IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF ILLINOIS

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| **THE COIN-TAINER COMPANY, LLC,** | ) | |
| **Plaintiff,** | ) | |
| **vs.** | ) | **Case No. 19-cv-234-DWD** |
| **PAP-R PRODUCTS COMPANY, PAP-R-TAINER, LLC, and SCOTT WARE,** | ) | |
| **Defendants.** | ) | |

**MEMORANDUM & ORDER**

**DUGAN, District Judge:**

In February 2015, Coin-Tainer Company, LLC ("Coin-Tainer") and Pap-R Products Company ("PRP"), once market competitors in the business of the manufacture and sale of paper products for storing and handling of coin currency, entered into a joint venture that quickly evolved into the Illinois limited liability company, Pap-R-Tainer, LLC ("PRT"). Unfortunately, conflict developed between the members, and the joint venture began to devolve almost from its inception. Not long after, litigation ensued. The litigation ended, at least temporarily, with a settlement. But even the settlement did not go as planned, and Plaintiff instituted this lawsuit against PRP, PRT, and Scott Ware, sole shareholder of PRP and the only interest holder of PRT other than PRP itself. Defendants responded to Plaintiff's suit with counterclaims.

Coin-Tainer's Third Amended Complaint (Doc. 103) (the "Complaint") includes claims for trademark counterfeiting (Count I), trademark infringement (Count II), federal unfair competition and false designation of origin (Count III), breach of contract (Count IV), and defamation (Count V). Defendants' answer (Doc. 104) asserts four counterclaims: declaratory judgments regarding the non-infringement of the "Coin-Tainer Marks" (Counterclaim I), the right to use the disputed GS1 Numbers (Counterclaim II), and the ownership of vendor agreements (Counterclaim III), as well as a counterclaim for cancellation of Coin-Tainer's trademark registration (Counterclaim IV).

Now before the Court are Plaintiff's Motion for Summary Judgment on Counts I through V (Doc. 144), Defendants' Motions for Partial Summary Judgment which seek summary judgment on Counts I through V and Counterclaims I through IV (Docs. 147, 148, and 149), and Defendants' Motion to Exclude the Testimony of Fernando Torres (Doc. 146).

## FACTUAL BACKGROUND

This history of the parties is protracted. The Coin-Tainer Company and Pap-R Products (PRP) were competitors in the business of manufacturing and selling coin rolls, currency bands, and similar products. (Doc. 153-2, p. 2). But, in February 2015, following years of discussion, Coin-Tainer and PRP entered into a joint venture that became Pap-R-Tainer, LLC (PRT). The joint venture was governed by an Operating Agreement. (Doc. 104-1, p. 2). The Operating Agreement provided that Coin-Tainer and PRP each would own fifty percent of PRT, while declaring that the purpose of PRT was to "engage in the business of manufacturing coin and currency handling product." (Doc. 104-1, p. 7, 39).

At issue now are the agreement's terms related to the property and assets that each party contributed to the company. Specifically, the Operating Agreement provided that the initial capitalization would consist of the tangible and intangible assets of both PRP and Coin-Tainer. The assets were identified in an accompanying document, the "Contribution Agreement". (Doc. 104-1, p. 40). Under the Contribution Agreement, both Coin-Tainer and PRP transfered all "right, title and interest" in "all of the assets, rights and properties used or held for use in connection with the operation of the Member's business as of the Closing Date." (Doc. 104-2, p. 2, 5). Further, the parties contributed "all rights under all Contracts to which the Member is a party" and "all items of Intellectual Property owned by the Member." (Doc. 104-2, p. 3). The Contribution Agreement also integrated Bills of Sale executed by both Coin-Tainer and PRP that effectively transferred to PRT all rights in all of the assets of both Coin-Tainer and PRP. (Doc. 104-3, p. 2, 4).[1]

During the period of operation of PRT by the parties, both Coin-Tainer and PRP consolidated their revenues under PRT, and all revenues received by Coin-Tainer and PRP were to be owned by PRT. (Doc. 153-2, p. 3). PRT had no employees, and PRT continued to operate through the legacy Coin-Tainer and legacy PRP organizations. (Doc. 153-2, p. 3; Doc. 150, p. 2). The legacy organizations maintained separate operations and communicated with customers using the names "Coin-Tainer" and "Pap-R Products," even though, in reality, their customers were doing business with PRT. (Doc. 150, p. 2).

PRT was never successful financially. The joint venture lost almost $1.2 million in the first full calendar year following its formation. During that same time period,

[1] The Operating Agreement, Contribution Agreement, and Bills of Sale are collectively referred to as the "Formation Documents."

however, PRP had positive income. (Doc. 50-3, p. 6). In March of 2017, PRP sued Coin-Tainer and PRT in Illinois state court, asserting claims including breach of fiduciary duty. (Doc. 153-1, p. 1). A court-appointed receiver uncovered below-cost sales made by Coin-Tainer to Coin-Tainer of Canada, and the receiver concluded that these sales were causing the financial failure of PRT. (Doc. 50-3, p. 6). The state litigation was concluded in September 2018 when the parties entered into a settlement that is now at issue in this case. (Doc. 153-1).

Under the terms of their Settlement Agreement, PRP agreed to pay $200,000.00 to Coin-Tainer in exchange for one hundred percent of Coin-Tainer's interest in PRT, thereby making PRP the sole owner of PRT. (Doc. 153-1, p. 3). Upon payment of the $200,000.00, PRP purchased all of the "CT assets and liabilities of PRT," and any debt owed by Coin-Tainer or its affiliates to PRT was to "be considered fully discharged at the time of the payment of the Purchase Price." (Doc. 153-1, p. 3-4).

