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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

UNITED TACTICAL SYSTEMS, LLC,
Plaintiff,
v.
REAL ACTION PAINTBALL, INC., et al.,
Defendants.

Case No. [14-cv-04050-MEJ](#)

**ORDER RE: CROSS MOTIONS FOR
SUMMARY JUDGMENT**

Re: Dkt. Nos. 307, 316

AND RELATED ACTION AND CROSS
ACTION

INTRODUCTION

Pending before the Court is the Motion for Summary Judgment filed by Plaintiff and Counter-Defendant United Tactical Systems, LLC (“UTS”) and related Counter-Defendants¹ (together with UTS, “Counter-Defendants”). UTS Mot., Dkt. No. 307. Defendants and Counter-Claimants Real Action Paintball, Inc. and K.T. Tran (collectively, “Real Action”) filed an Opposition and Cross-Motion for Summary Judgment. RAP Mot., Dkt. No. 316. UTS and Real Action each filed Replies. UTS Reply, Dkt. No. 320; RAP Reply, Dkt. No. 322. Having considered the parties’ positions, the relevant legal authority, and the record in this case, the Court **GRANTS IN PART** and **DENIES IN PART** Counter-Defendants’ Motion and **DENIES** Real Action’s Motion for the following reasons.

//

¹ Counter-Defendants are UTS, Advanced Tactical Ordnance Systems, LLC (“ATO”); Perfect Circle Projectiles LLC; Gary Gibson; Tactical Air Games, Inc.; Tyler Tiberius; United Tactical Systems Holdings, LLC; and United Tactical Systems Intermediate Holdings, LLC.

BACKGROUND

A. Factual Background

1. The PepperBall Trademark

PepperBall projectiles are small plastic spheres that contain a proprietary irritant powder that functions similarly to pepper spray. RAP Resp. to Counter-Defendants’ Statement of Undisputed Fact (“RAP SUF Reply”) ¶ 2, Dkt. No. 316-17.² UTS and its predecessors have sold PepperBall projectiles to police and governmental agencies, militaries, and private security firms as a non-lethal force compliance tool. *Id.* ¶ 3; Decl. of Gary Gibson (“Gibson Decl.”) ¶ 5, Dkt. No. 308.

On September 14, 1999, Jaycor, Inc. (“Jaycor”) filed an application with the United States Patent and Trademark Office (“USPTO”) to trademark the name “PepperBall.” RAP SUF Resp. ¶ 5; *see* Gibson Decl., Ex. 1. On October 27, 2000, Jaycor assigned the PepperBall trademark application to Jaycor Tactical Systems, Inc. (“Jaycor Tactical”). RAP SUF Resp. ¶ 6; Gibson Decl., Ex. 2. On December 31, 2001, Jaycor filed a confirmation of assignment of six trademark applications, including the PepperBall trademark, to Jaycor Tactical. RAP SUF Resp. ¶ 7; *see* Gibson Decl., Ex. 3.

On May 13, 2003, the PepperBall trademark was registered under the number 2,716,025 (the “PepperBall mark”) to Jaycor Tactical for use generally in connection with “NON-LETHAL WEAPONRY, NAMELY, NON-LETHAL PROJECTILES; LAUNCH DEVICES FOR NON-LETHAL PROJECTILES; NON-LETHAL SUBSTANCES FOR USE IN NON-LETHAL PROJECTILES, NAMELY, LIQUID AND NON-LIQUID MATERIALS, NAMELY, WATER, INERT OR IRRITANT POWDERS, OLEORESIN CAPSICUM, MARKER DYES, IRRITANTS AND POWDERED OR GRANULATED MATERIALS, NAMELY BISMUTH, IN CLASS 13

² Real Action included in a single document (1) its Statement of Disputes of Fact in response to Counter-Defendants’ original Statement of Uncontroverted Facts and (2) its Statement of Uncontroverted Facts. *See* Dkt. No. 308-12.

For citation purposes, this Order separately cites Real Action’s Responses to Counter-Defendants’ SUF (“RAP SUF Resp.”) and Real Action’s Statement of Facts (“RAP SUF”). Real Action’s Responses contain both Counter-Defendants’ SUF (Dkt. No. 307-1) and Real Action’s responses thereto.

1 (U.S. CLS. 2 AND 9).”³ RAP SUF Resp. ¶ 8; Gibson Decl., Ex. 4; Decl. of Padraic Glaspy
2 (“Glaspy Decl.”), Ex. 63, Dkt. No. 309.

3 Jaycor Tactical twice filed a change of name to PepperBall Technologies, Inc.
4 (“PepperBall Technologies” or “PTI”), once on December 26, 2002 and again on July 23, 2003.
5 RAP SUF Resp. ¶¶ 10-11; *see* Gibson Decl., Exs. 6-7. PepperBall Technologies was registered as
6 a Delaware corporation. Gibson Decl., Ex. 7. The July 23, 2003 filing included an assignment of
7 the PepperBall mark to PepperBall Technologies. *Id.*; RAP SUF Resp. ¶ 11.

8 2. The Simpson Loans

9 On January 15, 2010, PepperBall Technologies took out a loan from the James Simpson
10 Foundation (the “Simpson Foundation Loan”), which provided a security interest in PepperBall
11 Technologies’ intellectual property, including its trademarks and associated goodwill. RAP SUF
12 Resp. ¶ 15; Gibson Decl., Ex. 9. Under the terms of the Simpson Foundation Loan, “Borrower
13 grants Lender a security interest in all of Borrower’s personal property . . . , including without
14 limitation all of the following: all accounts, cash, patents, copyrights, trademarks, goodwill,
15 general intangibles” Gibson Decl., Ex. 9 § 2. PepperBall Technologies also took out a loan
16 from the J.A. & G.L. Simpson Trust (the “Simpson Trust Loan”) (together with the Simpson
17 Foundation Loan, the “Simpson Loans”), a related Simpson entity. RAP SUF Resp. ¶ 16. The
18 Simpson Trust Loan “contained substantially the same terms” as the Simpson Foundation Loan.
19 RAP SUF Resp. ¶ 16.

20 On October 25, 2011, the J.A. & G.L. Simpson Trust and the James Simpson Foundation
21 (together, the “Lenders”) and PepperBall Technologies amended the Simpson Loans to include
22 PepperBall Technologies-CA, Inc. (“PepperBall Technologies-CA” or “PTI-CA”) as a co-
23 borrower. Counter-Defs.’ Statement of Uncontroverted Facts (“Counter-Defs.’ SUF”) ¶ 17, Dkt.
24 No. 307-1; Gibson Decl., Ex. 10 (Second Amendment to the Simpson Foundation Loan); *id.*, Ex.
25 12 (Second Amendment to the Simpson Trust Loan); Declaration of Jim Simpson (“Simpson
26

27 _____
28 ³ Another PepperBall trademark was registered under the number 2,651,502 (the “1502 mark”) to
Jaycor Tactical on November 19, 2002. RAP SUF ¶ 9; Gibson Decl., Ex. 5. The 1502 mark is not
at issue in this litigation.

1 Decl.”), Ex. 2 (Second Amendment to the Simpson Foundation Loan), Dkt. No. 320-4; *id.*, Ex. 3
2 (Second Amendment to the Simpson Trust Loan). PepperBall Technologies-CA is a wholly
3 owned subsidiary of PepperBall Technologies and is incorporated in Delaware. Gibson Decl., Ex.
4 13. Both amendments provided that “the grant of security interest set forth in Section 2 of the
5 Original Agreement shall be deemed for all purposes to include a grant of security interest by
6 PepperBall Technologies-CA in its personal property[.]” Gibson Decl., Exs. 10 ¶ 2 & 12 ¶ 2;
7 Simpson Decl., Exs. 2 ¶ 2 & 3 ¶ 2. PepperBall Technologies’ and PepperBall Technologies-CA’s
8 chairman, as well the James Simpson Foundation’s president, signed the amendments. *See* Gibson
9 Decl., Exs. 10, 12; Simpson Decl., Exs. 2-3. The James Simpson Foundation filed two Uniform
10 Commercial Code (“UCC”) Financing Statements with the Delaware Secretary of State indicating
11 it and the J.A. & G.L. Simpson Trust had a secured interest in “[a]ll of Borrower [PepperBall
12 Technologies-CA]’s personal property . . . including without limitation all of the following: . . .
13 patents, copyrights, trademarks, [and] goodwill[.]” RAP SUF Resp. ¶ 18; Gibson Decl. Exs. 16-
14 17.

15 Phoenix International LLC (“Phoenix”) acquired the Simpson Loans through an
16 Assignment Agreement. RAP SUF Resp. ¶ 21; Gibson Decl., Exs. 20-22. In addition to the
17 Simpson Loans, PepperBall Technologies and PepperBall Technologies-CA took out “second-tier
18 debt” in the form of small loans from individuals and entities. RAP SUF Resp. ¶ 22; Gibson
19 Decl., Exs. 18, 40. PepperBall Technologies also gave a security interest to Agility Capital, LLC
20 (“Agility Capital”). RAP SUF Resp. ¶ 19; Gibson Decl., Ex. 18.

21 3. The UCC Foreclosure Sale

22 PepperBall Technologies and PepperBall Technologies-CA materially defaulted on the
23 Simpson Loans. Counter-Defs.’ SUF ¶ 24; *see* Gibson Decl., Exs. 20-22. On January 9, 2012,
24 Phoenix held a UCC foreclosure sale pursuant to the security interests in PepperBall Technologies
25 and PepperBall Technologies-CA’s secured assets, including the PepperBall trademark and
26 goodwill. Counter-Defs.’ SUF ¶ 25. Notices of the UCC foreclosure sale were placed in the San
27 Diego Daily Transcript on December 30, 2011 and January 6, 2012. RAP SUF Resp. ¶ 26; Gibson
28 Decl., Exs. 23-24. Notice of the sale was made by multiple means and sent to each of PepperBall

1 Technologies' secured creditors. Counter-Defs.' SUF ¶ 27; *see, e.g.*, Gibson Decl., Ex. 26.
2 PepperBall Technologies-CA received notice of the foreclosure sale indicating its assets were
3 being foreclosed upon; it did not object to or challenge the sale. Counter-Defs.' SUF ¶ 29.
4 PepperBall Technologies and PepperBall Technologies-CA worked with Phoenix to ensure
5 foreclosure proceedings included the proper entities. *Id.* ¶ 28.

