring the federal registrations of the CRAZY HORSE® marks, Spencer has actively policed them. For example, in 2011, Spencer filed suit in the

Southern District of New York against JOAL Inc., a New York corporation that had been operating clubs in New York and Connecticut under the Crazy Horse name. *Crazy Horse Consulting, Inc., et al. v. JOAL Restaurant Corp.*, S.D.N.Y. Docket No. 1:11-cv-02350 (PGG). On August 24, 2011, the Court entered a permanent injunction against JOAL, forcing it to change the names of its clubs. (*Id.* at ¶ 28, Exh. F).

Moreover, Spencer, through CHC and Grand American Franchising Corporation (“GAFC”), a related franchising entity also wholly owned by him, has been actively engaged in the business of licensing the CRAZY HORSE[®] name to clubs that are able to satisfy Spencer’s rigorous application process. (*Id.* at ¶ 24). Currently, Spencer, CHC and GAFC license intellectual property to the three CRAZY HORSE[®] clubs and one PLATINUM HORSE[®] clubs in Ohio, and another club in Myrtle Beach, South Carolina. (*Id.*).

2. Russell Road’s Intentional Infringement

Russell Road is a Nevada limited liability company that operates a solitary adult club at the Playground Complex, a multi-use venue located at 3525 West Russell Road. (Excpt. 356 at ¶ 13). The Russell Road adopted the name Crazy Horse III after General Media Communications, Inc., from whom it had licensed the name “The Penthouse Club” sued it for breach of its obligations to pay licensing fees and sought to enjoin any further use of the Penthouse marks. (Excpt.

232, Exh. K). Russell Road then filed three separate applications for variants of the Crazy Horse III mark on July 7, 2010:

- U.S. Serial No. 85/079193, for the Xco's Crazy Horse design mark;
- U.S. Serial No. 85079211, for the Crazy Horse Gentlemen's Club III At The Playground design mark;
- U.S. Serial No. 85079258, for the Crazy Horse Gentlemen's Club III At the Playground design mark.

(*Id.* at Exhs. C-E; Excpt. 64 at ¶ 1, Exh. A).

The USPTO rejected each of these attempted registrations based on likelihood of confusion with Spencer and CHC's CRAZY HORSE[®] mark and PURE GOLD'S CRAZY HORSE[®]. (Excpt. 232, Exhs. C-E). In particular, the USPTO noted that "it is likely that the two [services] sold under such marks would be attributed to the same source." (*Id.*) The USPTO also stated in each of the three refusals that "when marks are otherwise virtually the same, the addition of a house mark [e.g. "III"] is more likely to add to the likelihood of confusion than to distinguish the marks." (*Id.*) Russell Road did not respond to office actions of the USPTO, and each was deemed abandoned as of April 26, 2011. (*Id.*; Excpt. 64 at ¶ 1, Exh. A).

Despite these definitive rejections by the USPTO, on March 30, 2012, Russell Road *again* filed for the Crazy Horse III Gentlemen's Club mark with U.S. Serial No. 85584958. (Excpt. 232, Exh. G). Not surprisingly, the USPTO rejected

his application too, stating: “Crazy Horse III Gentlemen’s Club is confusingly similar to the registered marks, CRAZY HORSE® and PRUE GOLD’S CRAZY HORSE® and that “purchasers are likely to believe that the CRAZY HORSE® and Crazy Horse III Gentlemen’s Club services emanate from a single source.” (*Id.*). In short, Russell Road was well aware of Spencer and CHC’s superior rights. Russell Road admits that it did not seek consent from Spencer or CHC before using the name CRAZY HORSE III. (Excpt. 64 at ¶ 1, Exh. A).

3. Russell Road’s Attempt to License Spencer’s Marks

Spencer and CHC learned of Russell Road’s use of the Crazy Horse name in late 2011, and, as part of their policing efforts noted above, immediately reached out to Russell Road’s principals to inform them of Russell Road’s infringement. (Excpt. 113 at ¶ 30). In response, Russell Road asked Spencer to communicate with one of its attorneys, Martin Pomeroy of Bernkopf Goodman in Boston. (Excpt. 111 at ¶ 3; Excpt. 83 at ¶¶ 4-6). Over the ensuing months, Pomeroy and Spencer spoke repeatedly and corresponded about Russell Road’s desire to avoid litigation by licensing Spencer’s marks. Not only did Russell Road request a license for Las Vegas, but it also expressed a strong interest in an even broader license, which would include the rest of Nevada, Arizona and parts of California. (Excpt. 83, Exh. N). By way of example, these negotiations are confirmed by an email that Pomeroy sent to Spencer on February 10, 2012:

We will incur costs to rebrand. Let's assume those are 150k. We would instead prefer to pay that to you for a long term license. We would pay more for a larger protected area but need some guidance and numbers from you to even see whether those discussions are prudent.