Section 5 of the Settlement Agreement granted PRT and PRP a "temporary, exclusive, royalty-free license" to use the names "Coin-Tainer" and "The Coin-Tainer Company" from October 26 through December 31, 2018, and prohibited Coin-Tainer from using those names in the United States during that time. (Doc. 153-1, p. 3). After December 31, 2018, Coin-Tainer would enjoy the sole rights "to all variations of the CT trade names," and Defendants were required to cease "ship[ping] products containing the name 'Coin-Tainer' or 'The Coin-Tainer Company.'" They also were to return all such products to Coin-Tainer. (Doc. 153-1, p. 3). Notwithstanding the Settlement Agreement, the disputes between the parties were soon to redevelop.

Plaintiff claims that correspondence sent by Defendants to former CT customers after the state litigation breached the settlement agreement, infringed on Plaintiff's trademark and other intellectual property, and rose to the level of defamation. Beginning in December 2018 and continuing into early 2019, Defendants began notifying former CT customers via email that the Coin-Tainer name would no longer be used. (Doc. 150-1, p. 12-52). The emails were sent by John Reiter, a sales representative, and Marsha Goble, the office manager of PRP, and they were accompanied by letters from Jerome Williams, PRP's Chief Financial Officer. (Doc. 150-1, p. 12-52). Williams's letters indicated that "[e]ffective Jan. 1, 2019, The Coin-Tainer Company, LLC and Pap-R-Tainer LLC entities no longer exist." (Doc. 150-1, p. 29, 32, 36). The language of many of John Reiter's emails indicated that Coin-Tainer had become, or had transitioned into, PRP. (Doc. 150-1, p. 13, 21, 28). Reiter's emails to Walgreens employees in 2019, however, stated only that PRP was no longer shipping items under the Coin-Tainer brand. (Doc. 150-1, p. 38).

On February 21, 2019, Coin-Tainer's counsel sent a letter to Defendants alleging that Defendants were violating the Settlement Agreement. Coin-Tainer demanded that Defendants return packaging items using the CT trade names and informed Defendants of the filing of this action. (Doc. 153-12, p. 2-3).

## LEGAL STANDARDS

Federal Rule of Civil Procedure 56 governs motions for summary judgment. Summary judgment is appropriate if the movant shows that there is no genuine dispute as to any material fact and that the movant is entitled to judgment as a matter of law. *See*

*Archdiocese of Milwaukee v. Doe,* 743 F.3d 1101, 1105 (7th Cir. 2014)(citing FED. R. CIV. P. 56(a)). A genuine issue of material fact remains "if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). *Accord Bunn v. Khoury Enterpr., Inc.,* 753 F.3d 676, 681-682 (7th Cir. 2014). In assessing a summary judgment motion, the district court views the facts in the light most favorable to, and draws all reasonable inferences in favor of, the nonmoving party. *See Anderson*, 699 F.3d at 994; *Delapaz v. Richardson*, 634 F.3d 895, 899 (7th Cir. 2011). As the Seventh Circuit has explained, as required by Rule 56(a), "we set forth the facts by examining the evidence in the light reasonably most favorable to the non-moving party, giving [him] the benefit of reasonable, favorable inferences and resolving conflicts in the evidence in [his] favor." *Spaine v. Community Contacts, Inc.*, 756 F.3d 542, 544 (7th Cir. 2014).

When cross-motions for summary judgment are considered, "we look to the burden of proof that each party would bear on an issue of trial; we then require that party to go beyond the pleadings and affirmatively establish a genuine issue of material fact." *Santaella v. Metro. Life Ins. Co.*, 123 F.3d 456, 461 (7th Cir. 1997). When the moving party will bear the burden of proof at trial, summary judgment is appropriate against the moving party if it "fails to make a showing sufficient to establish the existence of an element essential to that party's case," after adequate time for discovery. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). In contrast, where the nonmoving party will bear the burden of proof at trial on a dispositive issue, the nonmoving party must go beyond the pleadings, through affidavits, depositions, or answers to interrogatories, to show "specific facts that there is a genuine issue for trial." *Celotex*, 477 U.S. at 324 (quotations omitted).

"Summary judgment is particularly appropriate in cases involving the interpretation of contracts." *Murphy v. Keystone Steel & Wire Co., a Div. of Keystone Consol. Indus.,* 61 F.3d 560, 564–65 (7th Cir. 1995). "Where the contract is unambiguous, a court must determine the meaning of the contract as a matter of law." *Id.* "The document should be read as a whole so that all its parts will be given effect." *Preze v. Board of Trustees*, 5 F.3d 272, 274 (7th Cir. 1993).

## Discussion

### I. Interplay Between the Formation Documents and the Settlement Agreement

Many of the issues raised by the Parties' respective dispositive motions center upon, and can be resolved by, the terms of the Formation Documents and the Settlement Agreement. By these agreements, the parties reduced to writing their expected, or at least hoped-for, destinies in relation to one another. As such, they should be construed so as "to give effect to the intent of the parties." *Stamply v. Altom Transport, Inc.*, 958 F.3d 580, 586 (7th Cir. 2020). A Court "must initially look to the language of a contract alone, as the language, given its plain and ordinary meaning, is the best indication of the parties intent." *Id*. (internal quotations omitted).

The language of the Formation Documents is clear and unambiguous, and no party suggests otherwise. The documents are complimentary and well-coordinated to carry out the development of the venture. Section 2.06 of the Operating Agreement provides that "[a]ll property owned by [PRT], whether real or personal, tangible or intangible, shall be deemed to be owned by the [PRT] as an entity, and no Member, individually shall have any ownership in such property." (Doc. 104-1). Section 3.02 of the Operating Agreement addresses contributions of Coin-Tainer and PRP: "The Members have made or shall make contributions to the capital of [PRT] of cash and property . . . set forth opposite his name on Schedule B." (Doc. 104-1). Schedule B is a chart entitled "Initial Capital Contributions of Members" that contains as an entry opposite "The Coin-Tainer" Company, LLC" name: "Tangible and intangible assets described in the Contribution Agreement between the Member and [PRT] dated February 23, 2015." (*Id.*).

