

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

JAMES W. BRADY and PATRICIA
M. BRADY,

Plaintiffs,

v.

GRENDENE USA, INC., a Delaware
Corporation, and GRENDENE S.A., a
Brazil Corporation,

Defendants.

AND RELATED COUNTERCLAIMS

CASE NO. 3:12-cv-0604-GPC-KSC

**ORDER GRANTING GRENDENE'S
PARTIAL RENEWED MOTION
FOR SUMMARY JUDGMENT, OR,
IN THE ALTERNATIVE, PARTIAL
SUMMARY JUDGMENT**

[ECF No. 216]

I. INTRODUCTION

This is a trademark infringement action. Defendants Grendene USA, Inc. and Grendene S.A. (collectively, "Grendene") previously moved for summary judgment based on a settlement agreement and an affirmative defense of laches. (ECF No. 72.) Because there were disputes of material fact regarding the validity of the trademark assignments among Grendene and its predecessors, the Court denied that motion (the "November 12 Order"). (ECF No. 158.) Grendene now moves the Court to reconsider its initial ruling. (ECF No. 216.) Plaintiffs James W. Brady and Patricia M. Brady (collectively, the "Bradys") oppose, arguing that Grendene's motion is both untimely and substantively flawed. (ECF No. 266.) A hearing on Grendene's motion was held

1 on May 22, 2015. (ECF No. 269.) Upon review of the moving papers,¹ admissible
2 evidence, oral argument, and applicable law, the Court GRANTS Grendene’s motion
3 for summary judgment because the Court finds that Grendene has been validly assigned
4 the ’543 mark and therefore the Settlement Agreement bars the Bradys’ causes of
5 action against Grendene.

6 **II. BACKGROUND**

7 The factual and procedural background of this case is detailed in the Court’s
8 November 12 Order. (ECF No. 158, at 2–7.) In sum, the Bradys and the Ipanema Shoe
9 Corporation (“ISC”) both obtained registration in the mark “IPANEMA”; the Bradys’
10 mark was for swimwear, IPANEMA, Registration No. 1,778,404 (the “’404 mark”),
11 and ISC’s mark was for footwear, IPANEMA, Registration No. 1,908,543 (the “’543
12 mark”). (*Id.*) After a dispute arose between them regarding the IPANEMA mark, but
13 the Bradys, through their company Made in Brazil, Inc. (“MIB”), and ISC entered into
14 a settlement agreement (the “Settlement Agreement”). (*Id.*) The ’543 mark was then
15 purportedly assigned by ISC to Utopia Marketing Inc. (“Utopia”), then by Utopia to
16 Consolidated Shoe Corporation (“CSC”), and finally by CSC to Grendene. (*Id.*) In the
17 November 12 Order, the Court found that the evidence submitted at the time indicated
18 a dispute of material fact regarding the validity of these assignments. (*Id.* at 12–13)
19 Grendene, citing new evidence, now argues that: (1) these assignments were valid, (2)
20 which makes Grendene a successor to ISC under the Settlement Agreement, and (3) the
21 Settlement Agreement bars the Bradys’ claims against Grendene. (ECF No. 216.)
22 Based on this argument, Grendene asserts that it is entitled to summary judgment on
23 all five of the Bradys’ causes of action. (*Id.*) The Bradys counter that: (1) at least some
24 of these assignments were invalid, (2) which means that Grendene is not a successor
25 to ISC under the Settlement Agreement, and (3) even if Grendene were ISC’s

27 ¹ The Bradys moved for leave to file a sur-reply. (ECF No. 260.) Good cause
28 appearing, the Bradys’ ex parte motion is GRANTED and the Court considers the
arguments contained in their sur-reply, (ECF No. 260-1). Additionally, the parties have
submitted post-hearing briefs, (ECF Nos. 270, 271), which the Court also considers.

1 successor, the Settlement Agreement bars the sale of Grendene’s sandals, which forms
2 the basis of the Bradys’ causes of action. (ECF No. 266.)

3 **III. LEGAL STANDARD**

4 **A. Summary Judgment**

5 Federal Rule of Civil Procedure 56 empowers the Court to enter summary
6 judgment on factually unsupported claims or defenses, and thereby “secure the just,
7 speedy and inexpensive determination of every action.” *Celotex Corp. v. Catrett*, 477
8 U.S. 317, 325, 327 (1986); FED. R. CIV. P. 56. Summary judgment is appropriate if the
9 “pleadings, depositions, answers to interrogatories, and admissions on file, together
10 with the affidavits, if any, show that there is no genuine issue as to any material fact
11 and that the moving party is entitled to judgment as a matter of law.” FED. R. CIV. P.
12 56(c). A fact is material when it affects the outcome of the case. *Anderson v. Liberty*
13 *Lobby, Inc.*, 477 U.S. 242, 248 (1986).