(*Id.* ¶ 6, Exh. N). In the midst of these negotiations, Russell Road filed this lawsuit without notice. Curiously, Russell Road neglected to attach the co-existence agreement or assignment upon which it now relies to its Complaint. It similarly did not assert its alleged rights in the co-existence agreement to the USPTO in any of its four failed federal trademark applications. (Excpt. 232, Exhs. C-E).

4. The Co-Existence Agreement Asserted by Russell Road is Invalid

The trademark co-existence agreement by which Russell Road claims right to the CRAZY HORSE[®] mark grew out of an abandoned intent to use application for the mark Crazy Horse Too A Gentlemen's Club. The circumstances surrounding the asserted trademark co-existence agreement are linked to the well-publicized sale, seizure and ultimate auction of the unaffiliated Crazy Horse Too club. (Excpt. 64 at ¶ 2, Exh B; Excpt. 232, Ex. L).

On September 13, 2007, a prospective purchaser of the assets of the defunct Crazy Horse Too club, John Salvador ("Salvador"), organized CHTAGC, a Nevada corporation. (Excpt. 64 at ¶ 3, Exh. C). The next day, on Septmeber 14, 2007, CHTAGC, with the assistance of Bruno Tarabichi, Esq., lead counsel for Russell Road in this action, filed Application Serial No. 77/280,405 with the

USPTO for the proposed mark “Crazy Horse Too A Gentlemen’s Club.” (Excpt. 232, Exh. H). This application was rejected by the USPTO three times based on a likelihood of confusion with CRAZY HORSE[®] and PURE GOLD’S CRAZY HORSE[®]. (*Id.*). At or about the same time, Salvador also failed a FBI background check, and was unsuccessful in his efforts to purchase the defunct Crazy Horse Too club. (*Id.* at Exh. L). Nonetheless, Salvador filed to reserve the name “Crazy Horse Too Gentlemen’s Club” with the Nevada Secretary of State on October 11, 2007. (Excpt. 64 at ¶ 4, Exh. D). The reservation for the name “Crazy Horse Too Gentleman’s Club” later expired on October 11, 2008.

Dissatisfied with the finding of the USPTO’s examining attorney, and despite his inability to purchase the club, CHTAGC initiated cancellation proceedings against both of Reid’s registered marks. Apparently to avoid the time and expense of litigation, Reid entered into a co-existence agreement with CHTAGC on September 16, 2009. (Excpt. 232, Exh I). The agreement purports to give Salvador’s defunct entity consent to use and register “any mark that includes the phrase Crazy Horse.” In exchange, the defunct entity agreed “not to oppose, petition to cancel, or otherwise interfere with Mr. Reid’s use and registration of CRAZY HORSE.” (Excpt. 232, Exh. I). CHTAGC then withdrew its cancellation proceedings on October 1, 2009.

By the time the co-existence agreement was entered into, CC Holdings (another potential purchaser) had already entered into an asset purchase agreement with the U.S. Marshals' Service to purchase the assets of the unrelated Crazy Horse Too club. (*Henry, et al. v. Rizzolo, et al.*, Case No. 2:08-cv-00635 (The United States of America's Lodging the Contract to Sell the Crazy Horse Too, dated April 21, 2010, ECF No. 317)). Thus, Salvador never had a *bona fide* interest in Crazy Horse Too, and orchestrated the agreement apparently in an attempt to "shake down" the ultimate purchasers.

As soon as Spencer found out about the co-existence agreement, and the related publication of the Crazy Horse Too A Gentleman's Club mark, he instituted opposition proceedings on April 23, 2010. (Excpt. 113 at ¶ 27, Exh. K). CHTAGC did not answer the opposition, judgment by default was entered against CHTAGC, and registration of its proposed mark was refused. (*Id.*) The application was deemed abandoned as of August 3, 2010, as reflected in the Notice of Abandonment issued by the USPTO. (*Id.*) CHTAGC was then dissolved on April 6, 2011 pursuant to N.R.S. § 78.575, which applies only to corporations that never commenced business operations.² (Excpt. 64 at ¶ 3, Exh. C).

