IN THE UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF SOUTH DAKOTA
WESTERN DIVISION

STURGIS MOTORCYCLE RALLY, INC., Plaintiff / Counterclaim Defendant, v. RUSHMORE PHOTO & GIFTS, INC., JRE, INC., CAROL NIEMANN, PAUL A. NIEMANN, and BRIAN M. NIEMANN, Defendants / Counterclaimants,	Case No. 11-5052-JLV

PLAINTIFF'S MEMORANDUM IN SUPPORT OF MOTION TO DISMISS COUNTERCLAIMS

The Court should dismiss Counts ONE, TWO, FIVE and SIX of the July 6, 2011 "Counterclaims against SMRI" (the "Counterclaims") asserted by the Defendants / Counterclaimants Rushmore Photo & Gifts, Inc., JRE, Inc., Carol Niemann, Paul A. Niemann and Brian M. Niemann ("Defendants"), pursuant to Rules 9(b) and 12(b)(6), Federal Rules of Civil Procedure ("FRCP"), and for the additional reasons set forth below by Plaintiff / Counterclaim Defendant Sturgis Motorcycle Rally, Inc. ("SMRI" or "Plaintiff").

I. INTRODUCTION

As detailed herein, counts ONE and FIVE of the Counterclaims are based in fraud and Plaintiff failed to plead them with particularity as required by Rule 9(b), FRCP. Count TWO, alleging that each and every one of SMRI's pleaded trademarks is generic, contradicts itself and cannot be true as to each and every mark and the myriad of goods and services covered by each

accompanying registration, such that Defendants have failed to state a claim upon which relief can be granted under Rule 12(b)(6). Count SIX, alleging tortious interference with contract and/or business relationship on the part of SMRI, should be dismissed under Rule 12(b)(6) and South Dakota law for Defendants' failure to identify a single third party with whom Plaintiff allegedly has interfered.

Dismissal Standards

In ruling on a motion to dismiss pursuant to Fed.R.Civ.P. 12(b)(6), a court must accept the pleading party's factual allegations as true and draw all reasonable inferences in that party's favor. *Adickes v. S.H. Kress & Co.,* 398 U.S. 144, 158-59, 90 S.Ct. 1598, 1609, 26 L.Ed.2d 142 (1970). Because the pleading rules require only "notice" pleading, rather than detailed fact pleading, a court must construe the pleaded allegations liberally, and should only dismiss a complaint if the pleading party has failed to plead "enough facts to state a claim to relief that is plausible on its face." *Bell Atl. Corp. v. Twombly,* 550 U.S. 544, 127 S.Ct. 1955, 1974, 167 L.Ed.2d 929 (2007).

While Rule 9(b) must be applied in conjunction with the general pleading requirements of the Federal Rules, Rule 9(b) does require more specificity when pleading fraud than for pleading other causes of action. *Abels v. Farmers Commodities Co.,* 259 F.3d 910, 920 (8th Cir.2001). Specifically, Rule 9(b) provides that, "[i]n all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity. Malice, intent, knowledge, and other condition of mind of a person may be averred generally." Fed.R.Civ.P. 9(b).

"To satisfy the particularity requirement of Rule 9(b), the complaint must plead such facts as the time, place, and content of the defendant's false representations, as well as

the details of the defendant's fraudulent acts, including when the acts occurred, who engaged in them, and what was obtained as a result." *United States ex. rel. Joshi v. St. Luke's Hosp., Inc.*, 441 F.3d 552, 556 (8th Cir.2006) (citations omitted, emphasis supplied). When determining whether a pleading is sufficient, a court must determine whether the complaint provides adequate notice to enable the adverse party to respond to the allegations of fraud or deceit brought forth by the party asserting fraud. *See Schaller Tel. Co. v. Golden Sky Sys., Inc.*, 298 F.3d 736, 746 (8th Cir.2002) ("Although a pleading alleging fraud need not provide anything more than notice of the claim, it must contain a higher degree of notice, enabling the defendant to respond specifically ... to potentially damaging allegations of immoral and criminal conduct.").

II. ARGUMENT SUPPORTING DISMISSAL

A. Defendants Did Not Plead Counts ONE and FIVE, Which Arise in Fraud, with Particularity

Counts ONE and FIVE of the Counterclaims should be dismissed for Defendants' failure to allege fraud with particularity as required by Rule 9(b), FRCP. In Count ONE, Defendants seek to have the Court issue a declaration "that SMRI's Registation [sic] No. 3,923,284 for the term "STURGIS" Is Invalid and Unenforceable for Fraud on the U.S. Patent & Trademark Office." In Count FIVE, Defendants seek to assert a claim for "Civil Liability for False or Fraudulent Registration under 15 U.S.C. § 1120." Both claims arise in fraud and thus are subject to the pleading with particularity requirement of Rule 9(b).

