

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

Chemeon Surface Technology, LLC. Petitioner, v. David M. Semas, Respondent.	Cancellation No.: 92064833 Mark: Metalast Reg. No.: 2963106
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**BRIEF IN SUPPORT OF
PETITIONER’S MOTION FOR SUMMARY JUDGEMENT**

I. INTRODUCTION

Beginning in November 1994, the Respondent David Semas (“Semas”) arranged to have Metalast International Inc. (the “Inc.”), become the manager of Metalast International, LLC (the “LLC”). The Inc. and the LLC were both under the control and direction of Semas from that time until May 2013. Under Semas’s direction, the LLC became a cash-raising machine, ultimately raising, diverting, and losing over \$110,000,000 in equity and debt investments from nearly 1,000 investors, including many 401(k) investments made by individuals. *See, e.g.*, Exhibit 1 at 1-22. During this entire time, the Inc. and Semas had a contractual fiduciary duty to the LLC through its operating agreement, as Semas himself expressly acknowledged. *See, e.g.*, Exhibit 2 at 2-8; Exhibit 3 at 3-6.

Notwithstanding the fiduciary duty the Inc. and Semas owed to the LLC, commencing in 1996, Semas caused the Inc. to divert LLC funds to procure intellectual property for his Inc. *See* Exhibit 1 at 1-21. For example, in violation of Semas’s and the Inc.’s fiduciary duty to the LLC, and contrary to the Inc.’s many representations to the SEC, the IRS, and LLC investors that the LLC owned the METALAST brand and trademark, the Inc. procured for itself a series of federal

trademark registrations, including the Registration at issue (No. 2963106 for METALAST), in connection with metal treatment products, systems, and services. *See* Exhibit 3 at 3-6; Exhibit 4.

On April 25, 2013, the Nevada Ninth Judicial District Court found that the LLC was insolvent and appointed a receiver to take over the management of the LLC. *See* Exhibit 5. On May 7, 2013, during the Court-ordered receivership period, Semas, signing on behalf of the Inc., assigned the Inc.'s METALAST registrations, including the Registration at issue, *to himself*. *See* Exhibit 6. On November 4, 2013, pursuant to pre-approval from the Nevada Ninth Judicial District Court, the receiver sold all LLC assets, including all LLC goodwill, to the Petitioner. *See* Exhibit 7 at 7-7.

Most recently, on July 13, 2015, Semas caused his counsel to file the attached renewal documents with respect to Registration No. 2963106 in which Semas, per his counsel, (i) falsely stated that he was currently using the METALAST mark in commerce for all the goods of the identified in the Registration, and (ii) falsely submitted specimens that had been improperly procured by Semas and an LLC employee (his nephew, Bill Campbell) from Petitioner's database, purportedly to show such use in commerce for a good in each class of the present Registration. *See* Exhibits 8, 9 & 10 at 10-31–10-36. Semas did so knowing he was not using the METALAST mark in commerce at all, much less in connection with all the goods identified in the present Registration, and he knew that the specimens were not current and only reflected use of the METALAST mark by the LLC that had occurred years earlier and had been discontinued years before the filing of the renewal statement in July 2015. *See id.*

Under these indisputable circumstances, there is no genuine issue of fact that Semas renewed the present Registration fraudulently, based on knowingly false statements and improperly-obtained specimens of use known to be false, all with the intent to deceive the U.S.

Patent & Trademark Office (“USPTO”). Accordingly, summary judgment should be entered in Petitioner’s favor and the Registration should be cancelled.

II. SUMMARY OF FACTS

1. The Registration in issue is for the word mark METALAST for use in connection with the following goods:

IC 001. Chemicals for use in metal treatment, consisting of cleaners, etchers, deoxidizers, dyes, electrolytic colors, sealants, electro polishers, anodizing additives, surfactants, acidifiers, basifiers, anodizing accelerators, fume suppressants, and anti foaming agents.

IC 009. Computer hardware systems comprising central processing units, computer monitors, computer input devices, namely, computer touch screens and keyboards, and computer interface controllers; computer software for controlling and monitoring metal treatment processes, storing data related to metal treatment, and for creating process verification reports.

For both classes of goods, the Registration states a date of first use and first use in commerce of October 31, 1995. *See* Exhibits 4 & 8.

2. At least in part due to the sale of the LLC’s assets to the Petitioner on November 4, 2013, Semas has known (i) that the Petitioner has been the only supplier since that time of all of the pertinent products (including of course through Petitioner’s distributors) bearing the METALAST mark in the Class 001 products of the present Registration: “[c]hemicals for use in metal treatment metal treatment, consisting of cleaners, etchers, deoxidizers, dyes, electrolytic colors, sealants, electro polishers, anodizing additives, surfactants, acidifiers, basifiers, anodizing accelerators, fume suppressants, and anti-foaming agents;” and (ii) that, for years before filing for renewal in July 2015, no one, including the LLC, was supplying the Class 009 products, much less all of them: “[c]omputer hardware systems comprising central processing units, computer monitors, computer input devices, namely, computer touch screens and keyboards, and computer interface controllers; computer software for controlling and monitoring metal treatment

processes, storing data related to metal treatment, and for creating process verification reports.”
See Exhibit 7.

