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14 SLEP-TONE ENTERTAINMENT CORPORATION

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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEVADA

13 SLEP-TONE ENTERTAINMENT CORPORATION,  
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15 Plaintiff,  
16  
17 v.  
18 ELLIS ISLAND CASINO & BREWERY,  
19 et al.,  
20  
21 Defendants.

CASE NO.: 2:12-CV-00239-KJD-RJJ

**PLAINTIFF SLEP-TONE ENTERTAINMENT CORPORATION'S MEMORANDUM OF POINTS AND AUTHORITIES IN OPPOSITION TO THE PT'S DEFENDANTS' MOTION TO DISMISS**

**I. INTRODUCTION**

The PT's Defendants' have ignored material allegations of the complaint, apparently believing that if they simply pretend that the allegations of Plaintiff which state a claim do not exist, then the Court will not look at the entire complaint when ruling on their motion. However, the fact that the PT's Defendants have chosen to be "willfully blind" to the material allegations of Plaintiff's detailed and well-pleaded complaint is not a sufficient basis for granting a motion to dismiss. As set forth below, the complaint states claims for both trademark infringement pursuant to 15 U.S.C. § 1114 and for

1 Lanham Act unfair competition, U.S.C. § 1125. Accordingly, the PT's Defendants' motion  
2 to dismiss must be denied.

## 3 II. LEGAL ARGUMENT

### 4 A. Legal Standard

5 A motion to dismiss for failure to state a claim is disfavored and rarely granted.  
6 *Gilligan v. Jamco Dev. Corp.* (9<sup>th</sup> Cir. 1997) 108 F.3d 246, 248-249. The Court must  
7 accept all well-pleaded factual allegations as true, and must construe the facts alleged  
8 in the complaint in the light most favorable to the plaintiff. See *Shwartz v. United States*  
9 (9<sup>th</sup> Cir. 2000) 234 F.3d 48, 435.

10 Pursuant to Fed.R.Civ.P. 8, the complaint need only contain "a short and plain  
11 statement of the claim showing that the pleader is entitled to relief." Rule 8 does not  
12 require detailed factual allegations. *Ashcroft v. Iqbal* (2009) 556 U.S. 662, 129 S.Ct.  
13 1937, 1949 (citing *Bell Atl. Corp. V. Twombly* (2007) 550 U.S. 544, 555. Analyzing  
14 Plaintiff's *entire* Complaint in light of these standards, it is clear that Plaintiff's Complaint  
15 states a cause of action.

### 16 B. Plaintiff Has Stated Claims For Trademark Infringement 17 Against The PT's Defendants.

#### 18 1. Direct Trademark Infringement

19 To prevail upon a claim for direct trademark infringement, "the moving party must  
20 establish (1) ownership of the trademark at issue; (2) use by defendant, without  
21 authorization, of a copy, reproduction, counterfeit or colorable imitation of the moving  
22 party's mark in connection with the sale, distribution or advertising of goods and services  
23 and (3) that defendant's use of the mark is likely to cause confusion, to cause mistake  
24 or to deceive." *Toho Co., Ltd. v. William Morrow and Company, Inc.* (C.D. Cal. 1998) 33  
25 F.Supp.2d 1206, 1210 (citing 15 U.S.C. § 1114(a); *E & J Gallo Winery v. Gallo Cattle*  
26 *Co.* (9<sup>th</sup> Cir. 1992) 967 F.2d 1280, 1288, no. 2.

27 Contrary to the wishful thinking and willfully blind selective reading of the  
28 complaint by the PT's Defendants, it is clear that Plaintiff has indeed stated a claim for

1 direct infringement. The complaint alleges facts to establish each of the three elements  
2 with regard to each of the PT's Defendants. Relevant allegations establishing each  
3 element of direct infringement are set forth below:

4 (1) *Ownership of the trademark at issue:*

5 Plaintiff has alleged that it is the owner of the trademark "Sound Choice" and the  
6 display trademark for Sound Choice. Complaint ¶¶ 95,96.

7 (2) *Use by defendant, without authorization, of a copy, reproduction,  
8 counterfeit or colorable imitation of the moving party's mark in connection  
9 with the sale, distribution or advertising of goods and services.*

9 Plaintiff has alleged that each of the PT's Defendants "operate a karaoke system  
10 to produce a karaoke show at their eating and drinking establishment in which  
11 counterfeit copies of Slep-Tone's accompaniment tracks were observed being used."