The pertinent allegations of the Counterclaims underlying these claims are paragraphs 10-19 of the Counterclaims, which are the "Common Facts" underlying all of Defendants' Counterclaims. Therein, Defendants have alleged that:

> SMRI (then Sturgis Area Chamber of Commerce) filed a Section 2(f) affidavit of acquired distinctiveness claiming 'substantially exclusive and continuous use' of the term 'Sturgis' as a mark for five years before the filing of the 2(f) claim.. . The Section 2(f) affidavit filing, which was material to the examination and issuance of Registration No. 3,923,284 for the term 'Sturgis,' was fraudulent.

Counterclaims, Doc. 10, at Par. 14, 16. The allegation is repeated, with a twist as to the nature of the entity allegedly committing fraud, at Paragraphs 21-22 contained within Count ONE of the Counterclaims, in which Defendants allege:

> SMRI (and/or the Sturgis Area Chamber of Commerce) knew that it did not have 'substantially exclusive and continuous use' of the term 'Sturgis' in commerce for at least the five years before the filing of the 2(f) claim, and thus, knowingly made and submitted a false claim and declaration to this effect in order to achieve registration for the term 'Sturgis' under Section 2(f) of the Act. SMRI (and/or the Sturgis Area Chamber of Commerce) thereby willfully and deliberately committed fraud on the U.S. Patent & Trademark Office.

Counterclaims, Doc. 10, at Par. 21. No further factual allegations of fraud are made in Count FIVE, in which Defendants seek civil damages for the alleged fraud by SMRI on the PTO, or elsewhere in the Counterclaims. Counterclaims, Doc. 10, at Par. 37-44.

Fraud is a serious charge to assert, particularly as made in this case against non-profit corporations with volunteer boards of directors. Defendants' allegations fail to provide fair notice to SMRI ("and/or the Sturgis Area Chamber of Commerce," a non-party to this lawsuit) of the "**time, place, and content of the defendant's false representations, as well as the details of the defendant's fraudulent acts, including when the acts occurred, who engaged in them, and what was obtained as a result.**" *St. Luke's Hosp., Inc.*, 441 F.3d at 556. In particular, Defendants have neglected to allege:

- the time of the alleged fraudulent conduct;
- the place of the alleged fraudulent conduct;
- the specific details of SMRI's allegedly fraudulent acts;

- when the acts occurred; and

- who made the fraudulent statements.

In fact, Defendants in their Counterclaims seem unable to make their mind up who committed the fraud. In Paragraph 14, it was "SMRI" that submitted an allegedly false statement to the PTO, even though SMRI did not exist until 2010, presumably well after the allegedly false statements were made. In paragraph 21, Defendants potentially implicate a non-party to this lawsuit, the Sturgis Area Chamber of Commerce, by alleging that the entity that committed the fraud was "SMRI (and/or the Sturgis Area Chamber of Commerce)."

Defendants further fail to identify the time, date, or location of the allegedly fraudulent statements. Defendants allege that someone (SMRI "and/or" the Sturgis Area Chamber of Commerce) filed an affidavit with the U.S. PTO claiming "substantially exclusive and continuous use" of one of the trademarks Defendants are infringing, but Defendants do not inform SMRI or the Court who made the allegation, what it says in its proper context, when it was made, and what the sworn statement, if any, says other than the five words quoted or paraphrased by Defendants.

The Court should dismiss Counts ONE and FIVE of the Counterclaims, as the serious charges of fraud made against the Plaintiff are not properly pled under Rule 9(b) and fail to state a claim upon which relief can be granted under Rule 12(b)(6).

B. Defendants Fail to State a Claim by Pleading an Internally Contradictory Count TWO

The Court also should dismiss Count TWO of the Defendants' Counterclaims, which alleges that each and every one of SMRI's pleaded trademarks is generic, as such a claim contradicts itself and there are no set of facts under which it can be true such that Defendants have failed to state a claim upon which relief can be granted under Rule 12(b)(6).

By definition, something that is generic cannot serve as a trademark because it cannot function as an indication of source. *See In re Merrill Lynch, Pierce, Fenner, & Smith, Inc.,* 828 F.2d 1567, 1569, 4 USPQ2d 1141, 1142 (Fed.Cir.1987). In *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.,* 469 U.S. 189, 105 S.Ct. 658, 83 L.Ed.2d 582 (1985), the Supreme Court explained that "[a] generic term is one that refers to the genus of which the particular product is a species … Generic terms are not registerable, and a registered mark may be canceled at any time on the grounds that it has become generic." *See id.* at 194, 105 S.Ct. 658. *Sunrise Jewelry Mfg. Corp. v. Fred S.A.*, 175 F.3d 1322, 1325 (Fed. Cir. 1999).