6 On May 25, 2012, Phoenix changed its name to Advanced Tactical Ordinance Systems
7 LLC; it filed a second Certificate of Amendment that same day to correct the name to Advanced
8 Tactical Ordnance Systems LLC ("ATO"). RAP SUF Resp. ¶¶ 31-32; Gibson Decl., Exs. 28-29.
9 On December 5, 2012, ATO filed with the USPTO a nunc pro tunc Bill of Sale memorializing the
10 completed foreclosure sale. RAP SUF Resp. ¶ 34; *see id.* ¶ 33 (not disputing nunc pro tunc
11 trademark assignment); Gibson Decl., Ex. 30. The Bill of Sale's identified property included the
12 PepperBall mark as the property. Gibson Decl., Ex. 30.

13 4. Renewal of the PepperBall Mark

14 On May 13, 2009, the USPTO received pursuant to Section 8 of the Lanham Act a
15 Declaration of Use regarding the PepperBall mark. *See* Glaspy Decl., Ex. 67; Counter-Defs.'
16 Reply to RAP SUF ¶¶ 1-2, Dkt. No. 320-7.⁴ The Section 8 Declaration lists "Jaycor Tactical
17 Systems, Inc." as the current owner and "Pepperball Technologies, Inc." as the proposed owner.
18 Glaspy Decl., Ex. 67. The Declaration is signed by Conrad Sun. *Id.* The USPTO accepted the
19 Declaration on June 29, 2009. *Id.*, Ex. 66.

20 On October 30, 2013, ATO filed a Section 8 Declaration of Use and a Section 9
21 Application for Renewal for the PepperBall mark. Counter-Defs.' SUF ¶ 49; Gibson Decl., Ex.
22 35. On November 4, 2013, the USPTO granted the Section 9 Renewal portion, but it rejected the
23 Section 8 portion because "[o]ffice records do not show clear chain of title in the party [ATO] who
24 filed the Section 8 Affidavit." Counter-Defs.' SUF ¶ 50; Gibson Decl., Ex. 36. That same day,
25 ATO filed with the USPTO a statement confirming ATO had acquired the PepperBall mark in a
26 foreclosure sale. Counter-Defs.' SUF ¶ 51; Gibson Decl., Ex. 37. On November 13, 2013, the

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28 ⁴ This document contains both Real Action's asserted facts and Counter-Defendants' reply thereto.

1 USPTO issued a Notice of Acceptance under Section 8 and Registration Renewal under Section 9.
2 Counter-Defendants' Responses, ¶ 52; Gibson Declaration, Ex. 38.

3 5. UTS Acquisition of ATO and the PepperBall Mark

4 ATO's assets were transferred to UTS by written assignment. RAP Responses, ¶ 56;
5 Gibson Declaration, ¶ 63. The PepperBall mark was included in the transfer of these assets. RAP Responses
6 ¶¶ 56-57; see Gibson Declaration, Ex. 33.

7 **B. Procedural Background**

8 Litigation over the PepperBall trademark has been extensive and fought in multiple courts.

9 1. The Indiana Action

10 In September 2012, ATO filed suit in the United States District Court for the Northern
11 District of Indiana in a case styled *Advanced Tactical Ordnance Systems, LLC v. Real Action*
12 *Paintball, Inc., et al.*, Case No. 12-00296-JVB-RBC (N.D. Ind.), in which ATO sought and
13 obtained a temporary restraining order ("TRO") against Real Action (the "Indiana Action").⁵ RAP
14 Responses ¶ 42; Glaspy Declaration, Exs. 49-50. On August 16, 2013 and after approximately forty hours of
15 evidentiary hearings, the Northern District of Indiana issued a preliminary injunction against Real
16 Action which, among other things, prohibited Real Action from selling the irritant projectiles it
17 purchased from ATO. RAP Responses ¶ 43; see Glaspy Declaration, Exs. 51-60.

18 Real Action appealed to the United States Court of Appeals for the Seventh Circuit. RAP
19 Responses ¶ 45; Glaspy Declaration, Ex. 61. The Seventh Circuit found the district court lacked personal
20 jurisdiction over Real Action and ordered the district court to vacate the preliminary injunction
21 and dismiss the action. RAP Responses ¶ 46; see Glaspy Declaration, Ex. 62.⁶

22 2. The Instant Proceedings

23 The parties have litigated the case in this Court since 2014. On May 27, 2014, Real Action
24 sued ATO for claims arising out of the Indiana Action in a case styled *Real Action Paintball, Inc.*

25 _____
26 ⁵ ATO also sought a TRO against APON Industries Corp., APON International Group, and
Conrad Sun. The Northern District of Indiana dismissed those parties after they settled with ATO.

27 ⁶ The Seventh Circuit's opinion is available at *Advanced Tactical Ordnance Sys., LLC v. Real*
28 *Action Paintball, Inc.*, 751 F.3d 796, 799 (7th Cir. 2014), as corrected (May 12, 2014).

1 v. *Adv. Tactical Ordnance Sys., Inc., et al.*, 14-cv-2435-MEJ (N.D. Cal.) (the “ATO Case”). RAP
2 SUF ¶ 48. On September 5, 2014, UTS filed the present suit against Real Action (the “UTS
3 Case”). RAP SUF ¶ 47; *see* Compl., Dkt. No. 1. UTS asserts ten claims against Real Action: (1)
4 infringement of a registered trademark pursuant to 15 U.S.C. § 1114; (2) infringement of a
5 trademark pursuant to 15 U.S.C. § 1125(a); (3) common law trademark infringement and unfair
6 competition; (4) deceptive comparative advertising in violation of 15 U.S.C. § 1125(a); (5)
7 counterfeiting in violation of 15 U.S.C. § 1114, et seq.; (6) trade dress infringement; (7) trademark
8 dilution; (8) misappropriation of trade secrets; (9) violation of California false advertising law,
9 Cal. Bus. & Prof. Code § 17500; and (10) violation of California unfair competition law, Cal. Bus.
10 & Prof. Code § 17200. Compl. ¶¶ 32-90.

11 UTS moved for a TRO (Dkt. No. 27), which the Court construed as a Motion for a
12 Preliminary Injunction (Dkt. No. 34 at 5). The Court ultimately granted it in part and denied it in
13 part, and enjoined Real Action from using the PepperBall name to refer to its irritant projectiles.
14 Dkt. No. 85; *see United Tactical Sys., LLC v. Real Action Paintball, Inc.*, 2014 WL 6788310, at *1
15 (N.D. Cal. Dec. 2, 2014). Real Action then counter-sued UTS, asserting several counterclaims
16 that were related to its claims against ATO. Dkt. No. 51. The Court subsequently consolidated
17 the two actions under the UTS Case. Dkt. No. 140.

18 Real Action’s operative Third Amended Counterclaim asserts thirteen counterclaims
19 against Counter-Defendants. *See* Third Am. Countercl. ¶¶ 71-192, Dkt. No. 281. Real Action
20 asserts three federal claims: (1) wrongful seizure, 15 U.S.C. § 1116(d)(1); (2) false designation of
21 origin, 15 U.S.C. § 1125; and (3) monopoly and combination in restraint of trade, 15 U.S.C. §§ 1-
22 2. *Id.* ¶¶ 71-78, 111-36. Real Action also asserts seven claims under state law: (1) abuse of
23 process under Indiana law; (2) intentional interference with contractual relations under Indiana and
24 California laws; (3) intentional or negligent interference with prospective economic advantage
25 under Indiana and California laws; (4) combination in restraint of trade under the California
26 Cartwright Act, Cal. Bus. & Prof. Code § 16720 et seq.; (5) unfair competition and false
27 advertising, Cal. Bus. & Prof. Code §§ 17200, 17500; (6) unjust enrichment under Indiana law;
28 and (7) conspiracy under California and Indiana laws. *Id.* ¶¶ 79-108, 137-53, 165-78. Finally,

1 Real Action seeks declaratory judgments (1) of no Lanham Act, common law trademark, or trade
2 dress violations; (2) of no trade secret misappropriation; and (3) for the cancellation of the
3 PepperBall registration. *Id.* ¶¶ 154-64, 180-92.

4 The Court ordered the parties to attend a settlement conference before the Honorable
5 Joseph C. Spero. Dkt. No. 218 at 2. At the settlement conference, the parties agreed to file cross
6 motions for summary judgment on two issues: (1) whether the registered trademark(s) at issue in
7 this case was validly transferred, and (2) whether the registered trademark(s) at issue had lapsed
8 before it was transferred. Settlement Minutes, Dkt. No. 270; *see* Dkt. No. 278 at 1 n.1. These
9 Motions followed.

10 REQUEST FOR JUDICIAL NOTICE

11 Counter-Defendants request the Court take judicial notice of forty-four documents filed
12 with the Northern District of Indiana and the U.S. Court of Appeals for the Seventh Circuit; the
13 U.S. Patent and Trademark Office; the Delaware and Colorado Secretaries of States; and the U.S.
14 Securities and Exchange Commission (“SEC”). Request for Judicial Notice (“RJN”) at 2-7, Dkt.
15 No. 311. Real Action does not oppose Counter-Defendants’ request.

16 Pursuant to Federal Rule of Evidence 201(b), “[t]he court may judicially notice a fact that
17 is not subject to reasonable dispute because it: (1) is generally known within the trial court's
18 territorial jurisdiction; or (2) can be accurately and readily determined from sources whose
19 accuracy cannot reasonably be questioned.” Documents in the public record may be judicially
20 noticed to show, for example, that a judicial proceeding occurred or that a document was filed in
21 another case, but a court may not take judicial notice of findings of facts from another case. *Lee v.*
22 *City of L.A.*, 250 F.3d 668, 689 (9th Cir. 2001). Nor may a court take judicial notice of any matter
23 that is in dispute. *Id.* at 689-90; *but see Ruiz v. City of Santa Maria*, 160 F.3d 543, 548 n.13 (9th
24 Cir. 1998) (finding judicial notice is inappropriate where the facts to be noticed were not relevant
25 to the disposition of the issues before the court).

26 A. Documents Filed in the Northern District of Indiana and the Seventh Circuit

27 Counter-Defendants seek judicial notice of seventeen documents that were filed in the
28 Indiana Action. RJN at 2-4; *see* Glaspy Decl., Exs. 46, 48, 50-62, 64. Because they have been

1 publicly filed in other litigation, the Court may judicially notice these documents. *See Harris v.*
2 *Cty. of Orange*, 682 F.3d 1126, 1132 (9th Cir. 2012) (“We may take judicial notice of undisputed
3 matters of public record, . . . including documents on file in federal or state courts.” (internal
4 citation omitted)). The Court GRANTS Counter-Defendants’ request as to these exhibits, but it
5 does so solely for its existence and content, not the truth of any statements therein. *See Rieckborn*
6 *v. Jefferies LLC*, 81 F. Supp. 3d 902, 913 (N.D. Cal. 2015).