12 Complaint ¶¶ 130, 132, 134, 136,138.<sup>1</sup> See also, Complaint ¶¶ 74-76 alleging that *each*  
13 defendant has used counterfeit copies of karaoke tracks marked with the Sound Choice  
14 Marks.<sup>2</sup>

15 Contrary to the PT's Defendant's unfounded contention that "Plaintiff has not  
16 alleged . . . that the PT's Defendants are involved in . . . the display of the SOUND  
17 CHOICE trademarks during karaoke performances" (Defendants' MPA, Docket #13, p.  
18 6, lines 16-18),Plaintiff has alleged that in connection with the karaoke shows at their  
19 bar/restaurant, **each PT's Defendant "repeatedly displayed the Sound Choice Marks  
20 without right or license."** Complaint ¶¶ 131,133, 135, 137, 139.

21 The graphics portion of karaoke tracks produced by Plaintiff marks the tracks with  
22 the SOUND CHOICE trademarks and causes the Marks to be displayed upon playback.  
23 Complaint ¶¶ 61-62. Because the tracks used by the PT Defendants are counterfeit  
24 (Complaint ¶¶ 131, 133, 135, 137, 139), the display of the Sound Choice Marks is  
25 without right or license.

26 \_\_\_\_\_  
27 <sup>1</sup> Detailed facts identifying pirated/counterfeit copies are set forth in the complaint at paragraphs 66-77.

28 <sup>2</sup> "Media-shifting" and "format-shifting" and their relationship to counterfeit copies are described in the allegations set forth in the  
Complaint at ¶¶ 67-76.

1           These very detailed and specific factual allegations of use of counterfeit copies  
2 of Plaintiff's karaoke accompaniment tracks by each of the PT's Defendants in  
3 connection with a karaoke show at their eating and drinking establishment, resulting in  
4 the repeated unauthorized display the SOUND CHOICE Marks, are sufficient to allege  
5 use of Plaintiff's Marks by Defendants.

6           (3) *Defendant's use of the mark is likely to cause confusion, to cause*  
7 *mistake or to deceive.*

8           Plaintiff has alleged that the PT Defendants' used counterfeits. Complaint ¶¶  
9 130-139. Plaintiff has also alleged that "counterfeits include SLEP-TONE's registered  
10 trademarks, such that *to the consumers of the illegitimate KJ's services, the counterfeits*  
11 *are virtually indistinguishable from genuine Sound Choice materials.*" Complaint ¶ 82  
12 (emphasis added).

13           Plaintiff has also alleged that "The *Defendants' use of the Sound Choice Marks*  
14 *is likely to cause confusion, or to cause mistake, or to deceive the Defendants'*  
15 *customers and patrons* into believing that the Defendants' services are being provided  
16 with the authorization of the Plaintiff and that the Defendants' music libraries contain  
17 bona fide Sound Choice accompaniment tracks." Complaint ¶ 241 (emphasis added).  
18 See also paragraph 247 of the Complaint in which Plaintiff alleges that the "display of  
19 the Sound Choice Marks is *likely to cause confusion, or to cause mistake, or to deceive*  
20 *those present during the display, in that those present are likely to be deceived* into  
21 believing, falsely, that the works being performed were sold by SLEP-TONE and  
22 purchased by the Defendants." (Emphasis added).

23           (a)   Agency Allegations

24           The PT's Defendants' contention that Plaintiff has not alleged that the KJs are  
25 employees of the PT's Defendants or have any agency relationship with the PT's  
26 Defendants once again ignores the pleadings of the Complaint. Plaintiff has alleged  
27 that:

28

- 1 \* the PT's Defendants operate eating and drinking establishments at which  
2 karaoke entertainment is provided (Complaint ¶¶ 14-18);
- 3 \* "karaoke entertainment is provided as part of, and/or in conjunction with, the  
4 commercial enterprise of those persons and entities named herein who own  
5 and/or operate eating and drinking establishment(s)" (Complaint ¶ 56);
- 6 \* the PT's Defendants "operate a karaoke system to produce a karaoke show  
7 at their eating and drinking establishment in which counterfeit copies of SLEP-  
8 TONE's "accompaniment tracks were observed being used" and they each  
9 "repeatedly displayed the Sound Choice Marks without right or license."  
10 (Complaint ¶¶ 130-139).

11 Each of the PT's Defendants are business entities rather than individuals. As  
12 such they can only "use" and "operate" karaoke equipment which displays the Sound  
13 Choice Marks without right or license through the actions of their agents, the KJs. The  
14 PT's Defendants' contention that Plaintiff has not, and cannot allege, that they have an  
15 agency relationship with the KJs who operate the karaoke equipment at the  
16 restaurant/bars of the PT's Defendants is unsupported by any legal authority.

