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28IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

LEVI STRAUSS &amp; CO.,

No. C 07-0910 SI

Plaintiff,

**ORDER RE: SUMMARY JUDGMENT  
MOTIONS and MOTION TO STAY**

v.

ESPRIT US DISTRIBUTION LTD., *et al.*,Defendants.  

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On October 10, 2008, the Court heard oral argument on the parties' motions for partial summary judgment. In addition, on October 22, 2008, plaintiff filed a motion to place a temporary stay on this proceeding. Pursuant to Civil Local Rule 7-1(b), the Court finds the latter motion appropriate for resolution without oral argument.

Having considered the papers submitted, and for good cause shown, the Court issues the orders set out below.

**BACKGROUND**

On February 13, 2007, Levi Strauss & Co. ("LS&Co.") filed this suit alleging that defendant Esprit US Distribution Ltd. ("Esprit US") infringes LS&Co.'s Arcuate Stitching Design Trademark ("the Arcuate trademark"). On February 7, 2008, LS&Co filed its First Amended Complaint ("FAC"), naming five additional Esprit entities as defendants. (The new defendants are Esprit International, Esprit Wholesale GmbH, Esprit de Corp. France S.A., Esprit Belgie Wholesale N.V., and Esprit Belgie Retail N.V. , collectively "Esprit.") In the FAC, LS&Co. alleged that at least eighteen Esprit additional designs infringe the Arcuate trademark.

1 Now before the Court are the parties' motions for partial summary judgment. Esprit US and  
2 Esprit International claim that LS&Co.'s addition of eighteen designs to the complaint violated the  
3 parties' 2004 settlement agreement and request that the Court dismiss the new claims with prejudice.  
4 They also contend that they are entitled to partial summary judgment on (1) their affirmative defense  
5 that LS&Co. failed to satisfy conditions precedent to filing the FAC, and (2) their counterclaim against  
6 LS&Co. for breach of contract. LS&Co. seeks summary judgment on defendants' counterclaim that  
7 LS&Co. committed fraud in its filings with the United States Patent and Trademark Office ("PTO").  
8

### 9 LEGAL STANDARD

10 Summary judgment is proper when "the pleadings, depositions, answers to interrogatories, and  
11 admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material  
12 fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). In  
13 a motion for summary judgment, "[if] the moving party for summary judgment meets its initial burden  
14 of identifying for the court those portions of the materials on file that it believes demonstrate the absence  
15 of any genuine issues of material fact, the burden of production then shifts so that the non-moving party  
16 must set forth, by affidavit or as otherwise provided in Rule 56, specific facts showing that there is a  
17 genuine issue for trial." *See T.W. Elec. Service, Inc. v. Pac. Elec. Contractors Ass'n*, 809 F.2d 626, 630  
18 (9th Cir.1987) (citing *Celotex Corp. v. Catrett*, 477 U.S. 317 (1986)).

19 In judging evidence at the summary judgment stage, the Court does not make credibility  
20 determinations or weigh conflicting evidence, and draws all inferences in the light most favorable to the  
21 non-moving party. *See T.W. Electric*, 809 F.2d at 630-31 (citing *Matsushita Elec. Indus. Co., Ltd. v.*  
22 *Zenith Radio Corp.*, 475 U.S. 574 (1986)); *Ting v. United States*, 927 F.2d 1504, 1509 (9th Cir.1991).  
23 Conclusory, speculative testimony in affidavits and moving papers is insufficient to raise genuine issues  
24 of fact and defeat summary judgment. *See Thornhill Publ'g Co., Inc. v. GTE Corp.*, 594 F.2d 730, 738  
25 (9th Cir. 1979).  
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DISCUSSION

1. **LS&Co. Breached the Notice and Cure Provisions of the Parties' Settlement Agreement**