² N.R.S. § 78.575 states: "Before the payment of any part of the capital and before beginning the business for which the corporation was created, the incorporators or the board of directors named in the articles of incorporation may dissolve a corporation by filing in the Office of the Secretary of State a certificate, signed by a majority of the incorporators or of the board of directors named in the articles of

CHTAGC never owned the real property located at 2476 Industrial Road, Las Vegas, 89102 or any of the assets of the adult entertainment club previously known as Crazy Horse Too. (*Id.*; *Henry, et al. v. Rizzolo, et al.*, Case No. 2:08-cv-00635 (The United States of America's Lodging the Contract to Sell the Crazy Horse Too, dated April 21, 2010, ECF No. 317)). Moreover, Russell Road offers no evidence that CHTAGC ever operated an adult entertainment club in Las Vegas or anywhere in the United States. As a result, there is no evidence that CHTAGC ever used a trade name or service mark with the phrase "Crazy Horse" to promote any business, to sell any products or services, or otherwise in commerce.

Nearly one and one-half years after CHTAGC was dissolved, and after three years with no use of any mark pursuant to the co-existence agreement, Salvador signed the purported Assignment of Trademark Co-Existence Agreement on August 16, 2012. (Excpt. 64 at ¶ 1, Exh. A). Russell Road admits that its representative signed the Assignment of Trademark Co-Existence Agreement on behalf of Russell Road on August 23, 2012. (*Id.*). The Crazy Horse Too A Gentlemen's Club mark was never federally registered, and Salvador had nothing to assign to Russell Road that afforded it any rights. Rather, Russell Road alleges that it was able to orchestrate an assignment of the co-existence agreement the day

incorporation, stating that no part of the capital has been paid and the business has not begun, and thereupon the corporation is dissolved.

before it filed suit from a dissolved entity that never utilized the marks in any business.

SUMMARY OF ARGUMENT

The grant of summary judgment was improper as the assignment of the co-existence agreement is not valid and enforceable as it improperly attempted to assign an executory contract. The co-existence agreement imposes ongoing, unexecuted duties such as an agreement of the parties to assist each other in the future, develop measures to minimize confusion, and cooperate in policing the mark. As a result, it is an executory contract as a matter of law that, pursuant to Nevada law, cannot be assigned without Spencer and CHC's consent.

The grant of summary judgment was further improper as genuine issues of material fact exist. First, genuine issues of material fact exist as to whether Russell Road paid or transferred any consideration in exchange for the alleged assignment. Second, genuine issues of material fact exist as to whether the assignment – by which Russell Road purports to have received CHTAGC's rights, but not obligations – materially changed the terms of the co-existence agreement, thereby rendering the assignment invalid. Third, a genuine issue of material fact exists as to whether CHTAGC, a defunct Nevada corporation that never used the mark, abandoned whatever rights it had pursuant to the co-existence agreement.

Moreover, summary judgment was improper as, assuming that the assignment of the co-existence agreement to Russell Road was valid, the agreement had been rescinded by virtue of Russell Road's material breach. As a

result, to the extent the assignment of the co-existence agreement to Russell Road was every valid, Spencer and CHC terminated it in response to Russell Road's breach.

Finally, the District Court erred by failing to defer its ruling on Russell Road's motion until the completion of discovery. Russell Road's reply brief introduced new evidence and arguments and to which Spencer and CHC were deprived of the opportunity to respond. Moreover, Spencer and CHC properly set forth the elements necessary for a Fed. R. Civ. P. 56(f) extension.

ARGUMENT

I. THE DISTRICT COURT ERRED IN GRANTING RUSSELL ROAD'S MOTION FOR SUMMARY JUDGMENT.

A. Standard of Review

The standard of review for a district court's grant of summary judgment is *de novo*. *Oswalt v. Resolute Industries, Inc.*, 642 F.3d 856, 859 (9th Cir. 2011) (citing *Wallis v. Princess Cruises, Inc.*, 306 F.3d 827, 832 (9th Cir. 2002)). In so doing, the Court is to determine, viewing the evidence in the light most favorable to the nonmoving party, whether there are any genuine issues of material fact and whether the district court correctly applied the relevant substantive law. *Id.*

B. The District Court's Finding That the Assignment of the Co-Existence Agreement is Valid is in Error as the Co-Existence Agreement is an Executory Contract That Cannot Be Assigned Without the Consent of Spencer and CHC.

