

Appeal No. 14-16096

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

RUSSELL ROAD FOOD AND BEVERAGE, LLC,
Plaintiff-Appellee,

vs.

FRANK SPENCER and CRAZY HORSE CONSULTING, INC.,
Defendants-Appellants.

On Appeal From the United States District Court
for the District of Nevada
Hon. Larry R. Hicks
Case No. 2:12-cv-01514-LRH-GWF

**Plaintiff-Appellee Russell Road Food and Beverage, LLC's
Answering Brief on Appeal**

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CORPORATE DISCLOSURE STATEMENT

Russell Road Food and Beverage, LLC states that it is not a subsidiary of any parent corporation and that there is no publicly held corporation that owns 10% or more of its stock.

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I. JURISDICTIONAL STATEMENT

The District Court had subject matter jurisdiction of this case pursuant to 28 U.S.C. §§ 1331, 1338(a), 2201, 2202, and 15 U.S.C. § 1121. This is an appeal from an order granting summary judgment, and therefore, this Court has jurisdiction pursuant to 28 U.S.C. § 1291, which provides that “[t]he courts of appeals ... shall have jurisdiction of appeals from all final decisions of the district courts of the United States.” *Western Radio Services Co. Inc. v. CenturyTel of Eastern Oregon, Inc.*, 2012 U.S. App. LEXIS 21885, *2 (9th Cir. Oct. 19, 2012).

II. STATEMENT OF ISSUES

Did the District Court properly grant Plaintiff Russell Road Food and Beverage, LLC’s (“Russell Road”) Motion for Summary Judgment that Russell Road’s use of its CRAZY HORSE III trademark in Las Vegas, Nevada does not infringe Defendants Frank Spencer (“Spencer”) and Crazy Horse Consulting, Inc.’s (“CHC”) (collectively “Defendants”) claimed rights in the CRAZY HORSE trademark where the following facts are undisputed:

(a) a Nevada company called Crazy Horse Too A Gentlemen’s Club (“CHTAGC”) and Carl Reid, an individual who owned U.S. Trademark Registration No. 3,044,028 for CRAZY HORSE, entered into a September 16, 2009 Trademark Co-Existence Agreement (hereinafter “Consent Agreement”) in which Mr. Reid consented to CHTAGC’s use and registration of any mark that contains the phrase CRAZY HORSE, provided the mark does not contain the phrase PURE GOLD’S or the terms PURE or GOLD’S;

(b) in 2010, Mr. Reid assigned his rights in the CRAZY HORSE mark

and U.S. Registration No. 3,044,028 for CRAZY HORSE to Defendants; and

(c) in 2012, CHTAGC assigned its rights under the Consent Agreement to Russell Road.

III. STATEMENT OF THE CASE

A. Procedural History

On August 24, 2012, Russell Road filed its Complaint for a declaratory judgment that Russell Road's use of its CRAZY HORSE III mark does not infringe Defendants' claimed CRAZY HORSE mark on the grounds that a Consent Agreement between Russell Road and Defendants allows Russell Road to use the CRAZY HORSE III mark and, therefore, Defendants are contractually prohibited from asserting trademark claims against Russell Road. Appellants' Excerpts of Record (hereinafter "ER"), at ER356-ER381. On November 6, 2012, Defendants answered Russell Road's Declaratory Judgment Complaint, asserting counterclaims for trademark infringement, unfair competition and false designation of origin, federal dilution, and cancellation of state trademark registrations against Russell Road. ER325-ER355. However, Defendants did not assert any affirmative defenses relating to any alleged breach, rescission, or unenforceability of the Consent Agreement and did not assert any counterclaim for breach of the Consent Agreement. *Id.*

On the same day Defendants answered, November 6, 2012, Defendants also filed a Motion for Preliminary Injunction. Appellee's Supplemental Excerpts of Record (hereinafter "SER"), at SER521-SER542. On November 30, 2012, Russell Road filed its opposition to Defendants' Motion for Preliminary Injunction,

arguing, among other things, that Defendants would not suffer any irreparable harm because they had delayed over a year in seeking an injunction and were not using the CRAZY HORSE mark in Nevada and that Defendants were unlikely to succeed on the merits due to the Consent Agreement and the crowded field of CRAZY HORSE marks in the marketplace. SER302-SER338. On December 14, 2012, Defendants filed their reply brief in support of their Motion for Preliminary Injunction. SER282-SER301. On January 28, 2013, the District Court denied Defendants' Motion for Preliminary Injunction, finding that Defendants did not have a likelihood of success of prevailing on the merits of their infringement claim since Defendants have never used the CRAZY HORSE mark in Las Vegas or Nevada and that Defendants would not be irreparably harmed given their long delay in seeking injunctive relief. SER262-SER270.

On December 17, 2012, Russell Road and Defendants held their Rule 26(f) conference, which opened discovery in the case.¹ SER272:6. While Russell Road diligently pursued discovery by serving written requests a month later on January 18, 2013, Defendants waited almost seven months after discovery opened before serving their first set of requests for admission on July 23, 2013, first set of document requests on July 24, 2013, and first set of interrogatories on July 31, 2013. SER257:26-SER258:6; SER247:17-22; ER65, ¶ 5. Russell Road served its responses to Defendants' first set of requests for admissions and first set of document requests and produced documents on September 23, 2013 and served its

¹ The parties stipulated to extend pretrial dates several times while Russell Road's Motion for Summary Judgment was pending. SER1-SER8. While the last stipulation set a new discovery deadline of August 4, 2014, it obviously does not

responses to Defendants' first set of interrogatories on September 30, 2013. *Id.* Defendants never filed any discovery motions regarding the adequacy of Russell Road's discovery responses or document production. ER382-ER392.

On October 14, 2013—10 months after discovery opened, Russell Road filed its Motion for Summary Judgment that its use of the CRAZY HORSE III mark does not infringe Defendants' claimed rights in the CRAZY HORSE mark on the grounds that Defendants are bound by a Consent Agreement that allows Russell Road to use the CRAZY HORSE III mark. SER93-SER112. On November 7, 2013, Defendants filed their opposition to Russell Road's Motion for Summary Judgment. SER33-SER92. On November 25, 2013, Russell Road filed its reply brief in support of its Motion for Summary Judgment. SER9-SER25. On May 6, 2014, the District Court granted Russell Road's Motion for Summary Judgment, finding that the Consent Agreement is valid, Defendants are bound by the Consent Agreement, and that the Consent Agreement allows Russell Road to use the CRAZY HORSE III trademark. ER54-ER63.

On June 5, 2014, Defendants filed a Notice of Appeal and an Amended Notice of Appeal, appealing the District Court's Order granting summary judgment. ER7-ER40.

B. Statement of Facts

1. The Original CRAZY HORSE and the Crowded Field of CRAZY HORSE Marks

In 1951, long before Spencer or CHC started using CRAZY HORSE, Alain Bernardin opened Le Crazy Horse in Paris, France. SER372, at ¶ 3; SER386-

SER391. Also known as Le Crazy Horse Saloon or Le Crazy Horse de Paris, the Parisian cabaret featured racy burlesque routines performed by nude female dancers. *Id.* In the over 50 years since it opened, Le Crazy Horse has become world renown and has been featured in several documentaries. *Id.*

Not surprisingly, the success and notoriety of Le Crazy Horse spawned a multitude of CRAZY HORSE gentlemen's clubs, night clubs, restaurants, and bars across the United States and the world. SER372-SER373, at ¶¶ 4-5; SER392-SER429. These countless clubs are not owned or licensed by the original Le Crazy Horse in Paris nor by Defendants; rather, they are owned and operated by independent and unaffiliated third parties. *Id.* In fact, a CRAZY HORSE gentlemen's club, night club, or restaurant/bar can be found in many major cities in the United States. *Id.* By way of example, there are Crazy Horse gentlemen's clubs in San Francisco, California, just outside of Atlantic City, New Jersey, in Detroit, Michigan, and many more that are not affiliated with Spencer, CHC, or Russell Road. *Id.*

2. Russell Road's Adoption, Ownership, and Use of the CRAZY HORSE III Mark

As in many other cities, there is a long and storied history surrounding the use of the CRAZY HORSE name and mark in Las Vegas, Nevada. During the late 1970s/early 1980s, Jack Galardi opened the original Crazy Horse Saloon club on Paradise Road in Las Vegas, which eventually closed in the late 1980s. SER374, at ¶¶ 8-12; SER430-SER438. Shortly after the closure of the original Crazy Horse Saloon, the Crazy Horse Too gentlemen's club opened at 2466 Industrial Road in

Las Vegas. *Id.* As its name implies, Crazy Horse Too was patterned after the Crazy Horse Saloon on Paradise Road. *Id.* Following the well-publicized legal difficulties of its owner, the Crazy Horse Too club closed its doors on or around September 7, 2006. *Id.*

About three years later, on September 4, 2009, Russell Road opened a gentlemen's club under the CRAZY HORSE III name and mark in the Playground complex, a 40,000 square foot complex in Las Vegas. SER340, at ¶ 2; SER346-SER347. When Russell Road adopted the CRAZY HORSE III mark and opened its gentlemen's club on September 4, 2009, there were no other gentlemen's clubs in Las Vegas operating under a mark containing the phrase CRAZY HORSE. SER169, at ¶ 4. And Russell Road's CRAZY HORSE III gentlemen's club remains the only gentlemen's club in Las Vegas operating under a mark containing the phrase CRAZY HORSE. *Id.*

By virtue of its continuous and exclusive use of the CRAZY HORSE III mark in connection with its gentlemen's club, Russell Road owns the exclusive common law rights to the CRAZY HORSE III mark for gentlemen's clubs in Las Vegas and the State of Nevada. *Id.* Russell Road has invested untold resources in developing and building the CRAZY HORSE III mark into a well-recognized brand for the highest quality gentlemen's club services in Las Vegas, thereby creating an invaluable amount of goodwill with consumers in the Las Vegas marketplace. SER341-SER342, at ¶¶ 5-7, 9. In addition to its common law trademark rights, Russell Road owns two trademark registrations issued by the State of Nevada for its CRAZY HORSE III mark in connection with the "operation

of an adult entertainment facility,” which were issued on June 15, 2010. SER115, at ¶ 7; SER160-SER164. Russell Road also owns a pending federal trademark application for its CRAZY HORSE III mark, namely, U.S. Application Serial No. 85/584,958 for “entertainment services, namely, live performances by dancers; night clubs.” SER115, at ¶ 8; SER165-SER167.