3. In about June 2014, Semas became aware that the present Registration must be renewed in 2015 and that the renewal would require filing of specimens showing then-current use of the Metalast mark by Semas for goods in each of the two classes of the present Registration. *See* Exhibit 9 at 9-34–9-35.

4. Ever since at least the sale of all LLC assets to Petitioner, Semas knew that Petitioner owned and maintained the LLC database which stores specimens of the LLC’s use of the METALAST mark from many years before. *See* Exhibit 10 at 10-32–10-36. Knowing that he had no ongoing use of the METALAST mark and knowing he no longer had access to Petitioner’s database, Semas asked Petitioner’s employee, Bill Campbell, who is also Semas’s nephew, to procure from the Petitioner’s database specimens of prior use of the METALAST mark by the LLC. *See id.* In violation of his duties to Chemeon, Mr. Campbell then procured such specimens from Petitioner’s database, emailed the specimens from Petitioner’s email system to his personal email address, and in turn emailed the specimens from his personal email address to Semas. *See id.* Semas then forwarded that email chain, with the stolen specimens, to his counsel for filing in this matter. *See* Exhibit 9 at 9-37–9-51; *See* Declaration of Madylon Meiling, ¶¶ 7-9.

5. Semas knew the specimens he had improperly procured from the Petitioner’s database had not been in use by anyone, much less by or for Semas, for many years. *See id.*; *See* Declaration of Madylon Meiling, ¶¶ 7-9.

6. Nevertheless, on July 13, 2015, Semas caused his counsel to file the attached renewal documents (i) falsely stating that Semas was using the METALAST mark in commerce

for all the goods of the present Registration and (ii) falsely submitting specimens, which had been improperly procured by him and his nephew from Petitioner's database, as showing such use in commerce for a good in each class of the present Registration. *See* Exhibit 8. The specimens were a METALAST product label and METALAST system advertisement by the LLC from many years before the date of the renewal statement at issue, *see id.*, and Semas knew they were not only not current specimens but also that he was not using the METALAST mark on any, much less all, of the products and services of the present Registration. *See* Declaration of Meiling, ¶¶ 7-9.

7. For at least three years prior to the filing of this Petition, Semas has not made any "bona fide use in commerce" of the METALAST mark in connection with any of the goods, much less all of the goods, identified in the renewal at issue. *See* Exhibit 10 at 10-36.

III. ARGUMENT

A third party may petition to cancel a registered trademark on the ground that the "registration was obtained fraudulently." *In re Bose*, 580 F.3d 1240, 1243 (Fed. Cir. 2009) (citing 15 U.S.C. § 1064(3)). "Fraud in obtaining renewal of a registration amounts to fraud in obtaining a registration within the meaning of [15 U.S.C. § 1064]." *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 48 (Fed. Cir. 1986).

"Fraud in procuring a trademark registration or renewal occurs when an applicant knowingly makes false, material representations of fact in connection with his application." *Bose*, 580 F.3d at 1243 (quoting *Torres*, 808 F.2d at 48). Specifically, to establish that fraud has been committed, the following elements must be proven: "(1) the challenged statement was a *false* representation regarding a *material* fact [;] (2) the person making the representation *knew* that the representation was false ('scienter') [;] (3) an *intent to deceive* the USPTO [;] (4)

reasonable *reliance* on the misrepresentation [; and] (5) *damage* proximately resulting from such reliance. *Robi v. Five Platters, Inc.*, 918 F.2d 1439, 1444 (9th Cir. 1990).

Here, the evidence of record clearly and convincingly establishes that Semas committed fraud during the course of renewing Registration No. 2963106 for the mark METALAST. Under 15 U.S.C. § 1058(b), a trademark owner may renew a registration by filing an affidavit stating that the mark at issue is in use in commerce and setting forth the goods and services recited in the registration or in connection with which the mark is in use in commerce, accompanied by such a number of specimens or facsimiles showing current use of the mark in commerce, and be accompanied by the fee. *See* 15 U.S.C. § 1058(b)(1). The owner of the mark alternatively has the right to file an affidavit setting forth the goods and services recited in the registration on or in connection with which the mark is not in use in commerce and include a showing that any nonuse is due to special circumstances which excuse such nonuse and is not due to any intention to abandon the mark. *See* 15 U.S.C. § 1058(b)(2).