14 The moving party bears the initial burden of demonstrating the absence of any
15 genuine issues of material fact. *Celotex*, 477 U.S. at 323. The moving party can satisfy
16 this burden by demonstrating that the nonmoving party failed to make a showing
17 sufficient to establish an element of his or her claim on which that party will bear the
18 burden of proof at trial. *Id.* at 322–23. If the moving party fails to bear the initial
19 burden, summary judgment must be denied and the Court need not consider the
20 nonmoving party’s evidence. *Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 159–60
21 (1970).

22 Once the moving party has satisfied this burden, the nonmoving party cannot rest
23 on the mere allegations or denials of his pleading, but must “go beyond the pleadings
24 and by her own affidavits, or by the ‘depositions, answers to interrogatories, and
25 admissions on file’ designate ‘specific facts showing that there is a genuine issue for
26 trial.’” *Celotex*, 477 U.S. at 324 (citing FED. R. CIV. P. 56 (1963)). If the non-moving
27 party fails to make a sufficient showing of an element of its case, the moving party is
28 entitled to judgment as a matter of law. *Id.* at 325. “Where the record taken as a whole

1 could not lead a rational trier of fact to find for the nonmoving party, there is no
2 ‘genuine issue for trial.’” *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S.
3 574, 587 (1986) (citing FED. R. CIV. P. 56 (1963)). In making this determination, the
4 Court must “view [] the evidence in the light most favorable to the nonmoving party.”
5 *Fontana v. Haskin*, 262 F.3d 871, 876 (9th Cir. 2001). The Court does not engage in
6 credibility determinations, weighing of evidence, or drawing of legitimate inferences
7 from the facts; these functions are for the trier of fact. *Anderson*, 477 U.S. at 255.

8 **B. Reconsideration**

9 Under Federal Rules of Civil Procedure 59 and 60, federal district courts may
10 reconsider final orders to correct “manifest errors of law.” *Turner v. Burlington N.*
11 *Sante Fe R.R.*, 338 F.3d 1058, 1063 (9th Cir. 2003). Generally, parties must show
12 either: (1) an intervening change in the law; (2) additional evidence that was not
13 previously available; or (3) that the prior decision was based on clear error or would
14 work manifest injustice. *Marlyn Natraceuticals, Inc. v. Mucos Pharma GmbH & Co.*,
15 571 F.3d 873, 880 (9th Cir. 2009); *Sch. Dist. No. 1J v. ACandS, Inc.*, 5 F.3d 1255, 1263
16 (9th Cir. 1993); *Pyramid Lake Paiute Tribe of Indians v. Hodel*, 882 F.2d 364, 369 n.5
17 (9th Cir. 1989).

18 Reconsideration is an “extraordinary remedy, to be used sparingly in the interests
19 of finality and conservation of judicial resources.” *Kona Enters., Inc. v. Estate of*
20 *Bishop*, 229 F.3d 877, 890 (9th Cir. 2000). “A motion for reconsideration is not an
21 opportunity to renew arguments considered and rejected by the court, nor is it an
22 opportunity for a party to re-argue a motion because it is dissatisfied with the original
23 outcome.” *Fed. Trade Comm’n v. Neovi, Inc.*, No. 06-cv-1952-JLS-JMA, 2009 WL
24 56130, at *2 (S.D. Cal. Jan. 7, 2009) (quoting *Devinsky v. Kingsford*, No. 05-cv-2064-
25 PAC, 2008 WL 2704338, at *2 (S.D.N.Y. July 10, 2008)).

26 In addition to these substantive standards, Civil Local Rule 7.1.i.1 requires a
27 party moving for reconsideration to submit an affidavit or certified statement of an
28 attorney:

1 setting forth the material facts and circumstances surrounding each prior
2 application, including inter alia: (1) when and to what judge the
3 application was made, (2) what ruling or decision or order was made
4 thereon, and (3) what new or different facts and circumstances are claimed
to exist which did not exist, or were not shown, upon such prior
application.

5 CivLR 7.1.i.1. Civil Local Rule 7.1.i.2 provides that “any motion or application for
6 reconsideration must be filed within twenty-eight (28) days after the entry of the ruling,
7 order or judgment sought to be reconsidered.” CivLR 7.1.i.2.

8 **IV. DISCUSSION**

9 Grendene’s argument consists of three parts: (1) the Settlement Agreement bars
10 the Bradys from suing ISC’s successors over the use of the IPANEMA mark on any
11 footwear, (2) the successor to ISC is the entity that has been validly assigned the ’543
12 mark, and (3) Grendene has been validly assigned the ’543 mark. (ECF No. 216-1.) The
13 Court addresses these arguments in turn after it addresses the Bradys’ objections
14 regarding timeliness and reconsideration. (*See* ECF No. 266.)