17 The PT's Defendants are apparently attempting to allege via their memorandum  
18 of points and authorities that they believe the KJs are independent contractors.<sup>3</sup>  
19 However, nowhere does the Complaint allege that the KJs are independent contractors.  
20 This attempt by the PT's Defendants to introduce factual contentions in an unsworn  
21 memorandum of points and authorities must be ignored by the Court in ruling on the  
22 motion to dismiss.

23 Even if the PT's Defendants are able to later produce a contract with the KJs  
24 which states that the KJs are independent contractors and not agents of the PT's  
25 Defendants, however, an agency relationship may nevertheless be found by the trier of  
26 fact. Even a "clause negating agency in a written contract is not controlling." *Shaw v.*  
27 *Delta Airlines* (D. Nev. 1992) 798 F.Supp.1453, 1457 (citations omitted). "[T]he trier of

28 \_\_\_\_\_  
<sup>3</sup> See Defendants' MPA [Docket 13], p. 3, lines 21-23.

1 fact must examine the facts surrounding the relationship to see if a true principal-agent  
2 relationship existed.” *Id.*

3 Moreover, even assuming *arguendo* that such an allegation had been contained  
4 in the Complaint, it nevertheless would not insulate the PT’s Defendants from liability.  
5 If a trier of fact finds that despite the PT’s Defendants’ classification of the KJs as  
6 independent contractors, the KJs were acting as their agents in providing the karaoke  
7 services for the patrons of the PT’s Defendants, the PT’s Defendants will be liable for  
8 the trademark infringement of the KJs committed within the scope of the authority of the  
9 KJs to provide karaoke entertainment.

10 It is well established in Nevada that a “principal is bound by the acts of its agent  
11 while acting in the course of his or her employment, and a principal is liable for those  
12 acts within the scope of the agent’s authority.” *Id.* citing *Nevada Nat’l Bank v. Gold Star*  
13 *Meat Co.*, (1973) 89 Nev. 427, 429. When a complaint’s allegations are capable of  
14 more than one inference, the court must adopt whichever inference supports a valid  
15 claim. *Columbia Natural Resources, Inc. v. Tatum* (6th Cir. 1995) 58 F.3d 1101, 1109;  
16 *Hamilton v. Palm* (8th Cir. 2010) 621 F3d 816, 819 [complaint raised plausible inference  
17 of both employee and independent contractor status]. Plaintiff has alleged sufficient  
18 facts to draw the reasonable inference that the KJs were acting as the agents of  
19 the PT’s Defendants when they operated karaoke systems at the establishments  
20 owned and operated by the PT’s Defendants in which counterfeit copies of  
21 Plaintiff’s Marks were used, resulting in the display of Plaintiff’s Marks without right  
22 or license.

23 (b) *Plaintiff’s Marks Were Used In Commerce By The*  
24 *PT’s Defendants Without Right or License.*

25 The PT’s Defendants contend that Plaintiff has not made any allegations  
26 that the PT’s Defendants used Plaintiff’s Marks in commerce. Once again, their  
27 contention is without merit. Plaintiff has alleged that its Marks are displayed when  
28 counterfeit copies of Plaintiff’s karaoke accompaniment tracks are used to produce

1 a karaoke show at each of the PT's Defendants' bar/restaurant. Plaintiff alleges,  
2 "Karaoke entertainment is provided as a part of, and/or in conjunction with, the  
3 commercial enterprise of those persons and entities named herein who own  
4 and/or operate eating and drinking establishment(s)." Complaint, ¶ 56. Clearly,  
5 the use of the Marks during the provision of karaoke entertainment at a  
6 bar/restaurant in Las Vegas constitutes use in commerce.

7 The U.S. Supreme Court has long recognized that the activities of local  
8 restaurants constitute interstate commerce. *Katzenbach v. McClung* (1964) 379  
9 U.S. 294. Plaintiff's detailed allegations are thus sufficient to state a claim for  
10 direct infringement. Thus, the PT's Defendants motion to dismiss for failure to  
11 state a claim must be denied.

