# Operation North Pole, Inc. v. Magical Moment Events LLC

2018 | Cited 0 times | D. Nevada | September 17, 2018

UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

OPERATION NORTH POLE, INC.,

Plaintiff, vs. MAGICAL MOMENT EVENTS LLC,

Defendant. MAGICAL MOMENT EVENTS LLC,

Counterclaimant, vs. OPERATION NORTH POLE, INC.,

Counterdefendant.

Case No.: 2:17-cv-02759-GMN-GWF

ORDER

Pending before the Court is the Motion to Dismiss, (ECF No. 14), filed by Plaintiff

nse, (ECF No. 16), and Plaintiff filed a Reply, (ECF No. 17). I. BACKGROUND

5, ECF No. 1). Defendant is a for-profit entity that hosts events in Las Vegas, Nevada. (See Answer 8:24 ; (Resp. 2:28). In 2016, Defendant began using the ONP Word Mark for a seasonal Christmas themed interactive experience in one of the shopping centers in Las Vegas. (Compl. 3:19 20; Countercl. 12:4 5). That same year, Defendant registered its website, www.opnorthpole.com, which displays the ONP Word Mark in advertising Christmas event. (Compl. 3:24 25; Ex. B to Compl., ECF No. 1-2). After the event, Defendant donated a portion of the money raised from its use of the ONP Word Mark to charity, although the majority of the event was for-profit. (Compl. 3:22 23).

Plaintiff is a 501(c)(3) not-for-profit corporation located in Des Plaines, Illinois. (Mot. to Dismiss 3:25). In 2009, Plaintiff began engaging in year-round charitable fundraising services, namely organizing and conducting special events for children with medical conditions. (Compl. 2:18 20). Plaintiff began to take children on a yearly in 2011. (Id. at 2:16 18). This fantasy trip is conducted via a

chartered commuter rail line culminating in . (Id. at 2:21 24). other charitable efforts include working with Operation Warm, another charitable organization, to provide winter coats to children. (Id. at 3:3 5). In conjunction with these services, Plaintiff started operating a website on November 20, 2009, called www.operationnorthpole.org, which displays the ONP Word Mark and Id. at 3:15 16).

On January 23, 2017, Plaintiff filed for the ONP Word Mark pursuant to its charitable fundraising services. (Compl. Ex. A, ECF No. 1-1). In the application, Plaintiff stated that it used the ONP Word Mark in commerce beginning on December 3, 2009. (Id.). On September 19, 2017, t . (Countercl. 9:25 27). Defendant alleges that ver four months after [Defendant] commenced use of its [ONP Word Mark] in Id. at 9:17 18). On August 1, 2017, Plaintiff informed Defendant that Plaintiff believed Defendant use of Operation North Pole infringed ONP Word Mark. (Compl. 4:8 10). Defendant allegedly Id. at 4:11 12). Because of this, Plaintiff filed its Complaint on November 1, 2017, asserting the following causes of action: 1) federal trademark infringement and 2) federal unfair competition. (Id. at 4:13 14, 5:12 13). On January 5, 2018, Defendant filed its Answer and Counterclaims alleging: 1) declaratory judgment; 2) cancellation of registrations pursuant to non-use; and 3) cancellation of registrations pursuant to fraud. (Countercl. 12:15 16, 13:8 9, 14:4 5). On January 23, 2018, Plaintiff filed its and third counterclaims. (Mot. to Dismiss 1:28 2:1 2). II. LEGAL STANDARD

Dismissal is appropriate under Rule 12(b)(6) where a pleader fails to state a claim upon which relief can be granted. Fed. R. Civ. P. 12(b)(6); Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555 (2007). A pleading must give fair notice of a legally cognizable claim and the grounds on which it rests, and although a court must take all factual allegations as true, legal conclusions couched as factual allegations are insufficient. Twombly, 550 U.S. at 555. Accordingly, Rule

Id. sufficient factual matter, accepted as true, to state a claim to relief that is plausible on its face. Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (quoting Twombly, 550 U.S. at 570 claim has facial plausibility when the plaintiff pleads factual content that allows the court to

draw the reasonable in Id. This Id.

If the court grants a motion to dismiss for failure to state a claim, leave to amend should be granted unless it is clear that the deficiencies of the complaint cannot be cured by amendment. DeSoto v. Yellow Freight Sys. Inc., 957 F.2d 655, 658 (9th Cir. 1992). Pursuant to

movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, futility of the Foman v. Davis, 371 U.S. 178, 182 (1962). III. DISCUSSION In the instant Motion, counterclaims seeking cancellation of for failure to state a claim pursuant to Federal Rule of Civil Procedure 12(b)(6). (Mot. to Dismiss 3:20 22). In the alternative, Plaintiff seeks dismissal of the third counterclaim for a failure to meet the heightened pleading standard for fraud. (Id. at 8:5 6). The Court will begin with the arguments under the Rule 12(b)(6) standard.