15 **A. Timeliness**

16 The Bradys argue that Grendene’s motion is untimely for failure to comply with
17 Local Rule 7.1.i.2 . (ECF No. 266, at 7–8.) This Court denied Grendene’s initial
18 summary judgment motion on November 12, 2014. (ECF No. 158.) Grendene filed its
19 motion for reconsideration on April 7, 2015, far outside of Local Rule 7.1.i.2’s 28 day
20 window. (ECF No. 216.) Though Grendene styles its present motion as a motion for
21 reconsideration in the alternative, the Court finds that, because the present motion for
22 summary judgment seeks the same relief that this Court initially denied, (*compare* ECF
23 No. 216 *with* ECF No. 158), Local Rule 7.1(i)(2) applies to Grendene’s motion.
24 However, Federal Rule of Civil Procedure 6(b)(1) provides that an extension of time
25 may be granted for “good cause.” FED. R. CIV. P. 6(b)(1). The Court finds that
26 Grendene has satisfied Rule 6(b)(1)’s good cause requirement because the factual
27 record has expanded since the Court’s initial ruling, including the deposition of several
28 witnesses. (*See* ECF No. 254, at 4); *see also Hoffman v. Tonnemacher*, 593 F.3d 908,

1 911–12 (9th Cir. 2010) (quoting *Whitford v. Boglino*, 63 F.3d 527, 530 (7th Cir. 1995)
2 (per curiam)) (“A renewed or successive summary judgment motion is appropriate
3 especially if . . . [there is] the availability of new evidence or an expanded factual
4 record”) (alterations in original). Accordingly, the Court finds good cause to
5 excuse Grendene’s failure to comply with Local Rule 7.1.i.2’s 28 day requirement.

6 **B. Reconsideration**

7 The Bradys next argue that Grendene’s motion is improper because the evidence
8 presented by Grendene is not “newly discovered.” (ECF No. 266, at 7–8.) However,
9 reconsideration is “addressed to the sound discretion of the trial court,” *Thompson v.*
10 *Housing Authority of City of L.A.*, 782 F.2d 829, 832 (9th Cir. 1986), and the Court
11 finds it appropriate to consider Grendene’s motion based on the fact that the factual
12 record has expanded. *See Whitford*, 63 F.3d at 530.

13 **C. The Settlement Agreement**

14 The parties have conflicting interpretations of the Settlement Agreement. The
15 Bradys contend that it bars Grendene’s current sale of sandals bearing the IPANEMA
16 mark. (ECF No. 266, at 16–18.) Grendene contends that the Settlement Agreement bars
17 the Bradys’ trademark causes of action against Grendene. (ECF No. 216-1, at 18.)

18 **1. The Bradys’ Interpretation**

19 The Bradys argue that two phrases constitute “terms” of the Settlement
20 Agreement: (1) a whereas clause, and (2) a statement in the Letter of Consent that the
21 Settlement Agreement obligated MIB to execute. (ECF No. 266, at 17.) The Bradys
22 argue that these statements “reflect[] the parties’ intent that ISC would be permitted to
23 register the mark for footwear, so long as its use remained in channels of trade distinct
24 from the Bradys and ISC did not enter the swimwear and activewear market.” (*Id.*) The
25 Court disagrees.

26 First, the Bradys to a point a whereas clause that states that “the goods offered
27 by ISC and MIB [the Bradys] travel in distinct channels of trade such that consumers
28 are not likely to be confused by each party’s use of its respective trademark.” (ECF No.

1 94-5.) However, this statement is not a “term” of the Settlement Agreement. Under
2 New York law, which governs the Settlement Agreement, (ECF No. 94-5, Ex. 5, at 3),
3 statements in “whereas” clauses do not “create any right beyond those arising from the
4 operative terms of the document.” *Grand Manor Health Related Facility, Inc. v.*
5 *Hamilton Equities Inc.*, 885 N.Y.S.2d 255, 256 (N.Y. App. Div. 2009) (citation
6 omitted); *see also Ross v. Ross*, 253 N.Y.S. 871, 882 (N.Y. App. Div. 1931) (“The
7 recitals in a contract form no part thereof, and at most indicate but the purposes and
8 motives of the parties.”). While ““whereas’ clauses may be useful in interpreting an
9 ambiguous operative clause,” the Bradys do not point to any ambiguous operative
10 clause within the Settlement Agreement. *Grand Manor*, 885 N.Y.S.2d at 256.