12 **2. The Complaint States A Claim For Contributory and Vicarious**  
13 **Trademark Infringement.**

14 A defendant may be liable for contributory trademark infringement when it  
15 continues to supply an infringing product to an infringer with knowledge that the  
16 infringer is mislabeling the particular product supplied. *Perfect 10, Inc. v. Visa Int'l*  
17 *Serv. Ass'n* (9<sup>th</sup> Cir. 2007) 494 F.3d 788, 807. Contributory liability can be imposed  
18 if a defendant is "willfully blind" to ongoing trademark infringement violations.  
19 *Fonovisa, Inc. v. Cherry Auction, Inc.* (9<sup>th</sup> Cir. 1996) 76 F.3d 259, 265. This is  
20 based on the principle that "a company 'is responsible for the torts of those it  
21 permits on its premises 'knowing or having reason to know that the other is acting  
22 or will act tortiously.'" *Fonovisa*, 76 F.3d at 265 quoting Restatement (Second) of  
23 Torts § 877( c) & cmt. d (1979).

24 (a) *Willful Blindness Has Been Sufficiently Alleged.*

25 As the PT's Defendants acknowledge, Plaintiff has alleged that the  
26 defendants *knowingly benefit* from the pirating of Plaintiff's karaoke discs  
27 (Complaint ¶ 232), that the piracy of its discs is widespread (Complaint ¶¶ 51-53,  
28 81, 83-85), that the venues operated by Defendants "can enjoy significant savings  
by turning a blind eye to the actions of the illegitimate KJs they hire," (Complaint

1 ¶ 93), and that the Defendants' bar/restaurants become more profitable as the  
2 competition from KJs using pirated copies of Plaintiff's discs pressure legitimate  
3 KJs to accept lower compensation. (Complaint ¶ 94).

4 Defendants contend that Plaintiff makes no allegation about how the price  
5 for the services of a KJ who has legitimate Sound Choice discs differs from that  
6 of one who has pirated copies. However, Plaintiff has alleged that legitimate KJs  
7 spend thousands of dollars acquiring legitimate discs, which is an irreducible  
8 overhead cost which must be recovered over a significant number of engagements  
9 while KJs who have pirated copies have significantly lower overhead costs.  
10 (Complaint ¶¶ 86-87). Defendants contend that Plaintiff has not alleged sufficient  
11 facts as to how the PT's Defendants should know that the difference in price could  
12 be due to other prices such as "showmanship, punctuality or professionalism of  
13 the KJs, legitimate economies of scale, and/or fair marketplace competition." MPA  
14 [docket 13], p. 10, lines 15-19.

15 It defies logic, however, to suggest that Defendants are paying *lower* prices  
16 for the KJs they hire based on showmanship, punctuality or professionalism. It  
17 cannot be reasonably inferred that Defendants have sought out and hired KJs with  
18 *lower* levels of showmanship, punctuality or professionalism which would justify  
19 paying them *less* compensation. Economies of scale would *not* result in lower  
20 compensation as original discs are required for each karaoke system, thus the  
21 overhead costs would not decrease as a karaoke company increases in size ...  
22 unless the purported "economies of scale" result from purchasing one legitimate  
23 set of discs and then making *pirated* copies to use for additional karaoke systems.  
24 Thus, construing the complaint as a whole in the light most favorable to Plaintiff,  
25 willful blindness on the part of Defendants has been sufficiently alleged.

26 (b) Control Has Been Sufficiently Alleged.

27 "When the alleged direct infringer supplies a service rather than a product  
28 . . . , the court must 'consider the extent of control exercised by the defendant over



1 the third party's means of infringement.” *Perfect 10, Inc.* 494 F.3d at 807 (citing  
2 *Lockheed Martin Corp. v. Network Solutions, Inc.* (9<sup>th</sup> Cir. 1999) 194 F.3d 980,  
3 984). Plaintiff has alleged that the Defendants *knowingly* benefit from the  
4 infringing conduct of the KJs, and that they have the capacity to control the  
5 infringing conduct of the KJs. Complaint ¶ 232.

6 Karaoke entertainment is provided for the benefit of the PT's Defendants  
7 and their patrons. As the restaurant/bar owners, it can be inferred that the PT's  
8 Defendants determine the starting time and ending times for the karaoke  
9 entertainment, the number of nights karaoke is provided, and they hire the KJs  
10 who operate the karaoke systems (whether they are hired as employees or  
11 independent contractors).

12 Clearly, karaoke entertainment is provided at the behest of the PT's  
13 Defendants and any advertising that is done is also done by the PT's Defendants.  
14 KJs provide karaoke services on the premises of the Pts Defendants for the  
15 express benefit of the PT's Defendants. The KJs are the agents of the PT's  
16 Defendants and therefore subject to their control. Plaintiff has thus alleged  
17 sufficient control by the PT's Defendants to state a claim for contributory  
18 infringement, as well as for vicarious liability for trademark infringement.