SMRI attached to its Complaint against Defendants copies of the registration certificates covering nine registered trademarks owned by SMRI. The Defendants, in Count TWO, allege that the "SMRI's Sturgis Registrations and Unregistered Terms," *i.e.,* as defined by the Defendants each of these registered marks: STURGIS®, TAKE THE RIDE TO STURGIS®, STURGIS BLACK HILLS MOTOR CLASSIC RALLY & RACES BLACK HILLS S.D & DESIGN® and STURGIS BIKE WEEK, plus SMRI's unregistered marks STURGIS MOTORCYCLE RALLY™ and STURGIS RALLY & RACES™ -- "have become known to the relevant public and adopted by consumers as the name of the products and service rather than a brand identifier of such products or service." (Counterclaims, Doc. No. 10, at Par. 25-26).

Thus, according to the Defendants' Counterclaim Count TWO, the term "STURGIS" has become the genus, or the category name, for each and every good identified in the Plaintiff's STURGIS registration, U.S. Reg. No. 3,923,284, which covers dozens of distinct goods as diverse as "metal key rings" and "firearms" and "postcards" and "promoting sports competitions of others." According to Defendants Counterclaim Count TWO, the term "STURGIS" can be used generically to refer to "t-shirts" and "Christmas tree ornaments and gaming chips" equally,

as does the term "STURGIS BIKE WEEK" (which covers t-shirts), and "TAKE THE RIDE TO STURGIS (which covers t-shirts). In alleging genericness so broadly, Defendants have contradicted themselves and render their Count TWO meaningless, incapable of comprehension, and incapable of supporting a valid claim under Rule 12(b)(6). The Court should dismiss Count TWO as failing to state a claim upon which relief could be granted, as "STURGIS" cannot also generically refer to so many diverse goods and services at once, and so many terms (STURGIS, STURGIS BIKE WEEK, TAKE THE RIDE TO STURGIS) cannot at the same time mean the same category of goods such as "t-shirts."

C. Defendants' Count SIX Should Be Dismissed for Defendants' Failure to Identify a Third Party Contract or Expectation

Count SIX of the Defendants' Counterclaims, asserting a claim for tortious interference with "contract and/or business relationship," should be dismissed for Defendants' failure to identify any contract with which Plaintiff, SMRI, allegedly has interfered.

In order to succeed on a claim of tortious interference with a contract or business relationship claim, the plaintiff must prove the following elements:

1. the existence of a valid business relationship or expectancy;
2. knowledge by the interferer of the relationship or expectancy;
3. an intentional and unjustified act of interference on the part of the interferer;
4. proof that the interference caused the harm sustained; and
5. damage to the party whose relationship or expectancy was disrupted.

Landstrom v. Shaver, 561 N.W.2d 1, 16 (S.D.1997) (*quoting Tibke v. McDougall,* 479 N.W.2d 898, 908 (S.D.1992)); *see also McGreevy v. Daktronics, Inc.,* 156 F.3d 837, 841 (8th Cir.1998). South Dakota courts have explained that to maintain a tortious interference action, the plaintiff must demonstrate that there is "a 'triangle'-a plaintiff, an identifiable third party who wished to

deal with the plaintiff, and the defendant who interfered with the plaintiff and the third party." *Landstrom,* 561 N.W.2d at 16; *Hohn v. Spurgeon*, 513 F.3d 827, 829 (8th Cir. 2008).

In Defendants' Counterclaims, Defendants do not identify a single contract or business relationship with which SMRI allegedly has interfered. Instead, Defendants refer generally to "their customers and vendors," who have "refrained from making or cancelled orders" following the PTO's grant to SMRI of a federal trademark registration for the term STURGIS, set forth in U.S. Reg. No. 3,923,284. As set forth in *Hohn*, to "maintain a tortious interference action," the party alleging the cause of action must point to an "identifiable third party who wished to deal with the plaintiff." *Hohn*, 513 F.3d at 829. Because Defendants do not "identify" any such third party, no tortious interference claim may be "maintained." The Court should dismiss Count SIX.

III. CONCLUSION

For the reasons set forth herein, Plaintiff SMRI respectfully requests that the Court order that Counts ONE, TWO, FIVE and SIX be dismissed pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure and the other reasons set forth herein and in Plaintiff's accompanying brief, and for such other and further relief as the Court deems just and reasonable.

Respectfully submitted this 27th day of July, 2011.

/s/ Michael C. Loos

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CERTIFICATE OF SERVICE

I certify that the foregoing **PLAINTIFF'S MEMORANDUM IN SUPPORT OF MOTION TO DISMISS COUNTERCLAIMS** was served on the following individuals by electronic mail on the 27th day of July, 2011, addressed as follows:

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