11 Second, the Bradys to point to the Letter of Consent that the Settlement
12 Agreement obligated them to file with the USPTO which states that ISC “has no plans
13 to enter the swimwear and activewear marke.” (ECF No. 94-6.) The Settlement
14 Agreement only obligated MIB to “execute[.]” the Letter of Consent and contains no
15 indication that the words in the Letter of Consent bound ISC in any way. (ECF No. 94-
16 5, Ex. 4, at 2.) While the Bradys argue that the Letter of Consent was “incorporated,”
17 (ECF No. 266, at 17), there is no indication anywhere in the Settlement Agreement that
18 the language in the Letter of Consent would create rights between the parties or act as
19 operative terms of the document. Accordingly, the Court finds that neither of the
20 statements cited by the Bradys are operative clauses and thus rejects the Bradys’
21 interpretation of the Settlement Agreement.

22 **2. Grendene’s Interpretation**

23 Grendene argues that the Bradys’ trademark causes of action against Grendene
24 are barred by the Settlement Agreement. (ECF No. 216-1, at 18.) There is no dispute
25 that the sandals sold by Grendene constitute “footwear.” (ECF No. 93, at 23
26
27
28

1 (“Grendene’s beach sandals are [] footwear”).² The Settlement Agreement
2 obligates the Bradys to “make no objection, formally or informally, to the use by ISC,
3 its affiliates, predecessors and successors of the term IPANEMA as a trademark in the
4 selling of footwear as long as such use is in accordance with the terms of this
5 Agreement.” (ECF No. 94-5, Ex. 4, at 2.) Having rejected the Bradys’ interpretation of
6 the Settlement Agreement, the Court finds that the agreement does bar the Bradys from
7 suing ISC’s successors over their use of the IPANEMA mark on any footwear. The
8 Court now turns to the issue of whether Grendene is a successor to ISC under the
9 Settlement Agreement.

10 **D. Assignment Validity**

11 Grendene argues that it is the successor to the Settlement Agreement because it
12 has been validly assigned the ’543 mark. (ECF No. 216-1.) The Bradys argue three
13 reasons why Grendene does not have a valid assignment of the ’543 mark: (1) the
14 assignment between ISC and Utopia was invalid, (2) Utopia and Grendene abandoned
15 the IPANEMA mark, and (3) the assignment between CSC and Grendene was invalid.
16 (ECF No. 266, at 4, 8–15.)

17 **1. Utopia’s Sales**

18 As an initial matter, there is a disagreement regarding whether the facts show
19 that Utopia sold shoes bearing the IPANEMA mark, and, if so, to what extent those
20 shoes differed from those sold by ISC. The Bradys rely primarily on three things: (1)
21 Utopia’s statements to the Securities and Exchange Commission (the “SEC”), (2)
22 statements by a former Utopia employee, and (3) an initial answer given by Utopia’s
23 former CEO during his deposition. (ECF No. 266, at 8–11.)

24 First, Utopia’s statements to the SEC do not, as the Bradys’ contend, show that
25
26

27 ² The parties do, however, dispute whether Grendene’s sandals can also be
28 characterized as either “swimwear” or “activewear.” (See ECF No. 93, at 23.) Because
the Court has rejected the Bradys’ interpretation of the Settlement Agreement, this
dispute is irrelevant for purposes of the present motion.

1 Utopia abandoned the goodwill³ of the IPANEMA mark. (See ECF No. 266, at 10; ECF
2 No. 260-1, at 1.) Though Utopia stated to the SEC that it “does not intend to continue”
3 and “is in fact not continuing the business formerly operated by” ISC,⁴ other language
4 in Utopia’s Form 8-K/A letter explicitly makes clear that Utopia did intend to sell
5 footwear bearing the IPANEMA mark, just that the footwear would be different from
6 that sold by ISC. (ECF No. 95-14, Ex. 13, at 599 (“[Utopia] intends to utilize the
7 Ipanema brand for a different line of shoe products.”).) As the Court has previously
8 noted, assignment validity turns not on *whether* differences exist between products sold
9 under the mark, but on *what* those differences are. (See ECF No. 158, at 11); *see also*
10 *PepsiCo, Inc. v. Grapette Co.*, 416 F.2d 285, 288 (8th Cir. 1969). Though Utopia may
11 have described its decision to alter the type of footwear sold under the IPANEMA mark
12 as “not continuing the business formerly operated by” ISC, this statement’s actual
13 meaning is clarified by the rest of Utopia’s Form 8-K/A letter and the evidence does
14 show that Utopia actually sold footwear bearing the IPANEMA mark. (See ECF No.
15 216-7, Ex. C, 22:8–23:5)