19 **3. The Complaint States A Claim For Counterfeiting.**

20 The PT's Defendants contend that Plaintiff has not stated a claim for  
21 counterfeiting because its Marks are registered for cassette tapes and compact  
22 discs containing music and video but that Plaintiff allegedly has pled that the  
23 counterfeit Marks are being used in the provision of karaoke entertainment  
24 services. Defendants' MPA [docket 13], p. 13, lines1-15. Defendants have misread  
25 the Complaint.

26 Plaintiff has alleged that its Marks are displayed upon playback of the  
27 karaoke accompaniment tracks. Complaint ¶ 62. Plaintiff has alleged that its  
28 Marks were displayed without right or license when Defendants operated a

1 karaoke system in which counterfeit copies of its karaoke tracks were observed  
2 being used. Complaint ¶¶ 130-139. Thus, the Marks were used in conjunction  
3 with the *counterfeit copies of its compact discs*, not any karaoke entertainment  
4 services. Accordingly, Plaintiff has sufficiently pled a claim for counterfeiting.

5 Defendants have misstated the law regarding the elements of a claim for  
6 counterfeiting, incorrectly assuming that the scope of validity and the scope of  
7 relief for infringement are coextensive, but they are not. “Although the *validity* of  
8 a registered mark extends only to the listed goods or services, an owner’s  
9 remedies against confusion with its valid mark are not so circumscribed. The  
10 language of the infringement statute, 15 U.S.C. § 1114, does not limit remedies  
11 for allegedly infringing uses to those goods within the ambit of registration.”  
12 *Applied Information Sciences Corp. v. Ebay, Inc.* (9<sup>th</sup> Cir. 2007) 511 F.3d 966, 971.

13 Section 1114 provides liability for the unauthorized use of “any reproduction,  
14 counterfeit, copy or colorable imitation of a registered mark in connection with the  
15 sale, offering for sale, distribution, or advertising of *any goods or services* on or in  
16 connection with which such use is likely to cause confusion, or to cause mistake,  
17 or to deceive...” (Emphasis added). “Thus a trademark owner may seek redress  
18 if another’s use of the mark on different goods or services is likely to cause  
19 confusion with the owner’s use of the mark in connection with its registered  
20 goods.” *Ebay*, 511 F.3d at 971 (quoting J. Thomas McCarthy on Trademarks and  
21 Unfair Competition § (4<sup>th</sup> ed. 1992); citing Gilson on Trademarks, § 4.03[3][a]  
22 (2007)). Accordingly, even if the Plaintiff *had* alleged that Defendants are using  
23 counterfeit trademarks in the provision of karaoke entertainment services as  
24 Defendants contend, it would nonetheless be sufficient to allege a claim for  
25 counterfeiting.

26 **4. The Lanham Act Allegations Are Sufficient To State A Claim.**

27 Since Plaintiff has stated claims for trademark infringement, it has likewise  
28 stated claims for Lanham Act unfair competition. *Toho Co., Ltd. v. William Morrow*

1 *and Co., Inc.* (C.D. Cal. 1998) 33 F.S.2d 1206, 1210 (citing *E & J Gallo Winery v.*  
2 *Gallo Cattle Co.* (9<sup>th</sup> Cir. 1992) 967 F.2d 1280, 1288, n. 2. (“When trademark and  
3 unfair competition claims are based on the same infringing conduct, courts apply  
4 the same analysis to both claims.”)

5 **III. CONCLUSION**

6 For the reasons stated above, Plaintiff respectfully requests that the Court  
7 deny the PT’s Defendants’ motion to dismiss. Alternatively, if the Court grants the  
8 motion, Plaintiff requests leave to amend. Where a more carefully drafted  
9 complaint might state a claim, a plaintiff must be given at least one more chance  
10 to amend the complaint before the district court dismisses the action with  
11 prejudice. *Silva v. Bieluch* (11th Cir. 2003) 351 F3d 1045, 1048; Fed.R.Civ.P.  
12 15(a).

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Dated: April 9, 2012

BORIS & ASSOCIATES

By: \_\_\_\_\_ /s/ \_\_\_\_\_

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Dated: April 9, 2012

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**CERTIFICATE OF SERVICE**

I hereby certify that on April 10<sup>th</sup>, 2012, I served the foregoing **PLAINTIFF  
SLEP-TONE ENTERTAINMENT CORPORATION'S MEMORANDUM OF POINTS AND  
AUTHORITIES IN OPPOSITION TO THE PT'S DEFENDANTS' MOTION TO DISMISS**  
via the Court's CM/ECF filing system to all counsel of record and parties listed.

\_\_\_\_\_  
/s/  
Donna Boris