7 **B. Documents Filed with the USPTO and the SEC**

8 Counter-Defendants also request the Court take judicial notice of twenty-four documents
9 filed with the USPTO and one document filed with the SEC. RJN at 4-7; *see* Glaspy Decl., Ex.
10 39, 41-45, 63, 65; Gibson Decl., Exs. 2-7, 18-19, 30, 34-38, 66-67. As these documents are public
11 records filed with the USPTO or the SEC, they are properly the subject of judicial notice. *See*
12 *Kelly v. Primco Mgmt., Inc.*, 2015 WL 10990368, at *4 (C.D. Cal. Jan. 12, 2015). The Court thus
13 GRANTS Counter-Defendants’ Request as to these documents. However, while “the USPTO
14 [and the SEC] records may be subject to judicial notice, they are noticeable only for the limited
15 purpose of demonstrating that the filings and actions described therein occurred on certain dates.”
16 *Pinterest Inc. v. Pintrips Inc.*, 15 F. Supp. 3d 992, 997 (N.D. Cal. 2014).

17 **C. Documents Filed with the Delaware and Colorado Secretaries of State**

18 Counter-Defendants also request judicial notice of documents filed with the Delaware and
19 Colorado Secretaries of State. RJN at 7; *see* Gibson Decl., Exs. 16-17. Because these UCC
20 financing statements are public records, the Court GRANTS Counter-Defendants’ Request as to
21 them. *See Hanover Ins. Co. v. Fremont Bank*, 68 F. Supp. 3d 1085, 1092 (N.D. Cal. 2014) (taking
22 judicial notice of UCC Financing Statement); *Theta Chi Fraternity, Inc. v. Leland Stanford Junior*
23 *Univ.*, 2016 WL 4524305, at *4 (N.D. Cal. Aug. 30, 2016) (finding it appropriate to take judicial
24 notice of filings with the California Secretary of State).

25 **EVIDENTIARY OBJECTIONS**

26 Real Action and Counter-Defendants assert several evidentiary objections. Real Action
27 objects to evidence Counter-Defendants included with their Reply, specifically, portions of the
28 Reply Declaration of Gary Gibson (Gibson Reply Decl., Dkt. No. 320-4), the Declaration of

1 George Eurick (Eurick Decl., Dkt. No. 320-2), and Exhibits 2 and 3 of the Simpson Declaration.
2 RAP Reply at 2-3. Counter-Defendants object to paragraph 3 of the Declaration of Paul B.
3 Overhauser submitted in support of Real Action’s Reply (“Overhauser Reply Declaration”), which
4 discusses Exhibits 2 and 3 of the Simpson Declaration. UTS Obj., Dkt. No. 323; *see* Overhauser
5 Reply Decl., Dkt. No. 322-1.

6 **A. The Gibson Reply Declaration**

7 Real Action objects to paragraph 3 of the Gibson Declaration on the ground that it asserts
8 an inadmissible legal conclusion. *Id.* at 2. “[S]tatements in declarations based on speculation or
9 improper legal conclusions, or argumentative statements, are not facts and likewise will not be
10 considered on a motion for summary judgment. Objections on any of these grounds are simply
11 superfluous in this context.” *Burch v. Regents of Univ. of Cal.*, 433 F. Supp. 2d 1110, 1119 (E.D.
12 Cal. 2006). The Court thus OVERRULES Real Action’s objection to paragraph 3 of the Gibson
13 Reply Declaration.

14 Real Action also objects to paragraphs 5 through 8 of the Gibson Reply Declaration for
15 lack of personal knowledge. RAP Reply at 2. Real Action contends that “[b]ecause Mr. Gibson
16 expressly conditions his allegations the statements ‘to my knowledge’ (¶¶ 5, 6, 8) and ‘as far as I
17 am aware’ (¶ 5), these statements are not based on personal knowledge as required by Rule 56(c).”
18 *Id.* Accordingly, Real Action argues “Gibson’s declaration does not affirmatively show that he is
19 competent to testify about these matters.” Reply at 2. Real Action does not specifically address
20 how Gibson lacks personal knowledge of the statements made in paragraph 7.

21 Rule 56(c) requires that “[a]n affidavit or declaration used to support or oppose a motion
22 must be made on personal knowledge, set out facts that would be admissible in evidence, and
23 show that the affiant or declarant is competent to testify on the matters stated.” Fed. R. Civ. P.
24 56(c)(4). The Court disagrees that Gibson’s statements that his assertions are made “[t]o [his]
25 knowledge” or “[t]o the best of [his] knowledge” indicate that he lacks personal knowledge. *See*
26 Gibson Reply Decl. ¶¶ 5-6, 8. On the contrary, Gibson offers explanations as to how his
27 knowledge was formed:

28 //

1 I was involved in providing the required notice of the foreclosure
2 sale to all known secured creditors of PTI and/or PTI-CA. I worked
3 with John Stitska, who was an officer of PTI-CA (dba PTI), and
4 James Drake, ATO's counsel, in sending notice to the proper
5 individuals and entities and I am familiar with the process by which
6 notice was sent.

7 *Id.* ¶ 4. Given that he was personally involved in the notice process, Gibson would have personal
8 knowledge regarding Conrad Sun's involvement and notice to PepperBall Technologies and
9 PepperBall Technologies-CA's known secured creditors. *See id.* ¶¶ 5-6. That he makes the
10 declaration "to [his] knowledge" does not change that.

11 Gibson also declares he "did not have any knowledge that Scott & Goldman was a secured
12 creditor of either PTI or PTI-CA" because "[t]here was no lien filed by Scott & Goldman at the
13 time that we completed our search for secured creditors." *Id.* ¶ 7. Finally, Gibson explains that he
14 knows that "[t]o date no secured creditor of PTI has ever . . . complained about the foreclosure
15 sale on the basis of lack of notice or any other basis" because "[n]either Primary Funding
16 Corporation nor Scott & Goldman, Inc. have ever complained about the foreclosure sale based on
17 lack of notice." *Id.* ¶ 8. Given that Gibson explains the bases for his personal knowledge, the
18 Court OVERRULES Real Action's objections to paragraphs 5 through 8 of the Gibson Reply
19 Declaration.⁷

20 **B. The Eurick Declaration**

21 Real Action also requests the Court strike the Eurick Declaration for lack of personal
22 knowledge. RAP Reply at 3. Real Action notes Eurick never states when he served as an officer
23 of UTS and does not claim to have worked for ATO, Primary Funding Corporation, PepperBall
24 Technologies-CA or PepperBall Technologies. *Id.*

25 There is no evidence that Eurick ever worked for ATO. *See* Eurick Decl. The Court
26 agrees that Eurick fails to establish personal knowledge about ATO's knowledge or awareness of
27 matters and SUSTAINS Real Action's objections to the portions of the Eurick Declaration that

28 _____
⁷ To the extent Real Action objects Gibson's statement regarding Conrad Sun's personal
knowledge of the notice process (*see* Gibson Reply Decl. ¶ 5), the Court OVERRULES such
objection. *See Smith v. Cty. of Santa Clara*, 2016 WL 4076193, at *8 (N.D. Cal. Aug. 1, 2016),
appeal dismissed (Sept. 30, 2016) ("[O]bjections to evidence on the ground that it is . . .
speculative . . . [is] duplicative of the summary judgment standard itself" and [is] unnecessary."
(quoting *Burch*, 433 F. Supp. 2d at 1119)).

1 pertain to ATO.

2 Further, although Eurick declares he is the UTS’ Chief Innovation Officer (Eurick Decl. ¶
3 1), he does not explain how this position gives him familiarity with certain aspects of UTS or
4 ATO. For instance, it is unclear how Eurick, as Chief Innovation Officer, would have knowledge
5 about the use of the term “pepperball” by parties other than UTS. The Court therefore SUSTAINS
6 Real Action’s objections to paragraphs 4, 5, and 6 of the Eurick Declaration.

7 However, the Court disagrees with Real Action’s assertion that “Eurick does not claim to
8 have worked for . . . Primary Funding Corporation, PepperBall Technologies -- CA, Inc. or
9 PepperBall Technologies, Inc., so he clearly lacks knowledge about matters supposedly within the
10 corporate knowledge of those companies.” RAP Reply at 3. On the contrary, Eurick states that
11 “[i]n my position at the time of the foreclosure sale . . . I worked with Primary Funding
12 Corporation, and specifically with its CEO, Patricia Burns. Primary Funding Corporation received
13 notice of that sale and was fully aware of the foreclosure sale prior to it taking place. I am
14 personally aware that notice of the foreclosure sale was given to Primary Funding Corporation.”
15 Eurick Decl. ¶ 7. Eurick further states that “I had business dealings with Pepperball
16 Technologies, Inc. prior to and leading up to the time of the foreclosure sale.” *Id.* ¶ 8. These
17 dealings with Primary Funding Corporation and PepperBall Technologies provide a basis for his
18 knowledge about Primary Funding Corporation’s receipt of notice of the foreclosure sale and
19 about the names under which PepperBall Technologies and PepperBall Technologies-CA
20 conducted business. Accordingly, the Court OVERRULES Real Action’s objections to
21 paragraphs 7 and 8 of the Eurick Declaration.

22 **C. Exhibits 2 and 3 of the Simpson Declaration and Paragraph 3 of the Overhauser**
23 **Reply Declaration**

24 Real Action objects to Exhibits 2 and 3 of the Simpson Declaration, which consist of the
25 Second Amendments to the Simpson Foundation and Trust Loans, respectively. Reply at 3-4; *see*
26 Simpson Decl., Exs. 2-3. Counter-Defendants submitted versions of these documents in support
27 of their Motion. *See* Gibson Decl., Exs. 10, 12. Real Action points out that the Second
28 Amendments attached to the Gibson Declaration are missing the Lenders’ signatures. RAP Mot.