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A. Motion to Dismiss pursuant to Rule 12(b)(6) Defendant argue for cancellation Word Mark for non-use and fraud. (Countercl. 13:23 25, 14:19 21). The Court will first address second counterclaim alleging non-use and then will turn to the third counterclaim alleging fraud.

1. Cancellation of Registrations Non-Use - use. (See Countercl. 13:8 9 Id. at 13:19 22). When a plaintiff argues for cancellation of a

trademark registration due to non-use in interstate commerce, the Court construes it as an abandonment claim under the Lanham Act. 15 U.S.C. § 1127 (2018). As such, the Court will analyze the claim as one for abandonment.

A trademark is s been discontinued with intent not to resume Electro-Source, LLC v. Brandess-Kalt-Aetna-Grp., Inc., 458 F.3d 931, 936 (9th Cir. 2006). A mark shall be deemed to be in use in commerce . . . on services when it used or displayed in the sal Rearden LLC v. Rearden Commerce, Inc., 683 F.3d 1190, 1204 (9th Cir. 2012) (citing 15 U.S.C. § 1127); see also, Chance v. Pac-Tel Teletrac Inc., 242 F.3d 1151, 1159 (9th Cir. 2001) (holding that

(citing 15 U.S.C. § 1127).

Maier Brewing Co. v. Fleischmann Distilling Corp., 390 F.2d 117, 120 (9th Cir. 1968). To adequately plead that a trademark has been abandoned, a plaintiff must plead facts from which a court could reasonably infer that the trademark has not been used in commerce for a three-year period. Abdul-Jabbar v. Gen. Motors Corp., 85 F.3d 407, 411 (9th Cir. 1996). Here, Defendant relies on two assertions in support of its counterclaim. First, Defendant alleges that Plaintiff only offers services under the ONP Word Mark in Illinois. (Countercl. 11:15 16). Second, Defendant asserts that Plaintiff is not registered to do business in states other than Illinois. (Id. at 11:17 19). Pursuant to these arguments, Defendant alleges that the trademark is therefore invalid and unenforceable for only being used intrastate. (Id. at 11:27 12:1).

The Court notes preliminarily that a party does not need to register to do business in a state to engage in interstate commerce. Eli Lilly & Co. v. Sav-on-Drugs, Inc., 366 U.S. 276, 278 (1961) (stating that it is well established that New Jersey cannot require [plaintiff] to get a certificate of authority to do business in the State if its participation in this trade is limited to its ; see Allenberg Cotton Co., Inc. v. Pittman, 419 U.S. 20, 33 (1974) (holding that a foreign corporation engaged in interstate commerce must have sufficient intrastate contacts before a State can require the corporation to qualify to do business). Moreover, Defendant agrees to do business in a state to be engaged in commerce for the purpose of in 8:10 13). As such, Plaintiff is not registered to do business in states outside of Illinois lacks merit. The Court will offered under the ONP Word Mark being used exclusively in Illinois. In its Motion to Dismiss, Plaintiff argues that because it is a not-for-profit corporation governed by 501(c)(3), which subjects it to regulation by Congress, constitute use in commerce. (Mot. to Dismiss 6:25 7:1 2). Plaintiff further argues that the -in-commerce requirement

does not require the movement of goods or services across state lines, as Congress can regulate intrastate activity under the commerce clause. (Id. at 7:5 7). Although Defendant alleges that Plaintiff offering of services under the ONP Word Mark only in Illinois constitutes abandonment, the Court disagrees. It is well established that Congress can regulate intrastate activity under the commerce clause. Gonzales v. Raich, 545 U.S. 1, 17 (2005); see, e.g., Perez v. United States, 402 U.S. 146, 151 (1971); Wickard v. Filburn, 317 U.S. 111, 128 29 (1942). Commerce includes intrastate activity so long as the activity has a substantial economic effect on interstate commerce. Rasmussen v. Am. Dairy Ass , 472 F.2d 517, 522 (9th Cir. 1972).

While Defendant asserts that Plaintiff only offers services in Illinois, intrastate activity satisfies the use-in-commerce requirement as the Lanham Act reaches all

As discussed supra, Congress can regulate intrastate activity under the commerce clause. See Gonzales, 545 U.S. at 17.