The assignment of the co-existence agreement is not valid and enforceable as it improperly attempted to assign an executory contract, and the District Court's determination that it was valid and enforceable is improper. An executory contract is one on which performance is due to some extent on both sides. *In re Wegner*, 839 F.2d 533, 536 (9th Cir. 1988) (citing *NLRB v. Bildisco & Bildisco*, 464 U.S. 513, 522 n. 6, 104 S.Ct. 1188, 1194 n. 6, 79 L.Ed.2d 482 (1984)). In executory contracts, the obligations of both parties are so far unperformed that the failure of either party to complete performance would constitute a material breach and thus

excuse the performance of the other. *Id.* (citing *In re Pacific Exp., Inc.*, 780 F.2d 1482, 1487 (9th Cir. 1986)).

Relying upon this Court’s definitions, the District Court for the Western District of Washington held that trademark consent agreements in which the contracting parties agree to assist each other in the future, develop measures to minimize confusion, and cooperate in policing the mark are, as a matter of law, executory contracts. *See RealNetworks, Inc. v. QSA ToolWorks, LLC*, No. C07-1959MJP, 2009 WL 2512407 at * 6 (W.D.Wash., Aug. 14, 2009). The *RealNetworks* court examined a consent agreement between RealNetwork, Inc. (“RN” or “Real”) and The Chip Merchant (“TCM”) that provided:

At Real’s expense, *TCM shall provide Real with such assistance in the registration of such marks as Real may reasonably request...*The parties shall *cooperate in good faith to develop measures as necessary to minimize any possible confusion* between their respective use of marks containing the term HELIX. The parties also *agree to cooperate in the policing and enforcement of their respective trademark rights against any third party* adopting a mark likely to be confused with either parties’ respective HELIX marks.

Id. at *7. The district court determined that these promises represented ongoing, unexecuted duties indicative of an executory contract. *Id.* As a result, the *RealNetworks* court held that the trademark consent agreement “is an executory contract as a matter of law.” *Id.* at *8

Viewing the consent agreement and purported assignment under the applicable Nevada law, it is apparent that the assignment is invalid. In Nevada, an

executory contract cannot be assigned by one party without the other party's consent. *Traffic Control Servs., Inc. v. United Rentals Northwest, Inc.*, 120 Nev. 468 (2004). In *Traffic Control*, the Nevada Supreme Court considered whether noncompetition agreements may be assigned by one employer to another without an employee's consent, and determined that, due to their executory nature, they could not:

We agree with those jurisdictions holding that noncompetition covenants are personal in nature and, therefore, unassignable as a matter of law, absent the employee's express consent. When an employee enters into a covenant not to compete with his employer, he may consider the character and personality of his employer to determine whether he is willing to be held to a contract that will restrain him from future competition with his employer, even after termination of employment. This does not mean, however, that the employee is willing to suffer the same restriction with a stranger to the original obligation. Certainly, the sale of a business fundamentally alters the nature of an employment relationship.

Id. at 174. In other words, it is the individualized, unique nature of the unexecuted duties within such agreements which render them unassignable without the other party's consent.

Here, the Co-Existence Agreement in this case contains ongoing, unexecuted duties between Reid, who assigned his interest in the CRAZY HORSE[®] mark to Spencer and CHC, and CHTAGC, which purported to assign its rights under the Co-Existence Agreement to Russell Road, virtually identical to those of the consent agreement in *RealNetworks*. In the Co-Existence Agreement, Reid and

CHTAGC agreed “not to oppose, petition to cancel, or otherwise interfere” with the other party’s use and registration of certain marks. (Excpt. 301 at ¶ 2). They also agreed to “cooperate and to take such reasonable steps as may be mutually agreeable for the purpose of avoiding any likelihood of confusion.” (*Id.* at ¶ 4). If either Reid or CHTAGC became aware of any actual confusion among the purchasing public, they were to “cooperate and take reasonable measure to prevent further confusion.” (*Id.*). As a result, the co-existence agreement, just as the trademark consent agreement described in *RealNetworks*, is an executory contract that CHTAGC could not assign without the consent of Spencer and CHC – the assignees of the trademark encumbered by the co-existence agreement.³ Like an employee’s decision to enter into a non-compete agreement, Reid’s decision to enter into the Co-Existence Agreement with CHTAGC (and Spencer and CHC’s decision to accept assignment of Reid’s federal registration) was based on an individualized assessment of CHTAGC’s likely use of the “Crazy Horse” mark. Accordingly, absent the consent of Spencer and CHC, the purported Assignment was invalid, and the District Court’s grant of summary judgment should be reversed.

