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Caesars Entertainment Corp.,
Corner Investment Co., LLC,
Harrah's Imperial Palace Corp., and
Harrah's Las Vegas, Inc.

UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

SLEP-TONE ENTERTAINMENT CORPORATION,

Plaintiff,

v.

ELLIS ISLAND CASINO & BREWERY *et al*.,

Defendants.

Case No.: 2:12-cv-00239-KJD-RJJ

MOTION TO DISMISS BY DEFENDANTS CAESARS ENTERTAINMENT CORP., CORNER INVESTMENT CO., LLC, HARRAH'S IMPERIAL PALACE CORP., AND HARRAH'S LAS VEGAS, INC.

Pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure, Defendants Caesars Entertainment Corp. ("Caesars"), Corner Investment Co., LLC d/b/a Bill's Gamblin' Hall & Saloon ("Bill's"), Harrah's Imperial Palace Corp. d/b/a Imperial Palace Hotel & Casino ("Imperial Palace"), and Harrah's Las Vegas, Inc. (improperly named "Harrah's Las Vegas") ("Harrah's") (collectively, the "Caesars Defendants") hereby move the Court to dismiss Plaintiff Slep-Tone Entertainment Corporation's ("Slep-Tone's") Complaint for failure to state a claim upon which relief can be granted.

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PRELIMINARY STATEMENT

Slep-Tone is engaged in a nationwide litigation campaign. It has filed more than fifty (50) cookie-cutter lawsuits, including this one, which it filed against 99 defendants, apparently to avoid paying multiple filing fees. Slep-Tone manufactures and distributes compact discs ("CDs") containing music to popular songs along with data that displays the song lyrics on a video screen when the tracks are played. According to Slep-Tone, karaoke jockeys (or "KJs") have unlawfully copied the CDs and are using the copied music to perform karaoke shows and, in the course of doing so, are displaying Slep-Tone's SOUND CHOICE trademark without Slep-Tone's consent.

However, rather than filing *copyright infringement* actions against the KJs who allegedly copied its CDs, Slep-Tone is filing *trademark infringement* suits against innocent property owners, such as the Caesars Defendants, who hired independent contractors to perform karaoke shows at their properties. These lawsuits, including this one, are based solely upon the display of the SOUND CHOICE trademark on video screens during karaoke shows.

Slep-Tone has become the Righthaven of trademarks.[1] Slep-Tone has filed numerous lawsuits, apparently with little or no pre-filing investigation and no warning. Slep-Tone filed suits against a large number of defendants without differentiating between the KJs who allegedly copied Slep-Tone's CDs and the innocent property owners (including the Caesars Defendants) who had no knowledge of the alleged infringement, no ability to control the music (or the source of the music) used by independent contractor KJs, and who have otherwise done nothing to deserve the burden and bear the cost of defending against a no-warning lawsuit. In true Righthaven fashion, Slep-Tone filed its lawsuits *en masse* for the purpose of coercing settlements rather than protecting legitimate intellectual property rights. Slep-Tone is obviously banking on the fact that it would be far less expensive for each defendant to settle the case than to fight Slep-Tone. This is perhaps best evidenced by the fact that none of Slep-Tone's lawsuits have proceeded to trial and few have proceeded past the initial pleading stage.

This case should be dismissed because Slep-Tone has failed to state a claim upon which

[1] Righthaven LLC is the entity that filed more than 275 copyright infringement actions against defendants who copied all or part of newspaper articles on their websites without permission. Righthaven's business model was to extract settlement payments from each defendant using the threat of liability for statutory damages and attorneys' fees.

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relief can be granted. Slep-Tone's empty, conclusory allegations and its failure to sufficiently differentiate between the defendants does not meet even the liberal notice pleading standards under *Iqbal* and *Twombly*. The Complaint's conclusory statements fail to establish a plausible case of direct, contributory, or vicarious trademark infringement or unfair competition. In addition, the Complaint fails to allege facts showing that the Caesars Defendants have used the SOUND CHOICE mark as a trademark. The Complaint is also barred by the doctrine of nominative fair use. The Complaint should also be dismissed because there can be no consumer confusion as a matter of law because the consumers who are allegedly confused (viewers and participants of karaoke shows) are not the consumers of Slep-Tone's CDs. Finally, the Complaint is barred based on the *Dastar* doctrine.