16 Second, the Bradys’ arguments regarding the statements of Dennis Mulcahy, a
17 former Utopia employee, fail for the same reason. While Mulcahy stated that there were
18 “significant changes” when the Utopia started selling IPANEMA footwear, (ECF No.
19 229-2, Ex. 1, at 20:4–21:11), what matters is what those changes were. Moreover,
20 Mulcahy did in fact describe the shoes sold by Utopia, (*see* ECF No. 216-7, Ex. C,
21 22:8–23:5), which allows the Court to compare them to the footwear sold by ISC and

22
23 ³ As the Court discussed in the November 12 order, a mark must be assigned
24 with its goodwill to constitute a valid assignment. (ECF No. 158, at 11.) “To determine
25 whether the goodwill was assigned with the mark, the Court makes a case-by-case
determination whether the products or services offered by the assignee under the mark
are substantially similar to those that were offered by the assignor under the mark.” (*Id.*
(citations omitted).)

26 ⁴ These statements are somewhat inconsistent because the initial use of the
27 phrase “does not intend to continue” arguably shows a prospective intent to abandon,
28 whereas the later use of phrase “is . . . not continuing” arguably shows an intent not to
resume. *See Electro Source, LLC v. Brandess-Kalt-Aetna Group, Inc.*, 458 F.3d 931,
937 (9th Cir. 2006). However, this inconsistency is immaterial due to the rest of
Utopia’s statements to the SEC, as discussed in this section.

1 CSC to determine whether there was a valid assignment.

2 Third, the statement by Utopia’s former CEO is not evidence that Utopia did not
3 sell footwear bearing the IPANEMA mark. The full response of Utopia’s former CEO
4 was “I don’t remember [whether Utopia sold footwear under the IPANEMA mark], but
5 I think [Utopia] did.” (ECF No. 229-4, Ex. 3, at 17:4–9.) Moreover, the statements of
6 Mulcahy, as well as Utopia’s other filings with the SEC, make clear that Utopia did sell
7 shoes bearing the IPANEMA mark. As the evidence shows that Utopia sold shoes
8 bearing the IPANEMA mark, the Court now turns to whether Utopia abandoned the
9 mark and whether Grendene obtained a valid assignment.

10 **2. Abandonment**

11 The Bradys primary argument is that both Utopia and Grendene have abandoned
12 the IPANEMA mark. (ECF No. 266, at 4, 11.) Abandonment “requires an intent not to
13 resume trademark use, as opposed to a prospective intent to abandon the mark in the
14 future.” *Electro Source*, 458 F.3d at 937; 15 U.S.C. § 1127. Additionally, three
15 consecutive years of nonuse constitutes prima facie evidence of abandonment. 15
16 U.S.C. § 1127. If the party asserting abandonment establishes a prima facie case of
17 abandonment, “a rebuttable presumption of abandonment is created.” *Abdul-Jabbar v.*
18 *Gen. Motors Corp.*, 85 F.3d 407, 411 (9th Cir. 1996). This presumption places the
19 burden of production on the party opposing the allegations of abandonment.
20 *Emergency One, Inc. v. Am. FireEagle Ltd.*, 228 F.3d 531, 535–37 (4th Cir. 2000). The
21 burden is on the party asserting abandonment to “strictly prove” its claim. *Electro*
22 *Source*, 458 F.3d at 935 n.2 (citations omitted). The Ninth Circuit has not yet
23 articulated whether this high standard requires “clear and convincing” evidence or a
24 preponderance of the evidence. *FreecycleSunnyvale v. Freecycle Network*, 626 F.3d
25 509, 514–15 (9th Cir. 2010). However, the Court need not determine which evidentiary
26 standard is applicable because the Bradys have failed to carry their burden under either
27
28

1 standard.⁵

2 First, the Bradys' argue that Utopia's statement to the SEC, that Utopia "does not
3 intend to continue to operate the business of Ipanema," but does "intend[] to utilize the
4 Ipanema brand for a different line of shoe products," constitute abandonment. (ECF
5 No. 95-14, Ex. 13, at 599.) The Court does not find that Utopia's statements constituted
6 abandonment. As discussed above, the phrase "does not intend to continue," if
7 anything, is a prospective intent to abandon because it connotes that Utopia was, at the
8 time of the statement, operating Ipanema's business. Even if the first phrase, in
9 isolation, could be construed as an intent not to resume use, Utopia's follow up
10 statement, that it "intends to utilize the Ipanema brand for a different line of shoe
11 products," makes clear that Utopia did intend to keep using the mark, albeit on
12 different footwear. This is further supported by Utopia's November 11, 2000, Form10-
13 QSB filing with the SEC, which stated that during the nine months prior to September
14 30, 2000, Utopia generated \$6,644,000 selling products under the NAKEDFEET and
15 IPANEMA marks. (ECF No. 108-10, at 131-32.)