Thus, to renew the registration, Semas had the option under section 1058(b)(2) to admit that the METALAST mark was in nonuse and attempt to demonstrate that “any nonuse is due to special circumstances which excuse such nonuse.” *See id.* But Semas did not do so. Rather, in contravention of section 1058, Semas falsely stated the METALAST mark was in current use by him for all of the products listed in the Registration:

For International Class 001, the mark ***is in use in commerce*** on or in connection with all goods/services, or to indicate membership in the collective membership organization, listed in the existing registration for this specific class: Chemicals for use in metal treatment, consisting of cleaners, etchers, deoxidizers, dyes, electrolytic colors, sealants, electro polishers, anodizing additives, surfactants, acidifiers, basifiers, anodizing accelerators, fume suppressants, and anti foaming agents ; or, the owner is making the listed excusable nonuse claim.

The owner is submitting one(or more) specimen(s) showing the mark ***as used in commerce*** on or in connection with any item in this class, consisting of a(n) Shipping Label.

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For International Class 009, the mark ***is in use in commerce*** on or in connection with all goods/services, or to indicate membership in the collective membership organization, listed in the existing registration for this specific class: Computer hardware systems comprising central processing units, computer monitors, computer input devices, namely, computer touch screens and keyboards, and computer interface controllers; computer software for controlling and monitoring metal treatment processes, storing data related to metal treatment, and for creating process verification reports ; or, the owner is making the listed excusable nonuse claim.

The owner is submitting one(or more) specimen(s) showing the mark ***as used in commerce*** on or in connection with any item in this class, consisting of a(n) Website.

See Exhibit 8 at 8-4 (emphases added).

Semas knew the mark was not in current use at the time of renewal. *See* Exhibit 10 at 10-32–10-36; *See* Declaration of Madylon Meiling, ¶¶ 7-9. For example, during a sworn deposition, Semas admitted that the sample submitted with the renewal was not in use by Semas at the time of submission. *See id.* at 10-38. Semas further admitted that the METALAST mark was not in use with any of the products of services listed for class 0001 and/or class 0009 at the time of renewal. *See id.* at 10-39.

Semas was fully aware of his duty to provide a truthful affidavit establishing current use, by himself, of the mark. His attorney provided a clear statement to this effect in an email communication to Semas. *See* Exhibit 9 at 9-34–9-35. His attorney made Semas aware of the requirement for a valid use of the mark for renewal of the registration:

Unfortunately, unauthorized, infringing use by others does not count as “use” under the trademarks rules.

The entity that owns the mark must use it or the owner may use it through a related entity if it controls the use of the mark. This is how the MII was able to claim use through the LLC.

We have to be very careful about this because if there is a dispute over the mark, all of our claims and statements will be proved and scrutinized. False statements can invalidate the registration and lead to other troubles.

Id. Instead of heeding his counsel's advice, Semas contacted his nephew, Bill Campbell, who was working for Petitioner, and requested that Mr. Campbell gain unauthorized access to Petitioner's database and obtain photographs of the LLC's use of the METALAST mark. *See* Exhibit 10 at 10-32; *see also* Exhibit 9 at 9-37. Semas's intent was clear. He knew he had a duty to provide his own use of the mark but instead provided a 2003 website page and a 2008 shipping label in a fraudulent effort to demonstrate "current use" of the mark in 2015, upon which the USPTO thereafter relied to renew the registration. *See* Exhibit 8.

The damage to Petitioners is equally clear: as Semas himself stated, in fraudulently renewing the Registration, Semas intended to "cause a catastrophic collapse of their business." *See* Exhibit 9 at 9-31. Semas wanted to destroy the Petitioners business with a registration he fraudulently renewed but to which he had no legal rights due to, among other things, nonuse for years.

Semas's misappropriation of Chemeon's goodwill is ongoing, as third parties who view the Metalast registration no. 2963106 will be misled into believing the Metalast products provided by the LLC and Chemeon are now being provided by Semas. *See* Dec. of Meiling, ¶11. This can mislead customers of Metalast Surface Technology and Chemeon to the wrong source of origin, Semas, for all the products in issue, formerly sold only by the LLC and Chemeon under the Metalast mark and now sold only by Chemeon under the CHEMEON mark. *See id.*, ¶12.

Further, Semas infringed Chemeon's copyrights by having his nephew and his counsel improperly copy and distribute the specimens of the renewal in issue. *See id.*, ¶13. Third parties will be further infringing Chemeon's copyrights as they view (i.e., generate copies of) and otherwise procure or distribute copies of Chemeon's specimens attached to the renewal statement.

IV. CONCLUSION

For all of the foregoing reasons, Semas has committed fraud on the U.S. Patent and Trademark Office, and Registration No. 2963106 for METALAST should now be cancelled.

Dated: February 2, 2017

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that, on this 2nd day of February, 2017, a true and correct copy of the foregoing **Brief in Support of Petitioner's Motion For Summary Judgement** has been served by email on the Respondent, representing himself pro se, by sending it to his email address as follows: david@sierradorado.com

/s/ Gay L. Groves _____

Gay L. Groves