Since opening its CRAZY HORSE III gentlemen’s club, Russell Road has not experienced any actual confusion arising out of its use of the CRAZY HORSE III name and mark and Defendants’ use of their CRAZY HORSE mark in Ohio. SER342, at ¶ 8. No customers or other third parties have ever inquired about any sponsorship, affiliation, or other relationship between Russell Road and Defendants or the parties’ respective clubs. *Id.*

3. Defendants’ Alleged Crazy Horse Rights

Spencer is an Ohio resident who claims to have used the CRAZY HORSE name for strip clubs in Ohio since 1978. ER341, at ¶ 122. Despite Spencer’s claim to have used the CRAZY HORSE mark since 1978, he did not file federal trademark applications until over 30 years later. SER374, at ¶ 13; SER439-SER457. During those 30 years, he also failed to engage in any policing or enforcement of his alleged rights in the CRAZY HORSE mark even though the CRAZY HORSE mark was being widely adopted and used by third parties across the United States for gentlemen’s clubs, night clubs, restaurants, and bars. SER372-SER373, at ¶¶ 4-7; SER384-SER385.

At some point during the last couple of years, Spencer altered course in his newly determined quest to profit from the CRAZY HORSE mark. ER121, at ¶ 28.

After 30 years of failing to protect and enforce his alleged rights, Spencer's new objective was to anoint himself as the exclusive owner of the CRAZY HORSE mark and systematically contact each existing Crazy Horse establishment to shake them down for licensing fees. Of course, the problem with his scheme was and continues to be the fact that he is not the exclusive owner of the CRAZY HORSE mark.

Notably, Defendants do not and have never used their claimed CRAZY HORSE trademark in Las Vegas or the State of Nevada. They do not own any strip clubs in Nevada. In denying Defendants' previous motion for preliminary injunction in this case, this Court specifically found that Defendants have not made trademark use of the CRAZY HORSE mark in Las Vegas or Nevada. SER266:9-SER268:1.

4. CHTAGC and Carl Reid Sign the Consent Agreement on September 16, 2009

On September 14, 2007, CHTAGC filed a trademark application for the CRAZY HORSE TOO GENTLEMEN'S CLUB design trademark with the United States Patent and Trademark Office ("USPTO"), which was assigned U.S. Application Serial No. 77/280,405. SER179, at ¶ 4; SER193-SER199. CHTAGC had filed the trademark application because it planned on opening a gentlemen's club called Crazy Horse Too in Las Vegas, Nevada. *Id.*

The USPTO assigned an Examining Attorney to review CHTAGC's U.S. Application Serial No. 77/280,405 for the CRAZY HORSE TOO GENTLEMEN'S CLUB design mark. On July 10, 2008, the Examining Attorney issued an office

action citing a likelihood of confusion with two existing trademark registrations owned by an individual named Carl Reid, U.S. Registration No. 3,044,028 for the CRAZY HORSE mark and U.S. Registration No. 3,055,283 for the PURE GOLD'S CRAZY HORSE mark. SER179-SER180, at ¶ 5; SER200-SER210. Although CHTAGC argued against the alleged likelihood of confusion, the Examining Attorney did not withdraw the refusal. SER180, at ¶ 6.

In light of the Examining Attorney's decision not to withdraw the likelihood of confusion withdrawal, CHTAGC began to analyze and evaluate Carl Reid's purported trademark rights and his supposed ownership of U.S. Registration No. 3,044,028 for the CRAZY HORSE mark and U.S. Registration No. 3,055,283 for the PURE GOLD'S CRAZY HORSE mark. *Id.* In doing so, CHTAGC discovered that both trademark registrations were invalid for several reasons, including the following: (i) the proper owners of the registrations were entities, not Carl Reid as an individual; (ii) there was no interstate commerce use as of the dates alleged in the registrations; (iii) the applications that matured into the registrations had been filed by Carl Reid knowing that he did not have the exclusive right to use such marks, and (iv) the marks had been abandoned through non-use and a failure to properly police the marks. *Id.*

On July 10, 2009, after discovering that the registrations were invalid, CHTAGC filed petitions for cancellation of Carl Reid's two trademark registrations with the Trademark Trial and Appeal Board ("TTAB"), the administrative body within the USPTO that conducts and decides trademark cancellation proceedings. SER180, at ¶ 7; SER211-SER227. CHTAGC's petition to cancel Carl Reid's U.S.

Registration No. 3,044,028 for the CRAZY HORSE mark was instituted as TTAB Cancellation Proceeding No. 92051225 and CHTAGC's petition to cancel Carl Reid's U.S. Registration No. 3,055,283 for the PURE GOLD'S CRAZY HORSE mark was instituted as TTAB Cancellation Proceeding No. 92051211. *Id.*

In both cancellation proceedings, Carl Reid's answer was due on August 19, 2009. However, Carl Reid never filed answers in either cancellation proceeding. SER181, at ¶ 9; SER228-SER238. As a result, on September 8, 2009, the TTAB issued a Notice of Default against Carl Reid in both cancellation proceedings. *Id.*

However, before the TTAB issued default judgments against Carl Reid, Carl Reid's counsel contacted CHTAGC's counsel seeking to settle the dispute and cancellation proceedings. SER181, at ¶ 9; SER239-SER245. Although CHTAGC could have simply waited for the TTAB to issue the default judgments ordering the cancellation of Carl Reid's two trademark registrations, CHTAGC agreed to settle its dispute with Carl Reid and the cancellation proceedings by way of the Consent Agreement, which both parties signed. *Id.* After both parties had entered into and executed the Consent Agreement, CHTAGC withdrew the two cancellation proceedings filed against Carl Reid's trademark registrations. *Id.*

5. The Consent Agreement Permits CHTAGC to use the CRAZY HORSE Mark in Any Manner As Long As It Does Not Include PURE GOLD'S, PURE, or GOLD'S

The Consent Agreement entered into by CHTAGC and Carl Reid specifically permits CHTAGC to use any mark that includes the phrase CRAZY HORSE as long as the mark does not include the phrase PURE GOLD'S or the

terms PURE or GOLD'S:

Mr. Reid consents to Crazy Horse Too's use and registration of the CRAZY HORSE TOO GENTLEMEN'S CLUB mark in standard characters, the design mark as depicted in U.S. Application Serial No. 77/280,405, *and any mark that includes the phrase CRAZY HORSE* provided the mark does not contain the phrase PURE GOLD'S, the terms PURE or GOLD'S, or any phrase or term confusingly similar to PURE GOLD'S.

SER114, at ¶ 3; SER120, at ¶ 1. The consent in Paragraph 1 of the Consent Agreement clearly extends to the CRAZY HORSE III trademark, as the mark contains the phrase CRAZY HORSE but does not include the phrase PURE GOLD'S, the terms PURE or GOLD'S, or any phrase or term confusingly similar to PURE GOLD'S.

Moreover, CHTAGC and Carl Reid negotiated and agreed that the Consent Agreement would be binding on their successors, assigns, and licensees:

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, assigns and licensees, and any corporation which owns or controls or is owned or controlled by any party or with which any party has common ownership.

SER114, at ¶ 3; SER121, at ¶ 7. The language in Paragraph 7 of the Consent Agreement clearly makes the agreement assignable and binding on, among others, any successors, assigns, and licensees.

6. Carl Reid Assigns his CRAZY HORSE Trademark to Defendants in 2010

When Spencer finally got around to filing trademark applications with the USPTO for the CRAZY HORSE mark, the USPTO refused registration based on

Carl Reid's prior existing registrations for the CRAZY HORSE and PURE GOLD'S CRAZY HORSE marks. SER374-SER375, at ¶¶ 13-17; SER439-SER497. More specifically, on August 28, 2008, Spencer filed U.S. Application Serial No. 77/557,722 for CRAZY HORSE for, among other things, "adult entertainment services featuring exotic dancing performances," and on January 14, 2011, Spencer filed U.S. Application Serial No. 85,217,717 for CRAZY HORSE for "restaurant, night club, tavern and cocktail lounge services." *Id.* On December 11, 2008, the USPTO issued an office action refusing registration of Spencer's U.S. Application Serial No. 77/557,722 based on Carl Reid's prior U.S. Registration No. 3,044,028 for CRAZY HORSE and Carl Reid's prior U.S. Registration No. 3,055,283 for PURE GOLD'S CRAZY HORSE. *Id.* Likewise, on April 7, 2011, the USPTO issued an office action refusing registration of Spencer's U.S. Application Serial No. 77/557,722 based on Carl Reid's prior U.S. Registration No. 3,044,028 for CRAZY HORSE and Carl Reid's prior U.S. Registration No. 3,055,283 for PURE GOLD'S CRAZY HORSE. *Id.*

Facing the same situation that CHTAGC had with its application, Spencer realized he would need to obtain Carl Reid's consent or acquire U.S. Registration Nos. 3,044,028 and 3,055,283 for himself if his trademark applications were to be approved by the USPTO. SER376, at ¶¶ 18-22; SER498-SER510. Spencer then reached out to Carl Reid to acquire U.S. Registration No. 3,044,028 for CRAZY HORSE and to enter into a co-existence agreement regarding U.S. Registration No. 3,055,283 for PURE GOLD'S CRAZY HORSE. *Id.*

In preparing to acquire Carl Reid's registration, on August 19, 2010, Spencer formed a CHC, an Ohio corporation, of which he is the sole shareholder. *Id.* Spencer then orchestrated an assignment of U.S. Trademark Registration No. 3,044,028 from Carl Reid to CHC. *Id.* The assignment was dated December 10, 2010, and recorded with the USPTO on January 11, 2011. *Id.* Spencer paid \$10,000 to Carl Reid for the assignment. SER148:26-SER149:3. Moreover, Spencer was aware of the Consent Agreement between CHTAGC and Carl Reid before he purchased the assignment of U.S. Registration No. 3,044,028 from Carl Reid. SER135:7-22.

7. CHTAGC Assigns its Rights Under the Consent Agreement to Russell Road

On August 16, 2012, CHTAGC assigned all of its rights, title, and interest in and to the Consent Agreement to Russell Road. SER115, at ¶ 6; SER153-SER159. As the assignee and owner of the rights under the Consent Agreement, Russell Road acquired the explicit consent of the owner of U.S. Trademark Registration No. 3,044,028 for CRAZY HORSE to "use and register" "any mark that includes the phrase CRAZY HORSE provided the mark does not contain the phrase PURE GOLD'S." *Id.* This language explicitly permits the Russell Road to use and register the CRAZY HORSE III mark. *Id.*

IV. SUMMARY OF ARGUMENT

In 2009, CHTAGC and Carl Reid were involved in administrative trademark litigation before the TTAB. CHTAGC and Mr. Reid negotiated a settlement and resolved their dispute by entering into a September 16, 2009 Consent Agreement.