16 Second, the Bradys argue that Grendene "did nothing at all with the 'Ipanema'
17 trademark in the U.S. [from approximately 2007 to 2011]." (ECF No. 266, at 5.)
18 However, this is not the case as Grendene licensed the '543 mark back to CSC in 2007,
19 and CSC sold IPANEMA footwear under the mark through 2009. (ECF No. 108-15,
20 Ex. M; ECF No. 216-24, Ex. M.) Grendene then started to sell footwear under the
21 IPANEMA mark in the U.S. beginning in 2010. (ECF No. 95-16, at 724.) Thus there
22 is no prima facie evidence of abandonment by Grendene because there is no three year
23 period of nonuse. *See* 15 U.S.C. § 1127; *see also FreecycleSunnyvale*, 626 F.3d at 514
24
25
26

27
28 ⁵ The Court notes that while Grendene argues that "clear and convincing"
evidence is the standard, (ECF No. 216-1, at 12), the Bradys do not argue for a specific
standard. (*See* ECF No. 266.)

1 (only a “naked license” results in abandonment).⁶

2 3. Assignment

3 For a trademark assignment to be valid, the Lanham Act requires that the mark
4 be assigned “with the good will of the business in which the mark is used, or with that
5 part of the good will of the business connected with the use of and symbolized by the
6 mark.” 15 U.S.C. § 1060(a)(1); *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d
7 1280, 1289 (9th Cir. 1992). An assignment without the goodwill is referred to as an
8 “assignment in gross.” *E. & J. Gallo Winery*, 967 F.2d at 1289. To determine whether
9 the goodwill was assigned with the mark, the Court makes a case-by-case
10 determination whether the products or services offered by the assignee under the mark
11 are “substantially similar” to those that were offered by the assignor under the mark.
12 *Sugar Busters LLC v. Brennan*, 177 F.3d 258, 266 (5th Cir. 1999) (citations omitted);
13 *see also PepsiCo*, 416 F.2d at 288; *Glow Industries, Inc. v. Lopez*, 273 F. Supp. 2d
14 1095, 1108 (C.D. Cal. 2003) (citations omitted). However, even if a mark’s goodwill
15 is not transferred contemporaneously with the assignment of the mark’s rights, that
16 does not necessarily invalidate the assignment. *See* RESTATEMENT (THIRD) OF UNFAIR
17 COMPETITION § 34 cmt. f (1995). Because a mark retains its meaning even after an
18 assignment in gross, an eventual assignment of the mark and the goodwill to the same
19 assignee, while the mark retains its meaning, will “patch up the transaction.” 3 J.
20 THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §
21 18:17 (4th ed. 1996). This makes sense because there are essentially two pieces to a
22 valid trademark in the context of an assignment: the trademark rights and the
23 trademark’s goodwill. Though assigning the rights without the goodwill constitutes an
24 invalid assignment, a subsequent assignment of the mark’s goodwill to the same entity

25
26 ⁶ As the Bradys do not argue or provide evidence that Grendene’s license back
27 to CSC was a naked license, (*see* ECF No. 266), and “the proponent of a naked license
28 theory of trademark abandonment must meet a ‘stringent standard of proof,’” the Court
does not find that the license back was a naked license. *FreecycleSunnyvale*, 626 F.3d
at 514 (quoting *Barcamerica Intern. USA Trust v. Tyfield Importers, Inc.*, 289 F.3d
589, 596 (9th Cir. 2002)).

1 while the mark retains meaning would create a valid assignment even though the initial
2 assignment was not valid. *See id.* While the November 12 Order found disputes of
3 material fact on this issue based on certain statements and a lack of evidence, (*see* ECF
4 No. 158, at 12–13), the parties now present additional evidence.