STATEMENT OF ALLEGED FACTS

Plaintiff Slep-Tone is the manufacturer and distributor of karaoke accompaniment tracks sold under the name "Sound Choice." (Compl. ¶ 47.) Slep-Tone owns federal trademark registrations for the SOUND CHOICE word mark and the SOUND CHOICE design mark (the "SOUND CHOICE Marks"). (*Id.* ¶¶ 95-96.) The SOUND CHOICE Marks are registered in International Class 9 for use on "pre-recorded magnetic audio cassette tapes and compact discs containing musical compositions and compact discs containing video related to musical compositions." *See* http://tarr.uspto.gov/servlet/tarr?regser=serial&entry=74561912 (listing use of SOUND CHOICE on "pre-recorded magnetic audio cassette tapes and compact discs containing musical compositions and compact discs containing video related to musical compositions"); http://tarr.uspto.gov/servlet/tarr?regser=serial&entry=74627124 (listing use of SOUND CHOICE on "pre-recorded magnetic audio cassette tapes and compact discs containing musical compositions and compact discs containing video related to musical compositions.")

Entertainers who provide karaoke services in bars, restaurants, and other venues are known as karaoke jockeys ("KJs"), karaoke hosts, or karaoke operators. (*Id.* ¶ 63.) The services provided by KJs typically include providing the karaoke music and equipment for playback, entertaining the assembled crowd for warm-up purposes, and organizing the karaoke show by controlling access to the stage, setting the order of performance and operating the karaoke equipment. (*Id.*) A KJ will

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typically maintain a catalog of songs available for performance in order to aid participants in selecting a song to sing. (*Id.* ¶ 64.) Slep-Tone alleges that "[m]any KJs, such as *some* of the present Defendants, obtain, copy, share, distribute and/or sell media-shifted copies of the accompaniment tracks via pre-loaded hard drives, USB drives, CD-R's, or the Internet." (*Id.* ¶ 66.) (Emphasis added.) "Media shifting" occurs when KJs copy the accompaniment tracks from CDs to computer hard drives or other media. (*Id.* ¶ 67.) "Format shifting" occurs when compact disc files are converted from one format to another, such as from CD+G to MP3G. (*Id.* ¶ 68.)

Slep-Tone alleges, in conclusory fashion, that "[e]ach of the Defendants has used media-shifted and/or format-shifted karaoke accompaniment tracks marked with the [sic] Slep-Tone's registered trademarks for commercial purposes. (*Id.* ¶ 74.) Slep-Tone further alleges that "venues such as those operated by the Defendants can enjoy significant savings by turning a blind eye to the actions of the illegitimate KJs they hire." (*Id.* ¶ 93.) Slep-Tone alleges that "[t]hese venues benefit from piracy because unfair competition from pirate KJs pressures legitimate KJs to accept lower compensation from the venues to obtain new business or retain old business. By decreasing the fixed cost of entertainment, the Defendants' operations become more profitable." (*Id.* ¶ 94.)

With respect to Caesars, Bill's, Imperial Palace, and Harrah's, Slep-Tone alleges that they operate a karaoke system to produce a karaoke show at their eating and drinking establishments in which counterfeit copies of Slep-Tone's accompaniment tracks were observed being used. (*Id.* ¶¶ 120, 123, 228.) Slep-Tone further alleges that Bill's and Imperial Palace have advertised or otherwise indicated that they are in possession of a library containing more than 200,000 tracks stored on their karaoke systems, and that Caesars, Bill's, Imperial Palace, and Harrah's have repeatedly displayed the SOUND CHOICE Marks without right or license. (*Id.* ¶¶ 121-122, 124-125, 229.)

LEGAL STANDARD

When ruling on a Rule 12(b)(6) motion, the Court must accept all well-pleaded allegations of material fact as true and construe them in a light most favorable to the non-moving party. *See Wyler Summit P'ship v. Turner Broad Sys., Inc.*, 135 F.3d 658, 661 (9th Cir. 1998). However, the Court is not required to accept as true allegations that are merely conclusory. *Sprewell v. Golden*