In exchange for withdrawing the TTAB cancellation proceeding against Mr. Reid's U.S. Trademark Registration No. 3,044,028 for the CRAZY HORSE mark, Mr. Reid consented to CHTAGC's use and registration of any mark that contained the phrase CRAZY HORSE, provided the mark did not contain the phrase PURE GOLD'S or the terms PURE or GOLD'S. These terms are reflected in the Consent Agreement.

In 2010, Mr. Reid assigned his rights and U.S. Trademark Registration No. 3,044,028 to Defendants. In 2012, CHTAGC assigned its rights under the Consent Agreement to Russell Road. By acquiring Mr. Reid's rights to the CRAZY HORSE trademark and registration by assignment, federal trademark law holds that Defendants are bound by the Consent Agreement, which permits Russell Road—as the assignee of CHTAGC—to use and register the CRAZY HORSE III trademark. As a result, Defendants are contractually prohibited (and equitably estopped) from asserting their trademark claims against Russell Road. In view of these undisputed facts, the District Court properly granted Russell Road's Motion for Summary Judgment on all of Defendants' trademark claims and on Russell Road's claim for declaratory judgment of non-infringement.

V. STANDARD OF REVIEW

An order granting summary judgment is reviewed *de novo*. *Hokto Kinoko Co. v. Concord Farms, Inc.*, 738 F.3d 1085, 1092 (9th Cir. 2013). On appeal, the reviewing court must determine whether, viewing the evidence in the light most favorable to the nonmoving party, there are any genuine issues of material fact and whether the district court correctly applied the substantive law. *Id.* In doing so,

the appellate court may affirm summary judgment on any ground that has support in the record, whether or not relied upon by the district court. *Curley v. City of North Las Vegas*, 772 F.3d 629, 632 (9th Cir. 2014).

However, an order denying a request for further discovery pursuant to 56(d) is reviewed for abuse of discretion. *Nevada Department of Corrections v. Greene*, 648 F.3d 1014, 1018 (9th Cir. 2011); *Jones v. Blanas*, 393 F.3d 918, 926 (9th Cir. 2004). This is a highly deferential standard. *Id.* “If the district court identified and applied the correct legal rule to the relief requested, appellate courts will reverse only if the court's decision resulted from a factual finding that was illogical, implausible, or without support in inferences that may be drawn from the facts in the record.” *Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc.*, 736 F.3d 1239, 1247 (9th Cir. 2013).

VI. ARGUMENT

A. The District Court Correctly Found That Defendants Did Not Raise a Triable Issue of Fact

In its moving papers, Russell Road set forth six undisputed, material facts that supported granting its Motion for Summary Judgment. SER105:25-SER107:9. These six undisputed, material facts were supported by evidence in the form of declarations and exhibits submitted with Russell Road’s moving papers.² *Id.* These six undisputed, material facts are reproduced below for this Court’s convenience:

² It is worth noting that many of the declarations and exhibits are actually declarations and exhibits that were submitted by Defendants, underscoring the undisputed nature of these facts.

Undisputed Material Fact	Supporting Evidence
Carl Reid owned U.S. Registration No. 3,044,028 for the CRAZY HORSE trademark	SER114, at ¶ 2, SER117-SER118; ER329, at ¶¶ 23, 27 (Defendants' Answer); SER526:7-16 (Defendants' Motion for Preliminary Injunction); ER117-ER118, at ¶ 19 (Spencer Declaration); ER193-ER201 (Exhibit F to Spencer Declaration).
CHTAGC and Carl Reid entered into a Trademark Co-Existence Agreement with an Effective Date of September 16, 2009	SER114, at ¶ 3, SER119-SER121; ER234, at ¶ 9 (Gordon Declaration); ER300-ER302 (Exhibit I to Gordon Declaration).
The Trademark Co-Existence Agreement allowed CHTAGC to use and register "any mark that includes the phrase CRAZY HORSE provided the mark does not contain the phrase PURE GOLD'S."	SER114, at ¶ 3, SER120, at ¶ 1; ER234, at ¶ 9 (Gordon Declaration); ER300-ER302 ECF No. 15-9 (Exhibit I to Gordon Declaration).
Carl Reid assigned U.S. Registration No. 3,044,028 for CRAZY HORSE to Defendants on December 10, 2010	SER114, at ¶ 4, SER122-127; ER329, at ¶¶ 23, 27 (Defendants' Answer); SER526:7-16 (Defendants' Motion for Preliminary Injunction); ER117-ER118, at ¶ 19 (Spencer Declaration); ER193-ER201 (Exhibit F to Spencer Declaration).
Defendants were aware of the existence of the Trademark Co-Existence Agreement before Carl Reid assigned U.S. Registration No. 3,044,028 to CHC	SER114-SER115, at ¶ 5, SER135:7-22.
CHTAGC assigned its rights under the Trademark Co-Existence Agreement to Russell Road on August 16, 2012	SER115, at ¶ 6, SER153-SER159; SER179, at ¶ 3, SER186-SER192; SER169, at ¶ 3, SER171-SER177.

Notably, in their opposition brief before the District Court, Defendants did not dispute any of Russell Road's six undisputed, material facts. SER44:11-SER45:14. Instead, Defendants set forth six different facts that Defendants claimed were disputed and material. *Id.* However, none of Defendants' purported facts were material to the disposition of Russell Road's Motion for Summary Judgment. In fact, Defendants' purported facts were not only immaterial but

completely irrelevant and inapplicable. Accordingly, in its reply brief, Russell Road reproduced each of Defendants' six purported facts and explained why they were not material or disputed. SER13:2-SER15:8. Russell Road's reply to each of Defendants' purported six facts is reproduced below for this Court's convenience:

Defendants' Purported Disputed Fact	Why The Purported Fact Is Not Material or Disputed
No good will was transferred with the rights supposedly granted to CHTAGC by the co-existence agreement.	Goodwill is only required to be transferred when there is an assignment of a trademark. In this case, CHTAGC assigned its rights under a contractual agreement—the Consent Agreement—to Russell Road; CHTAGC did not assign any trademarks to Russell Road. Therefore, there was no requirement that goodwill be transferred, and Defendants' purported fact is immaterial and irrelevant. SER18:6-22.
Russell Road offers no evidence of any consideration paid or transferred to CHTAGC in exchange for the alleged assignment of the co-existence agreement.	As an initial matter, Russell Road did provide consideration of \$2,500, and Russell Road submitted declarations to that effect with its Reply. SER27, at ¶ 4; SER29, at ¶ 3. Moreover, Defendants have no basis for saying that there was no consideration provided. In fact, they put in no declaration to that effect. Instead, they just cite to the Russell Road's moving declarations, which simply did not address the issue of consideration because it was not an issue, but by no means did those declarations state that no consideration was given. A fact is not disputed simply because the opposing party states that it is—the opposing party must point to specific facts that put the fact in dispute. Defendants' conclusory allegations, without factual support are insufficient to create an issue of material fact and defeat summary judgment. <i>Bush v. Nationstar Mortgage, LLC</i> , No. 3:08-cv-00680, 2010 U.S. Dist. LEXIS 84975, *3-4 (D. Nev. Aug. 17, 2010).

	Finally, this is not a material fact in any event. SER18:23-SER20:2.
No good will was transferred with the rights supposedly granted to Russell Road by the purported assignment from CHTAGC.	Goodwill is only required to be transferred when there is an assignment of a trademark. In this case, CHTAGC assigned its rights under a contractual agreement—the Consent Agreement—to Russell Road; CHTAGC did not assign any trademarks to Russell Road. Therefore, there was no requirement that goodwill be transferred, and Defendants’ purported fact is immaterial and irrelevant. SER18:6-22.
CHTAGC never acquired any tangible or intangible goods of the unrelated club Crazy Horse Too or of Reid’s business.	The validity of the Consent Agreement does not depend on whether CHTAGC acquired any goods of an unrelated club or Reid’s business. In essence, Defendants are trying to argue that because CHTAGC did not acquire such goods, CHTAGC did not use or abandoned its trademark. Defendants are purposely confusing a party’s rights in a trademark with a party’s rights in a contractual agreement. Therefore, there was no requirement that CHTAGC acquire goods, use a trademark, or not abandon any trademark to continue to have rights in the Consent Agreement, and Defendants’ purported fact is immaterial and irrelevant. SER17:9-SER18:5.
CHTAGC never used any “Crazy Horse” mark in connection with the operation of any business.	The validity of the Consent Agreement does not depend on CHTAGC’s continued use or non-abandonment of any trademark rights. Defendants are purposely confusing a party’s rights in a trademark with a party’s rights in a contractual agreement. Therefore, there was no requirement that CHTAGC use or not abandon any trademark to continue to have rights in the Consent Agreement, and Defendants’ purported fact is immaterial and irrelevant. SER17:9-SER18:5.
CHTAGC abandoned the only trademark registration it attempted pursuant to the co-existence agreement.	The validity of the Consent Agreement does not depend on CHTAGC’s continued use or non-abandonment of any trademark rights. Defendants are purposely confusing a party’s rights in a trademark with a party’s rights in a contractual agreement. Therefore, there was no requirement that CHTAGC use or not abandon any trademark to

	continue to have rights in the Consent Agreement, and Defendants' purported fact is immaterial and irrelevant. SER17:9-SER18:5.
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As explained in the chart above, Defendants' list of facts was nothing more than a list of irrelevant facts that Defendants set forth in an ill-conceived attempt to try to conjure disputed material facts where none exist.

As a result, Defendants failed to identify any disputed material facts and failed to dispute any of Russell Road's six undisputed, material facts in their opposition. Accordingly, the District Court correctly found that Russell Road's six material facts were undisputed in deciding Russell Road's Motion for Summary Judgment.

Furthermore, after setting forth the six undisputed, material facts, Russell Road fully briefed the law governing this matter. Trademark consent agreements are enforceable, and a party to a trademark consent agreement cannot assert or prevail on a claim for trademark infringement. SER107:24-SER109:7. Moreover, trademark consent agreements are assignable like any other contractual agreement. SER109:8-SER110:21. And finally, trademark consent agreements are binding on trademark assignees. SER110:22-SER112:3. Notably, in their opposition brief before the District Court, Defendants did not contest any of these legal principles and did not set forth any legal authority to contradict any of these rules of law. Accordingly, because Defendants wholly failed to dispute Russell Road's undisputed, material facts and wholly failed to contest Russell Road's legal arguments entitling it to summary judgment, the District Court correctly found that Defendants failed to create a triable issue and properly granted Russell Road's

Motion for Summary Judgment.