5 The Court notes that the caselaw surrounding whether an assignment is an
6 invalid assignment in gross is not a model of consistency. Some decisions have found
7 differences between products in certain categories are substantial enough to invalidate
8 an assignment, including: (1) musical groups, *Marshak v. Green*, 746 F.2d 927 (2d Cir.
9 1984); (2) syrups, *PepsiCo*, 416 F.2d 285; (3) alcoholic beverages, *Atlas Beverage Co.*
10 *v. Minneapolis Brewing Co.*, 113 F.2d 672 (8th Cir. 1940); (4) baking powders, *Indep.*
11 *Baking Powder Co. v. Boorman*, 175 F. 448 (C.C.D.N.J. 1910); (5) soft drinks, *W. T.*
12 *Wagner’s Sons Co. v. Orange Snap Co.*, 18 F.2d 554 (5th Cir. 1927); and (6) shoes,
13 *Clark & Freeman Corp. v. Heartland Co. Ltd.*, 811 F. Supp. 137 (S.D.N.Y. 1993).
14 Other decisions have found that differences between products in other categories are
15 not substantial enough to invalidate an assignment, including: (1) drinking and dining
16 establishments, *Brewski Beer Co. v. Brewski Brothers Inc.*, 47 U.S.P.Q.2d 1281
17 (T.T.A.B. 1998); (2) check guarantee cards, *Visa, U.S.A., Inc., v. Birmingham Trust*
18 *Nat’l Bank*, 696 F.2d 1371 (Fed. Cir. 1982); (3) chicken breeds, *Hy-Cross Hatchery,*
19 *Inc. v. Osborne*, 303 F.2d 947 (C.C.P.A. 1962); and (4) tobacco formulas, *Beech-Nut*
20 *Packing Co. v. P. Lorillard Co.*, 299 F. 834 (D.N.J. 1924).

21 While the Bradys argue that the latter cases found that “the specific services or
22 goods were essentially identical,” (ECF No. 266, at 15–16), the Court is not so
23 convinced. For example, the *Hy-Cross* court specifically noted that, even though the
24 assignor only sold a single breed of chicken, the assignment was valid no matter what
25 chicken breed the assignee sold. 303 F.2d at 950. While there exist many different
26 types of shoes, the product category at issue in this lawsuit, the same is true of chicken
27
28

1 breeds.⁷ As the caselaw in this area provides conflicting guidance, the Court turns to
2 the basic tenets of trademark law.

3 “The ultimate concern in all cases is the welfare of the public.” *PepsiCo*, 416
4 F.2d at 289. Indeed, the “central purpose” of the various invalidity provisions “is
5 protection against consumer confusion.” *Syntex Labs., Inc. v. Norwich Pharmacal Co.*,
6 315 F. Supp. 45, 54 (S.D.N.Y. 1970) (citing *PepsiCo*, 416 F.2d at 288). Based on the
7 fundamental purposes of trademark law, the analysis in *Clark & Freeman* is instructive.
8 In that case, the assignor had built a reputation selling fashionable women’s shoes
9 under the mark. *Clark & Freeman*, 811 F. Supp. at 141 (“Sears sold only women’s
10 pixie boots under the mark . . .”). The assignee then applied the mark only to men’s
11 shoes. *Id.* (“[P]laintiffs immediately applied it only to men’s shoes, then later to men’s
12 hiking boots.”) Based on the differences between the products, the *Clark & Freeman*
13 court found that the “markets for the two goods are substantially distinct” because “it
14 is unlikely that men buying plaintiffs’ ‘Heartland’ shoes would be considering a
15 reputation for footwear generally that Sears built by selling women’s boots.” *Id.*

16 The Bradys argue that the shoes sold by CSC under the IPANEMA mark, “high
17 fashion women’s shoes,” differ significantly from those sold by Grendene under the
18 IPANEMA mark, “plastic beach sandals.” (ECF No. 266, at 5–6.) The Court disagrees.
19 The products marketed by ISC under the IPANEMA mark were fashionable women’s
20 footwear that retailed for approximately \$25 to \$50. (ECF No. 216-5, Ex. A,
21 22:2–23:24, 135:9–14.) The products marketed by Utopia under the IPANEMA mark
22 were fashionable women’s shoes, boots, and sandals that retailed for approximately
23 \$18.50 to \$50. (ECF No. 216-7, Ex. C, 22:8–23:5.) The products marketed by CSC
24 under the IPANEMA mark were fashionable women’s footwear that retailed for
25

26 ⁷ According to data collected by the United Nations’ Domestic Animal Diversity
27 Information System, there are 53 breeds of chicken in the United States and 2,633
28 breeds of chicken across the globe. *Number of Breeds by Species and Country*, UNITED
NATIONS FOOD AND AGRICULTURE ORGANIZATION,
<http://dad.fao.org/cgi-bin/EfabisWeb.cgi?sid=1b9408faaf38cf3a67973ce670aa7736>,
reportsreport10 (last visited May 15, 2015).

1 approximately \$40 to \$50. (ECF No. 216-21, Ex. J.) The products marketed by
2 Grendene under the IPANEMA mark are plastic men's, women's, and children's
3 sandals that retail for approximately \$18 to \$55. (ECF No. 216-29, Ex. Q); *Ipanema*,
4 GRENDENE USA, INC., <http://www.ipanemausa.com/> (last visited May 15, 2015).