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State Warriors, 266 F.3d 979, 988 (9th Cir. 2001). A complaint must plead "enough facts to state a claim to relief that is plausible on its face." *Clemens v. DaimlerChrysler Corp*., 534 F.3d 1017, 1022 (9th Cir. 2008) (quoting *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555, 127 S. Ct. 1955, 1964, 167 L. Ed. 2d 929 (2007); *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1949, 173 L. Ed. 2d 868 (2009) (stating that "a claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged")). Although detailed factual allegations are not required for a complaint to pass muster under Rule 12(b)(6), the factual allegations "must be enough to raise a right to relief above the speculative level . . . ." *Twombly*, 550 U.S. at 555. The pleading must convince the court that the facts provide more than "a suspicion [of] a legally cognizable right of action." *Id*. Thus, "[w]here a complaint pleads facts that are 'merely consistent' with a defendant's liability, it 'stops short of the line between possibility and plausibility of entitlement to relief.'" *Id*. (citing *Twombly*, 550 U.S. at 557). Courts considering a motion to dismiss should "begin by identifying pleadings that, because they are no more than conclusions, are not entitled to the assumption of truth[;] [w]hile legal conclusions can provide the framework of a complaint, they must be supported by factual allegations." *Iqbal*, 129 S. Ct. at 1940.

ARGUMENT

I. THE COMPLAINT FAILS TO STATE A PLAUSIBLE CLAIM FOR TRADEMARK INFRINGEMENT AND SHOULD BE DISMISSED.

A. The Complaint Fails To Plausibly Allege Claims For Direct, Contributory, Or Vicarious Trademark Infringement Under *Iqbal* and *Twombly*.

1. The Complaint Fails to Plausibly Allege Direct Trademark Infringement.

Slep-Tone's conclusory allegations fail to plausibly allege use of the SOUND CHOICE mark in commerce, fail to differentiate among each of the 99 defendants in this case, and fail to plausibly allege a likelihood of confusion as a matter of law.

a. The Complaint Fails to Plausibly Allege Use In Commerce.

Slep-Tone's Complaint fails to state a claim for direct trademark infringement because it does not sufficiently allege that any one of the Caesars Defendants has used the SOUND CHOICE Marks in commerce. To state a claim for trademark infringement under the Lanham Act, the plaintiff must

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allege facts demonstrating: (1) ownership of a valid trademark and (2) likelihood of confusion from the defendant's use of the mark. *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1354 (9th Cir. 1985). In addition, trademark infringement and unfair competition claims "are subject to a commercial use requirement." *Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 676 (9th Cir. 2005); *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 307 (9th Cir.1992) (holding that infringement laws "simply do not apply" to a "non-trademark use of a mark"). "The inclusion of [this] requirement[ ] in the Lanham Act serves the Act's purpose: 'to secure the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers.'" *Bosley*, 403 F.3d at 676 (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 774, 112 S. Ct. 2753, 120 L. Ed. 2d 615 (1992)). As Professor McCarthy notes:

> Perhaps the reason that it is argued that a non-trademark use of another's mark is not an infringement is that a non-trademark use is highly unlikely to cause actionable confusion. To be an infringement, there must be a likelihood of confusion over source, sponsorship, affiliation or approval. This happens when the potential buyer is confronted with two similar designations, both of which are used as marks. That is, the viewer is confronted with two similar designations which in context tell the viewer that they identify and distinguish a single source. Because defendant is an imitative free rider, each of the contesting designations is used to identify, not a single source, but two different sources. This causes confusion and deception in the viewer's mind. This is trademark infringement.

4 J. Thomas McCarthy, *McCarthy On Trademarks and Unfair Competition* § 23:11.50 (4th ed. 2008).

Slep-Tone has failed to allege that the Caesars Defendants used the SOUND CHOICE mark in commerce. Slep-Tone makes general allegations that karaoke is a "commercial enterprise." For example, Slep-Tone alleges that "[f]or KJs, karaoke is a commercial enterprise" and that "[k]araoke entertainment is provided as part of, and/or in conjunction with, the commercial enterprise of those persons and entities named herein who own and/or operate eating and drinking establishment(s)." (Compl. ¶¶ 55-56.) Then, Slep-Tone makes general but conclusory allegations against all defendants. Slep-Tone alleges that "[e]ach of the Defendants has used media-shifted and/or format-shifted karaoke accompaniment tracks marked with the SLEP-TONE's registered trademarks for commercial purposes." (Compl. ¶ 74.) Slep-Tone further alleges that "[t]he Defendants' use of the Sound Choice Marks was in commerce within the meaning of the Trademark Act of 1946 as amended." (Compl. ¶ 239.)