The Contribution Agreement defines the "Contributed Assets" as "all of the Member's right, title, and interest in and to all of the assets, rights and properties used or held for use in connection with the operation of the Member's Business as of the Closing Date." (Doc. 104-2). It goes on to include an expansive and broad list of general property descriptions, including real, tangible, and intangible personal property, and intellectual properties owned and to be contributed by Coin-Tainer. The descriptions also include "those [items] listed on Schedule 1.1, and all other items of Intellectual Property owned by [Coin-Tainer], which are used in business." (Doc. 104-2). The Contribution Agreement then defines "Intellectual Property" as "all patents … copyrights … trade dress and trade names … trademarks and service marks … other indicia of commercial source or origin and goodwill associated with the foregoing … ." (Doc. 104-2). Schedule 1.1 is entitled "Contributed Assets and Assumed Liabilities" and contains a list of contributed assets including "Trademarks, Trade Names, Domain Names and Other Intellectual Property-as shown on the attached list." The attached list references the properties as "Goodwill Trademarks, Trade Names, Domain Names, and Intellectual." (*Id.*).

The Settlement Agreement, on which Plaintiff bases most of its claims, lacks the same degree of detail and descriptions as the Operating and Contribution Agreements. However, this lack of detail in the descriptions of the properties to be affected does not necessarily render the Settlement Agreement ambiguous to the extent that its plain and ordinary meaning and the intent of the parties cannot be discerned to determine as a matter of law whether any of the property at issue was transferred back to Plaintiff.

The Settlement Agreement is less specific about what was to become of the properties that the parties previously contributed to the venture except to declare that "[i]n exchange for $200,000.00(US dollars)("Purchase Price"), PRP shall purchase one hundred percent (100%) of CT's interest in PRT ("the CT Interest") which interest comprises fifty percent (50%) of the ownership of PRT." (Doc. 1-1 at ¶ 1). The parties further agreed that "[i]n purchasing the CT interest, PRP is purchasing *all of the CT assets* and liabilities of PRT." (Doc. 1-1 at ¶ 4). (*emphasis added*) This "CT Interest" includes the stake that Coin-Tainer had in PRT by reason of its contributions at the time of the formation of PRT. Thus, when read with the Formation Documents, the language of the Settlement Agreement does not re-convey to Coin-Tainer the assets that it transferred to PRT at the time of the formation of the venture. Rather, the Settlement Agreement clearly intends to convey Coin-Tainer's interest in PRT to PRP in exchange for a sum of money and an agreement by PRT not to use the trade name related to Coin-Tainer after December 31, 2018.

## II. Plaintiff's Claims to Trademark, Trade Dress, and Other Property

Despite the language in the Formation Documents and the Settlement Agreement, Coin-Tainer claims that it owns the Coin-Tainer mark and has owned it since it was registered in 1999. Plaintiff also claims that its rights in the mark spring not only from registration, but also by common law. Thus, in addition to ownership in the Coin-Tainer tradename and trademark, Plaintiff also claims that it owns trade dress, brand, GS1[2], Company Prefix, GLN[3], and barcodes. (Doc. 145, p. 11). Plaintiff argues that it is entitled to summary judgment on these ownership issues as well as on the alleged wrongful and confusing use of the mark by Defendants. (Doc. 145, p. 11-15).

The difficulty that the Plaintiff faces in these arguments is that, as discussed above, the Settlement Agreement does not rescind the Formation Documents, nor does it set up a reconveyance of the property interests described in them. The Formation Documents clearly show a conveyance of Plaintiff's interests in a wide array of types of property, including intellectual property and trademarks. Plaintiff does not, however, point to any provision, paragraph, or sentence in the Settlement Agreement that revested it with ownership rights in any of the properties other than the Coin-Tainer name.

Instead, Plaintiff all but ignores the Settlement Agreement's silence on the subject and proceeds to argue that "[i]rrespective of the intent or written documents forming PRT, CT continued to utilize and sell the CT Marks after the formation of the joint venture

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[2] "GS1" is an organization that provides by license globally unique identifiers for products and producers that are integrated into barcodes typically found on packaging. Unique identifiers allow for product source verification and data gathering.

[3] "GLN" is a globally unique GS1 identification number used to access master data about business' physical or operational location that needs to be identified in a supply chain.

and maintained how the CT marks were used." (Doc. 166, p. 2). For that proposition, Plaintiff points only to a declaration by David Walters that contains little more than factually unsupported and conclusory assertions that "CT always maintained control and authorization over how the Coin-Tainer® Marks were used" and "over any changes to the Coin-Tainer® Marks and CT Trade Dress." *Id*. However, "[c]onclusory allegations that have no factual support are insufficient to create a genuine issue of material fact." *Powers v. Do*le, 782 F.2d 689, 695 (7th Cir. 1986).

The Plaintiff next argues that any prior use by PRT of the CT Mark "was being done with CT's permission under an implied license and expressly authorized by the terms of the Agreement." (Doc. 166 at 10). Plaintiff points to Section 5 of the Settlement Agreement which is entitled "The Coin-Tainer License." That section provides, in part, that "CT shall grant PRP and/or PRT a temporary, exclusive, royalty-free license to use the name 'Coin-Tainer' and the 'Coin-Tainer Company' through December 31, 2018." It goes on to provide that "[o]n January 1, 2019, PRP and PRT shall return anything using the names "Coin-Tainer" and "The Coin-Tainer Company" and CT shall have the sole rights to all variations of the CT trade names." Plaintiff then claims that Section 5 and Coin-Tainer's prior use of the mark would allow "a reasonable juror [to] also conclude that CT also has common law rights in the CT Marks, including its logo, brand, trade dress, name, GS1 Company Prefix, GLN, and barcodes tied to CT." (Doc. 166, p. 7).