³ It is important to note that, by its own terms, the Assignment is to be “construed under the laws of the State of Nevada...without resort to its choice of law provisions.” (Excpt. 108 at ¶ 5).

C. The Grant of Summary Judgment Was Improper as Genuine Issues of Material Fact Exist as to the Validity of the Alleged Assignment of the Co-existence Agreement to Russell Road.

- 1. The District Court's finding is in error as Spencer and CHC raised genuine issues of material fact regarding whether consideration was paid for the assignment.**

Genuine issues of material fact remain regarding the payment of consideration by Russell Road for the assignment, and summary judgment was inappropriate. Indeed, the Nevada Supreme Court has confirmed the well-established tenet that “[b]asic contract principles require, for an enforceable contract, an offer and acceptance, meeting of the minds, and consideration.” *May v. Anderson*, 121 Nev. 668, 672 (2005). Here, contrary to the District Court’s finding, Spencer and CHC did, in fact, attack the validity of the purported Assignment based upon contract principles. Nothing offered by Russell Road in its Motion provided any evidence of any consideration paid by or transferred from Russell Road to CHTAGC in exchange for the assignment. Faced with this glaring weakness, Russell Road offered in its Reply Brief never-before-seen declarations unsupported by any documentary evidence claiming to support the exchange of consideration. In so doing, Russell Road implied that Spencer and CHC lacked standing to challenge the purported Assignment for lack of consideration. Yet, there could be no situation more appropriate for Spencer and CHC to raise such an argument than here, where Russell Road bases its entire motion for summary

judgment on the alleged rights it claims to have assumed via the purported Assignment. Genuine issues of material fact remain as to whether the purported assignment was supported by sufficient consideration and the grant of summary judgment was improper.

2. Summary judgment was also inappropriate as genuine issues of material fact exist as to whether the purported assignment materially changed the terms of the co-existence agreement.

The assignment is unenforceable as it materially changed the terms of the co-existence agreement, and the District Court’s grant of summary judgment was in error. Indeed, “[u]nder ordinary rules of contract law, a contractual right is assignable unless assignment materially changes the terms of the contract.” *Easton Bus. Opp. v. Town Executive Suites*, 230 P.3d 827, 830 (Nev. 2010). Here, the assignment – by which Russell Road purports to have received CHTAGC’s rights, but not obligations – materially changed the terms of the co-existence agreement. The co-existence agreement contemplates continuing duties between the owner of the trademark and the co-existing user of that mark to avoid confusion and cooperate in policing the mark. The co-existence agreement *does not* contemplate a severance of the rights granted to use of the mark, and the continuing obligations of the user. Moreover, Spencer and CHC never consented to an assignment of the co-existence agreement to Russell Road upon these terms. As a result, because the purported assignment materially alters the terms of the co-existence agreement, at

a minimum, genuine issues of material fact exist as to its enforceability and the grant of summary judgment was inappropriate.

3. CHTAGC's failure to use the rights initially granted by the Co-Existence Agreement also create genuine issues of material fact making the summary judgment determination for Russell Road improper.

Summary judgment for Russell Road was inappropriate as CHTAGC never used any trademark, thereby abandoning any rights granted pursuant to the co-existence agreement. The touchstone of trademark law is use. *See* 15 U.S.C. § 1127. Because trademark rights derive from the use of a mark in commerce and not from mere registration of the mark, the owner of a mark will lose his exclusive rights if he fails actually to use it. 15 U.S.C. § 1127. A mark is deemed to be “abandoned” when “its use has been discontinued with intent not to resume such use.” *Id.*

Determining intent or valid reasons for nonuse requires a factual determination. *Cash Processing Services v. Ambient Entertainment, Inc.*, 418 F.Supp.2d 1227, 1231 (D.Nev. 2006) (citing *Star-Kist Foods, Inc. v. P.J. Rhodes & Co.*, 769 F.2d 1393, 1396 (9th Cir. 1985)). Although no presumption of abandonment attaches when the period of non-use is less than three years, abandonment may still be shown by evidence of (1) non-use and (2) intent not to resume use in the reasonably foreseeable future. *Cash Processing Services*, 418 F.Supp.2d at 1232; *Burgess v. Gilman*, 475 F.Supp.2d 1051, 1060 (D.Nev. 2007)