B. The District Court Properly Granted Summary Judgment

1. The Consent Agreement Permits CHTAGC to Use CRAZY HORSE III

Co-existence agreements, also called consent agreements, are contracts in which a trademark owner consents to another party's defined usage of a mark. *Brennan's Inc. v. Dickie Brennan & Co. Inc.*, 376 F.3d 356, 354 (5th Cir. 2004); J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition*, § 18:79 (2012). As long as the party is using the mark in a manner permitted by the consent agreement, the trademark owner is contractually prohibited from asserting trademark infringement. *Brennan's*, 376 F.3d at 364–368; *T&T Mfg. Co. v. A.T. Cross Co.*, 587 F.2d 533 (1st Cir. 1978); *Rush Bev. Co., Inc. v. South Beach Bev. Co., Inc.*, No. 01-C-5684, 2002 U.S. Dist. LEXIS 23486, *28–33 (N.D. Ill. Dec. 6, 2002) (finding trademark claims barred by consent agreement); *ABRI v. ABRC*, No. 81-C-3527, 1991 U.S. Dist. LEXIS 16808, at *6 (N.D. Ill. Dec. 8, 1981) (consent agreement bars infringement claims).

Moreover, when a plaintiff asserts trademark infringement against a defendant whose use plaintiff consented to in a consent agreement, summary judgment should be granted in favor of the defendant. *Rush Bev. Co.*, 2002 U.S. Dist. LEXIS 23486, at *28-33. In *Rush Beverage*, R.J. Corr and South Beach LLC entered into a consent agreement in which R.J. Corr consented to South Beach LLC's use of the SOBE ADRENALINE RUSH trademark. *Id.* at *8. South Beach LLC then assigned its rights under the consent agreement to South Beach Beverage

Company, Inc., and R.J. Corr assigned its rights under the consent agreement to Rush Beverage Company, Inc. *Id.* at *10-11. Rush Beverage Company, Inc. then sued South Beach Beverage Company, Inc. for trademark infringement and unfair competition, alleging that SOBE ADRENALINE RUSH infringed its GINSENG RUSH mark. *Id.* at *28. South Beach Beverage Company, Inc. moved for summary judgment based on the consent agreement. *Id.* The court granted South Beach Beverage Company, Inc.'s summary judgment motion, holding that the consent agreement was valid, the assignments were valid, and that the consent provided in the consent agreement barred Rush Beverage, Inc.'s claims for trademark infringement and unfair competition. *Id.* at *28-33.

In the instant case, pursuant to Paragraph 2 of the Consent Agreement, CHTAGC could use and register the CRAZY HORSE III trademark. In fact, CHTAGC could use any variety of marks incorporating the phrase CRAZY HORSE as long as the marks did not use the phrase PURE GOLD'S or the terms PURE or GOLD:

Mr. Reid consents to Crazy Horse Too's use and registration of the CRAZY HORSE TOO GENTLEMEN'S CLUB mark in standard characters, the design mark as depicted in U.S. Application Serial No. 77/280,405, **and any mark that includes the phrase CRAZY HORSE** provided the mark does not contain the phrase PURE GOLD'S, the terms PURE or GOLD'S, or any phrase or term confusingly similar to PURE GOLD'S.

SER114, at ¶ 3; SER119-SER121. Accordingly, Carl Reid and his successors and assigns are contractually prohibited (and estopped) from asserting trademark infringement claims against CHTAGC and its successors and assigns (i.e., Russell

Road) based on any trademark use specifically permitted and consented to under the Consent Agreement, which includes the CRAZY HORSE III mark. *Id.*

2. CHTAGC's Rights Under the Consent Agreement Have Been Assigned to Russell Road, Which Includes the Right to Use CRAZY HORSE III

In the absence of language to the contrary, a contract is freely assignable. *Easton Business Opportunities, Inc. v. Town Executive Suites-Eastern Marketplace, LLC*, 230 P.3d 827, 830 (Nev. 2010). Likewise, trademark consent agreements are freely assignable and binding on each party's successors and assigns. *Waukesha Hygeia Mineral Springs Co. v. Hygeia Sparkling Distilled Water Co.*, 63 F. 438 (7th Cir. 1894) (defendant held bound by the terms of a consent agreement governing the use of the HYGEIA mark entered into by defendant's predecessor and the plaintiff); *T&T Mfg.*, 587 F.2d 533 (agreement between First Quill and A.T. Cross found enforceable against A.T. Cross where T&T purchased the agreement from First Quill and then assigned the rights to Second Quill, which used the mark A.T. Cross originally consented to); *Rush Beverage*, 2002 U.S. Dist. LEXIS 23486, at *28-33 (assigned consent agreement enforced); *Louis Ender, Inc. v. General Foods Corp.*, 467 F.2d 327, 328 (2d Cir. 1972) (assignment of consent agreement to General Foods); *California Packing Corp. v. Sun-Maid Raisin Growers*, 64 F.2d 370, 1993 CCPA LEXIS 58, at *13-14 (CCPA 1933) (assigned consent agreement valid).

In the instant case, CHTAGC assigned its rights under the Consent Agreement to Russell Road. SER115, at ¶ 6; SER153-SER159. The assignment

of the Consent Agreement to Russell Road is valid because the Consent Agreement does not contain any provision or language prohibiting assignment. SER114, at ¶ 3; SER119-SER121. And in fact, it actually contains language that evidences that the Consent Agreement can indeed be assigned. Paragraph 7 of the Consent Agreement reads as follows:

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors, assigns and licensees, and any corporation which owns or controls or is owned or controlled by any party or with which any party has common ownership.

Id. (emphasis added). This language makes it clear that the parties to the Consent Agreement intended that it be capable of being assigned. *Salt Lake Tribune Publishing Company, LLC v. AT&T Corp.*, 320 F.3d 1081, 1102 (10th Cir. 2003) (“successors and assigns clause ... indicates that the parties contemplated that their rights and obligations under the [agreement] were assignable.”); *Producers Oil Co. v. Gore*, 437 F. Supp. 737, 739 (E.D. Ok. 1977). Therefore, because contracts are freely assignable absent an anti-assignment provision; because the Consent Agreement did not prohibit, and actually permitted, assignment; and because federal courts routinely find trademark consent agreements assignable, the Consent Agreement was freely assignable and the assignment to Russell Road is valid.

Having acquired CHTAGC’s rights under the Consent Agreement by assignment, Russell Road obtained permission and consent to use its CRAZY HORSE III trademark from Carl Reid and his successors and assigns, including any subsequent owner of U.S. Trademark Registration Nos. 3,044,28 for the CRAZY HORSE mark. Specifically, Russell Road—standing in the shoes of

CHTAGC by assignment—obtained permission and consent pursuant to Paragraph 2 of the Consent Agreement to its “use and registration of . . . any mark that includes the phrase CRAZY HORSE provided the mark does not contain the phrase PURE GOLD’S, the terms PURE or GOLD’S, or any phrase confusingly similar to PURE GOLD’S.” SER114, at ¶ 3; SER119-SER121. Obviously, Russell Road’s CRAZY HORSE III mark constitutes a mark that includes the phrase CRAZY HORSE but does not include the phrase PURE GOLD’s, the terms PURE or GOLD, or any phrase confusingly similar to PURE GOLD’S. As such, Russell Road’s use and registration of its CRAZY HORSE III is explicitly consented to by way of the Consent Agreement, and Defendants may not maintain their trademark claims against Russell Road.

3. The Consent Agreement is Binding on Defendants as Assignees

When a trademark is assigned, the assignee steps into the shoes of the assignor. *R.L. Polk & Co. v. InfoUSA, Inc.*, 230 F. Supp. 2d 780, 794 (E.D. Mich. 2002) (trademark assignee stands in the shoes of assignor and acquiring both the rights and obligations of the assignor); *Premier Dental Prod. Co. v. Darby Dental Supply Co.*, 794 F.2d 850, 853 (3d Cir. 1986) (“following a proper assignment [of a trademark], the assignee steps into the shoes of the assignor”). In doing so, the assignee assumes the rights and obligations of the assignor, which includes being bound by the terms of any existing consent agreement involving the trademark. *Rush Beverage*, 2002 U.S. Dist. LEXIS 23486, at *28-33 (assignee bound by consent agreement previously entered into by assignor); *Louis Ender, Inc. v.*

General Foods Corp., 467 F.2d 327, 328 (2d Cir. 1972) (noting consent agreement between the plaintiff Louis Ender and Alexander Forgas had been assigned by Mr. Forgas to defendant General Foods); *California Packing Corp. v. Sun-Maid Raisin Growers*, 64 F.2d 370, 1993 CCPA LEXIS 58, at *13-14 (CCPA 1933) (finding assignee of the SUN-MAID trademark bound by consent agreement previously entered into by assignor); Lawrence W. Greene, *The Ties That Bind? Considerations in Drafting and Maintaining U.S. Trademark Consent and Coexistence Agreements*, INTABulletin Vol. 67 No. 6 (March 15, 2012) (“This is also true for a successor that acquires its trademark rights without notice: the successor is nonetheless bound by the terms of the consent agreement.”); J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition*, §§ 18:15 (2012) (“an assignee, by following in the footsteps of the assignor, acquires not only all the rights and priorities of the assignor, but also any burdens and limitations on use that were incumbent on the assignor.”).

In the instant case, Defendants are bound by the Consent Agreement, which permits Russell Road to use its CRAZY HORSE III trademark. As an initial matter, in their discovery responses, Defendants admit they knew about the Consent Agreement before they purchased the CRAZY HORSE trademark registration from Carl Reid. SER114-SER115, at ¶ 5; SER135:7-22. Therefore, when Carl Reid assigned his U.S. Trademark Registration No. 3,044,208 for the CRAZY HORSE mark to Defendants, Defendants knew they were acquiring the mark subject to the Consent Agreement permitting CHTAGC and/or its assignees to use any mark containing the CRAZY HORSE trademark as long as it did not

include the phrase PURE GOLD'S or the terms PURE or GOLD'S.

Moreover, as federal case law clearly holds, Defendants as the assignees of U.S. Trademark Registration No. 3,044,028 stepped into the shoes of assignor Carl Reid. SER114, at ¶ 4; SER122-SER127. And by stepping into the shoes of Carl Reid, Defendants acquired not only the rights but also the obligations of assignor Carl Reid. As such, Defendants are bound by the Consent Agreement. This means that Defendants have provided their contractual consent to Russell Road's use of its CRAZY HORSE III trademark and cannot prevail on their claims for trademark infringement.

