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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

LEADERSHIP STUDIES, INC.,
Plaintiff,
v.
BLANCHARD TRAINING AND
DEVELOPMENT, INC.,
Defendant.

Case No.: 15-cv-1831-WQH-KSC

ORDER

BLANCHARD TRAINING AND
DEVELOPMENT, INC.,
Counter-Claimant,
v.
LEADERSHIP STUDIES, INC.,
Counter-Defendant.

HAYES, Judge:

The matter before the Court is the Motion for Reconsideration of Order on Motion for Summary Judgment (ECF No. 134) filed by Leadership Studies, Inc.

1 **I. Background**

2 On November 7, 2016, Leadership Studies, Inc. (“Leadership”¹) filed the Third
3 Amended Complaint (ECF No. 49) (the “TAC”). The TAC asserts nine causes of action
4 against Blanchard Training and Development, Inc. (“Blanchard”). (ECF No. 49 at 1). The
5 TAC’s third cause of action is for trademark infringement under the Lanham Act, § 43(A),
6 15 U.S.C.A. § 1125(A). *Id.* The fourth cause of action is for trademark infringement via
7 reverse confusion under the Lanham Act, § 43(A), 15 U.S.C.A. § 1125(A). *Id.*

8 On April 17, 2017, Blanchard filed a Motion to Dismiss Trademark Claims (Third,
9 Fourth, and Fifth Cause of Action) pursuant to Fed. R. Civ. P. 12(b)(1) and, in the
10 Alternative, Motion for Summary Judgment Pursuant to Fed. R. Civ. P. 56 (ECF No. 65)
11 (the “Motion for Summary Judgment”). In the Motion for Summary Judgment, Blanchard
12 contended that Leadership is barred from pursuing its third cause of action for trademark
13 infringement and its fourth cause of action for trademark infringement via reverse
14 confusion (the “Trademark Claims”) by the following language in a 1982 agreement
15 between Leadership and Blanchard (the “1982 Agreement”): “[Leadership] further
16 agree[s] not to pursue violation of trademark action now or in the future as it refers to
17 Situational Leadership.” ECF No. 65-1 at 8 (citing ECF No. 65-7 at 2).²

21 ¹ Dr. Paul Hersey founded Management Education & Development, Inc. (“MED”) in 1976 and
22 Leadership Studies Productions, Inc. in 1979. (ECF No. 116 at ¶ 2). In July 1985, Leadership Studies
23 Productions, Inc. changed its name to “Leadership Studies.” *Id.* MED merged into Leadership Studies in
24 September 1985. *Id.* Leadership Studies changed its name to “Leadership Studies, Inc.” in 2009. *Id.*
25 This Order refers to the Plaintiff (the company named “Leadership Studies Productions, Inc.,” then
26 “Leadership Studies,” then “Leadership Studies, Inc.”) as “Leadership.”

26 ² Blanchard also moved for summary judgment on Leadership’s fifth cause of action for fraud in
27 obtaining registered marks under 15 U.S.C. §§ 1064(3) and 1119. (ECF No. 49 at 1). The Court denied
28 Blanchard’s motion for summary judgment on Leadership’s fifth cause of action. (ECF No. 130 at 18).
Leadership’s fifth cause of action is not implicated by Leadership’s Motion for Reconsideration (ECF
No. 134).

1 On May 12, 2017, Leadership filed a Response to the Motion for Summary
2 Judgment. (ECF No. 92).³ Leadership contended that that the Covenant Not to Sue does
3 not prevent Leadership from bringing the Trademark Claims because the parties to the
4 1982 Agreement intended the Covenant Not to Sue to apply only to a dispute relating to a
5 company called Video University. (ECF No. 116 at 10). Leadership also contended that
6 the Covenant Not to Sue in the 1982 Agreement does not prevent Leadership from bringing
7 the Trademark Claims because the 1982 Agreement was superseded by a 1987 agreement
8 between Leadership and Blanchard (the “1987 Agreement”). *Id.* at 3.