(citing *Chere Amie, Inc. v. Windstar Apparel Corp.*, 191 F.Supp.2d 343, 349 (S.D.N.Y. 2001)). The “intent” requirement for abandonment is met by showing an intent only to “warehouse” a mark. *Id.* (citing *Silverman v. CBS, Inc.*, 870 F.2d 40, 46 (2d Cir. 1989)).⁴

Here, contrary to the finding of the District Court, Spencer and CHC did not dispute the validity of the Consent Agreement between Reid and CHTAGC. Rather, Spencer and CHC disputed – and continue to dispute – the validity of the purposes assignment. This dispute arises in part because of CHTAGC’s failure to ever *use* any mark *at all*. It is true that co-existence or consent agreements are contracts whereby a trademark owner consent to another party’s defined usage of the mark. *See* 3 McCarthy on Trademarks and Unfair Competition, ¶ 18:79 (4th ed. 2014). Yet CHTAGC never engaged in a “defined usage of the mark,” having abandoned its attempted trademark registration made pursuant to the co-existence agreement. From the time CHTAGC abandoned that attempted registration, to the time of its April 26, 2011 dissolution, CHTAGC conducted no business anywhere and made no use of any mark supposedly afforded to it under the agreement. Then, nearly one and one-half years after CHTAGC dissolved, it purports to have

⁴ “Trademark law is usufructuary, and it does not allow for the ‘warehousing’ of rights.” *Burgess*, 475 F.Supp.2d at 1061-62 (citing *Emmpresa Cubana Del Tabaco v. Culbro Corp.*, 213 F.Supp.2d 247, 270 n. 38 (S.D.N.Y. 2002) (“Warehousing, which is impermissible, occurs when one hoards a mark for future use without concrete intent to use it in the future.”)).

assigned its rights in the co-existence agreement to Russell Road in exchange for nothing. As trademark use does indeed require an existing business, CHTAGC had nothing to assign as it failed to ever use the mark and abandoned whatever rights it may have acquired pursuant to the co-existence agreement. *See Siegel v. Chicken Delight, Inc.*, 448 F.2d 43, 48 n.2 (9th Cir. 1971) (“a trademark does not confer upon its owner the right to prohibit a competitor’s use of the mark unless the owner himself uses the mark in connection with an existing business”). As a result, the supposed rights afforded to Russell Road by virtue of assignment of the co-existence agreement were abandoned by CHTAGC and the grant of summary judgment was inappropriate.

D. The Grant of Summary Judgment Was Further Improper as, to the Extent the Assignment Was Valid, the Co-Existence Agreement Was Legally Rescinded Due to Russell Road’s Breach.

Even assuming, *arguendo*, that the assignment of the co-existence agreement to Russell Road was valid – which it is not – the agreement had been rescinded by virtue of Russell Road’s material breach and the grant of summary judgment was inappropriate. A “[m]aterial breach of a licensing agreement gives rise to a right of rescission which allows the nonbreaching party to terminate the agreement.” *Rano v. Sipa Press, Inc.*, 987 F.2d 580, 586 (9th Cir. 1993); *See also, e.g., Great Am. Ins. Co. v. Gen. Builders, Inc.*, 113 Nev. 346, 354 n.6, 934 P.2d 257, 262 N.6 (Nev. 1997) (“In what is called ‘legal rescission,’ a party, in response to a material

breach on the part of the other party or for other valid reasons, unilaterally cancels the contract.”). Under the co-existence agreement, the entire consideration afforded to Reid was the covenant “not to oppose, petition to cancel, or otherwise interfere with” his marks. Yet the District Court action, filed just one day after Russell Road purportedly obtained an assignment of the co-existence agreement, sought the cancellation of those very same marks. This was a material breach of the co-existence agreement. In light of Russell Road’s material breach, CHC, as successor to Reid, declared the co-existence agreement terminated in its Reply in Support of its Motion for Preliminary Injunction. As a result, to the extent the co-existence agreement was ever valid, Spencer and CHC terminated it in response to Russell Road’s material breach of its express terms, and the grant of summary judgment was inappropriate.

II. THE DISTRICT COURT ERRED BY FAILING TO DEFER RULING ON RUSSELL ROAD'S MOTION.

A. Standard of Review

The district court's decision denying Spencer and CHC's Fed. R. Civ. P. 56(f) motion is reviewed *de novo*. Although a district court's decision not to permit additional discovery pursuant to a motion under Fed. R. Civ. P. 56(f) is typically reviewed for an abuse of discretion, a decision to deny a motion after having otherwise disposed of the case upon summary judgment is reviewed *de novo*. *Jones v. Blanas*, 393 F.3d 918, 926 (9th Cir. 2004); *Garrett v. City and County of San Francisco*, 818 F.2d 1515, 1518 (9th Cir. 1987). This is because the district court did not exercise its discretion as to the discovery issue, thereby presenting a legal question subject to *de novo* review. *Garrett*, 818 F.2d at fn. 3.