LS&Co. and Esprit signed a 2004 settlement agreement in 2004. Esprit argues that the agreement requires LS&Co. to give Esprit written notice of alleged infringements of the Arcuate Trademark and to wait ninety days before commencing legal action for infringement. Section 9 of the settlement agreement between LS&Co. and Esprit provides in relevant part:

In the event the LS Companies [LS&Co.] believe the EDC Companies [Esprit] have violated any provision of this Agreement and/or otherwise violated the LS Companies' rights in the Tab or Arcuate Trademark by manufacturing, distributing, or selling garments in violation of paragraph 3 of this Agreement, they shall give the EDC Companies written notice of the alleged violation and the EDC Companies shall have 90 days from the date of receipt of such notice to cure the alleged breach before the LS Companies commence any legal action or proceeding. The parties shall attempt in good faith to resolve any dispute by mediation under the Commercial Mediation Rules of the American Arbitration Association then in effect. The parties agree that in the event the EDC Companies sell any garments in violation of this agreement an adequate cure shall consist[] of recall of the garments at issue or disgorgement of the EDC Companies' net profits after tax on sales that violate this Agreement, in addition to the EDC Companies' cessation of all activities that violate this Agreement, or such other cure as the parties may agree upon. Provided the EDC Companies timely cure the alleged violation under this provision, the LS Companies shall not commence or reinstitute any legal or equitable action or proceeding for such violation.

Plaintiff's First Amended Complaint, ex. D. Section 10 of the agreement specifies that notice "to the EDC Companies" must be sent to Esprit US in New York with copies to 1) the "Group Legal Advisor" at Esprit de Corp in Hong Kong and 2) Ronald J. Lehrman, Esq. in New York.<sup>1</sup> *Id.* The parties agree that LS&Co. complied with the notice provisions with respect to the initial action against Esprit US. The issue is whether LS&Co. breached the agreement when it filed the FAC alleging additional violations by the foreign Esprit entities.

LS&Co. contends that it was not required to give further notice before filing the FAC because notice was required only before "commenc[ing] any legal action or proceeding." According to LS&Co., the legal action was commenced, after proper notice, on February 13, 2007, and no further notice was required. LS&Co.'s interpretation is at odds with the language of the settlement agreement. Section 9 provides that when LS&Co. discovers an allegedly infringing use of the Arcuate trademark by Esprit,

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<sup>1</sup> According to LS&Co., Mr. Lehrman was an attorney with the New York law firm that represented Esprit US in the settlement negotiations.

1 LS&Co. “shall give the EDC Companies [Esprit] written notice of the alleged violation.” LS&Co.  
2 claims that it discovered new infringements in November, 2007. The company was therefore required  
3 to comply with the notice provisions before commencing legal action to prevent the new alleged  
4 infringements. *See Standard Alliance Industries, Inc. v. Black Clawson Co.*, 587 F.2d 813, 827 (6th Cir.  
5 1978) (“We cannot allow notice of one breach to be carried over to create notice of a subsequent related,  
6 but distinct, breach.”).

7 LS&Co. argues that if notice was required, it complied substantially with the notice provisions  
8 of the settlement agreement. LS&Co.’s counsel sent e-mails to counsel representing Esprit US on  
9 November 27, 28, and 29 2007. Decl. of Gia Cincone in Supp. of Plaintiff’s Opp. to Def. Mot. for  
10 Partial Summ. J. (“Cincone Decl.”), exs. D-F. In the November 27 e-mail, counsel for LS&Co. stated  
11 that he had discovered “other objectionable designs” on a website owned by an Esprit entity. *Id.*, ex.  
12 D. In the November 28 e-mail, LS&Co.’s counsel forwarded images of six allegedly infringing designs  
13 labeled “Esprit France.” *Id.*, ex F. Counsel for LS&Co. also sent a letter on December 5, 2007 stating  
14 that “the additional designs can and should be added to the lawsuit.” *Id.*, ex. H. There is a factual  
15 dispute as to whether LS&Co.’s communications referenced all of the allegedly infringing designs:  
16 while the FAC identified eighteen new products, *see* FAC, exs. C-2 and C-4 through C-20, Esprit  
17 contends that the November 28 e-mail did not include images of products C-2, C-19, and C-20.