Defendants respond that the "CT mark" and $200,000.00 is all that Plaintiff was to receive under to the Settlement Agreement. They argue that Plaintiff attempts to expand the scope of Section 5 from "trade name" to the much broader term "brand." (Doc. 170,

p. 4). Indeed, the Plaintiff argues that "CT's recognizable brand is indistinguishable from its trade name "Coin-Tainer" and its registered Mark." (Doc. 145, p. 3). Thus, the Plaintiff suggests that this Court must interpret the Settlement Agreement in such a way so as to convey solely by implication all intangible and intellectual property rights from PRT to the Plaintiff solely on the basis of Section 5.

Under Illinois law, settlement agreements are construed and enforced under principles of contract law. *Solar v. Weinberg*, 653 N.E.2d 1365, 1368 (Ill. App. 1995). "The basic rules of contract interpretation are well settled. In construing a contract, the primary objective is to give effect to the intention of the parties." *Thompson v. Gordon*, 948 N.E.2d 39, 47 (Ill. 2011)(citing *Gallagher v. Lenart*, 874 N.E.2d 43 (Ill. 2007)). In Illinois, contract interpretation is a question of law for the court and is governed by the "four corners" rule of contract interpretation, which provides that "[a]n agreement, when reduced to writing, must be presumed to speak the intention of the parties who signed it. It speaks for itself, and the intention with which it was executed must be determined from the language used. It is not to be changed by extrinsic evidence." *Perry v. Cmty. Action Servs.*, 82 F.Supp.2d 892, 896 (N.D. Ill. 2000)(citing *Western Illinois Oil Co. v Thompson*, 186 N.E.2d 285, 287 (Ill. 1962)).

"A court will first look to the language of the contract itself to determine the parties' intent." *Thompson*, 948 N.E.2d at 47 (citing *Gallagher*, 874 N.E.2d at 58). "A contract must be construed as a whole, viewing each provision in light of the other provisions." *Id*. "The parties' intent is not determined by viewing a clause or provision in isolation, or in looking at detached portions of the contract." *Id.* "If the words in the contract are clear and unambiguous, they must be given their plain, ordinary and popular meaning." *Id.* (citing *Central Illinois Light Co. v. Home Insurance Co.*, 821 N.E.2d 206, 213 (Ill. 2004)). "However, if the language of the contract is susceptible to more than one meaning, it is ambiguous." *Id.* (citing *Gallagher,* 874 N.E.2d at 58). "If the contract language is ambiguous, a court can consider extrinsic evidence to determine the parties' intent." *Id.*

Applying these principles, it is appropriate to look for guidance for the definition of operative terms. First, the terms "trade name" and "trademark" are not interchangeable. Those terms are defined and distinguished from each other by statute. A "trade name" is simply a name used to identify a business or vocation. A "trademark," on the other hand, is a word, name, or symbol used to identify and distinguish goods or products from those manufactured or sold by others, and, importantly, to indicate the source of the goods. 15 U.S.C. § 1127. The latter is registerable for protection under the Lanham Act, which serves the purpose of preventing confusion regarding the origin of the product. A trade name is not. Only the names "Coin-Tainer" and "The Coin-Tainer Company" are expressly referenced in the Settlement Agreement. The agreement is silent as to any express transfer of any interest in any trademark or any intellectual property beyond the CT trade name.

Second, the context of the language at issue is important to its interpretation. Section 5, by its language, purports to grant an express license to PRT and PRP to make use of the names "Coin-Tainer" and "The Coin-Tainer Company" for a period of time after which Plaintiff was to have sole rights in all variations of the name. In this context, the agreement did not transfer or convey rights to the trade name and instead created a temporary license from Plaintiff to PRT and PRP. Plaintiff attempts to rewrite Section 5 as a universal conveyance of ownership rights in a constellation of intangible and intellectual properties, but no reasonable reading of the four corners of the Settlement Agreement would permit such a strained interpretation.

Third, "related documents must be read together." *Murphy*, 61 F.3d at 565; *See also Lippo v. Mobil Oil Corp.*, 776 F.2d 706, 713 n.13 (7th Cir. 1985). The Formation Documents and the Settlement Agreement are related in the sense that the latter serves, in effect, to modify or amend some of the terms of the former. Several rights and obligations created by the Formation Documents are specifically altered and modified by the terms of the Settlement Agreement. The parties' history with contract-making suggests that great care was taken to properly identify and define the property that was being contributed by each party for the creation and initial operation of PRT. To consummate the Operating Agreement and Contribution Agreement, Bills of Sale that specifically identify the properties being contributed were executed by the parties.

The identification and the definitions of the intellectual properties in the Formation Documents were, in some instances, specific, but very broad, inclusive, and all-encompassing in others, thereby leaving little, if any, ambiguity or room for further grant by implication. Under a fair reading, the identifications and definitions contained in the Formation Documents were both specific and broad enough to include Coin-Tainer's trademarks, tradenames, brands, logo, GS1 Company prefix, and unique GLN. Comparing the specificity and breadth of the Formation Documents with the vagueness of the language of the Settlement Agreement reveals a stark contrast. The Settlement

Agreement contains a yawning void as to the Plaintiff's rights in any property interest other than in the Coin-Tainer name.