B. Determination of Russell Road's Motion Should Have Been Deferred as its Reply Brief Improperly Proffered New Evidence and Raised New Arguments for the First Time and Defendants Were Deprived of an Opportunity to Respond.

The District Court erred by granting summary judgment without permitting further response by Spencer and CHC as Russell Road's reply brief raised novel legal and factual issues for the first time. Indeed:

[T]o the extent that a party raises a new argument or proffers new evidence and information in a reply brief, that argument or evidence is improper because the opposing party is deprived of an opportunity to respond.

Pacquiao v. Mayweather, No. 2:09-cv-2448, 2010 WL 3271961 (D.Nev. Aug. 13, 2010) (citing *Tovar v. United States Postal Service*, 3 F.3d 1271, 1273 at n.3 (9th Cir. 1993)). Furthermore, “[w]hen new evidence is submitted with a reply brief, the court should not consider the new evidence without giving the non-moving party an opportunity to respond.” *Am. Civ. Liberties Union of Nevada v. City of Las Vegas*, 13 F.Supp.2d 1064, 1071 (D.Nev. 1998) (citing *Provenz v. Miller*, 102 F.3d 1478, 1483 (9th Cir. 1996)). Here, Russell Road submitted new evidence and raised new arguments regarding the alleged validity of the purported assignment for the first time in its Reply Brief. The District Court then ruled upon Russell Road’s Motion without permitting Spencer and CHC an opportunity to respond. As a result, the entry of summary judgment in Russell Road’s favor was in error and should be reversed.

C. The District Court Should Have Postponed Ruling on Russell Road’s Motion Due to the Unavailability of Facts Necessary to Oppose the Motion.

The District Court erred in ruling upon summary judgment without first considering Spencer and CHC’s request to first complete additional discovery within the time permitted by the then-existing scheduling order. Fed. R. Civ. P. 56(d) states:

When Facts Are Unavailable to the Nonmovant. If a nonmovant shows by affidavit or declaration that, for specified reasons, it cannot present facts essential to justify its opposition, the court may:

- (1) defer considering the motion or deny it;
- (2) allow time to obtain affidavits or declarations or to take discovery; or
- (3) issue any other appropriate order.

Indeed:

In the interest of justice, [a] [c]ourt may grant additional time for discovery where the opposing party to a motion for summary judgment has presented by affidavit, compliant with Rule 56(f), that they cannot obtain facts essential to the opposition of the motion.

In re W. States Wholesale Natural Gas Antitrust Litig., 619 F. Supp. 2d 1062, 1072 (D. Nev. 2008), quoting *Tatum v. City & County of San Francisco*, 441 F.3d 1090, 1100 (9th Cir.2006). Summary judgment is disfavored where relevant evidence remains to be discovered. *Jones v. Blanas*, 393 F.3d at 930. Summary judgment in the face of requests for additional discovery is appropriate only where such discovery would be “fruitless” with respect to the proof of a viable claim. *Lingle v. Eikenberry*, 849 F.2d 409, 412 (9th Cir. 1988).

Here, Spencer and CHC properly set forth the facts they hoped to elicit from further discovery, that the circumstances demonstrate the facts sought exist, and that the sought-after facts are essential to oppose summary judgment. Russell Road’s claim to be an assignee of the co-existence agreement was shocking news to Spencer and CHC as the parties had been engaged in extended pre-litigation discussions and negotiations regarding the potential for a license agreement related

to Spencer and CHC's mark, yet the first time that Spencer and CHC learned of the purported Assignment was the filing of the Complaint. (Excpt. 356 at ¶¶ 25, 28-34). Counsel for Russell Road never referenced or disclosed the possibility of an assignment of the Consent Agreement to Russell Road in his April 20, 2012 correspondence to Spencer and CHC.