9 On December 1, 2017, the Court issued an Order (ECF No. 130) denying the Motion
10 for Summary Judgment (the “Order”). The Court determined that “the jury, not the Court,
11 will have to decide on the proper interpretation of the Covenant Not to Sue” and concluded
12 that “[b]ecause the undisputed facts do not establish, as a matter of law, that the Covenant
13 Not to Sue bars Leadership from bringing the Trademark Claims, Blanchard Inc. is not
14 entitled to summary judgment on the Trademark Claims.” (ECF No. 130 at 10). The Court
15 further

16 conclude[d] that the 1987 Agreement did not supersede the Covenant Not to
17 Sue as a matter of law because (1) there is no language in the 1987 Agreement
18 that expressly revokes the Covenant Not to Sue, (2) there are no provisions of
19 the 1987 Agreement that conflict with the Covenant Not to Sue, and (3) the
20 conduct of the parties has [⁴] been consistent with the continued validity of
21 the Covenant Not to Sue.

22 *Id.* at 15.

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26 ³ Leadership initially filed its Response to the Motion for Summary Judgment under seal. *See* ECF
27 No. 98. Leadership has since filed an unsealed version of its Response to the Motion for Summary
28 Judgment (ECF No. 116).

⁴ In the Order, the Court inadvertently and incorrectly stated “the conduct of the parties has *not* been
consistent with the continued validity of the Covenant Not to Sue.” ECF No. 130 at 15 (emphasis added).

1 On December 22, 2017, Leadership filed the Motion for Reconsideration (ECF No.
2 134).⁵ Leadership seeks reconsideration of the Court’s conclusion that the 1987 Agreement
3 did not supersede the Covenant Not to Sue as a matter of law. ECF No. 134 at 2 (citing
4 ECF No. 130 at 15). On January 12, 2018, Blanchard filed a Response to the Motion for
5 Reconsideration. (ECF No. 139). On January 22, 2018, Leadership filed a Reply in
6 Support of the Motion for Reconsideration. (ECF No. 144).

7 **II. Contentions**

8 Leadership contends that the Court should reconsider its ruling that the 1987
9 Agreement did not novate the 1982 Agreement as a matter of law. (ECF No. 134-1 at 6).
10 Leadership contends that “the existence of novation hinges on intent, a highly-fact specific
11 inquiry that generally should not be decided as a matter of law.” *Id.* at 15 (citing *Fanucchi*
12 *& Limi Farms v. United Agri Prod.*, 414 F.3d 1075, 1082, 1086–87 (9th Cir. 2005)).
13 Leadership contends that “a reasonable fact-finder could conclude that the 1982
14 Agreement . . . was extinguished [by the 1987 Agreement],” *id.* at 16, based on (1) the
15 deposition testimony of Blanchard’s founder, Dr. Kenneth Blanchard; (2) an internal
16 Blanchard memorandum (the “1987 Memorandum”) that “made no reference to the 1982
17 Agreement” and “noted that the 1987 [Agreement], among other things, gave BTD a
18 ‘royalty free license . . . to use Situational Leadership,” *id.* at 10 (omission in original)
19 (numbering and emphasis omitted) (citing ECF No. 83-6); (3) “the parties’ course of
20 conduct,” *id.* at 18; (4) “the negotiations leading up to the 1987 [Agreement],” *id.*; (5) “the
21 terms of the 1987 [Agreement],” *id.*, and (6) the fact that, “[u]ntil its second Answer in the
22 instant litigation, [Blanchard] . . . never raised the 1982 Agreement as a defense to any
23 potential trademark infringement suit,” *id.* at 22 (emphasis omitted). Leadership contends
24 that the Order improperly “infer[red] that the Parties meant, in the 1987 [Agreement], to
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27 ⁵ Leadership filed a Motion to File Documents Under Seal in Support of Motion for Reconsideration
28 of Order on Motion for Summary Judgment. (ECF No. 135). The Motion to File Documents Under Seal
(ECF No. 135) is GRANTED.