18 There is no dispute that LS&Co. failed to comply with two other provisions of the settlement  
19 agreement’s notice requirement. LS&Co. concedes that it waited seventy-two days (instead of the  
20 required ninety) after the initial e-mail to Esprit US before filing the FAC. In addition, LS&Co.  
21 contacted no Esprit entity other than Esprit US about the new alleged infringements, despite the  
22 requirement in the settlement agreement that a “copy” be sent to the Group Legal Advisor at Esprit de  
23 Corp in Hong Kong. LS&Co. ignores this provision and maintains that notice to Esprit US was  
24 sufficient to constitute notice to all Esprit entities that were bound by the settlement agreement.

25 “The interpretation and construction of a written contract present only questions of law, within  
26 the province of the court, and not of the jury, so long as the contract is unambiguous and the intent of  
27 the parties can be determined from the agreement’s face.” Richard Lord, *Williston on Contracts*, § 30:6  
28 (4th ed. 1999). The notice provisions of the settlement agreement are unambiguous: LS&Co. was

1 required to give notice to the Group Legal Advisor at the Esprit entity in Hong Kong. LS&Co. did not  
2 comply with this provision.

3 LS&Co. raises several arguments that compliance with the settlement agreement was not  
4 required. First, LS&Co. contends that strict compliance was unnecessary because Esprit US had  
5 received actual notice and was not prejudiced by the form of notice. The cases cited by LS&Co. do not  
6 demonstrate that strict compliance with the notice provision was unnecessary. In *Morse/Diesel, Inc. v.*  
7 *Trinity Industries, Inc.*, 67 F.3d 435, 444 (2d Cir. 1995), the court considered whether the jury should  
8 have been instructed on waiver but did not address the validity of the substantial compliance instruction.  
9 In *Contemporary Mission, Inc. v. Famous Music Corp.*, 557 F.2d 918, 925 (2d Cir. 1977), the court  
10 noted that its holding on notice requirements was limited to the circumstances of the case. Moreover,  
11 LS&Co. does not explain why Esprit was not prejudiced by its failure to allow the full ninety-day period  
12 for cure. None of the foreign Esprit entities had notice of the alleged infringements, so they could not  
13 have taken steps to avoid litigation. While Esprit US had actual notice of at least some of the  
14 infringements, it claims to have been prejudiced because it “[was] not and will never be provided the  
15 90-day non-adversarial window to evaluate LS&Co.’s claims.” The Court agrees. LS&Co cannot alter  
16 the terms of the parties’ settlement agreement by asserting that its own non-compliance did not prejudice  
17 Esprit US.

18 Second, LS&Co. claims that it would have been futile to have provided notice to the foreign  
19 Esprit entities or to have waited for the full ninety-day period before filing the FAC. LS&Co. contends  
20 that it was therefore not required to perform “a useless act.” See *Vineland Homes v. Barish*, 138 Cal.  
21 App. 2d 747, 760 (1956). In *Vineland Homes*, the court found that performance was futile because the  
22 sellers refused to comply with their contractual obligation to execute escrow instructions. There is no  
23 evidence here that Esprit refused to carry out a contractual obligation. LS&Co. argues that Esprit  
24 demonstrated its intransigence by failing to indicate that it would cease sales of the allegedly infringing  
25 garments, pay damages, or enter mediation. According to the terms of the agreement, however, Esprit  
26 was automatically entitled to the full ninety-day cure period. It could not have forfeited that entitlement  
27 by failing to manifest sufficient good faith efforts at mediation during the ninety days. In any event, the  
28 communications from Esprit do not indicate that it had repudiated its obligation under the settlement

1 agreement to resolve any dispute by mediation.