As a result, Spencer and CHC sought from Russell Road in discovery, among other things, “[a]ll communications between Russell Road and [CHTAGC], a Nevada corporation” and “[a]ll documents concerning, referring to, relating to, or evidencing [the purported Assignment] by [CHTAGC], a Nevada corporation, to Russell Road.” *See* Defendants’ Requests for Production of Documents Nos. 103 and 112. Russell Road responded to Spencer’s Requests for Production of Documents and Requests for Admissions on September 23, 2013, producing one thousand, eighty-seven (1,087) documents, and to Spencer’s Interrogatories on September 30, 2013. (Excpt. 64 at ¶ 5). In response, the *only document* that Russell Road indicated that it had within its possession, custody, or control was the purported Assignment itself. Thus, prior to Spencer and CHC challenging the validity of the purported Assignment, Russell Road indicated that it had no letters, emails, correspondence, or evidence of payment relating to the purported Assignment.

Additionally, Spencer and CHC attempted to serve subpoenas to Salvador and CHTAGC to obtain information related to the purported assignment. However, the process server was unable to locate them at the address identified in the supposed Assignment, CHTAGC's petitions for cancellation, and CHTAGC's filings with the Nevada Secretary of State.

Counsel for Spencer and CHC submitted a declaration outlining the reasons for additional discovery: (1) Russell Road filed its Motion just fourteen days after producing one thousand, eighty-seven (1,087) documents and well in advance of the then-existing discovery cut-off and motion deadline; (2) that the subpoenas issued to CHTAGC and John Salvador could not be served because the address listed on the purported Assignment was false; and, (3) that such information is needed in order for Defendants' to evaluate the validity of the purported Assignment upon which Russell Road relies in its Motion. As described in Defendants' Response to Russell Road's Motion for Summary Judgment, this information was essential to opposing Russell Road's Motion as it would demonstrate that the assignment was invalid for want of consideration.

Then, in response to Spencer and CHC's argument that the purported Assignment was not supported by any consideration, Russell Road suddenly produced two declarations claiming that Russell Road paid \$2,500 to CHTAGC as

consideration for the first. Yet, neither declaration attached any documentary evidence reflecting the alleged payment.

There could be no clearer instance when additional discovery – the time for which had not expired when the District Court granted Russell Road’s Motion – then here, where Spencer and CHC were deprived of the opportunity to complete discovery related to the validity of the assignment upon which Russell Road’s claims were based. Russell Road shot-gunned its motion within two weeks of providing bare-bone responses to Spencer and CHC’s discovery, and then produced additional, self-serving and unverified evidence the veracity of which Spencer and CHC could not test and to which they had no opportunity to respond. “Where a party has not had ‘any realistic opportunity to pursue discovery relating to its theory of the case, district courts should grant any Rule 56(f) motion fairly freely.’” *Burlington N. Santa Fe R.R. Co. v. Assiniboine & Sioux Tribes of Fort Peck Reservation*, 323 F.3d 767, 773 (9th Cir.2003). Given this, the District Court should have deferred ruling on Russell Road’s motion until Spencer and CHC completed discovery. As a result, the grant of summary judgment should be reversed.

STATEMENT OF RELATED CASES

There are no known cases related to this matter pending before this Court.

CONCLUSION

For all the foregoing reasons, Spencer and CHC pray that this Court reverse the District Court's decision granting summary judgment in favor of Russell Road as to its first claim for declaratory judgment of non-infringement and on Spencer and CHC's counterclaims, and instruct the entry of an Order denying Russell Road's Motion for Summary Judgment. Alternatively, Spencer and CHC pray that this Court reverse the District Court's decision granting summary judgment, and, in accordance with Fed. R. Civ. P. 56(d), order that the District Court defer considering Russell Road's Motion until such time as the parties have completed discovery.

Respectfully Submitted,

/s/ Harold M. Schwarz, III

STARK & KNOLL CO., L.P.A.
Harold M. Schwarz, III, Esq.
3475 Ridgewood Road
Akron, Ohio 44333

and

LIPSON, NEILSON, COLE, SELTZER, GARIN, P.C.
Kaleb D. Anderson, Esq.
9900 Covington Cross Dr., Ste. 120
Las Vegas, Nevada 89144

Attorneys for Defendants-Appellants,
Frank Spencer and Crazy Horse Consulting, Inc.

CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because this brief contains 8,232 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii).
2. This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft WORD 2013 size 14 Times New Roman.

/s/ Harold M. Schwarz, III

Harold M. Schwarz, III, Esq.
One of the Attorneys for Appellants, Frank
Spencer and Crazy Horse Consulting, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system on November 28, 2014.

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

/s/ Harold M. Schwarz, III

Harold M. Schwarz, III, Esq.
One of the Attorneys for Appellants, Frank
Spencer and Crazy Horse Consulting, Inc.