C. The District Court Properly Rejected Defendants' Arguments Actually Raised in the Summary Judgment Briefing

1. Russell Road Obtained an Assignment of the Consent Agreement, Not an Assignment of a Trademark

In their opposition brief before the District Court, Defendants exhibited a fundamental misunderstanding of trademark law and the assignment of the Consent Agreement from CHTAGC to Russell Road. CHTAGC assigned its rights under the Consent Agreement to Russell Road. SER115, at ¶ 6, SER153-SER159; SER169, at ¶ 3, SER171-SER177; SER179, at ¶ 3, SER186-SER192. CHTAGC did not assign any trademark to Russell Road. *Id.* Yet, the entirety of Defendants' opposition was premised on a failure to understand this simple distinction and compounded by a mischaracterization of the facts. Defendants' arguments were all directed to the assignment of a trademark, which is completely inapplicable in this case because CHTAGC only assigned its contractual rights, not any trademarks to

Russell Road. As discussed below, by wrongly addressing the assignment of a trademark instead of the assignment of the Consent Agreement, Defendants failed to create any triable issue of fact precluding summary judgment.

a. The Validity of the Consent Agreement Does Not Depend On CHTAGC's Use or Ownership of Any Trademark

In their opposition brief before the District Court, Defendants argued that the Consent Agreement is somehow invalid because CHTAGC abandoned its CRAZY HORSE TOO trademark. SER47:1-SER49:8. This argument is completely irrelevant and nothing more than a transparent red herring.

First, the Consent Agreement does not require CHTAGC to own or use any trademark in order for the Consent Agreement to be valid. SER114, at ¶ 3; SER119-SER121. In fact, there are many provisions in the Consent Agreement that relate to the consent to use trademarks in the future. For example, Paragraph 1 allows CHTAGC to use and register *any* mark that includes the phrase CRAZY HORSE if it does not include PURE GOLD'S. *Id.* This obviously contemplates that CHTAGC could adopt additional marks other than whatever marks it was using at the time. Moreover, there is no language anywhere in the Consent Agreement tying the validity of the Consent Agreement to CHTAGC's continued use of any mark. *Id.* And not surprisingly, Defendants completely failed to cite any legal authority whatsoever for the incorrect proposition that a Consent Agreement is invalid if a trademark is abandoned, especially where the Consent Agreement provides specific consent to the adoption of additional marks.

In short, Defendants confused a party's rights in a trademark with a party's rights in a contractual agreement. It is true that in order to maintain one's trademark rights, the trademark owner must continue to use and not abandon the trademark. The statute and cases cited by Defendants in their opposition brief stand for only that proposition and nothing more. It is not true, however, that the abandonment of a trademark results in the abandonment of one's rights under a contractual agreement if there is no such term in the agreement. All Defendants did was cite statutes and cases that set forth how a trademark is abandoned. Glaringly, Defendants *cited no factual or legal basis* to find a contractual Consent Agreement invalid as the result of the abandonment of a trademark. As such, Defendants' argument was properly rejected by the District Court as irrelevant and misplaced.

b. CHTAGC Did Not Assign Any Trademark to Russell Road So There Can Be No Assignment in Gross

In their opposition brief before the District Court, Defendants argued that the assignment of the consent agreement to Russell Road is unenforceable because CHTAGC did not transfer the goodwill associated with CHTAGC's trademark to Russell Road. SER49:9-SER51:10. This argument was properly rejected because Defendants purposely confused the assignment of a consent agreement with the assignment of a trademark.

Again, CHTAGC assigned its rights under the Consent Agreement to Russell Road. *CHTAGC did not assign any trademark to Russell Road.* Therefore, while it is true that an assignment of a trademark must include the

goodwill associated with it, that rule applies to the assignment of a trademark, not the assignment of a contract. As such, Defendants' argument is completely misplaced, and the District Court properly found that, because CHTAGC assigned its contractual rights—not a trademark, CHTAGC did not need to transfer the goodwill associated with any of its marks to Russell Road.

2. Russell Road Provided Consideration to CHTAGC for the Assignment

a. Russell Road Paid \$2,500 and Defendants'

Speculation Does Not Create a Genuine Issue of Fact

Contrary to Defendants' false assertion in their opposition brief before the District Court, Russell Road did provide consideration to CHTAGC in exchange for the assignment of the Consent Agreement. In their opposition, Defendants argued that CHTAGC's assignment of the consent agreement to Russell Road is invalid because "Russell Road offers no evidence that it paid or transferred any consideration in exchange for the alleged assignment." SER34:20-22; SER48:25.

As an initial matter, Defendants have no basis whatsoever to conclude that no consideration was given by Russell Road to CHTAGC in exchange for assignment of the consent agreement. It is nothing more than pure, unbridled speculation (and arguably a violation of Rule 11 since there is no evidentiary basis for the assertion). *Bush v. Nationstar Mortgage, LLC*, No. 3:08-cv-00680, 2010 U.S. Dist. LEXIS 84975, *3-4 (D. Nev. Aug. 17, 2010) ("conclusory allegations that are unsupported by factual data cannot defeat a motion for summary judgment.").

It is also worth noting that Defendants did not cite any legal authority to support their argument that the assignment of a consent agreement is invalid if not supported by consideration. Likewise, Defendants did not cite any legal authority showing that Defendants, who were not parties to the assignment of the Consent Agreement, even have standing to challenge the assignment of the Consent Agreement for lack of consideration. Nevertheless, as explained below, Russell Road provided monetary consideration to CHTAGC for the assignment, which is an undisputed fact (though not material to Russell Road's Motion for Summary Judgment). As such, Defendants' argument is wholly without factual basis, and consequently, the factual misrepresentation is arguably sanctionable pursuant to Rule 11.

Moreover, Russell Road submitted the actual assignment document, which itself reflects that consideration was exchanged. SER115, at ¶ 6; SER153-SER159. The last paragraph in the Recitals of the assignment reads as follows:

NOW, THEREFORE, in consideration of the foregoing recitals and the promises and covenants contained herein and ***for good and valuable consideration***, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

SER154. Accordingly, the actual parties to the agreement acknowledge that there was consideration for the assignment.

In any event, and most importantly, Defendants' argument is moot because Russell Road paid CHTAGC \$2,500 for the assignment of the Consent Agreement. SER27, at ¶ 4; SER29, at ¶ 3. As this payment did not seem germane, Russell Road did not address it in its moving papers before the District Court. But since

Defendants incorrectly claimed that no consideration was given, Russell Road submitted reply declarations from Russell Road and CHTAGC attesting to the payment of this consideration. *Id.* As such, this is a non-issue, and Defendants' argument—which is unsupported in both law and fact—must be rejected.

b. Russell Road's Reply Declarations Regarding the Consideration Paid Were Proper Evidence

In their opening appeal brief, Defendants wrongly argue that the District Court's order granting summary judgment should be reversed because Russell Road improperly submitted new evidence that it paid CHTAGC consideration in its reply brief in support of its Motion for Summary Judgment. Opening Brief, at 6, 25, 31. Defendants' argument must be rejected for several reasons.

First, Russell Road's reply declarations attesting to the payment of consideration did not constitute improper new evidence on reply because they responded to Defendants' argument made for the first time in their opposition that there was no payment of consideration. The district courts in the Ninth Circuit consistently hold that a moving party may include evidence and argument in a reply brief to respond or rebut an argument or issue raised by the opposition brief. *Calderon v. Experian Information Solutions*, 2013 U.S. Dist. LEXIS 80695, *18-19 (D. Id. 2013); *Care First Surgical Center v. ILWU-PMA Welfare Plan*, 2014 U.S. Dist. LEXIS 165744, *57 n.56 (C.D. Cal. 2014) (arguments and evidence first made in reply are permissible to respond to arguments made in opposition); *Morales v. Allied Building Crafts, Inc.*, No. CV-S-04-1365, 2005 U.S. Dist. LEXIS 49033, *14 (D. Nev. 2005) ("Plaintiffs' reply only responds, however, to matters

placed in issue by defendants in their response.")). In the instant case, Defendants raised the consideration issue for the first time in their opposition brief before the District Court. SER34:20-22; SER48:25. Notably, that was the first time Defendants had ever raised the issue.³ As such, Russell Road was entitled to respond to Defendants' new argument in their reply brief.

Second, even if the declarations were new evidence (and they were not), the Ninth Circuit holds that the consideration of new arguments or evidence in a reply brief falls within the discretion of the district court. *In re McAllister*, No. CC-13-1578, 2014 Bankr. LEXIS 3452, * 36 (9th Cir. Aug. 13, 2014); *Glenn K. Jackson Inc. v. Roe*, 273 F.3d 1192, 1202 (9th Cir. 2001) ("The district court had discretion to consider the 47(c) issue even if it was raised in a reply brief."). In fact, a district court can grant summary judgment on any legal ground the record supports. *Id.* In the instant case, the District Court's decision to consider Russell Road's reply declarations attesting to the payment of consideration is clearly within the District Court's discretion and not a basis for reversal.

Third, Defendants cannot now complain for the first time about the alleged new evidence. In *SEC v. Platforms Wireless International Corporation*, the Ninth Circuit rejected the defendants argument that the district court erred by considering new evidence in a reply, relying in part on the fact that "defendants did not object to the SEC's new evidence and had two months before oral argument on the summary judgment to submit rebuttal evidence." *SEC v. Platforms Wireless*

³ Defendants had never previously raised the issue of consideration. It was not referenced in their Answer or in their Motion for Preliminary Injunction. ER325-ER355; SER521-SER542; SER282-SER301.

International Corporation, 617 F.3d 1072, 1087 n.9 (9th Cir. 2010); *see also Almada v. Allstate Insurance Company*, 285 F.3d 798, 800 (9th Cir. 2002) ("Almada failed to object, however, to the disclaimer [evidence] at any time prior to the entry of summary judgment"). In the instant case, Russell Road filed its reply brief on November 25, 2013 and the District Court did not issue its Order until May 6, 2014—almost five months later. SER9-SER25; ER54-ER63. During those five months after Russell Road filed its reply, Defendants did not file any objections to Russell Road's reply declarations and did not file any request to file a surreply or any request to submit additional evidence. ER382-ER392. Accordingly, Defendants cannot raise this disingenuous argument for the first time on appeal.