The language of the Formation Documents is nothing less than a clear expression of the parties' desires regarding contribution of properties to PRT at its start up. The Settlement Agreement, although lacking in the level of specificity of the Formation Documents, also is clear on its face. The plain and ordinary meaning of terms such as "license" and "trade name" are made neither unclear nor ambiguous by other language employed in the agreement. If the parties intended to reconvey other properties the "brand" or "trade dress" or licenses, including those associated with GS1, Company Prefixes, or barcodes, they were free to express that intention in the Settlement Agreement just as they had in the Formation Documents. The inclusion in Section 5 of the conveyance to Plaintiff of the trade names "Coin-Tainer" and "The Coin-Tainer Company" would seemingly serve to exclude all other conveyances. *See Rickher v. Home Depot, Inc.*, 535 F.3d 661, 668 (7th Cir. 2008)("It has long been recognized in Illinois that the maxim of *expressio unius est exclusio alterius* is 'a rule of construction …' [but it] 'should never be followed to the extent of overriding a different intent clearly expressed.'"). There is no expression of contrary intent contained in the Settlement Agreement.

Even if principles of construction and interpretation as applied to the Settlement Agreement pointed to implicit reconveyance of property, limitations on the method of transfer of trademarks would bar Plaintiff from acquiring trademark rights. The transfer of a trademark apart from the goodwill of the business that it represents is an invalid "in gross" assignment. *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 956 (7th Cir.

1992). Goodwill is the "the advantage obtained from use of a trademark, including public confidence in the quality of the product and in the warranties made on behalf of the product, and the public's name recognition of the product that differentiates it from others." *Medscript Pharm., LLC v. D&D Pharma LTC, LLC*, 444 F.Supp.3d 909, 914 (N.D. Ill. 2020). To ensure an effective assignment of a trademark interest, goodwill must be provided for in the agreement for the assignment. A mere recitation of goodwill in the agreement that creates the assignment is not dispositive on the issue of effectiveness, nor is a transfer of tangible assets of the assignor to the assignee. *Money Store v. Harriscorp Fin., Inc.,* 689 F.2d 666, 675 (7th Cir. 1982).

Unlike the Formation Documents, the Settlement Agreement is silent regarding an assignment or transfer of goodwill. Thus, neither the Coin-Tainer trademark nor its goodwill was reconveyed through the Settlement Agreement and, therefore, Plaintiff's claim to them fails. The Court further finds that the Settlement Agreement, in and of itself, did not and does not effectuate a conveyance to the Plaintiff of any interest in intangible or intellectual property except "all variations of the CT trade names." For all these reasons, the Court finds that the Settlement Agreement does not create a protectable interest in favor of Plaintiff in the Coin-Tainer or The Coin-Tainer Company trademark, trade dress, brand, GS1, GLN Company pre-fix, or barcodes.

**III. Summary Judgment Motions Directed to Counts I-III**

In large measure, the center post of Plaintiff's Motion for Summary Judgment (Doc 145) is its claim that it owns the trademark and all that attends ownership. Count I (Trademark Counterfeiting), Count II (Trademark Infringement), and Count III (False

Designation of Origin) are dependent upon its trademark ownership. Nevertheless, Plaintiff claims that Coin-Tainer's prior registration of the Trademark creates an issue of material fact.

Section 1115 of the Lanham Act provides, in pertinent part:

> [A] mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, *of the registrant's ownership of the mark*, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b), which might have been asserted if such mark had not been registered.

15 U.S.C. § 1115(a)(emphasis added). Plaintiff claims that the trademark at issue was registered as a U.S. Federal Trademark in 1999 and has remained in use since that time. (Doc. 145, p. 2, 10). According to Plaintiff, the continuity of its use in commerce renders the mark "incontestable" pursuant to 15 U.S.C. §§ 1065 and § 1115(a), and, once it is deemed incontestable, the trademark cannot be challenged except only on very limited grounds. However, "[i]t is a bedrock principle of trademark law that trademark ownership is not acquired by federal or state registration, but rather from prior appropriation and actual use in the market." *S.C. Johnson & Son, Inc. v. Nutraceutical Corp.*, 835 F.3d 660, 665 (7th Cir. 2016)(citations and internal quotations omitted).

"Registration itself establishes only a rebuttable presumption of use as of the filing date." *Id.* This is consistent with the notion that "a trademark is a form of property, which exists in connection with the goodwill or tangible assets of a business." *Adams Apple Distrib. Co. v. Papeleras Reunidas, S.A.*, 773 F.2d 925, 931 (7th Cir. 1985)(citations omitted). As such, "[a] trademark may be assigned, licensed, or lent, as long as it remains associated with the same product or business with which it has become associated in the public mind. *Purity Cheese Co. v. Frank Ryser Co.,* 153 F.2d 88, 90 (7th Cir. 1946); *see Corral, Wodiskay Ca. v. Anderson, Thorson & Co.,* 95 F.2d 11, 14. (7th Cir. 1938)(recognizing that there is no legal obstacle either to a retailer assigning his trade- mark to the manufacturer of the article sold by the retailer or to a manufacturer assigning his trade-mark to one who sells the goods of the manufacturer.).