2 Third, LS&Co. contends that Esprit may not enforce the notice provision because Esprit has  
3 repeatedly ignored and breached that provision. As evidence, LS&Co. cites Esprit's alleged failure to  
4 acknowledge or respond to LS&Co.'s communications in 2006. These communications are irrelevant,  
5 however, because they predate LS&Co.'s 2007 discovery of the new alleged infringements.

6 Fourth, LS&Co. claims that Esprit has waived its right to rely on the notice provision by failing  
7 to invoke it in a timely manner. According to LS&Co., Esprit should have objected to the form of notice  
8 when LS&Co. first contacted it about additional alleged infringements in December of 2007. The  
9 European entities, however, could not have objected at that time because they did not receive notice.  
10 As for Esprit US, it is disputed as to whether the 2007 communications alleged all of the infringements  
11 that were in the FAC. Even if the allegations were complete, Esprit US could not have objected to  
12 LS&Co.'s breach of the ninety-day cure requirement before LS&Co. breached it by filing the FAC.  
13 While Esprit did not argue the notice issue in its opposition to LS&Co.'s motion for leave to amend its  
14 complaint, Esprit did raise this issue in its answer to the FAC. *See* Def. Esprit US Distribution Ltd.'s  
15 Answer, Affirmative Defenses and Redacted Counterclaim, Affirmative Defenses ¶ 15 ("LS&Co. has  
16 failed to satisfy conditions precedent to brin[g]ing its claims including the failure to provide proper  
17 notice and failure to seek resolution through alternative dispute resolution as required by contract.").  
18 LS&Co.'s arguments that Esprit waived its right to rely on the notice provision are therefore misplaced.

19 Finally, LS&Co. maintains that if it breached the settlement agreement, the proper remedy is to  
20 dismiss the new infringement claims without prejudice. At oral argument, LS&Co. noted that because  
21 Esprit failed to raise its notice counterclaim in its opposition to the FAC, LS&Co. has gone to  
22 considerable expense to serve the foreign Esprit entities. In light of the stage of this proceeding at which  
23 Esprit has raised this issue, the Court finds that it would be inequitable and inefficient to dismiss the new  
24 claims with prejudice.

25 After oral argument on this matter, LS&Co. filed a motion to stay this case while it complies  
26 with the notice and cure provisions of the settlement agreement by giving notice to the foreign Esprit  
27 entities and waiting ninety days before commencing legal action. [Docket No. 168] Defendants oppose  
28 the motion, arguing that it is a means of circumventing the terms of the settlement agreement. [Docket

1 No. 179] It is not possible to comply with the notice and cure provisions, defendants argue, now that  
2 litigation has already begun.

3 The Court disagrees. As discussed above, the Court will not dismiss the new claims with  
4 prejudice. The options are therefore to allow this case to go forward while LS&Co. complies with the  
5 settlement agreement with regard to the designs attached to the FAC as exhibits C-2 and C-4 through  
6 C-20, or to stay this action while LS&Co. goes through the same procedure. The Court finds that the  
7 latter option is more likely to preserve resources and avoid piecemeal litigation. Accordingly, LS&Co.'s  
8 motion to stay this case **for ninety days** from the date of this order is GRANTED. Defendants Esprit  
9 Wholesale GmbH, Esprit de Corp. France S.A., Esprit Belgie Wholesale N.V., and Esprit Belgie Retail  
10 N.V. must answer plaintiff's FAC within **ninety days** of the date of this order.

11 Esprit also moves for partial summary judgment on its counterclaim against LS&Co. for breach  
12 of contract based on LS&Co.'s failure to comply with the notice and cure provisions of the settlement  
13 agreement. See Def. Answer, Affirm. Def., and Counterclaim to Pl. First Am. Complaint, ¶ 34-37.  
14 Although the Court does find that LS&Co. failed to comply with the notice and cure provisions, at this  
15 early stage Esprit has not established that there is no triable issues as to whether it "performed each and  
16 every act required" by the settlement agreement and that Esprit was damaged by LS&Co.'s breach.  
17 Accordingly, Esprit's motion for summary judgment on this counterclaim is DENIED.