1 at 43; *see* Gibson Decl., Exs. 10, 12. In response, Counter-Defendants submit Exhibits 2 and 3 of
2 the Simpson Declaration, which show the Second Amendments with the signatures of James
3 Simpson as President/Director of the James Simpson Foundation, and Simpson and Gretchen
4 Simpson as Trustees of the J.A. & G.L. Simpson Trust. *See* Simpson Decl., Ex. 2 at 3; *id.*, Ex. 3
5 at 3. Real Action contends Counter-Defendants failed to disclose the Second Amendments during
6 discovery, despite a Court order requiring “the parties [to] produce all documents relating to the
7 trademark registrations and renewals and to the transfer of the registered trademark in accordance
8 with Judge Spero’s proposal **by September 1, 2016.**” Dkt No. 278 at 2 (emphasis in original); *see*
9 Settlement Minutes. In support of this argument, Real Action offers the Overhauser Reply
10 Declaration, in which counsel for Real Action declares that

11 On December 1, 2016, as part of the Declaration of Jim Simpson
12 (Dkt. 320-4), UTS proffered two new versions of (a) a document
13 entitled Second Amendment To Loan Agreement purportedly
14 between the James Simpson Foundation, Pepperball Technologies,
15 Inc. and Pepperball Technologies -- CA, Inc.; and (b) a document
16 entitled Second Amendment To Loan Agreement purportedly
17 between the J.A. & G.L. Simpson Trust, Pepperball Technologies,
18 Inc. and Pepperball Technologies -- CA, Inc. UTS had never
19 produced these documents prior to submitting them as part of the
20 Simpson Declaration.

21 Overhauser Reply Decl. ¶ 3.⁸

22 Counter-Defendants object to this paragraph as inadmissible speculation and for lack of
23 foundation. UTS Obj. at 1. Counter-Defendants contend “Overhauser does not indicate anywhere
24 in his declaration any knowledge as to whether Plaintiff or Counter-Defendants were in possession
25 of the fully executed amendment documents prior to submitting them with their Opposition, and
26 therefore whether they were under any duty to produce the same, or had any ability to.” *Id.* They
27 explain that “Counter-Defendants were not in possession of a copy of the fully executed
28 agreement, but rather were able to obtain the same after Real Action filed its Cross-Motion . . . in
which, for the first time, it challenged the validity of the Second Amendment on the basis that it
had not been fully executed.” *Id.* at 2 (internal citation omitted). “Once challenged, Plaintiff and

⁸ The Overhauser Reply Declaration contains two paragraphs numbered as “3.” *See* Overhauser Reply Decl. This citation refers to the first paragraph “3.”

1 Counter-Defendants were able to obtain a copy of the fully executed agreement from Jim
2 Simpson, who was in possession of such a copy, and as is reflected in the declaration that he
3 submitted with [Counter-Defendants’] Opposition.” *Id.* Counter-Defendants emphasize that “no
4 one, including Real Action, had previously challenged the validity of the Second Amendment on
5 the basis of the lack of a fully executed copy of the amendment documents.” *Id.*

6 The Court is perturbed that Counter-Defendants did not obtain or produce Exhibits 2 and 3
7 to the Simpson Declaration prior to filing its Motion. “If a party fails to provide information . . .
8 as required by Rule 26(a) or (e), the party is not allowed to use that information . . . to supply
9 evidence on a motion, at a hearing, or at a trial, unless the failure was substantially justified or is
10 harmless.” Fed. R. Civ. P. 37(c)(1). Nonetheless, Real Action offers no evidence that Counter-
11 Defendants *purposefully* withheld Exhibits 2 and 3. The Overhauser Declaration fails to establish
12 that Counter-Defendants could and should have produced Exhibits 2 and 3 before September 1,
13 2016, or that Counter-Defendants were not otherwise substantially justified in failing to provide
14 them to Real Action. Further, Real Action is not harmed by not receiving Exhibits 2 and 3 before
15 this point: their argument on the issue is relatively brief (only three paragraph), and they had an
16 opportunity to address these documents in their Reply. Therefore, the Court SUSTAINS Counter-
17 Defendants’ objection to paragraph 3 of the Overhauser Reply Declaration and OVERRULES
18 Real Action’s objections to Exhibits 2 and 3 of the Simpson Declaration.

19 **LEGAL STANDARD**

20 Summary judgment is proper where the pleadings, discovery and affidavits demonstrate
21 that there is “no genuine dispute as to any material fact and [that] the movant is entitled to
22 judgment as a matter of law.” Fed. R. Civ. P. 56(a). The party moving for summary judgment
23 bears the initial burden of identifying those portions of the pleadings, discovery and affidavits that
24 demonstrate the absence of a genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S.
25 317, 323 (1986). Material facts are those that may affect the outcome of the case. *Anderson v.*
26 *Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). A dispute as to a material fact is genuine if there is
27 sufficient evidence for a reasonable jury to return a verdict for the nonmoving party. *Id.*

28 Where the moving party will have the burden of proof on an issue at trial, it must

1 affirmatively demonstrate that no reasonable trier of fact could find other than for the moving
2 party. *Soremekun v. Thrifty Payless, Inc.*, 509 F.3d 978, 984 (9th Cir. 2007). On an issue where
3 the nonmoving party will bear the burden of proof at trial, the moving party can prevail merely by
4 pointing out to the district court that there is an absence of evidence to support the nonmoving
5 party’s case. *Celotex*, 477 U.S. at 324-25.

6 If the moving party meets its initial burden, the opposing party must then set forth specific
7 facts showing that there is some genuine issue for trial in order to defeat the motion. Fed. R. Civ.
8 P. 56(c)(1); *Anderson*, 477 U.S. at 250. All reasonable inferences must be drawn in the light most
9 favorable to the nonmoving party. *Olsen v. Idaho State Bd. of Med.*, 363 F.3d 916, 922 (9th Cir.
10 2004). However, it is not the task of the Court to scour the record in search of a genuine issue of
11 triable fact. *Keenan v. Allan*, 91 F.3d 1275, 1279 (9th Cir. 1996). The Court “rel[ies] on the
12 nonmoving party to identify with reasonable particularity the evidence that precludes summary
13 judgment.” *Id.*; see also *Simmons v. Navajo Cty., Ariz.*, 609 F.3d 1011, 1017 (9th Cir. 2010).
14 Thus, “[t]he district court need not examine the entire file for evidence establishing a genuine
15 issue of fact, where the evidence is not set forth in the opposing papers with adequate references
16 so that it could conveniently be found.” *Carmen v. S.F. Unified Sch. Dist.*, 237 F.3d 1026, 1031
17 (9th Cir. 2001). If the nonmoving party fails to make this showing, “the moving party is entitled
18 to a judgment as a matter of law.” *Celotex*, 477 U.S. at 322 (internal quotations omitted).

19 Additionally, at the summary judgment stage, parties must set out facts they will be able to
20 prove at trial. At this stage, courts “do not focus on the admissibility of the evidence’s form
21 [but] instead focus on the admissibility of its contents.” *Fraser v. Goodale*, 342 F.3d 1032, 1036
22 (9th Cir. 2003) (citation omitted). “While the evidence presented at the summary judgment stage
23 does not yet need to be in a form that would be admissible at trial, the proponent must set out facts
24 that it will be able to prove through admissible evidence.” *Norse v. City of Santa Cruz*, 629 F.3d
25 966, 973 (9th Cir. 2010) (citations omitted). Accordingly, “[t]o survive summary judgment, a
26 party does not necessarily have to produce evidence in a form that would be admissible at trial, as
27 long as the party satisfies the requirements of Federal Rules of Civil Procedure 56.” *Block v. City*
28 *of L.A.*, 253 F.3d 410, 418-19 (9th Cir. 2001); *Celotex*, 477 U.S. at 324 (a party need not “produce

1 evidence in a form that would be admissible at trial in order to avoid summary judgment.”); *see*
2 *also* Fed. R. Civ. P. 56(c)(4) (“An affidavit or declaration used to support or oppose a motion must
3 be made on personal knowledge, set out facts that would be admissible in evidence, and show that
4 the affiant or declarant is competent to testify on the matters stated.”).

5 DISCUSSION

6 The Court first addresses whether the registered trademark at issue had lapsed before it was
7 transferred then turns to the issue of whether the registered trademark at issue was validly
8 transferred.

9 A. Whether the PepperBall Trademark Lapsed Prior to the Transfer

10 Section 9 of the Trademark Act provides that a trademark “registration may be renewed for
11 periods of 10 years at the end of each successive 10-year period following the date of
12 registration.” 15 U.S.C. § 1059(a); *see In re Bose Corp.*, 580 F.3d 1240, 1242 n.1 (Fed. Cir. 2009)
13 (“Federal trademark registrations issued on or after November 16, 1989, remain in force for ten
14 years, and may be renewed for ten-year periods.”). “To renew a registration, the owner must file
15 an Application for Renewal under Section 9.” *In re Bose*, 580 F.3d at 1242 n.1.

16 In addition, Section 8 requires the trademark’s owner to file, before the fifth and tenth
17 years of the registration, an affidavit or declaration stating the trademark is still in use, among
18 other things. 15 U.S.C. § 1058(a), (b)(1)(A); *see* 37 C.F.R. § 2.160 (“[T]he owner of the
19 registration must file an affidavit or declaration of continued use or excusable nonuse, or the
20 registration will be cancelled . . . on or after the fifth anniversary and no later than the sixth
21 anniversary after the date of registration”); *id.* § 2.161 (“A complete affidavit or declaration under
22 section 8 of the Act must . . . [i]nclude a verified statement attesting to the use in commerce . . .
23 within the period set forth in section 8 of the Act.”). Failure to timely file a Section 8 affidavit
24 automatically results in the trademark’s cancellation. 15 U.S.C. § 1058(a) (“[T]he registration of
25 any mark shall be canceled by the Director unless the owner of the registration files in the United
26 States Patent and Trademark Office [Section 8] affidavits”); 37 C.F.R. § 2.164(b) (“If the
27 affidavit or declaration is not filed within the time periods set forth in section 8 of the Act, the
28 registration will be cancelled.”).

1 “Registration of a mark is prima facie evidence of the validity of the mark, the registrant’s
2 ownership of the mark, and the registrant’s exclusive right to use the mark in connection with the
3 goods specified in the registration.” *Pom Wonderful LLC v. Hubbard*, 775 F.3d 1118, 1124 (9th
4 Cir. 2014) (citing 15 U.S.C. § 1115(a)); *see Yellow Cab Co. of Sacramento v. Yellow Cab of Elk*
5 *Grove, Inc.*, 419 F.3d 925, 928 (9th Cir. 2005) (“Federal registration of a mark constitutes prima
6 facie evidence of the validity of the mark.” (citing 15 U.S.C. § 1057(b)). “Therefore, the registrant
7 is granted a presumption of ownership, dating to the filing date of the application for federal
8 registration, and the challenger must overcome this presumption by a preponderance of the
9 evidence.” *Sengoku Works Ltd. v. RMC Int’l, Ltd.*, 96 F.3d 1217, 1219 (9th Cir.), *as modified*, 97
10 F.3d 1460 (9th Cir. 1996).