Here, the trademark at issue along with the tangible assets of Coin-Tainer were effectively transferred to PRT by Plaintiff through the Contribution Agreement.[4] The "Trademark," "trade dress," "goodwill," and "Intellectual Property" also were transferred from Coin-Tainer to the newly formed venture, PRT. (Doc. 140-2, p. 3). As noted, the record before the Court is devoid of evidence of any subsequent conveyance to Plaintiff of any trademarks, trade dress, goodwill, or other intellectual property, other than the transfer of the trade names of "Coin-Tainer" and "the Coin-Tainer Company" in Section 5 of the Settlement Agreement. Contrary to Plaintiff's position, the Settlement Agreement provides that "[i]n purchasing the CT interest, PRP is purchasing all of the

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[4] If an assignee of a trademark also buys the total associated business, including the physical assets and such intangibles as trade secrets, formulas, and customer lists, then there is no doubt that the assignee has acquired the "good will" associated with the trademark it has purchased. This is an aspect of the general rule that upon the sale of all assets of a business, the trademarks of the business, along with the associated good will, pass to the buyer, even if the trademarks are not specifically mentioned in the sale documents. 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:23 (5th ed. 2021).

CT assets and liabilities of PRT." (Doc.1, Sec. 3). As a result, the property contributed by Plaintiff at the formation of PRT was purchased by PRP for the sum of $200,000.00.[5]

Plaintiff has failed to demonstrate that it has any interest in the Coin-Tainer property (other than in the trade names) that it once contributed and that was purchased by PRP. Accordingly, there exists no genuine issue of material fact as to issue of ownership under Counts I, II, and III such that summary judgment in favor of Defendants is appropriate. Therefore, Plaintiff's Motion for Summary Judgment on its trademark claims (Counts I-III) will be denied. Defendants' motion for summary judgment on Plaintiff's trademark claims will be granted.

## IV. Plaintiff's Motion for Summary Judgment as to Count IV (Breach of Contract)

Plaintiff argues that Defendants breached their Agreement by failing to return the CT branded products after December 31, 2018, and by continuing to use the CT branded products into 2019. Defendants counter that there are no damages and that there was no breach. Under Illinois law, the elements of a breach of contract cause of action are "(1) offer and acceptance, (2) consideration, (3) definite and certain terms, (4) performance by the plaintiff of all required conditions, (5) breach, and (6) damages." *Ass'n Ben. Servs., Inc.*

[5] Goodwill is a valuable property right derived from a business's reputation for quality and service. See, e. g., *Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 412-13, 36 S.Ct. 357, 60 L.Ed. 713 (1916);* When a business purchases trademarks and goodwill, the essence of what it pays for is the right to inform the public that it is in possession of the special experience and skill symbolized by the name of the original concern, and of the sole authority to market its products. The value of goodwill obviously becomes diluted and sales lost if confusion arises in the mind of the public over the source of the reputable goods or services. To protect the property interest of the purchaser, then, the courts will be especially alert to foreclose attempts by the seller to "keep for himself the essential thing he sold, and also keep the price he got for it," *Levitt Corp. v. Levitt*, 593 F.2d 463, 468 (2d Cir. 1979) (citations omitted)(internal quotations omitted).

*v. Caremark RX, Inc.*, 493 F.3d 841, 849 (7th Cir. 2007)(citing *MC Baldwin Fin. Co. v. DiMaggio, Rosario & Veraja, LLC*, 845 N.E.2d 22, 30 (2006), *leave to appeal denied*, 850 N.E.2d 808 (2006)).

Here, no party disputes that the Settlement Agreement is a binding and enforceable contract. Only issues of breach and damages persist. Section 5 of the Settlement Agreement is clear that PRP and PRT were obligated to "return anything using the names 'Coin-Tainer' and 'The Coin-Tainer Company.'" (Doc. 1). In that respect, it is equally clear that PRP and PRT did not perform that obligation as promised. PRP and PRT argue that they attempted to return the bags, but Plaintiff would not provide an address to which the return could be made. But Kenneth "Scott" Ware testified that, despite the Settlement Agreement, he used the packaging by "over-labeling" them with PRP's label beginning on January 1, 2019. (Doc. 153-6, 42:15-20). Defendants acknowledge that "[t]he packaging was already printed and obliterating the CT Mark enabled Defendants to use packaging that would otherwise be worthless after January 1, 2019." (Doc. 170, p. 5). Defendants suggest that any non-compliance was innocent because they believed that the obliterating of the CT Mark was completed by December 31, 2018. *Id.* at 6. This argument fails, however, because "[f]ault is irrelevant to breach of contract." *Album Graphics, Inc. v. Beatrice Foods Co.*, 408 N.E.2d 1041, 1050 (Ill. 1980)("Whether one intentionally, carelessly, or innocently breaches a contract, he is still considered to be in breach of that contract and the extent of his liability is generally the same.").

There is no genuine issue of material fact that PRP and PRT did not fully honor the terms of the Settlement Agreement to return anything using the names "Coin-Tainer" or "The Coin-Tainer Company." Accordingly, the Court finds that the Defendants breached the Settlement Agreement. However, whether this breach caused damages above and beyond the value of the packaging – that is, damages for continued use of the trade names – presents questions of fact that cannot resolved by the current record, and neither party is entitled to summary judgment on Plaintiff's breach of contract claim.

## V. Plaintiff's Motion for Summary Judgment Directed to Count V (Defamation) and Defendant's Motion for Partial Summary Judgment on Plaintiff's Defamation Claims

Plaintiff asserts that the following defamatory statements were made by Defendants:

a. "effective 1-1-2019, Container will be legally doing business as Pap-R-Products";

b. That Pap-R-Products was formerly Cointainer;

c. "Effective Jan. 1, 2019, The Coin-Tainer Company, LLC and Pap-R-Tainer LLC entities no longer exist."

d. "Just a reminder that effective January 1, Cointainer/Pap-R Tainer no longer exists. The new name is Pap-R Products …"

e. "Just a reminder that Paprtainer/Cointainer formally changed the first of the year to Pap-RProducts, Co."