18 In sum, Esprit's motion to dismiss with prejudice LS&Co's FAC with regard to the designs  
19 attached to the FAC as exhibits C-2 and C-4 through C-20 is DENIED. Esprit's motion for summary  
20 judgment on its counterclaim for breach of contract is DENIED. This decision moots Esprit's motion  
21 for summary judgment on its affirmative defense that LS&Co. failed to satisfy conditions precedent to  
22 filing the FAC.

23

24 **2. LS&Co. Is Entitled to Summary Judgment on Esprit's Fraud Counterclaim**

25 **A. Disclosure of the Lois Sportswear Proceeding**

26 LS&Co. seeks summary judgment on Esprit's counterclaim that the Arcuate trademark should  
27 be cancelled because LS&Co. committed fraud in 1986 in the process of making the mark incontestable.  
28 A registrant may obtain an "incontestable" trademark registration after the registered mark has been in

1 continuous use for five consecutive years. 15 U.S.C. § 1065. In order to do so, the registrant must file  
2 an affidavit with the PTO attesting that, *inter alia*, “there is no proceeding involving said rights pending  
3 in the Patent and Trademark Office or in a court and not finally disposed of . . .” 15 U.S.C. § 1065(2).  
4 The “rights” referred to in that provision are the registrant’s right to 1) claim ownership of a mark and  
5 2) register the mark or keep it on the register. *See* 15 U.S.C. § 1065(1).

6 In 1982, Lois Sportswear U.S.A., Inc. (“Lois Sportswear”) filed an action in the Southern  
7 District of New York for declaratory judgment that the back pocket stitching design on its jeans did not  
8 infringe on any LS&Co. trademark. LS&Co. asserted counterclaims that Lois Sportswear infringed its  
9 Arcuate trademark. Decl. of Rachel Davidson in Supp. of Def. Opp. to Pl. Mot. for Summ. J.  
10 (“Davidson Decl.”), ex. B ¶ 37. LS&Co. made two representations to the PTO about the Arcuate  
11 trademark while the case against Lois Sportswear was still pending. On May 14, 1985, shortly before  
12 summary judgment proceedings, LS&Co.’s vice president and corporate secretary, Katherine Durgan,  
13 filed an affidavit with the PTO, as required by § 1065(2), testifying that there was no proceeding  
14 involving LS&Co.’s rights to claim ownership of the Arcuate trademark, register the mark, or keep the  
15 mark on the register. The PTO rejected the affidavit as untimely.<sup>2</sup> On January 16, 1986, LS&Co.’s  
16 assistant corporate secretary, Jean Fowler, submitted a second affidavit, making the same representation.  
17 At the time, the case against Lois Sportswear was pending in the U.S. Court of Appeals for the Second  
18 Circuit. Esprit contends that in its case against LS&Co., Lois Sportswear attacked the validity of the  
19 Arcuate trademark, so LS&Co. knowingly made false statements to the PTO when it represented that  
20 no proceeding involving LS&Co.’s right to register the Arcuate trademark was pending.

21 The PTO has clarified the scope of the disclosure requirement in incontestability affidavits: “The  
22 [PTO] does not consider a proceeding involving the mark in which the owner is the plaintiff, where  
23 there is no counterclaim involving the owner’s rights in the mark, to be a ‘proceeding involving these

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25 <sup>2</sup> In another case in the Northern District of California, Judge White held on April 16, 2008 that  
26 the defendant clothing company had failed to state a claim for cancellation based on the May 1985  
27 affidavit. The court reasoned that because the PTO rejected the affidavit as untimely, the PTO could  
28 not have relied on any allegedly false statement in the affidavit. *See Levi Strauss & Co. v. Abercrombie  
& Fitch Trading Co.*, 548 F. Supp. 2d 811, 813 (N.D. Cal. 2008). Esprit does not appear to base its  
allegations of fraud on the May 1985 affidavit, other than as evidence of LS&Co.’s intent. Accordingly,  
the Court will consider only the January 16, 1986 affidavit for purposes of determining whether  
disclosure was required during the Lois Sportswear proceeding.