Moreover, to satisfy the use-in-commerce requirement, there must be an element of actual use and an element of display. Chance, 242 F.3d at 1159. Word Mark in Illinois satisfies the actual use element as it shows that Plaintiff uses the ONP Word Mark in a form of commerce that is subject to regulation under power. See Larry Harmon Pictures Corp. v. Williams Rest. Corp., 929 F.2d 662, 666 (Fed. Cir.

in commerce requirement. ). the second element of the use-in-commerce requirement goods or services and the mark with the Chance, 242 F.3d at 1159 (quoting Hotel Corp. of Am. v. Inn Am., Inc., 153 U.S.P.Q. 574, 576 (TTAB 1967)).

Additionally, f valid. Zobmondo En , LLC v. Falls Media, LLC, 602 F.3d 1108, 1113 (9th Cir. 2010) (citing 15 U.S.C. §§ 1057(b), 1115(a)). , the Court second counterclaim as to the abandonment argument.

In its Respon Mark is not lawful. (Resp. 9:3 4). Defendant again premises this assertion on the fact that

Plaintiff is not registered to do business in the states surrounding Illinois. (Id.). The unlawful use doctrine is different from an abandonment claim, and thus the unlawful use analysis would differ from the analysis for a claim of non-use. However, Defendant failed to allege the unlawful use claim in either of its counterclaims, as this argument was only brought up in may not Schneider v. Cal. of Corr., 151 F.3d 1194, 1197 n.1 (9th Cir. 1998) (emphasis in original, citations omitted). Thus, the Court will not consider it, and the second counterclaim is dismissed without prejudice.

2. Cancellation of Registrations Fraud Defendant that the ONP Word Mark should be canceled due (Answer 14:19 21). Specifically, Defendant argues that s trademark application, and because of this,

Plaintif Mark] use to the USPTO with the intent to procure the (Id. at 13:12 18). Defendant supports the counterclaim by asserting that: (1) Plaintiff filed the registration for the ONP Word Mark based on its use of the ONP Word Mark in interstate commerce; (2) Plaintiff is not registered to do business in any state surrounding Illinois or in Nevada; and (3) Plaintiff only offers services under the ONP Word Mark in Illinois. (Id. at 10:14 17, 11:15 19, 14:12 14). A registered trademark can be canceled due to fraud if the party can show: (1) a false representation of a material fact; is false; (3) the intent to induce reliance upon the misrepresentation; (4) reasonable reliance on the misrepresentation; and (5) damages proximately resulting from the reliance. Robi v. Five Platters, Inc., 918 F.3d 1439, 1444 (9th Cir. 1990) (citing San Juan Prods., Inc. v. San Juan Pools of Kan., Inc., 849 F.2d 468, 473 (10th Cir. 1988)).

discussed supra, a party does not need to register to do business in another state in order to engage in interstate commerce. See Eli Lilly & Co., 366 U.S. at 278. Further, intrastate use of the mark can satisfy the Lanham Act use-in-commerce requirement. See Gonzales, 545 U.S. at 17; 15 U.S.C. § 1127. Accordingly, registration of a word mark based on intrastate use does not constitute a false representation of use-in-commerce. inferred solely because Plaintiff only offers services the ONP Word Mark can satisfy the use-in-commerce requirement, such intrastate use would not be a misrepresentation of a material fact if used as the basis for registration under the Lanham Act. See Christian Faith Fellowship Church v. Adidas AG, 841 F.3d 986, 995 (Fed. Cir. 2016) ( activity under the Commerce Clause, there is likewise no such per se condition for satisfying . Defendant therefore has failed to allege a false representation of a material fact. without prejudice. 1

B. Leave to Amend Rule 15(a)(2) of t Fed. R. Civ. P. 15(a)(2). hould grant leave to amend even if no request to amend the pleading was made, unless it determines Lopez v. Smith, 203 F.3d 1122, 1127 (9th Cir. 2000) (quoting Doe v. United States, 58 F.3d 494, 497 (9th Cir. 1995)). The Court finds that Defendant may be able to plead additional facts to support its second and third counterclaim against Plaintiff. Accordingly, the Court will grant Defendant leave to file an amended counterclaim. Defendant shall file an amended counterclaim within twenty-one (21) days of the date of this Order.

1 Plaintiff alternatively e dismissed pursuant to Federal Rule of Civil Procedure 9(b). (Mot. to Dismiss 3:2 5). counterclaim pursuant to Rule 12(b)(6), the Court need not engage in a Rule 9(b) analysis. IV. CONCLUSION

IT IS HEREBY ORDERED that Motion to Dismiss, (ECF No. 14), is GRANTED. Specifically second and third counterclaims are dismissed without prejudice.

IT IS FURTHER ORDERED that Defendant shall have twenty-one (21) days from the filing of this Order to file its second amended counterclaim. Failure to file an amended counterclaim by this date shall result in the Court dismissing the claims with prejudice.

DATED this _____ day of , 2018.

_____ Gloria M. Navarro, Chief Judge United States District Judge

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