(Doc. 103, p. 11-12). Plaintiff claims that these statements constitute defamation *per se* and *per quod*. (Doc. 103, ¶ 105). A statement is considered defamatory if it tends to cause such harm to the reputation of another that it lowers that person in the eyes of the community or deters third persons from associating with her. *See Kolegas v. Heftel Broadcasting Corp.*, 607 N.E.2d 201 (Ill. 1992); RESTATEMENT (SECOND) OF TORTS § 559 (1977). "A statement or publication may be defamatory on its face. However, even a statement that is not defamatory on its face may support a cause of action for defamation if the plaintiff has pled extrinsic facts that demonstrate that the statement has a defamatory meaning." *Bryson v. News Am. Publications, Inc.*, 672 N.E.2d 1207, 1214 (Ill. 1996).

Under Illinois law, four categories of statements are considered actionable *per se* and give rise to a cause of action for defamation without a showing of special damages: "(1) words that impute the commission of a criminal offense; (2) words that impute infection with a loathsome communicable disease; (3) words that impute an inability to perform or want of integrity in the discharge of duties of office or employment; or (4) words that prejudice a party, or impute lack of ability, in his or her trade, profession or business." *Kolegas*, 607 N.E.2d at 206. "A statement is defamatory *per se* if its harm is obvious and apparent on its face." *Green v. Rogers*, 917 N.E.2d 450, 459 (Ill. 2009).

The statements alleged to have been made by PRP and PRT are not, on their face, defamatory or obviously harmful, nor are they words which, by their very nature, connotation, or implication, impute a lack of ability or incompetence in one's trade or business. Moreover, the words alleged do not otherwise fall into the other categories of statement that are actionable *per se*. As such, the statements at issue are not *per se* defamatory.

Even if the statements would be found to fall into one of the recognized categories of words that are actionable *per se*, those words will not be found actionable *per se* if it is reasonably capable of an innocent construction. "The innocent construction rule requires courts to consider a written or oral statement in context, giving the words, and their implications, their natural and obvious meaning." *Bryson*, 672 N.E.2d at 1215 (citing *Chapski v. Copley Press*, 442 N.E.2d 195, 197 (Ill. 1982)); *Kolegas*, 607 N.E.2d at 206. "Only *reasonable* innocent constructions will remove an allegedly defamatory statement from the *per se* category." *Id.* (citations omitted)(emphasis in original).

Under the "innocent construction rule," a court must consider the statement in context and give the words of the statement, and any implications arising from them, their natural and obvious meaning. *Green v. Rogers*, 917 N.E.2d 450, 463 (Ill. 2009); *Kolegas*, 607 N.E.2d at 206. The Illinois Supreme Court "has emphasized that the context of the statement is critical in determining its meaning, as a given statement may convey entirely different meanings when presented in different contexts." *Id.* (citing *Tuite v. Corbitt*, 866 N.E.2d 114 (Ill.2006)). If the statement may reasonably be innocently interpreted, it cannot be actionable *per se*. *Chapski*, 92 Ill.2d 344, 352. Stated differently, "a statement 'reasonably' capable of a nondefamatory interpretation, given its verbal or literary context, should be so interpreted. There is no balancing of reasonable constructions … ." *Mittelman v. Witous*, 552 N.E.2d 973, 979 (Ill. 1989) *abrogated on other grounds by Kuwik v. Starmark Star Marketing and Admin., Inc.*, 619 N.E.2nd 129 (Ill. 1993). The test is whether the "charged portions, in context, could be reasonably understood as describing actual facts about the plaintiff or actual events in which [it] participated." *Bryson*, 672 N.E.2d at 1220. At the same time, "when the defendant clearly intended and unmistakably conveyed a defamatory meaning, a court should not strain to see an inoffensive gloss on the statement." *Id.* at 1218.

The context of the statements alleged here involve PRP's apparent belief that it purchased, through the Settlement Agreement, the assets contributed by Coin-Tainer to the venture. Indeed, the Settlement Agreement provides that Coin-Tainer was selling one hundred percent of its assets in the venture to PRP. (Doc. 1, ¶ 1). In exchange, Coin-Tainer promised not to reenter the "marketplace" or to compete with PRT or PRP using the machinery and equipment it previously used. The record reflects that Coin-Tainer has not attempted to reenter the "marketplace" or compete with PRP. Plaintiff has not sold a single product bearing the CT Trade Names since October 2018, and Plaintiff has had only one employee during that time period. (Doc. 151-1, p. 168). Further, the record is replete with references to the general knowledge among wholesale customers that PRT had been formed by Coin-Tainer and PRP.

Even if the alleged defamatory statements were deemed to be untrue, it is important to observe the fundamental notion that not all untrue statements made about another are necessarily defamatory. Here, the statements can reasonably be construed as an attempt to draw attention to a natural furtherance of the settlement agreement transaction rather than as words designed to mar or damage the reputation of the CT name. As such, the words identified in Count V of the Plaintiff's Complaint are subject to innocent construction and, therefore, are not *per se* defamatory.

Plaintiff in its Complaint also alleges that the words used in the statements identified are defamatory *per quod*. "[A] defamation *per quod* claim is appropriate either (1) where the defamatory character of a statement is not apparent on its face, and extrinsic evidence is necessary to demonstrate its injurious meaning, or (2) where a statement is defamatory on its face but does not fall into the five categories of statements that are actionable *per se*. *Benton v. Little League Baseball, Inc.*, --- N.E.3d ----, 2020 WL 3542710 (Ill. App. June 30, 2020)(citing *Bryson*, 672 N.E.2d at 1221). Here, since the Court has already determined that the statements alleged are not defamatory on their face, extrinsic evidence is necessary to demonstrate their injurious meaning.