11 1. The 2009 Section 8 Declaration

12 Jaycor, which later became Jaycor Tactical, originally registered the PepperBall mark on
13 May 13, 2003. RAP SUF Reply ¶¶ 6, 8; Gibson Decl., Ex. 4. Jaycor Tactical changed its name
14 and transferred the PepperBall mark to PepperBall Technologies on July 23, 2003. *See* RAP SUF
15 Reply ¶ 11; Glaspy Decl., Ex. 63. The Lanham Act required the PepperBall mark’s owner to file a
16 Section 8 affidavit in 2009 and both a Section 8 affidavit and a Section 9 renewal in 2013 to keep
17 the mark valid. *See* 15 U.S.C. §§ 1058-59. Real Action maintains the true owner of the
18 PepperBall mark did not file the 2009 Section 8 Declaration and the Declaration is therefore
19 invalid. RAP Mot. at 18-20.

20 a. *Owner of the PepperBall Mark*

21 On May 13, 2009, PepperBall Technologies filed a Combined Declaration of Use and
22 Incontestability under Sections 8 and 15, which listed “PepperBall Technologies, Inc.” as the
23 mark’s proposed owner. *See* 2009 Declaration. The USPTO accepted the Declaration on June 29,
24 2009, stating “[t]he registration remains in force.” *Id.*, Ex. 66. Counter-Defendants have therefore
25 made a prima facie showing that PepperBall Technologies was the owner of the PepperBall mark
26 in 2009.

27 Real Action disputes PepperBall Technologies was the true owner and argues the
28 PepperBall mark’s owner did not file timely or properly file the required affidavits or renewals

1 and, as a result, the mark lapsed. RAP Mot. at 18-33. This claim is based on Real Action’s
2 assertion that two distinct corporations used the name “PepperBall Technologies, Inc.”: (1) a
3 Delaware corporation, which became PepperBall Technologies-CA after a merger; and (2) a
4 Colorado corporation, which resulted from Securities With Advanced Technologies, Inc.’s
5 (“SWAT”) name change to PepperBall Technologies, a Colorado corporation.

6 Real Action contends that on September 19, 2008, PTI Acquisition Corp. (“PTI
7 Acquisition”) merged with and into PepperBall Technologies—which owned the PepperBall
8 mark—under the name PepperBall Technologies-CA, Inc. RAP Mot. at 4-5, 18; *see* Decl. of Paul
9 Overhauser (“Overhauser Decl.”), Ex. 7. Real Action argues that pursuant to Delaware law,
10 Pepperball Technologies-CA became the owner of the PepperBall mark as a result of the merger.
11 RAP Mot. at 12, 18 (citing Del. Code Ann. tit. 8 § 259 (“When any merger . . . shall have become
12 effective . . . the constituent corporations shall become a new corporation, or be merged into 1 of
13 such corporations, . . . all property, rights, privileges, powers and franchises, and all and every
14 other interest shall be thereafter as effectually the property of the surviving or resulting
15 corporation . . .”).

16 Around the time PepperBall Technologies and PTI Acquisition merged into Pepperball
17 Technologies-CA in September 2008, SWAT changed its name to PepperBall Technologies, Inc.
18 RAP Mot. at 4-5; *see* Overhauser Decl., Ex. 6. Real Action does not explain the relationship
19 between SWAT and the original PepperBall Technologies. *See* RAP Mot.; Overhauser Decl. The
20 new PepperBall Technologies, Inc. was registered as a Colorado corporation. RAP Mot. at 5, 19;
21 *see* Overhauser Decl., Ex. 6. Real Action argues PepperBall Technologies and PepperBall
22 Technologies-CA are “two separate corporations.” RAP Mot. at 3.

23 Real Action thus contends PepperBall Technologies did not own the PepperBall mark in
24 2009; rather, PepperBall Technologies-CA did. RAP Mot. at 2, 5, 18. Further, because non-
25 owner PepperBall Technologies filed the 2009 Declaration, and PepperBall Technologies-CA did
26 not, Real Action argues the trademark lapsed.

27 Counter-Defendants dispute Real Action’s “argument that Pepperball Technologies and
28 Pepperball-CA are [t]wo different corporations’ that bear no relation to each other.” UTS Reply

1 at 17 (quoting RAP Mot. at 2; brackets in original). Counter-Defendants argue PepperBall
2 Technologies-CA was the wholly owned subsidiary of the parent company, the new PepperBall
3 Technologies. UTS Reply at 15. In support, Counter-Defendants point to PepperBall
4 Technologies-CA’s corporate resolution that describes PepperBall Technologies-CA as “a wholly-
5 owned subsidiary of Pepperball Technologies, Inc., a Colorado corporation (‘Parent’).” Gibson
6 Decl., Ex. 13; *see id.*, Ex. 14 (PepperBall Technologies’ corporate resolution stating “proceeds of
7 the Loan Agreements have been applied substantially to the benefit of the [PepperBall
8 Technologies’] wholly-owned subsidiary, Pepperball Technologies-CA, Inc., a Delaware
9 corporation[.]”); *id.*, Ex. 9 (Exhibit A to the Simpson Foundation Loan, listing PepperBall
10 Technologies-CA as one of the “Subsidiaries and partnerships and joint ventures”). Real Action
11 offers no facts to contradict Counter-Defendants’ evidence of a subsidiary relationship.

12 Counter-Defendants further characterize Real Action’s argument that PepperBall
13 Technologies-CA owned the PepperBall mark by virtue of Delaware law as “all pure speculation .
14 . . . and not evidence.” UTS Reply at 17; *see id.* at 14 (“Real Action claims that by operation of
15 Delaware law the resulting company, Pepperball-CA would have obtained the ownership of the
16 trademark. However, Real Action has no evidence for this assertion.”). Indeed, Counter-
17 Defendants object to Real Action’s Statement of Uncontroverted Facts stating PepperBall
18 Technologies-CA owned the PepperBall registration as of May 2009 and May 2013. Counter-
19 Defs.’ Reply to RAP SUF ¶¶ 1-2.

20 But Counter-Defendants nonetheless implicitly concede that PepperBall Technologies-CA
21 was in fact the owner: “the evidence is that Pepperball-CA *was* the entity that filed the Section 8
22 Declaration here, but that it did so under the name Pepperball Technologies, Inc., because it did all
23 its business, both before and after the merger with SWAT, under that name, including continued to
24 hold the ownership of the PepperBall® trademark with the USPTO in that name.” UTS Reply at
25 17 (emphasis in original); *see id.* at 18 (“The only actual evidence in this case is that the party that
26 Real Action contends *should* have filed the Section 8 Declaration, did in fact do so, just under the
27 name it exclusively did business under and which was the name on the USPTO’s register.”
28 (emphasis in original)). Counter-Defendants thus recognize that PepperBall Technologies-CA is

1 the true owner of the PepperBall mark and should have filed the 2009 Declaration.

2 Counter-Defendants explain PepperBall Technologies-CA “continued to do business
3 exclusively as Pepperball Technologies, and official USPTO records and filings continued to list
4 the owner of the mark as Pepperball Technologies.” *Id.* at 14. Real Action argues Counter-
5 Defendants “do[] not proffer any evidence that PepperBall Technologies-CA, Inc. was . . . ‘doing
6 business as’ PepperBall Technologies, Inc.” and “[o]nly someone from PepperBall Technologies-
7 CA, Inc. would be competent to testify as what ‘doing business as’ names it used, but [Counter-
8 Defendants] ha[ve] not offered a single declaration from any of its current or former
9 representatives.” RAP Reply at 10. This overlooks the Declaration of Jeffrey McGonegal
10 PepperBall Technologies’ and PepperBall Technologies-CA’s former Chief Financial Officer. *See*
11 McGonegal Decl. ¶ 1, Dkt. No. 320-6. McGonegal explains that “Pepperball Technologies-CA,
12 Inc. exclusively conducted business under the name Pepperball Technologies, Inc. Even after the
13 company changed its name to Pepperball Technologies-CA, Inc., after the merger with SWAT, it
14 did not do any business except under the name Pepperball Technologies, Inc.” *Id.* ¶ 5.

15 But the 2009 Declaration does not reflect these details: it only names “PepperBall
16 Technologies, Inc.” as the mark’s owner and does not mention that it is a dba for PepperBall
17 Technologies-CA. *See* Glaspy Decl., Ex. 67. Even if PepperBall Technologies-CA is PepperBall
18 Technologies’ subsidiary, the evidence shows they are separate entities. *See* Gibson Decl., Ex. 10
19 (noting PepperBall Technologies is a Colorado corporation and Pepperball Technologies-CA is a
20 Delaware corporation); *id.*, Ex. 12 (same); Overhauser Decl., Ex. 6 (Articles of Amendment for
21 PepperBall Technologies, Inc., a Colorado corporation, effective Sept. 29, 2009); *id.*, Ex. 7 (Sept.
22 19, 2008 Certificate of Merger for PepperBall Technologies-CA, Inc., a Delaware corporation).

23 Prior to October 30, 1999, the Lanham Act required a trademark’s “registrant” to file a
24 declaration or an affidavit of continued use. That changed with the 1999 amendment. According
25 to the legislative history,

26 [t]hroughout the revised section 8, the term “registrant” has been
27 replaced by the term “owner.” The practice at the Patent and
28 Trademark Office has been to require that the current owner of the
registration file all the post-registration affidavits needed to maintain
a registration. The current owner of the registration must aver to

1 actual knowledge of the use of the mark in the subject registration.
2 However, the definition of “registrant” in section 45 of the Act
3 states that the “terms ‘applicant’ and ‘registrant’ embrace the legal
4 representatives, predecessors, successors and assigns of each
5 applicant and registrant.” Therefore, use of the term “registrant” in
6 section 8 of the Act would imply that any legal representative,
7 predecessor, successor or assign of the registrant could successfully
8 file the affidavits required by sections 8 and 9. To correct this
9 situation, and to keep with the general principal, as set out in section
10 1, that the owner is the proper person to prosecute an application,
11 section 8 has been amended to state that the owner must file the
12 affidavits required by the section.

13 H.R. Rep. No. 105-194, at 18-19 (1997). “[T]he statute expressly requires that the declaration be
14 filed by the current owner of the registration within the time periods specified in § 8 of the Act.”
15 *Re: Trademark Registration of Ace III Commc’ns, Inc.*, 62 U.S.P.Q.2d 1049 (T.T.A.B. 2001).