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Slep-Tone's allegations regarding commercial use are conclusory and, therefore, cannot be accepted as true. In *Enea Embedded Tech., Inc. v. Eneas Corp*., No. 08-CV-1595-PHX-GMS, 2009 WL 648891, at *4-7 (D. Ariz. Mar. 11, 2009), the court held that conclusory allegations of commercial use are insufficient to state a claim for trademark infringement. Moreover, as the Supreme Court held in *Iqbal*: "A pleading that offers 'labels and conclusions' or 'a formulaic recitation of the elements of a cause of action will not do.' Nor does a complaint suffice if it tenders 'naked assertion[s]' devoid of 'further factual enhancement.'" *See Iqbal*, 129 S. Ct. at 1949 (internal citation omitted); *see also Sprewell*, 266 F.3d at 988 ("The court need not, however, accept as true allegations that contradict matters properly subject to judicial notice or by exhibit. Nor is the court required to accept as true allegations that are merely conclusory, unwarranted deductions of fact, or unreasonable inferences.") (internal citations omitted).

More problematically, the Complaint improperly aggregates the actions of each of the 99 individual defendants in this case -- collectively referring to the actions of all 99 as the actions of the "Defendants." This is clearly improper. *See, e.g., Magluta v. Samples,* 256 F.3d 1282, 1284 (11th Cir. 2001) ("The complaint is replete with allegations that 'the defendants' engaged in certain conduct, making no distinction among the fourteen defendants charged, though geographic and temporal realities make plain that all of the defendants could not have participated in every act complained of."); *Myers v. Winn Law Group*, No. 2:11-cv-02372 JAM KJN PS, 2011 WL 4954215, at *2 (E.D. Cal. Oct. 18, 2011) ("All of plaintiff's allegations are targeted at the four named defendants *collectively,* such that it is impossible to tell which defendant took which alleged actions … Because plaintiff does not make any factual allegations as to particular defendants, he cannot proceed unless he cures these deficiencies in an amended complaint."); *Corazon v. Aurora Loan Services, LLC*, No. 11-00542 SC, 2011 WL 1740099, at *4 (N.D. Cal. May 5, 2011) ("Undifferentiated pleading against multiple defendants is improper."); *In re Sagent Tech., Inc*., 278 F. Supp. 2d 1079, 1094 (N.D. Cal. 2003) ("[T]he complaint fails to state a claim because plaintiffs do not indicate which individual defendant or defendants were responsible for which alleged wrongful act."); *Gauvin v. Trombatore*, 682 F. Supp. 1067, 1071 (N.D. Cal. 1988) (lumping together multiple defendants in one broad allegation fails to satisfy notice requirement of Federal Rule of Civil

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Procedure 8(a)(2)).

Worse yet, the Complaint does not distinguish between defendants who have provided karaoke services as KJs and defendants who merely hired KJs to put on karaoke shows at their properties. It contains no specific factual allegation that any one of the Caesars Defendants has acted as a KJ who provides karaoke services in exchange for money in interstate commerce. Rather, the Complaint generally alleges that: "Karaoke entertainment is provided as part of, and/or in conjunction with, the commercial enterprise of those persons and entities named herein who own and/or operate eating and drinking establishment(s)." (Compl. ¶ 56.) Thus, the Complaint fails to allege that any one of the Caesars Defendants has received money for providing karaoke services. Nor does the Complaint contain any specific factual allegation that any one of the Caesars Defendants has received money from a third-party KJ's performance of karaoke services on any one of the Caesars Defendants' properties. Because the Complaint fails to allege specific facts showing that any one of the Caesars Defendants has used the SOUND CHOICE Marks in interstate commerce, it fails to state a claim upon which relief may be granted and must be dismissed.

b. The Complaint Fails To Allege Facts Establishing A Likelihood Of Confusion.

Slep-Tone has alleged likelihood of confusion among viewers and participants in karaoke shows, not confusion among its customers -- KJs who purchase CDs.

If the Court determines as a matter of law from the pleadings that confusion is unlikely, the complaint should be dismissed. *See Murray v. Cable Nat'l Broadcasting Co.*, 86 F.3d 858, 860 (9th Cir. 1996) (citing *Toho Co. Ltd. v. Sears Roebuck & Co.*, 645 F.2d 788, 790-91 (9th Cir. 1981)). A likelihood of confusion exists when a consumer viewing a service mark is likely to purchase the services under a mistaken belief that the services are, or are associated with, the services of another provider. *Murray*, 86 F.3d at 861 (citing *Rodeo Collection, Ltd. v. West Seventh*, 812 F.2d 1215, 1217 (9th Cir. 1987)). The confusion must "be probable, not simply a possibility." *Id.*