1 rights' that would preclude the filing or acknowledgment of a § 15 affidavit." Trademark Manual of  
2 Examining Procedure ("TMEP") § 1605.04 (5th ed. 2007). Relying on the TMEP, the Federal Circuit  
3 confirmed that a registrant need not disclose a proceeding in which the registrant is the plaintiff and  
4 there is no counterclaim challenging the validity of the registration. *See Sunrise Jewelry Mfg. Corp. v.*  
5 *Fred S.A.*, 175 F.3d 1322, 1327 (Fed. Cir. 1999). The questions before the Court, therefore, are whether,  
6 at the time LS&Co. filed the affidavit with the PTO, LS&Co. stood in the position of the plaintiff, and  
7 whether a counterclaim challenging the validity of the registration was pending.

8 LS&Co. argues that as the defendant in the declaratory relief action brought by Lois Sportswear,  
9 LS&Co. had the burden of proof, *see Plumtree Software, Inc. v. Datamize, LLC*, No. 02-5693, 2003 U.S.  
10 Dist. LEXIS 26948, at \*11 (N.D. Cal. Oct. 6, 2003), and therefore stood in the "substantive position" of  
11 the plaintiff. The Court agrees that LS&Co. was in the substantive position of plaintiff in the Lois  
12 Sportswear matter. This fact is not dispositive, however, because when LS&Co. filed its counterclaim,  
13 Lois Sportswear raised an affirmative defense that Arcuate trademark was no longer sufficiently distinct  
14 to serve as a mark. *See Davidson Decl. ex. D*, ¶ 16.

15 According to Esprit, the affirmative defense raised by Lois Sportswear constituted a  
16 counterclaim challenging the validity of the Arcuate trademark, so LS&Co. did not qualify for the  
17 exception to disclosure articulated in *Sunrise* and the TMEP. LS&Co.'s response that Lois Sportswear's  
18 challenge was an affirmative defense, not a counterclaim, is not convincing. LS&Co. recognizes that  
19 had Lois Sportswear prevailed on appeal, it could have sought cancellation of the mark. Pl. Mot. for  
20 Summ. J., at 11. It is still not clear, however, that LS&Co. was required to disclose the matter to the  
21 PTO. By January 16, 1986, when LS&Co. filed the affidavit with the PTO, LS&Co. had won at the  
22 district court and Lois Sportswear's appeal was pending at the Second Circuit. LS&Co. contends that  
23 by then, Lois Sportswear had waived any challenge to the Arcuate registration. Nonetheless, Lois  
24 Sportswear argued in its petition for rehearing en banc that the back pocket stitching design was not  
25 sufficiently distinct to serve as an identifier of source. *Davidson Decl., ex. O.* at 3. The Court need not  
26 resolve whether LS&Co. was required to disclose the litigation with Lois Sportswear to the PTO,  
27 however, because Esprit has not established that there is a triable issue of fact as to whether LS&Co.  
28 had fraudulent intent when it filed the affidavit.