3. Nevada Law Permits CHTAGC To Convey the Consent Agreement

In their opposition brief before the District Court, Defendants argued that CHTAGC could not assign the Consent Agreement because CHTAGC was dissolved or defunct. SER34:22-24; SER43:9-10. However, NRS § 78.585 entitled "Continuation of corporation after dissolution for winding up and liquidating its business and affairs" allows a dissolved company to continue as a company to convey property and distribute assets, such as the Consent Agreement that was assigned to Russell Road:

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.

NRS § 78.585 (emphasis added). Therefore, it was perfectly permissible for CHTAGC to dispose of the asset of the Consent Agreement by assigning it to Russell Road after CHTAGC was dissolved. As such, the District Court properly rejected this argument.

4. Russell Road Did Not Breach the Consent Agreement

In their 24 page opposition brief before the District Court, Defendants dedicated 10 lines of text to an unconvincing conclusory allegation that Russell Road breached the Consent Agreement. SER51:1-10. The fact that Defendants made little more than a passing reference to this argument underscores the fact that Defendants themselves did not believe their own baseless argument.⁴ Moreover, Russell Road did not breach the Consent Agreement by filing this lawsuit to enforce the Consent Agreement because (i) Russell Road acquired the rights but not obligations under the Consent Agreement, and (ii) Defendants were not in compliance with the Consent Agreement by refusing to provide their consent both before and after Russell Road filed the Complaint.⁵

⁴ As an initial matter, Defendants incorrectly stated in their opposition that the only consideration given by CHTAGC to Mr. Reid was to not oppose, petition to cancel, or interfere with his marks. SER51:1-3. However, this is not true. CHTAGC had successfully petitioned to cancel Reid's CRAZY HORSE trademark registration and Reid was in default. SER101:8-SER102:23. CHTAGC withdrew the petition to cancel and did not pursue the default judgment against Reid. *Id.* This is unquestionably more than sufficient consideration for the Consent Agreement.

⁵ Defendants also incorrectly characterize the chronology of CHTAGC's assignment of the Consent Agreement to Russell Road and the filing of the Complaint. SER51:3-5. CHTAGC executed the assignment on August 16, 2012. SER155. After obtaining CHTAGC's assignment, Russell Road contacted

a. Russell Road Obtained CHTAGC's Rights Under the Consent Agreement, But Not Its Obligations

As an initial matter, CHTAGC's assignment specifically states that CHTAGC assigned its rights under the Consent Agreement to Russell Road, but did not assign or delegate its obligations under the Consent Agreement to Russell Road.⁶ SER115, at ¶ 6; SER154, at ¶¶ 1-2. In this regard, contract law specifically permits assignment of the rights but not obligations of a consent agreement. *See* NRS § 104.2210 (specifically allowing the assignment of rights and non-delegation of performance); *ProShipLine, Inc. v. Ep-Team, Inc.*, No. 07-cv-5660, 2010 U.S. Dist. LEXIS 136283, *5 (W.D. Wash. Dec. 13, 2010) ("Ep-Team had assigned its rights (not obligations) under the contract to ProShipLine in 2006"); *Winthrop Resources Corp. v. Anastasi Construction Co., Inc.*, No. 01-787, 2002 U.S. Dist LEXIS 6135, *3-4 (D. Minn. March 18, 2002) (in contract at issue, assignor assigned rights but not obligations); *Brown v. Indiana National Bank*, 476 N.E.2d 888, 895, n.4 (Ind. Ct. App. 1985) (assignment of a contract may assign rights without delegating duties). Accordingly, because CHTAGC did not assign or delegate its obligations under the Consent Agreement to Russell Road, Russell Road was not under an obligation to refrain from challenging Defendants' use or

Defendants to request that they abide by the Consent Agreement. SER31-SER32, at ¶ 5. When they refused, Russell Road filed suit on August 24, 2012. ER356. It was not "one day" after the assignment as Defendants mischaracterize.

⁶To the extent the obligations were required to be assigned to Russell Road to make the assignment valid and enforceable, the Consent Agreement also provided for that in Paragraph 2. SER154, at ¶ 2.

registration of the CRAZY HORSE mark. As such, there could be no breach of the Consent Agreement by Russell Road.

b. Russell Road Did Not Breach the Consent Agreement Because Defendants Were Not in Compliance With the Consent Agreement

Although CHTAGC did agree not to challenge Mr. Reid's use and registration of the CRAZY HORSE trademark, there is an important limitation on that agreement in the Consent Agreement. Paragraph 3 of the Consent Agreement specifically states that CHTAGC's agreement not to challenge Mr. Reid's use and registration of the CRAZY HORSE trademark is only required "provided that Mr. Reid is otherwise in compliance with this Agreement." SER114, at ¶ 3; SER120-SER121, at ¶ 3. This important limitation is stated specifically in the Consent Agreement and cannot be ignored. *Id.*

In this regard, Defendants were not "otherwise in compliance" with the Consent Agreement because they refused to consent to Russell Road's use of the CRAZY HORSE III trademark and continued to assert that Russell Road's use of its CRAZY HORSE III trademark infringed Defendants' asserted rights in the CRAZY HORSE trademark. SER31-SER32, at ¶¶ 2-5; ER363-ER364, at ¶¶ 29-34; SER112, at ¶¶ 2-3; SER379, at ¶¶ 32-34 (detailing Defendants' threats of trademark infringement). Between August 16, 2012 (when CHTAGC assigned the Consent Agreement to Russell Road) and August 24, 2013 (when Russell Road filed its Complaint in this action), Defendants' counsel was advised that the CHTAGC had assigned its rights under the Consent Agreement to Russell Road,

but Defendants chose to maintain their assertions of infringement.⁷ SER31-SER32, at ¶¶ 2-5. As a result, Defendants were not in compliance with the Consent Agreement, and Russell Road was not subject to the obligations in Paragraph 3 of the Consent Agreement.⁸ *Id.*

c. At No Point Before or After this Lawsuit Was Filed Have Defendants Abided by the Agreement and Given Their Consent

Defendants' argument that Russell Road breached the Consent Agreement is a desperate attempt to avoid enforcement of the agreement and rings hollow. Interestingly, in making this argument, Defendants are essentially stating that, if Russell Road had not filed its Complaint, Defendants would have provided their consent as required under the Consent Agreement. Yet, Defendants have never been willing to provide such consent—both before and after the Complaint was filed. Before the Complaint was filed, Defendants refused to co-exist as required by the Consent Agreement. SER31-SER32, at ¶¶ 2-5. And after the Complaint was filed, Defendants never once offered to resolve the lawsuit by complying with the Consent Agreement and providing their consent to Russell Road's use of its CRAZY HORSE III mark. *Id.* Instead, Defendants counterclaimed for

⁷ In fact, Defendants continue to pursue their allegations of infringement against Russell Road to this day, long after Russell Road filed its Complaint for declaratory relief.

⁸ It is also worth noting that Russell Road only included the cancellation claims to preserve its rights in the litigation after Defendants refused to abide by the Consent Agreement. Russell Road was only interested in having Defendants abide by the Consent Agreement, not in cancelling Defendants' trademark registration. This is evidenced by Russell Road's Motion for Summary Judgment, in which it stated it would withdraw the cancellations claims if the District Court granted its Motion requiring Defendants to abide by the Consent Agreement. SER97:11-14.

infringement and filed a motion for preliminary injunction (which was denied). ER325-ER355; SER521-SER542; SER262-SER270. Defendants also never wrote to Russell Road to allege that any breach of the Consent Agreement had taken place.⁹ Defendants did not do so because they knew they were in breach of the Consent Agreement, and Russell Road's attempt to enforce the Consent Agreement by filing this lawsuit is entirely permissible.

**d. Defendants Waived Any Breach or Rescission
Argument By Failing to Assert It as an Affirmative
Defense or Counterclaim**

As an initial matter, the Ninth Circuit can affirm an order granting a summary judgment on any ground that has support in the record, whether or not relied on by the district court, in the interest of efficiency and conserving judicial resources. *Sicor Ltd. v. Cetus Corp.*, 51 F.3d 848, 860 n. 17 (9th Cir. 1995); *Valdez v. Rosenbaum*, 302 F.3d 1039, 1043 (9th Cir. 2002). In the instant case, Defendants' argument that Russell Road breached the Consent Agreement or that it was rescinded by Defendants should also be rejected because Defendants have waived that argument by failing to assert it as an affirmative defense or counterclaim. In Nevada, a party arguing against the enforcement of a contract due to prior breach or rescission must assert it as an affirmative defense. *Great American Insurance Co. v. General Builders, Inc.*, 934 P.2d 257, 262 (Nev. 1997)

⁹ Instead, Defendants feebly argue that they provided notice through a reply brief filed in connection with their motion for preliminary injunction. That is hardly how a notice of breach would be given. Rather, Defendants are trying to manufacture arguments in a desperate attempt to avoid enforcement of the Consent Agreement.

(affirming district court's ruling excluding evidence of rescission "because Great American had not pleaded rescission as an affirmative defense"). Other jurisdictions are in agreement. *See also The Frank Lloyd Wright Foundation v. Kroeter*, 697 F. Supp.2d 1118, 1133 (D. Ariz. 2010) (prior breach is an affirmative defense); *Winn & Associates, PLLC v. Emcare Physician Services, Inc.*, No. 13-cv-00427, 2014 U.S. Dist. LEXIS 98548, *15 (E.D. Ok. July 21, 2014) ("[P]rior material breach is an affirmative defense and, as such, it must be pled or its assertion is waived."); *Bank of America, N.A. v. Old Republic Insurance Co.*, No. 3:10-cv-00553, 2014 U.S. Dist. LEXIS 32826, *7 (W.D.N.C. Mar. 11, 2014) ("[B]reach is an affirmative defense that is waived if not pled.").

In the instant case, Defendants cannot argue prior breach or rescission because they did not plead that as an affirmative defense nor did Defendants counterclaim for breach of contract. ER325-ER355. Moreover, the deadline to amend pleadings passed long ago on May 6, 2013—a full five months before Russell Road filed its Motion for Summary Judgment on October 14, 2013. SER259:10-11; SER93-SER112. As such, by failing to assert affirmative defenses for breach or rescission and failing to counterclaim for breach, Defendants waived the affirmative defense and cannot raise those arguments to avoid summary judgment.