1 only enable [Leadership] to sue [Blanchard] for breach of contract, even though the 1987
2 [Agreement] is expressly a trademark license and contains no language suggesting that
3 [Leadership] waived potential trademark infringement claims.” *Id.* at 19 (referencing the
4 Order at 14). Leadership contends that the Court’s conclusion that the 1987 Agreement
5 did not novate the 1982 Agreement as a matter of law was premature because Blanchard
6 did not move for summary judgment on this issue. (ECF No. 144 at 5).

7 Blanchard contends that “the intention on the part of all parties that [an] agreement
8 should constitute a novation must clearly appear.” ECF No. 139 at 20 (emphasis omitted)
9 (citing *O’Reilly v. Johnson*, 205 P.2d 716, 717 (Cal. Ct. App. 1949)). Blanchard contends
10 that “the 1987 Agreement is completely distinct from the 1982 Agreement, and imposes
11 no conflicting obligations.” *Id.* at 19. Blanchard contends that “Leadership Studies can
12 enforce the 1987 [A]greement, if necessary, by suing for breach of contract, just as it has
13 in this matter.” *Id.* at 20. Blanchard contends that “it defies logic that the 1987
14 Memorandum, which made no reference to the 1982 Agreement, establishes a clear intent
15 to substitute and extinguish the 1982 Agreement.” *Id.* (quotation omitted). Blanchard
16 contends that “the parties’ conduct has been consistent with the continued validity of the
17 1982 Agreement.” *Id.*

18 **III. Discussion**

19 “[A] district court has the inherent power to revisit its non-final orders” *Dreith*
20 *v. Nu Image, Inc.*, 648 F.3d 779, 787 (9th Cir. 2011). A denial of a motion for summary
21 judgment is a non-final order. *Oppenheimer v. Los Angeles Cty. Flood Control Dist.*, 453
22 F.2d 895, 895 (9th Cir. 1972).

23 Blanchard’s Motion for Summary Judgment asked the Court to grant summary
24 judgment on the Trademark Claims based on the Covenant Not to Sue contained in the
25 1982 Agreement. ECF No. 65-1 at 8 (citing ECF No. 65-7 at 2). In the Response to the
26 Motion for Summary Judgment, Leadership opposed the Motion for Summary Judgment
27 on two grounds: (1) the Covenant Not to Sue only applied to disputes involving Video
28 University, not broader claims like this case; and (2) even if the 1982 Agreement applied

1 broadly, the 1987 Agreement superseded the Covenant Not to Sue. (ECF No. 116 at 3,
2 10). Consequently, in order to grant the Motion for Summary Judgment, the Court would
3 have had to conclude that, as a matter of law, (1) the Covenant Not to Sue applied to
4 disputes not involving Video University, and (2) the 1987 Agreement did not supersede
5 the Covenant Not to Sue. The Court was required to deny the Motion for Summary
6 Judgment if it concluded that the evidence on the record and the justifiable inferences that
7 could be drawn therefrom did not warrant either one (or both) of those two conclusions.

8 In the Order denying the Motion for Summary Judgment, the Court concluded that
9 the evidence on the record and the justifiable inferences that could be drawn therefrom did
10 not establish, as a matter of law, that the Covenant Not to Sue applied to disputes not
11 involving Video University. (ECF No. 130 at 10). Based upon this conclusion, the Court
12 was required to deny the Motion for Summary Judgment. Consequently, resolving the
13 Motion for Summary Judgment did not require the Court to decide whether the 1987
14 Agreement novated the 1982 Agreement. The Court finds that its conclusion that “the
15 1987 Agreement did not supersede the Covenant Not to Sue as a matter of law” was
16 premature.⁶ (ECF No. 130 at 15).

17 **IV. Conclusion**

18 The Motion for Reconsideration (ECF No. 134) is GRANTED. Section IV.C of the
19 Order (ECF No. 130) is VACATED.

20 Dated: April 10, 2018


21 Hon. William Q. Hayes
22 United States District Court
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28 ⁶ Leadership has not filed a motion for summary judgment asking the Court to conclude that the 1987 Agreement did novate the 1982 Agreement as a matter of law.