1           **B. Evidence of Fraudulent Intent**

2           When a party asserts a claim for fraud on the PTO, it must prove “a false representation  
3 regarding a material fact, the registrant’s knowledge or belief that the representation is false, the intent  
4 to induce reliance upon the misrepresentation and reasonable reliance thereon, and damages proximately  
5 resulting from the reliance.” *Robi v. Five Platters*, 918 F.2d 1439, 1444 (9th Cir. 1990) (citations  
6 omitted). The party alleging trademark fraud bears a “heavy” burden of proof. *Id.* In order to survive  
7 summary judgment, the party alleging fraud must show that there is a genuine issue as to whether the  
8 failure to make a disclosure to the PTO was made “in bad faith or with knowledge” that disclosure was  
9 required. *Far Out Productions, Inc. v. Oskar*, 247 F.3d 986, 996-97 (9th Cir. 2001). “[F]raud will not  
10 lie if it can be proven that the statement, though false, was made with a reasonable and honest belief that  
11 it was true.” *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 2006 TTAB LEXIS 9, at \*28  
12 (Trademark Trial and Appeal Board June 9, 2005).

13           Esprit argues that LS&Co.’s failure to investigate before filing the affidavit amounts to reckless  
14 disregard for the truth. Jean Fowler, LS&Co.’s assistant corporate secretary, testified that when she  
15 signed affidavits for LS&Co., she relied on the attorney who brought them to her and did not carry out  
16 her own investigation to verify the accuracy of statements in the affidavits. Esprit maintains that the  
17 May, 1985 affidavit filed by LS&Co. by the PTO but rejected as untimely is relevant to show LS&Co.’s  
18 pattern of “willful blindness.” Katherine Durgin, LS&Co.’s corporate secretary, filed the May, 1985  
19 affidavit and testified that before signing an affidavit, she would only look at the file to make sure that  
20 LS&Co.’s lawyers had approved it for her signature.

21           Esprit cites a Trademark Trial and Appeal Board (TTAB) decision for the proposition that an  
22 affiant who does not have personal knowledge of a matter must investigate thoroughly before signing  
23 and submitting the statement to the PTO. *See Standard Knitting, Ltd.* 2006 TTAB LEXIS 9, at \*36.  
24 *Standard Knitting* is distinguishable from this case. In *Standard Knitting*, the affiants relied on the chief  
25 operating officer’s statement that the marks were in commerce on certain goods. The court found,  
26 however, that the chief operating officer’s mistakes were unreasonable and that because he had personal  
27 knowledge of the company’s merchandise, he “could not have honestly believed” the statements in the  
28 affidavits. *Id.* at \*35-34. In this case, there is no evidence that Fowler and Durgin did not believe or  
had reason not to believe that the affidavits they signed were accurate. Furthermore, there is no

1 evidence that the LS&Co. attorneys who prepared the affidavits were unreasonable in concluding that  
2 they did not have to disclose the Lois Sportswear litigation.

3 “Intent to deceive can not be inferred solely from the fact that information was not disclosed;  
4 there must be a factual basis for a finding of deceptive intent.” *Hebert v. Lisle Corp.*, 99 F.3d 1109, 1116  
5 (Fed. Cir. 1996). Esprit has not demonstrated that there is a triable issue of fact as to whether LS&Co.  
6 knew the affidavit was incorrect or whether LS& Co. acted in bad faith. Accordingly, LS&Co.’s motion  
7 for summary judgment on this issue is GRANTED.

8  
9 **CONCLUSION**

10 For the foregoing reasons and for good cause shown, the Court hereby GRANTS LS&Co.’s  
11 motion for summary judgment on Esprit’s fraud counterclaim and GRANTS LS&Co.’s motion to  
12 temporarily stay this case. Esprit’s motion to dismiss with prejudice claims from LS&Co.’s first  
13 amended complaint is DENIED. Esprit’s motion for summary judgment on its counterclaim for breach  
14 of contract is DENIED without prejudice. This decision moots Esprit’s motion for summary judgment  
15 on its affirmative defense that LS&Co. failed to satisfy conditions precedent to filing the FAC.

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17 **IT IS SO ORDERED.**

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19 Dated: 11/26/08

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22 SUSAN ILLSTON  
23 United States District Judge  
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