5. Defendants Did Not Satisfy the Requirements for Additional Discovery Pursuant to FRCP 56(d)

In their opposition brief before the District Court, Defendants argued that the District Court should defer considering Russell Road's Motion for Summary

Judgment because Defendants purportedly needed discovery pursuant to FRCP 56(d) in order to oppose Russell Road's Motion for Summary Judgment.¹⁰

SER51:11-SER52:18. However, as discussed below, Defendant's request to defer Russell Road's Motion for Summary Judgment to allow Defendants to conduct discovery was properly denied by the District Court because (1) Defendants had ample opportunity to conduct discovery and failed to do so, and (2) Defendants did not submit an affidavit setting forth the three requirements required by FRCP 56(d).

a. Contrary to Defendants' Assertion, the Proper Standard of Review Is Abuse of Discretion

In their opening appeal brief, Defendants acknowledge that a district court's denial of a request pursuant to FRCP 56(d) to defer consideration of a motion for summary judgment to allow a party to take discovery is reviewed by the deferential abuse of discretion standard. Opening Brief, at 31. However, Defendants then wrongly argue that this Court should review the District Court's denial *de novo*. *Id.* In support of their incorrect argument, Defendants cite *Garrett v. City and County of San Francisco* for the proposition that, when a district court disposes of a case by summary judgment without exercising its discretion as to the discovery request, the standard of review is *de novo*. *Garrett v. City and County of San Francisco*, 818 F.2d 1515, 1518 (9th Cir. 1987). However, in *Garrett*, the district

¹⁰ The 2010 amendments to the Federal Rules of Civil Procedure changed the subparagraph lettering for Rule 56. Prior to the 2010 amendments, FRCP 56(f) set forth the rule regarding the need for discovery to oppose a motion for summary judgment. That rule has now been changed to FRCP 56(d), but the rule remains the same and the case interpreting former FRCP 56(f) are equally applicable to the interpretation of FRCP 56(d).

court failed to actually address the merits of the discovery request, finding it "moot" after having granted summary judgment and disposed of the case. *Id.* As such, the district court in *Garrett* never actually considered the merits of the discovery request, thereby not exercising its discretion to begin with. *Id.*

In contrast, when a district court specifically denies a request for further discovery pursuant to FRCP 56(d), the denial is reviewed under the deferential abuse of discretion standard. *Nevada Department of Corrections v. Greene*, 648 F.3d 1014, 1018 (9th Cir. 2011); *Jones v. Blanas*, 393 F.3d 918, 926 (9th Cir. 2004). Moreover, the Ninth Circuit has specifically distinguished a situation where a district court fails to rule on the request for discovery at all like it did in *Garrett* from a situation where the district court specifically denies the request or even from a situation where the request was contained in an opposition brief rather than a separate motion:

Garrett is distinguishable from the case before us. In the instant matter, AMA requested a continuance to pursue discovery in its memorandum in opposition to the Band's motion for summary judgment; it did not file a separate motion which required a separate adjudication on the merits as did the plaintiff in *Garrett*. By granting the Band's motion for summary judgment without expressly addressing AMA's request for a continuance, the district court did not fail to exercise its discretion as did the court in *Garrett*.

Barona Group v. American Management & Amusement, Inc., 840 F.2d 1394, 1400 n.1 (9th Cir. 1987).

In the instant case, the abuse of discretion standard of review applies and *Garrett* is inapplicable because the District Court clearly exercised its discretion to

deny Defendants' request for discovery pursuant to 56(d). As an initial matter, Russell Road notes that, as in the *Barona Group* case, Defendants made their request for discovery in their opposition brief and did not file a separate motion for discovery. SER51:11-SER52:18. Therefore, per the Ninth Circuit's principle in *Barona Group*, the District Court exercised its decision to deny Defendants' request when it granted Russell Road's Motion for Summary Judgment. Second, and more importantly, the District Court's Order clearly shows that the District Court considered Defendants' request on the merits and specifically denied it:

Defendants have not met their burden in requesting that the Court stay or deny Russell Road's Motion for Summary Judgment pursuant to Federal Rule of Civil Procedure 56(d). . . .

In support of their request, Defendants insinuate that they need additional discovery and further assert that they have been unable to investigate the validity of the Consent Agreement and Assignment Agreement because the subpoenas issued to CHTAGC and its owner John Salvador could not be delivered to their last known address. Nevertheless, ***Defendants do not identify specific facts they hope to elicit from further discovery.*** In similar fashion, ***Defendants do not assert that the unidentified discovery they seek exists or that it is essential*** to oppose Russell Road's Motion for Summary Judgment. Accordingly, ***Defendants request is denied.***

ER62:11-ER63:5. (emphasis added). Accordingly, because the District Court specifically considered and denied Defendants' request for discovery, the abuse of discretion standard applies. As discussed below, the District Court did not abuse its discretion by denying the request.

**b. Defendants Had 10 Months To Conduct Discovery
But Chose Not To Do So**

A party that moves to defer the court’s consideration of a motion for summary judgment to allow the moving party to conduct discovery necessary to oppose such motion must show that “it was diligent in pursuing its previous discovery opportunities.” *Allen v. United States of America*, No. 03-cv-01358, 2012 U.S. Dist. LEXIS 57647, *20 (D. Nev. April 24, 2012); *Qualls v. Blue Cross of California, Inc.*, 22 F.3d 839, 844 (9th Cir. 1994) (“We will only find that the district court abused its discretion if the movant diligently pursued its *previous* discovery opportunities”). Failing to meet this burden is grounds for denying a Rule 56(d) request. *Id.*; *Pfingston v. Ronan Eng. Co.*, 284 F.3d 999, 1005 (9th Cir. 2002) (affirming denial of 56(f) request for discovery because “the failure to conduct discovery diligently is grounds for the denial of a Rule 56(f) motion”); *Davis v. Humble*, No. 2:07-cv-1643, 2010 U.S. Dist. LEXIS 56997, *13 (D. Nev. June 9, 2010) (denying 56(f) request because “Plaintiff had ample opportunity do conduct discovery, but failed to do so).

In the instant case, Defendants had 10 months to conduct any purportedly necessary discovery but failed to do so.¹¹ More specifically, discovery first opened

¹¹ Knowing that they had 10 months to conduct discovery, Defendants argue discovery had not yet closed. Opening Brief, at 36. However, it had not closed because the parties extended deadlines while the summary judgment motion was pending. It does not change the fact that discovery opened on December 17, 2012, and Defendants had 10 months to conduct discovery before Russell Road filed its Motion for Summary Judgment on October 14, 2013. The relevant inquiry is not when discovery closes but whether Defendants had ample opportunity to conduct discovery. In this case, Defendants had more than enough time and did not

in this case on December 17, 2012 when the parties first held their Rule 26(f) conference. SER272:6. Russell Road did not file its Motion for Summary Judgment until October 14, 2013. SER93-SER112. That gave Defendants 10 months to conduct any discovery they sought was necessary. Moreover, Russell Road put Defendants on notice that it would be filing a Motion for Summary Judgment at least as early as May of 2013. SER253:13; SER248:15.

Consequently, it is clear that Defendants had more than sufficient time to take any necessary discovery and their intentional failure to do so properly resulted in the District Court denying their request for discovery pursuant to Rule 56(d).

c. Defendants Did Not Set Forth The Three Required Elements in an Affidavit Seeking Discovery Pursuant to FRCP 56(d)

Under FRCP 56(d), a party requesting additional time to conduct discovery to oppose a motion for summary judgment must show (1) it has set forth in affidavit form the specific facts it hopes to elicit from further discovery, (2) the facts sought exist, and (3) the sought-after facts are essential to oppose summary judgment. *FNBN-Rescon I, LLC v. Ritter*, No. 2:11-cv-01867, 2013 U.S. Dist. LEXIS 86902, *3 (D. Nev. June 19, 2013); *St. Paul Fire & Marine Ins. Co. v. Del Webb Communities, Inc.*, No. 2:12-cv-00674, 2013 U.S. Dist. LEXIS 37903, *18 (D. Nev. March 19, 2013). If these three requirements are not satisfied, the request for discovery should be denied and the court should rule on the summary judgment

provide any reasons justifying their failure to diligently pursue discovery in this case.

motion. *Id.*; *Allen v. United States of America*, No. 03-cv-01358, 2012 U.S. Dist. LEXIS 153485, *28 (D. Nev. Nov. 13, 2012) (“Plaintiff has failed to set forth (in affidavit or any other form) specific facts he hopes to elicit from further discovery.”); *Thompson v. Lake*, No. 3:11-cv-00644, 2013 U.S. Dist. LEXIS 13331, *23 (D. Nev. Jan. 21, 2013) (denying request because party did not set forth the “specific facts further discovery would reveal”).

In the instant case, Defendants did not satisfy the three requirements for a request for discovery pursuant to FRCP 56(d). Rather, Defendants’ counsel Harold Schwarz simply submitted a declaration stating that Defendants needed additional discovery. SER56, at ¶ 5. The most specific statement contained in the declaration is a general, conclusory statement that Defendants want to “investigate the validity of the assignment and co-existence agreement.” SER57, at ¶ 7. But the declaration does not set out the “specific facts” that Defendants hope to elicit through discovery. Likewise, neither the declaration nor Defendants’ opposition make a showing that the facts sought exist or that the sought-after facts are essential to opposing Russell Road’s Motion for Summary Judgment. Of course, this is not surprising since Defendants never specified the sought-after facts to begin with. As a result, Defendants’ request for discovery pursuant to FRCP 56(d) was properly denied by the District Court for failure to satisfy the three requirements.

D. Defendants’ New Arguments Being Made For the First Time on Appeal Are Improper and Should Not Be Considered

In their opening appeal brief, Defendants raise two new arguments that they

did not make before the District Court: (1) that the Consent Agreement was an executory contract that could not be assigned, and (2) that the assignment of the Consent Agreement materially changed the terms of the Consent Agreement. Opening Brief, at 21-24, 26-27. As discussed below, these arguments should not be considered because they were waived by Defendants' failure to raise them before the District Court. In addition, both of these arguments are substantively incorrect because executory contracts can be assigned and the assignment did not materially change the terms of the Consent Agreement.