5 Based on the undisputed evidence presented, the Court finds that the products
6 sold by ISC, Utopia, CSC, and Grendene are "substantially similar." *Sugar Busters*,
7 177 F.3d at 266. The products sold by all the companies involved fashionable women's
8 footwear at a low to medium price point. Though Grendene has expanded into men's
9 and children's footwear, it too sells women's footwear. This stands in contrast to *Clark*
10 *& Freeman* where the assignor sold only fashionable women's footwear and the
11 assignee sold only functional men's footwear, though both sold boots. 811 F. Supp. at
12 141. While the Bradys make much of the different materials used by Grendene, plastic
13 in contrast to its predecessors' use of leather, wood, and cork, and the different type of
14 women's shoes sold by Grendene, "flip-flops" rather than "high fashion dress sandals,"
15 (ECF No. 266, at 1, 6, 13), consumers purchasing Grendene's shoes under the
16 IPANEMA mark would still likely consider the reputation built by Grendene's
17 predecessors because they too sold fashionable women's shoes at a similar price point.
18 *Cf. Clark & Freeman*, 811 F. Supp. at 141. Moreover, the statements of Grendene's
19 attorneys made before the United States Patent and Trademark Office and cited by the
20 Bradys, (ECF No. 260-1, at 2 (quoting (ECF No. 95-6, Ex. 5, at 496))), are irrelevant
21 for two reasons: (1) the Trademark Trial and Appeal Board rejected this argument,
22 (ECF No. 95-7, at 503 ("[Grendene's] sandals, because they are encompassed within
23 the identification 'footwear,' must be considered legally identical to this cited
24 registrant's goods")); and (2) likelihood of confusion analysis differs from
25 assignment in gross analysis, *compare Sugar Busters*, 177 F.3d at 266 (requiring
26 substantial similarity for a valid assignment) *with* (ECF No. 95-7, at 502 ("It is well
27 settled that goods need not be similar . . . to support a finding of likelihood of
28 confusion.")). Accordingly, the Court finds that Grendene has obtained a valid

1 assignment of the '543 mark. As the parties do not dispute that the successor to ISC's
2 Settlement Agreement rights is the person or entity who has been validly assigned the
3 '543 mark that ISC obtained as a condition precedent to the Settlement Agreement, (*see*
4 ECF No. 93, at 14–15), the Court finds that Grendene is a successor to ISC under that
5 agreement. As all five of the Bradys' causes of action against Grendene in this case are
6 based on Grendene's use of the IPANEMA mark on Grendene's sandals, (*see* ECF No.
7 4), the Court finds that all those causes of action are barred by the Settlement
8 Agreement. Accordingly, the Court GRANTS Grendene summary judgment on all five
9 of the Bradys' causes of action.⁸

10 **E. Grendene's Counterclaims**

11 Because the Court has granted Grendene summary judgment on all of the
12 Bradys' causes of action, the Court finds good cause to *sua sponte* consider whether
13 Grendene's counterclaims, (ECF No. 56, at 12–13), should be dismissed for either lack
14 of standing or mootness. *See CIBER, Inc. v. CIBER Consulting, Inc.*, 326 F. Supp. 2d
15 886 (N.D. Ill. 2004) (dismissing the defendant's counterclaims after the plaintiff's
16 trademark infringement causes of action were dismissed with prejudice); *but see*
17 *Secular Orgs. for Sobriety, Inc. v. Ullrich*, 213 F.3d 1125, 1129, 1131–32 (9th Cir.
18 2000) (finding a trademark cancellation counterclaim not moot even after judgment
19 was entered in favor of the defendant on all of the plaintiff's causes of action).

20 **V. CONCLUSION AND ORDER**

21 Based on the reasons stated above, **IT IS HEREBY ORDERED** that:

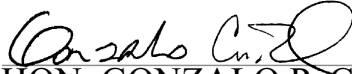
- 22 1. Grendene's motion for summary judgment, (ECF No. 216), is
23 **GRANTED** as to all five of the Bradys' causes of action; and
- 24 2. Given the Court's grant of summary judgment in favor of Grendene, the
25 Court finds good cause to *sua sponte* consider whether Grendene's
26 counterclaims should be dismissed. The Court sets this issue for

27
28 ⁸ As the Court is granting Grendene summary judgment based on the Settlement Agreement, the Court does not reach Grendene's laches or interlocutory appeal arguments. (*See* ECF No. 216-1, at 18–25.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

consideration at a hearing on **July 31, 2015, at 1:30 p.m.** The parties shall each file an opening brief on or before **June 19, 2015**, and may each file a responsive brief on or before **July 3, 2015**.

DATED: June 3, 2015


HON. GONZALO P. CURIEL
United States District Judge