16 In *In Re Media Central IP Corp.*, the Commissioner of Trademarks upheld the refusal of a
17 Section 8 declaration filed by the subsidiary of the owner of a trademark, rather than the owner
18 itself. 65 U.S.P.Q.2d 1637 (Dec. Comm’r Trademarks 2002). The USPTO had issued a
19 registration to Hanson Publishing Group, Inc., which later changed its name to Cowles Business
20 Media, Inc. (“Cowles”). In 1999, Cowles assigned the registration to Intertec Publishing
21 Corporation (“Interec”), which changed its name to PRIMEDIA Business Magazines & Media
22 Inc. in 2001. *Id.* at *1. PRIMEDIA in turn assigned the registration to Media Central IP
23 Corporation (“Media Central”). *Id.* In 2000, Cowles filed a combined declaration of use and
24 application for renewal; however, the Affidavit/Renewal Examiner refused the Section 8
25 declaration because it was unclear whether Cowles was the current owner of the registration. *Id.*

26 The Commissioner upheld the refusal. *Id.* at *4-5. Noting that “only the current owner of
27 the registration can file an affidavit or declaration of use or excusable nonuse under 15 U.S.C. §
28 1058[,]” the Commissioner characterized the fact that the Declaration was signed by a person who
had authority to sign on behalf of the registration’s true owner and therefore should be accepted as
“irrelevant.” *Id.* at *3-4. What mattered was that “Intertec was the owner of the mark when
Cowles, its subsidiary, filed the Section 8 Declaration. Although Cowles [was] a subsidiary of the
current owner and a predecessor in interest, the fact remain[ed] that Cowles and Intertec [were]
two separate entities.” *Id.* “Since the current owner did not file an affidavit or declaration of
continued use or excusable nonuse before the expiration of the statutory grace period, the

1 requirements of Section 8 of the Act ha[d] not been met.” *Id.* Accordingly, the Commissioner
2 ordered the registration cancelled.

3 Thus, PepperBall Technologies and PepperBall Technologies-CA’s parent/subsidiary
4 relationship notwithstanding, the fact remains that they were separate corporations. Although 15
5 U.S.C. § 1058 requires the current owner to file a declaration, there is evidence that PepperBall
6 Technologies-CA did not. Courts have refused a Section 8 declaration when the declaration lists
7 an owner that does not match the name the USPTO has on record, even when declaration lists an
8 entity that is a dba for the true owner.

9 For instance, in *In re Precious Diamonds, Inc.*, the appellant filed a Section 8 declaration
10 stating “DAVID K. FINKEL, II . . . declares that he is a citizen of the United States, dba
11 PRECIOUS DIAMONDS, INC.” 635 F.2d 845, 846 (C.C.P.A. 1980) (capitalization in original).
12 The declaration further stated that Finkel owned the registration. *Id.* The USPTO rejected “the
13 declaration because its records indicated that title was held by Precious and not Finkel dba
14 Precious.” *Id.* Although the appellant filed a declaration executed by Finkel, the examiner refused
15 it as untimely. *Id.* The declaration was subsequently denied, and the registration was cancelled.
16 *Id.* at 846-47. The Commissioner held that because the “declaration was submitted by an
17 individual and not by the corporation, a separate legal entity, the declaration was not filed by ‘the
18 registrant,’ and amendment of the declaration after the statutory deadline would be
19 impermissible.” *Id.* The Court of Customs and Patent Appeals agreed and rejected the appellant’s
20 argument that the mistake was a mere clerical error. *Id.*; *see id.* (“Appellant has presented no
21 evidence of error in transcription or otherwise.”).

22 That PepperBall Technologies was a dba for PepperBall Technologies-CA is a factual
23 distinction. Moreover, this fact is not reflected in the 2009 Declaration: it makes no mention that
24 PepperBall Technologies is a dba, or that PepperBall Technologies-CA is the true owner. Indeed,
25 it does not mention PepperBall Technologies-CA at all.

26 Counter-Defendants emphasize Conrad Sun signed the 2009 Declaration. UTS Reply at
27 18-19. Indeed he did, listing his position as “COO,” or Chief Operating Officer. *See* 2009 Section
28 8 Decl.; *see also* Glaspy Decl., Ex. 64 ¶ 2 (Dec. 6, 2012 Decl. of Conrad Sun submitted in the

1 Indiana Action, stating “I am the Chief Operating Officer of Pepperball Technologies, Inc.”).
2 Counter-Defendants argue that Sun’s signature supports its assertion that PepperBall
3 Technologies-CA filed the Declaration. Specifically, Counter-Defendants contend that by signing
4 the Declaration, Sun “declare[d] that he/she is properly authorized to execute this document on
5 behalf of the Owner; and all statements made of his/her own knowledge are true and that all
6 statements made on information and belief are believed to be true.” UTS Reply at 18-19 (quoting
7 2009 Section 8 Decl. at ECF p.8). Counter-Defendants correctly note that “Real Action submits
8 no evidence to the contrary.” *Id.* But it is unclear how Sun’s signature supports a finding that
9 PepperBall Technologies-CA submitted the Declaration: there are no facts that Sun was also the
10 COO of PepperBall Technologies-CA, or otherwise had the authority to act on PepperBall
11 Technologies-CA’s behalf. On the contrary, Sun’s signature again supports Real Action’s
12 position that PepperBall Technologies filed the 2009 Declaration, not PepperBall Technologies-
13 CA.

14 It is undisputed that PepperBall Technologies-CA owned the PepperBall mark at that time,
15 but there is no evidence that PepperBall Technologies-CA filed the Declaration. In sum, nothing
16 in the record would allow a reasonable jury to find the true owner of the PepperBall mark filed the
17 2009 Declaration as required by 15 U.S.C. § 1058. Even if PepperBall Technologies-CA was a
18 subsidiary of and solely did business as PepperBall Technologies, Inc., Real Action’s evidence
19 indicates PepperBall Technologies and PepperBall Technologies-CA are separate corporations,
20 and Counter-Defendants do not offer facts to the contrary. The 2009 Declaration lists “PepperBall
21 Technologies, Inc.” as the owner and does not state it is a dba for PepperBall Technologies-CA.
22 *See* 2009 Section 8 Decl. Conrad Sun, the undisputed COO of PepperBall Technologies, signed
23 the Declaration; however, Counter-Defendants offer no evidence that Sun was also acting on
24 behalf of PepperBall Technologies-CA. Counter-Defendants’ assertion that PepperBall
25 Technologies-CA filed the 2009 Declaration is unsupported.

26 2. Effect of Declaration of Incontestability

27 Having found no evidence that the owner of the PepperBall mark, PepperBall
28 Technologies-CA, filed the 2009 Declaration, the fact remains that the USPTO “accepted and

1 acknowledged” the Declaration and stated “[t]he registration remains in force.” Glaspy Decl., Ex.
2 66. The central question presented is thus what impact the USPTO’s acceptance of the
3 Declaration has on the issue of whether the PepperBall trademark lapsed.

4 The Lanham Act provides that “the right of the owner to use such registered mark in
5 commerce for the goods or services on or in connection with which such registered mark has been
6 in continuous use for five consecutive years subsequent to the date of such registration and is still
7 in use in commerce, shall be incontestable.” 15 U.S.C. § 1065. Once a registered mark is
8 determined to be incontestable, “the registration shall be conclusive evidence of the validity of the
9 registered mark and of the registration of the mark, of the registrant’s ownership of the mark, and
10 of the registrant’s exclusive right to use the registered mark in commerce.” 15 U.S.C. § 1115(b).
11 But “the label of ‘incontestability’ is rather misdescriptive. [] An incontestable registration is still
12 subject to certain defenses or defects, set forth in 15 U.S.C. § 1115, and . . . does not apply to a
13 mark that is generic.” *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596,
14 603 (9th Cir. 2005) (citation omitted); *see also* 15 U.S.C. § 1115.

15 Counter-Defendants argue that even if the 2009 Declaration does not list the true owner of
16 the PepperBall mark, the USPTO’s acceptance of the Declaration means the mark is incontestable
17 and Real Action cannot challenge it. UTS Reply at 19-24; *see* Glaspy Decl., Ex. 66. They assert
18 “[t]he law is clear that, where the USPTO accepts a Section 8 declaration and does not issue a
19 deficiency notice, a third party cannot unwind that determination because of a technical defect,
20 including a technical defect in the listed name of the owner.” UTS Reply at 19-20. Real Action
21 maintains, however, that even if the mark is incontestable, Real Action may still challenge it on
22 the ground that the PepperBall trademark is generic.⁹ RAP Reply at 13. Real Action does not
23

24 ⁹ In its Opposition and Cross Motion, Real Action argues “pepperball” is a generic term that
25 cannot serve as a trademark and the trademark is invalid. RAP Mot. at 33-37. Genericness is a
26 ground under which a party may seek cancellation of a registered trademark. 15 U.S.C. § 1065(3).
27 However, the trademark’s validity falls outside the scope of the limited issues the parties agreed to
28 address in their Motions. *See* Settlement Minutes. The Court disagrees with Real Action’s
assertion that “the agreement and stipulation only addressed what was required to be addressed in
the motions, not what could not be addressed.” RAP Reply at 14 (emphasis in original). Had Real
Action wished to address genericness, it should have raised the issue during discussions over the
cross motions for summary judgment. Moreover, Counter-Defendants argue that “[a]t the time the
parties entered into the agreement, Defendants did not provide any indication or suggestion that

1 seek to invalidate the PepperBall mark on the grounds set forth in § 1115.

2 Counter-Defendants argue the failure to identify PepperBall Technologies-CA as the
3 owner is a mere “technical defect.” *See* UTS Reply at 19-23. The Court disagrees. “The history
4 of Section 8 supports the view that compliance with the statutory requirements is mandatory.” *In*
5 *re Mother Tucker’s Food Experience (Canada) Inc.*, 925 F.2d 1402, 1405 (Fed. Cir. 1991).
6 Where the statute sets forth a specific requirement, courts have held that the failure to comply with
7 that requirement is not a technical defect that can be corrected. *See, e.g., Precious Diamonds*, 635
8 F.2d at 847 (“The failure of the registrant to file a declaration within the statutory period is not a
9 ‘minor technical defect.’ Whereas the submission of a specimen label . . . is not a statutory
10 requirement, the timely submission by the registrant of a declaration or affidavit is.”). The
11 Lanham Act requires that “owner of the registration” to submit a declaration of use. 15 U.S.C. §
12 1058(a). Because this is a statutory requirement, the Court cannot find that PepperBall
13 Technologies-CA’s failure to file the Section 8 Declaration is a technical violation. *See Re:*
14 *Trademark Registration of Ace III Commc’ns, Inc.*, 62 U.S.P.Q.2d 1049 (T.T.A.B. Dec. 6, 2001)
15 (“[T]he requirement that an affidavit or declaration under 15 U.S.C. §1058 be filed in the name of
16 the owner is a statutory requirement that the [USPTO] does not have the authority to waive for any
17 reason.”).