1. Defendants Have Waived the Arguments By Failing to Make Them Before the District Court

The Ninth Circuit applies "a 'general rule' against entertaining arguments on appeal that were not presented or developed before the district court." *Peterson v. Highland Music, Inc.*, 140 F.3d 1313, 1321 (9th Cir. 1998). An issue will generally be deemed waived on appeal if the argument was not raised sufficiently for the district court to rule on it. *Whittaker Corp. v. Execuair Corp.*, 953 F.2d 510, 515 (9th Cir. 1992). This principle accords to the district court the opportunity to reconsider its rulings and correct any errors. *Id.*

In this regard, the Ninth Circuit has recognized three limited exceptions to this general rule: (1) in the exceptional case in which review is necessary to prevent a miscarriage of justice or to preserve the integrity of the judicial process, (2) when a new issue arises while appeal is pending because of a change in the law, and (3) when the issue presented is purely one of law that does not depend on the factual record developed below. *Bolker v. Commissioner of Internal Revenue*, 760

F.2d 1039, 1042 (9th Cir. 1985). If one of these exceptions is applicable, the Ninth Circuit has the discretion to address the issue, but is not required to. *Id.*

Notably, the Ninth Circuit has repeatedly held that none of these three exceptions apply to arguments made for the first time on appeal regarding the validity of a contract. *Harper v. United States Seafoods LP*, 278 F.3d 971, 975 n.4 (9th Cir. 2002) ("We do not address Harper's argument, which is raised for the first time on appeal, that the contract also failed in this owner signature requirement."); *Hsu v. UBS Financial Services Inc.*, 507 Fed. Appx. 716, 717 (9th Cir. 2013) (declining to consider appellant's argument that a wrap fee contract was fraudulent for the first time on appeal); *Dytrt v. The Mountain State Telephone & Telegraph Co.*, 921 F.2d 889, 895 n.6 (9th Cir. 1989) (declining to address non-formation of contract issue raised for the first time on appeal).

In their opening appeal brief, Defendants argue for the first time that the Consent Agreement is an executory contract that cannot be assigned without Defendants' consent. Opening Brief, at 21-24. Likewise, in their opening appeal brief, Defendants argue for the first time that the assignment of the Consent Agreement materially changed the terms of the Consent Agreement. Opening Brief, at 26-27. However, Defendants never raised either of these arguments in the summary judgment briefing before the District Court. SER33-SER92. In this regard, Russell Road has included the entirety of Defendants' opposition to Russell Road's Motion for Summary Judgment, which consisted of Defendants' opposition brief and a declaration from their counsel Harold Schwarz. *Id.* As evident from a review of Defendants' papers, Defendants never raised these arguments. *Id.* As a

result, Defendants have waived this argument and cannot raise it for the first time on appeal.

Moreover, none of the three exceptions to the Ninth Circuit's general rule not to consider arguments raised for the first time on appeal apply. With regard to the first exception, this is not an exceptional case in which the argument should be considered to prevent a miscarriage of justice. There is no miscarriage of justice because Defendants, who were represented by competent counsel before the District Court, had their opportunity to make this argument during the summary judgment briefing but chose not to do so. SER33-SER92. There is also no miscarriage of justice because there is no harm to Defendants in finding the Consent Agreement valid and assignable because Defendants do not even compete in the City of Las Vegas or the State of Nevada. SER266:9-SER268:1. Moreover, the miscarriage of justice exception is rarely ever applied. Goelz & Watts, Rutter Group Practice Guide: Federal Ninth Circuit Civil Appellate Practice, Section 7:118 (2014) ("This exception is often mentioned but seldom applied."). As such, the first exception does not apply.

With regard to the second exception, there has been no change in the law regarding the assignability of executory contracts while this appeal has been pending. Notably, the three cases cited by Defendants in support of their argument all predate this appeal by many years. As such, the second exception does not apply either.

With regard to the third exception, Defendants' argument is not purely one of law because it does depend on the factual record. Determining whether a

contract is executory or whether the assignment of a contract materially changes the terms of the agreement both involve a factual or evidentiary determination. In order to determine whether a contract is executory, a court must examine the contract at issue and determine whether the provisions contain "obligations [that are] enough to make the agreement an executory contract." *In re Wegner*, 839 F.2d 533, 536 (9th Cir. 1988). Therefore, Defendants' argument is not purely one of law, and the third exception does not apply.

Finally, Russell Road reiterates that the Ninth Circuit has not invoked these exceptions to the general rule not to entertain arguments for the first time on appeal when the arguments relating to contract matters. See Section VI.D.1 above.

2. In the Event this Court Reaches Defendants' Argument That Executory Contracts Cannot Be Assigned, the Argument Must Be Rejected Because Executory Contracts Can Be Assigned

a. Executory Contracts Can Be Assigned

It is hornbook law that, absent an agreement to the contrary, executory contracts may be assigned. *Patterson Laboratories, Inc. v. Bio-Lab Inc.*, No. 94-cv-75204, 1995 U.S. Dist. LEXIS 11019, *8-9 (E.D. Mich. May 26, 1995); *Witt v. The Cit Group*, 2010 U.S. Dist. LEXIS 117915, at *8 n.24 (D. Utah 2010); Restatement of Contracts (Second) § 317.

Moreover, the three cases cited by Defendants do not stand for the proposition that consent agreements cannot be assigned because they are executory. Opening Brief, at 21-24. The first case cited by Defendants, *In re Wegner*, is cited solely to define an executory contract as one on which

performance is due on both sides. *In re Wegner*, 839 F.2d 533, 536 (9th Cir. 1988); Opening Brief, at 21-22. It does not state that executory contracts cannot be assigned. *Id.* Defendants then cite *RealNetworks, Inc. v. QSA ToolWorks, LLC* for the proposition that a consent agreement is an executory contract. Opening Brief, at 22. However, the court in the *RealNetworks* case was simply deciding whether the consent agreement was an executory contract for the purposes of a bankruptcy statute, which had nothing to do with whether the consent agreement could be assigned. *RealNetworks, Inc. v. QSA ToolWorks, LLC*, No. C07-1959, 2009 U.S. Dist. LEXIS 71848, *19-23 (W.D. Wash. Aug. 14, 2009). Likewise, Defendants purposely mislead this Court by mischaracterizing the third case, *Traffic Control Services, Inc. v. United Rentals Northwest, Inc.* Opening Brief, at 23-24. In *Traffic Control Services*, the Nevada state court only held the an employee's covenant not to compete could not be assigned without the employee's consent. *Traffic Control Services, Inc. v. United Rentals Northwest, Inc.*, 87 P.3d 1054, 1060 (Nev. 2004). It does not hold that executory contracts cannot be assigned—in fact, the word executory does not even appear in the decision. *Id.* Likewise, it does not address the assignability of consent agreements. *Id.* In fact, the decision actually implies that an employee's covenant not to compete may be assignable if the contract evidenced that the parties intended for it to be assignable. *Id.*

And as discussed above in Section VI.B.2 above, courts have repeatedly held that consent agreements are assignable. *See* Section VI.B.2, *supra*; *Waukesha Hygeia*, 63 F. 438; *T&T Mfg.*, 587 F.2d 533; *Rush Beverage*, 2002 U.S. Dist. LEXIS 23486, at *28-33; *Louis Ender*, 467 F.2d at 328; *California Packing*,

1993 CCPA LEXIS 58, at *13-14.

b. CHTAGC's Executory Obligations Were Not Assigned

As discussed above in Section VI.C.4.a above, CHTAGC assigned its rights under the Consent Agreement to Russell Road, but did not assign or delegate its obligations under the Consent Agreement to Russell Road.¹² See Section VI.C.4 and cases cited therein, *supra*. Accordingly, Defendants' argument that CHTAGC could not assign its executory obligations is misplaced and moot because those obligations remain with CHTAGC.

3. In the Event this Court Reaches Defendants' Argument That the Assignment Materially Changed the Terms, the Argument Must Be Rejected Because the Assignment Did Not Materially Change the Terms

In their opening appeal brief, Defendants argue that the assignment was invalid because it materially changed the terms of the Consent Agreement. Opening Brief, at 26-27. As an initial matter, the District Court specifically ruled that the assignment did not materially change the terms of the Consent Agreement. ER60:22-26.¹³ Moreover, Defendants simply argue in conclusory fashion that the Consent Agreement "contemplates continuing duties between the owner of the trademark and the co-existing user of that mark to avoid confusion and cooperate

¹² Again, to the extent the obligations were required to be assigned to Russell Road to make the assignment valid and enforceable, the Consent Agreement also provided for that in Paragraph 2. SER154, at ¶ 2.

¹³ As discussed in Section VI.D.1.b, Defendants failed to make this argument before the District Court. The only reason Defendants now attempt to raise it on appeal is because Defendants noted the District Court's holding on this issue and citation to *Easton* in the summary judgment order.

in policing the mark." Opening Brief, at 26. Not only is this statement devoid of any evidentiary support anywhere in the record, it also conveniently ignores language in the Consent Agreement that directly contradicts it. First, the Consent Agreement specifically allowed the parties to assign the agreement, as Paragraph 7 of the Consent Agreement states that it is binding on successors and assignees. SER114, at ¶ 3; SER121, at ¶ 7. Second, the Consent Agreement does not speak solely to existing marks but specifically provides consent for the use of any mark in the future that includes the phrase CRAZY HORSE if it does not include PURE GOLD'S. SER114, at ¶ 3; SER120, at ¶ 1. Defendants simply cannot articulate any credible argument as to how the assignment allegedly changed the material terms of the Consent Agreement.

This is because the assignment of the Consent Agreement did not change the material terms. Carl Reid entered into the Consent Agreement to settle the cancellation proceedings against his trademark registrations. *See* Section III.B.4 above; SER120. CHTAGC honored that term by withdrawing the petitions to cancel. *Id.* In exchange, Mr. Reid agreed to consent to CHTAGC's use of CRAZY HORSE, which CHTAGC was going to use in connection with a gentlemen's club in Las Vegas, Nevada. Similarly, Russell Road is using the CRAZY HORSE III mark for a gentlemen's club in Las Vegas, Nevada. As such, the assignment did not change the material terms of the contract.

VII. CONCLUSION

For all the foregoing reasons, Russell Road respectfully requests that this Court affirm the District Court's order granting Russell Road's Motion for

Summary Judgment.¹⁴

Dated: January 28, 2015

Respectfully submitted,

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Russell Road Food and Beverage, LLC

¹⁴ Pursuant to FRAP 38, Russell Road believes Defendants' appeal is frivolous and intends to seek all damages and costs permitted, including attorneys' fees, by way of a separate motion.

**CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATION
PURSUANT TO FRAP 32(a)(7)(C)**

I certify that, pursuant to Fed. R. App. P. 32(a)(7)(C) and Ninth Circuit Rule 32-1, Plaintiff-Appellee Russell Road Food and Beverage, LLC's Answering Brief on Appeal is proportionally spaced, has a typeface of 14 points, and contains 13,993 words. This is less than the 14,000 words permitted by Fed. R. App. P. 32(a)(7)(B)(i).

Dated: January 28, 2015

By s/ Bruno Tarabichi
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STATEMENT OF RELATED CASES

Pursuant to Circuit Rule 28-2.6, there are no known related cases pending in this Court.

Dated: January 28, 2015

By s/ Bruno Tarabichi

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Attorneys for Plaintiff-Appellee
Russell Road Food and Beverage, LLC.