Where resort to extrinsic circumstances is necessary to demonstrate a statement's injurious meaning "a plaintiff must plead and prove extrinsic facts to explain the defamatory meaning of the statement." *Bryson*, 672 N.E.2d at 1221. Plaintiff here pleads no such extrinsic facts, nor does it attempt to point to any such extrinsic facts in its briefing. Plaintiff instead spends considerable time arguing that the words used are defamatory on their face and not capable of innocent construction, dedicating no ink to the existence of facts to explain the defamatory meaning behind the statements.

Another defect in the Plaintiff's claim of *per quod* defamation is that a plaintiff bringing a *per quod* claim must also plead and prove special damages, i.e., "actual damage of a pecuniary nature ("special damages") to recover." *Id.* at 1214 (citations omitted). Special damages in this context are damages to the plaintiff's reputation and pecuniary losses resulting from the defamatory statement. *Id.* at 1222. "[G]eneral allegations such as damage to one's health or reputation, economic loss, and emotional distress are insufficient to state a cause of action for defamation *per quod*." *Kurczaba v. Pollock,* 742 N.E.2d 425, 433 (Ill. App. 2000).

Plaintiff asserts only that it has suffered "harm to its reputation, lost business opportunities, sales and confusion in the marketplace" and "lost sales exceed[ing] a million dollars annually." (Doc. 103, ¶¶ 106, 107). In *per se* defamation cases, the damage to one reputation simply by the utterance of the offending words is presumed. Damages for loss of opportunities and those that naturally flow from injury to a business' reputation are likewise presumed. But with *per quod* defamation, nothing is presumed, and Plaintiff must plead and prove special damages. Federal Rule of Civil Procedure 9(g) requires that such special damages be "specifically state," and specifically stating or itemizing special damages is a required element of a *per quod* claim. *See Muzikowski v. Paramount Pictures Corp.*, 322 F.3d 918, 927 (7th Cir. 2003) (affirming dismissal of *per quod* defamation claim where plaintiff failed to "itemize losses or plead specific damages of actual financial injury," a required element of the claim).

But apart from inadequate pleading of special damages, Plaintiff also fails to evidentiarily support its contention that special damages exist by not properly "citing to particular parts of the record" in support of its motion or in opposition to Defendants' motion. *See* FED. R. CIV. P. 56(c)(1)(a). In fact, Plaintiff's Memorandum in Support of its Motion for Summary Judgement does not mention special damages. More significantly, its Opposition to the Defendants' Motion for Partial Summary Judgment does not respond to Defendants' argument that Plaintiff neither pleads nor proves special damages.

"Failure to respond to an opposing party's argument is not necessarily a waiver, but it is a risky tactic, and sometimes fatal." *Alexander v. Caraustar Indus., Inc.*, 930 F. Supp. 2d 947, 957 (N.D. Ill. 2013)(citing *Law v. Medco Research Inc.,* 113 F.3d 781, 787 (7th Cir. 1997)). *See also MindGames, Inc. v. W. Pub. Co.*, 218 F.3d 652, 659 (7th Cir. 2000) ("Mindgames did not respond to the argument … . We find its silence eloquent and

Western's argument compelling, and so the judgment in favor of Western is AFFIRMED."). And so it is here. "Judges are not like pigs, hunting for truffles buried in the record." *Casna v. City of Loves Park* 574 F.3d 420, 424 (7th Cir. 2009), *quoting and paraphrasing United States v. Dunkel*, 927 F.2d 955, 956 (7th Cir. 1991). There is no duty on the part of this Court to search through a mosaic of evidence presented in the record in an attempt to find some identification of special damages that Coin-Tainer has suffered as a result of the statements at issue.[6] Accordingly, Plaintiff's Motion for Summary Judgment on Count V of the Complaint will be denied, and Defendants' Motion for Partial Summary Judgment on Count V will be granted.

## CONCLUSION

Plaintiff's Motion for Summary Judgment (Doc. 144) directed to Counts I-V of the Third Amended Complaint is **GRANTED in part** and **DENIED in part**. Plaintiff's motion is denied as to Counts I, II, III, and V, but the Court finds, as a matter of law, that Defendants breached the settlement agreement with Plaintiffs as alleged in Count IV.

Defendants' Motion for Partial Summary Judgment on Plaintiff's Count I-III (Doc. 148) is **GRANTED**. Defendants' Motion for Partial Summary Judgment on Plaintiff's Count IV and Defendants' Counterclaims II-III (Doc. 147) is **DENIED**. Defendants' Motion for Summary Judgment as to Defendants' Counterclaim for Cancellation (Doc. 148) is **DENIED**. Defendants' Motion for Summary Judgment on Count V (Doc. 149) is

[6] "All briefs shall contain a short, concise statement of the party's position, together with citations to relevant legal authority and to the record. Allegations of fact not supported by citation may, in the Court's discretion, not be considered." SDIL-LR 7.1(e)

**GRANTED**.

At the close of the case, the Clerk of Court shall enter judgment in favor of Defendants Pap-R Products Company, Pap-R-Tainer, LLC, and Scott Ware and against Plaintiff The Coin-Tainer Company, LLC on Counts I, II, III, and V. Count IV and Counterclaims I, II, III, and IV remain pending.

Because of these rulings, Defendant's Motion to Exclude the Testimony of Fernando Torres (Doc. 146) is **DENIED without prejudice** with leave to re-file. Defendants are granted twenty-one days to refile their Motion, should they choose to do so, and Plaintiff shall respond within fourteen days thereafter.

The parties have moved for a stay of pretrial deadlines pending setting of a new trial date. The Court **GRANTS** their motion (Doc. 175) and stays pretrial deadlines. By separate order, a status conference will be set to discuss the feasibility of the current trial date and any necessary pretrial deadlines.

**SO ORDERED.**

Dated: April 26, 2021

DAVID W. DUGAN
United States District Judge