18 Despite this violation, the USPTO nevertheless accepted the 2009 Declaration.¹⁰ “Once
19

20 genericide be included in these cross motions. Discovery on that issue has not closed, and it has
21 not been the subject of the exchanges for the present motion.” UTS Reply at 31.

22 Real Action offers no argument as to why the Court should consider genericness in
23 determining whether the trademark lapsed prior to its transfer to ATO, or why it should consider it
24 with regard to the incontestable status of the mark. The Court therefore STRIKES Real Action’s
25 arguments regarding the allegedly generic nature of term “pepperball.”

26 ¹⁰ It is unclear whether the USPTO would have reason to believe the 2009 Declaration did not list
27 the PepperBall mark’s true owner. Counter-Defendants present evidence that Jaycor Tactical filed
28 with the USPTO a change of name to PepperBall Technologies in 2002. *See* Gibson Decl., Ex. 7.
But there is no evidence the USPTO would have known of PepperBall Technologies-CA’s
formation or of the transfer of the mark’s ownership to PepperBall Technologies-CA, such that it
would have recognized a discrepancy in its records and the 2009 Declaration. As it stands, it
appears the 2009 Declaration would have reflected the USPTO’s records—i.e., that PepperBall
Technologies owned the mark—and would not have caused the USPTO to question the
Declaration’s listed owner.

1 the Patent Office accepts these [Section 8] affidavits [or declarations] . . . , the marks are
 2 conclusively presumed valid and are subject only to the seven narrow defenses set forth in section
 3 33(b) of the Lanham Act, 15 U.S.C.A. § 1115(b), and to the grounds for cancellation recited in
 4 sections 14(c) and (e), 15 U.S.C.A. § 1064(c), (e).” *Miss Universe, Inc. v. Miss Teen U.S.A., Inc.*,
 5 1980 WL 30268, at *3 (N.D. Ga. Mar. 25, 1980). Real Action does not address how the USPTO’s
 6 determination of incontestable status is affected by the fact that such determination is based on the
 7 acceptance of a Section 8 Declaration that does not list the registered trademark’s true owner, nor
 8 does it offer case law on that point.¹¹ At this point, the Court has no reason not to accept the
 9 USPTO’s acceptance of the 2009 Declaration and its finding of incontestability.

10 Based on the present record and in light of the USPTO’s acceptance of the 2009
 11 Declaration, a reasonable jury could not find the PepperBall mark lapsed at this point.

12 3. The 2013 Section 8 Declaration and Section 9 Application for Renewal

13 Real Action also challenges the 2013 Combined Declaration of Use and Application of
 14 Renewal of Registration (the “combined filing”), which ATO filed on October 30, 2013. RAP
 15 Mot. at 28-33; *see* Gibson Decl., Ex. 35. The USPTO initially rejected the Section 8 portion of the
 16 combined filing: on November 4, 2013, it issued an office action stating “[o]ffice records do not
 17 show clear chain of title to the registration in the party who filed the Section 8 Affidavit.” Gibson
 18 Decl., Ex. 36 at ECF p.2. Specifically, “[o]ffice records show clear chain of title to the
 19 registration in PEPPERBALL TECHNOLOGIES, INC. However, the party who filed the Section
 20 8 Affidavit is identified as ADVANCED TACTICAL ORDINANCE SYSTEMS, LLC.” *Id.* The
 21 office action required that “[t]he party who filed the Section 8 Affidavit must establish its current
 22 ownership of the registration” and set a deadline of six months from the issuance action for it to do
 23 so. *Id.* at ECF pp.2-3. That same day, ATO responded with a declaration explaining that

the Office records do show a clear chain of title ending with
 Advanced Tactical Ordinance Systems, LLC, the party who signed
 the Section 8 Affidavit. Recorded at Reel/Frame Nos. 4913/0484 is
 the Nunc Pro Tunc Assignment [the “Assignment”] from Advanced
 Tactical Ordinance Systems, LLC, as the secured creditor of

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 28 ¹¹ It would seem the USPTO, rather than the Court, is in a better position to determine what
 recourse a challenger has to a trademark registration under these circumstances.

1 Pepperball Technologies, Inc. authorized to sell the assets of
2 Pepperball Technologies, Inc. in a foreclosure sale, to Advanced
3 Tactical Ordinance Systems, LLC, as the assignee that acquired title
4 to all assets at the foreclosure sale. This document was accepted by
5 the Office as sufficient when it was filed on December 5, 2012, as is
reflected by the fact that the Office records do show Advanced
Tactical Ordinance Systems, LLC as the Registrant (as is confirmed
by the fact that the Post Registration Office Action issued to
Advanced Tactical Ordinance Systems, LLC, not to Pepperball
Technologies, Inc.).

6 *Id.*, Ex. 37 at ECF p.2. The USPTO accepted the Section 8 Declaration on November 13, 2013.

7 *Id.*, Ex. 38.

8 Real Action argues ATO's response to the office action "did not refer to Pepperball
9 Technologies-CA, Inc. by name and does not use the term 'subsidiary' at all. Instead, the
10 Response merely mentions the Nunc Pro Tunc Assignment which was filed with the USPTO
11 Assignment Branch in 2013[.]" RAP Mot. at 31. As a result, Real Action contends "ATO did not
12 establish how Pepperball Technologies-CA, Inc. obtained ownership of the registration before
13 ATO claimed to have acquired it." RAP Mot. at 31.

14 Real Action's argument suffers from the same defect as its arguments regarding the 2009
15 Declaration: it ignores the fact that the USPTO accepted ATO's explanation and the Section 8
16 Declaration. Real Action also does not address how that acceptance affects the PepperBall mark's
17 becoming incontestable under § 1065 if such acceptance was predicated on a faulty declaration.
18 To that end, Real Action once again does not challenge the mark's incontestable status on one of
19 the grounds listed in § 1115.

20 Counter-Defendants point out that the Assignment explicitly refers to PepperBall
21 Technologies-CA:

22 Advanced Tactical Ordnance Systems, LLC . . . hereby sells,
23 transfer[s], assigns and conveys to Advanced Tactical Ordnance
24 Systems, LLC *nunc pro tunc* as of January 9, 2012, all right, title
25 and interest in and to the following property owned by PepperBall
26 Technologies, Inc. and PepperBall Technologies-CA, Inc. . . . : (i) all
trademarks and patents, including registrations for the
PEPPERBALL trademark (U.S. Registration Nos. 27160625 and
2651052)[.]

27 Gibson Decl., Ex. 30 at EFC p.4. Real Action does not address the Assignment's mention of
28 PepperBall Technologies-CA in its Reply. The Court notes, however, the Assignment does not

1 specify whether the PepperBall trademark was the property of PepperBall Technologies or
2 PepperBall Technologies-CA. The USPTO could have conceivably interpreted the Assignment to
3 read that PepperBall Technologies owned the PepperBall trademark, not PepperBall
4 Technologies-CA.

5 Nevertheless, it is inescapable that the USPTO accepted ATO's explanation and reference
6 to the Assignment as sufficient to establish ownership of title. As a result, the PepperBall mark
7 became incontestable under § 1065, and Real Action provides no evidence that challenges the
8 mark's incontestability under one of the grounds set forth in § 1115. A reasonable finder of fact
9 thus could not conclude that the PepperBall mark lapsed in 2013.

10 4. Summary

11 Accordingly, the Court GRANTS Counter-Defendants' Motion for Summary Judgment on
12 the issue of whether the PepperBall trademark lapsed prior to its transfer and DENIES Real
13 Action's Motion for Summary Judgment on the same issue.

14 **B. Whether the PepperBall Trademark Was Validly Transferred**

15 Also at issue is the transfer of the PepperBall mark from PepperBall Technologies to ATO.
16 As noted earlier, Counter-Defendants argue ATO's predecessor, Phoenix, purchased the
17 PepperBall mark from PepperBall Technologies through a UCC foreclosure sale.

18 Real Action challenges the validity of the UCC sale on two grounds: (1) the Simpson
19 Loans did not give their respective lenders a security interest in PepperBall Technologies-CA's
20 assets, including the PepperBall mark; and (2) PepperBall Technologies' secured creditors were
21 not notified of the sale. RAP Mot. at 43-44.

22 1. Amendment of the Simpson Loans

23 Real Action argues the Amendments to the Simpson Loans were not executed, and thus the
24 Lenders never obtained a secured interest in PepperBall Technologies-CA's assets. RAP Mot. at
25 43. The Second Amendments to the Simpson Loans state that

26 The intent of the parties when entering into the Original Agreement
27 and the First Amendment was that PTI-CA would be a co-borrower
28 of the loan evidenced by the Agreement (the "Credit [] Facility") and
co-obligor of all obligations of PTI set forth herein, and that PTI-CA
would grant a security interests in its assets to secure repayment of

1 the Credit Facility. By mutual error of all the parties hereto, PTI-
2 CA was not made a party to the Original Agreement or the First
3 Amendment.

4 Gibson Decl., Ex. 10 ¶ B; *id.*, Ex. 12 ¶ B. As such, the Second Amendments added PepperBall
5 Technologies-CA

6 with full effect from January 15, 2010, as a co-borrower under the
7 Credit Facility and a co-obligor of all obligations of [PepperBall
8 Technologies] under the Agreement. [] Without in any manner
9 limiting the foregoing, (a) the grant of security interest set forth in
10 Section 2 of the Original Agreement shall be deemed for all
11 purposes a grant of a security interest by PTI-CA in its personal
12 property as described in said Section 2[.]

13 Gibson Decl., Ex. 10 ¶ 2; *id.*, Ex. 12 ¶ 2.

14 Real Action argues that while PepperBall Technologies and PepperBall Technologies-CA
15 signed the Second Amendments, the Lenders did not. *See id.*, Ex. 10 at 3; *id.*, Ex. 12 at 3. As
16 such, Real Action contends the parties never executed Second Amendments and the lenders did
17 not obtain an interest in the PepperBall mark. RAP Mot. at 43. Real Action also argues the
18 Second Amendments are deficient because PepperBall Technologies’ and PepperBall
19 Technologies-CA’s chairman signed them, not the corporations’ president as required by their
20 corporate resolutions. *Id.* at 44 (citing Gibson Decl., Ex. 13).

21 In response, Counter-Defendants submit copies of the Second Amendments that bear
22 signatures on behalf of PepperBall Technologies, PepperBall Technologies-CA, and the Lenders.
23 Simpson Decl., Exs. 2-3. Counter-Defendants also offer the Simpson Declaration, in which James
24 Simpson, principal of the James Simpson Foundation and the J.A. & G.L. Simpson Trust states
25 “[t]he Second Amendments to the loans of both the Simpson Foundation and the Simpson Trust
26 were fully executed by all parties thereto, including the Simpson Entitites [sic].” Simpson Decl. ¶
27 6. Real Action offers no evidence to contradict Simpson’s declaration or other facts that indicate
28 the Second Amendments were not executed.

Counter-Defendants also argue Real Action’s argument concerning the ostensible
requirement that the president sign the Second Amendments “misrepresents the contents of the
Pepperball-CA corporate resolution, which does not require that the Second Amendment be
executed by the President.” UTS Reply at 12. Instead, the resolution provides that “the execution,

1 delivery and performance by [PepperBall Technologies-CA] of the Second Amendments in
2 substantially the forms reviewed by this Board of Directors are hereby authorized, approved and
3 ratified.” Gibson Decl., Ex. 13 at ECF p.3. Moreover, as Counter-Defendants note, the resolution
4 authorizes PepperBall Technologies-CA’s president “to enter into and deliver to the appropriate
5 counterparties each of the Second Amendments on behalf of [PepperBall Technologies-CA].” *Id.*
6 But it does not say that *only* the president has power to do so, and Real Action offers no evidence
7 that this is in fact the case. Thus, a reasonable jury could not find that it was improper for the
8 chairman of PepperBall Technologies and PepperBall Technologies-CA to sign the Amendments
9 such that the Amendments were not properly executed.

10 2. Compliance with the UCC

11 As there is evidence that PepperBall Technologies-CA’s assets were secured against the
12 Simpson Loans, the issue is whether there was a valid UCC foreclosure sale. If the sale did not
13 comply with the UCC, ATO would not have validly obtained the PepperBall mark and thus could
14 not have validly transferred it to UTS. Real Action challenges the sufficiency of the sale based on
15 lack of notice.

16 The UCC provides that “[a]fter default, a secured party: (1) may take possession of the
17 collateral; and (2) without removal, may . . . dispose of collateral on a debtor’s premises under
18 Section 9-610.” UCC § 9-609(a). Section 9-610 in turn allows a secured party to “sell, lease,
19 license, or otherwise dispose of any or all of the collateral in its present condition or following any
20 commercially reasonable preparation or processing.” UCC § 9-610(a).

21 Intellectual property may transfer from one owner to another in a UCC foreclosure sale.
22 *Sky Technologies LLC v. SAP AG*, which concerned the transfer of patents at a foreclosure sale, is
23 analogous. 576 F.3d 1374 (Fed. Cir. 2009). The plaintiff, Sky Technologies LLC (“Sky”),
24 acquired a patent through an assignment by XACP, a corporation that purchased the patents at a
25 foreclosure sale. *Id.* at 1378. Sky Technologies thereafter filed a patent infringement suit against
26 SAP, which sought to dismiss the action for lack of standing. *Id.* The district court held that
27 because XACP had complied with the state law UCC foreclosure requirements—including
28 providing notice— title had transferred on the date of the foreclosure sale. *Id.* Thus, when XACP

1 purchased the patents and thereafter assigned them to Sky, Sky “became vested with all rights,
2 title, and interest in the patents. Thus, the chain-of-title had not been broken . . . , and Sky was
3 declared the proper title-holder of the patents-in-suit, giving Sky standing to bring the patent
4 infringement suit.” *Id.* The Federal Circuit agreed: “[t]he Federal Patent Act requires that all
5 assignments of patent interest be in writing.” *Id.* at 1379 (citing 35 U.S.C. § 261). “However,
6 assignment is not the only method by which to transfer patent ownership. . . . [F]oreclosure under
7 state law may transfer patent ownership.” *Id.* at 1380. Because “XACP’s foreclosure on its
8 security interest was in accordance with [state] law; therefore, Sky received full title and
9 ownership of the patents from XACP providing it with standing in the underlying case.” *Id.* at
10 1380.

11 Like the Patent Act, the Lanham Act requires that “[a]ssignments shall be by instruments
12 in writing duly executed.” 15 U.S.C. § 1060(a)(3). But several courts have held that trademark
13 rights may be transferred in a foreclosure sale. *See, e.g., Great Lakes Transp. Holding, LLC v.*
14 *Yellow Cab Serv. Corp. of Fl.*, 2012 WL 4813785, at *4 (E.D. Mich. Oct. 10, 2012) (finding
15 genuine dispute of material fact regarding issue of consent to use marks where “[p]laintiff’s
16 purchase of the Michigan companies at the foreclosure sale included any rights the companies had
17 to enforce the . . . marks” but also “defendant[’s] . . . purchase of the Florida companies through
18 the judicial foreclosure included any rights the Florida companies had acquired in the marks”);
19 *John C. Flood of Va., Inc. v. John C. Flood, Inc.*, 700 F. Supp. 2d 90, 95 (D.D.C. 2010) (“The
20 company’s trademark and associated goodwill are valuable assets that become part of the
21 bankruptcy estate and can be validly sold, assigned, or transferred by the estate.”).

22 Real Action does not dispute that a UCC foreclosure sale can result in the transfer of
23 assets, but instead “argues that *in this case*, no common law or Federal rights to the term
24 Pepperball were transferred, or were even available to have been transferred.” RAP Reply at 5
25 (emphasis in original). Real Action does not contest that Phoenix had the right to foreclose on
26 PepperBall Technologies’ assets; it focuses on the sufficiency of the notice and argues that not all
27 of PepperBall Technologies’ and/or PepperBall Technologies-CA’s secured creditors were
28 notified of the foreclosure sale. RAP Mot. at 44-45; RAP Reply at 7.

1 Counter-Defendants offer evidence of the notice provided, including notices placed in the
2 San Diego Daily Transcript on December 30, 2011 and January 6, 2012. *See* Gibson Decl. ¶ 51 &
3 Exs. 23-24 (copies of public notices dated December 30, 2011 and January 6, 2012). It is less
4 clear whether the secured creditors received notice beyond those published in the San Diego Daily
5 Transcript. Gary Gibson declares that “[n]otice of the public sale of the assets of PTI and its
6 subsidiary was given to every known secured creditor of PTI and/or PTI-CA.” *Id.* ¶ 55. James
7 Drake, counsel for Phoenix, also states that “[n]otice of the foreclosure sale was sent to all known
8 secured creditors of PTI and/or PTI-CA.” Drake Decl. ¶ 6, Dkt. No. 310. But Counter-
9 Defendants do not offer facts to support Gibson’s and Drake’s statements, and “conclusory
10 allegations, unsupported by facts, are insufficient to survive a motion for summary
11 judgment.” *Hernandez v. Spacelabs Med. Inc.*, 343 F.3d 1107, 1116 (9th Cir. 2003) (citing
12 *Taylor v. List*, 880 F.2d 1040, 1045 (9th Cir. 1989)). Counter-Defendants do not, for instance,
13 provide proof of mailing of notice or other evidence that PepperBall Technologies’ and/or
14 PepperBall Technologies-CA’s secured creditors received notice. At best, they offer “a January 9,
15 2012 email that [Gibson] received which was written by the CEO of PTI, John Stiska, explaining
16 the sale[.]” Gibson Decl. ¶ 53 & Ex. 26. This email does not indicate to which secured creditors
17 it was sent: this particular email was sent to Gibson and is simply addressed “To PepperBall
18 Secured Note holders.” *See id.*, Ex. 26. Nor is the fact that “[i]n the more than five years since
19 that sale took place no secured creditor of PTI has ever come forward to challenge the sale on the
20 basis of lack of notice” (Gibson Decl. ¶ 58) dispositive, as lack of a complaint from a creditor is
21 hardly definitive proof that the creditor received notice. Therefore, the Court DENIES Counter-
22 Defendants’ Motion as to the issue of whether the PepperBall mark was validly transferred.

23 But Real Action also fails to offer facts showing PepperBall Technologies’ secured
24 creditors did not receive notice of the sale. Real Action relies on the Declaration of Conrad Sun
25 (“Sun Declaration”) that was submitted in the Indiana Action.¹² *See* RAP Mot. at 45; Glaspy
26 Decl., Ex. 24. In his Declaration, Sun stated that

27 _____
28 ¹² While the Court has judicially noticed this document, it does so only for its existence and not
the truth of the matters stated therein.

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Phoenix/ATO did not notify all of PTI’s secured creditors of the proposed sale. The secured creditors Phoenix/ATO claims to have notified are listed in the “transcript of the foreclosure sale[.]” As just two examples, the list of notified secured creditors does not list Primary Funding Corporation or Scott & Goldman, Inc., both of whom were secured creditors of PTI who had filed notices of their security interest with the California Secretary of State before Phoenix/ATO’s purported foreclosure sale.”

Glaspay Decl., Ex. 24 ¶ 12. Counter-Defendants argue the Sun Declaration lacks foundation. UTS Reply at 6. Indeed, Sun does not state how he knows Primary Funding Corporation and Scott & Goldman, Inc. did not receive notice. *See* Glaspay Decl., Ex. 24. Moreover, Counter-Defendants offer Sun’s deposition testimony, in which Sun states that he “was really never involved in the foreclosure process.” Glaspay Reply Decl., Ex. 68:17-20, Dkt. No. 320. Phoenix counsel James Drake confirms that “Conrad Sun was not involved in the process of the foreclosure sale in general or in the process of giving notice of the foreclosure sale to the secured creditors of PTI and/or PTI-CA.” Drake Decl. ¶ 5. Real Action offers no other facts to establish the necessary secured creditors received notice. As such, Real Action fails to meet its burden at summary judgment, and the Court DENIES its Motion.

CONCLUSION

Based on the analysis above, the Court hereby **GRANTS** Counter-Defendants’ Motion and **DENIES** Real Action’s Motion as to the issue of whether the PepperBall mark lapsed prior to transfer. The Court also **DENIES** both Counter-Defendants’ Motion and Real Action’s Motion on the issue of whether the PepperBall mark was validly transferred.

The parties are scheduled to attend a settlement conference before Judge Spero. The parties shall contact his chambers regarding any scheduling concerns.

IT IS SO ORDERED.

Dated: February 23, 2017



MARIA-ELENA JAMES
United States Magistrate Judge