It is well established that the relevant confusion is confusion among the trademark owner's customers in the trademark owner's channels of trade. In the case of *In re The W.W. Henry*

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Company, L.P., 82 U.S.P.Q.2d 1213 (T.T.A.B. 2007), the United State Trademark Trial and Appeal Board found that there was no likelihood of confusion between the mark PATCH 'N GO for chemical filler marketed and sold to plastic manufacturers for the repair of plastic and the trademark applicant's PATCH & GO mark for a drywall and cement patch compound marketed and sold to do-it-yourselfers in hardware stores. *Id*. The Board found that confusion was unlikely because the two products would be sold "to different classes of purchasers through different channels of trade." *Id*. Likewise, the Federal Circuit found no likelihood of confusion where the plaintiff sold "E.D.S." computer services while the defendant sold "EDS" power supplies and battery chargers. *Electronic Design & Sales, Inc. v. Electronic Data Systems Corp*., 954 F.2d 713 (Fed. Cir. 1992). Even though there was some overlap in the markets at issue, the Federal Circuit viewed this as a case of sales occurring in separate channels of trade. *Id*. Even though both parties sold products to the medical industry, the plaintiff sold its "E.D.S." data processing services to medical insurers while the defendant sold its "EDS" batteries and power supplies to makers of medical equipment such as bedside alert systems and crib monitors. *Id*.

Here, as in these cases, there can be no likelihood of confusion as a matter of law. The Complaint alleges that viewers and participants in karaoke shows will be confused by the Defendants' use of the SOUND CHOICE Marks. (Compl. ¶ 241 ("The Defendants' use of the Sound Choice Marks is likely to cause confusion, or to cause mistake, or to deceive the Defendants' customers and patrons into believing that the Defendants' services are being provided with the authorization of the Plaintiff and that the Defendants music libraries contain bona fide Sound Choice accompaniment tracks.") (emphasis added).

The viewers and participants in karaoke shows are not Slep-Tone's customers. Slep-Tone sells its CDs to KJs. (Compl. ¶ 49) ("As karaoke grew in popularity, Sound Choice became the brand that nearly every karaoke fan wanted to sing and that nearly every karaoke jockey (—KJ) wanted in his or her library.") (emphasis added); ¶ 52 ("Whereas in the past a KJ would buy multiple copies of an original disk if he or she desired to operate multiple systems, now they simply —clone their songs for multiple commercial systems or even their entire karaoke song libraries to start a new operation."); ¶ 65 ("Legitimate KJs purchase equipment and purchase or

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license compact disks containing accompaniment tracks and charge for the above-mentioned karaoke services.") (emphasis added). The Complaint does not allege that Slep-Tone is in the business of providing karaoke services or that the defendants are in the business of selling karaoke accompaniment tracks to KJs. Accordingly, there is no likelihood of confusion as a matter of law because the persons allegedly confused -- viewers of and participants in karaoke shows -- are not the same class of persons who purchase Slep-Tone's karaoke accompaniment tracks for use in connection with the provision of karaoke services.

2. The Complaint Fails to Plausibly Allege Contributory Infringement.

To the extent Slep-Tone seeks to hold the Caesars Defendants liable for contributory trademark infringement or unfair competition, the Complaint's allegations fail to state an actionable claim. To be liable for contributory trademark infringement, a defendant must have: (1) "intentionally induced" the primary infringer to infringe, or (2) continued to supply an infringing product to an infringer with knowledge that the infringer is mislabeling the particular product supplied. *Perfect 10, Inc. v. Visa Int'l Service Ass'n*, 494 F.3d 788, 807 (9th Cir. 2007) (quoting *Inwood Labs., Inc. v. Ives Labs., Inc*., 456 U.S. 844, 855, 102 S. Ct. 2182, 72 L. Ed. 2d 606 (1982)).

Although this formulation technically requires either intentional inducement or continued sale of an infringing product, the Ninth Circuit has found the rule less restrictive in the situations involving the provision of services. *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F. 3d 980, 983 (9th Cir. 1999). In *Lockheed*, the Ninth Circuit held that, even though an internet service provider did not supply a "product" to infringing third parties, the court should "consider the extent of control exercised by the defendant over the third party's means of infringement" to determine if actual or constructive knowledge of the third party's infringement would give rise to contributory liability. *Id*. at 984. For liability to attach, there must be "[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark." *Id*. Accordingly, when a defendant offers a service instead of a product, a plaintiff can base its contributory trademark infringement claim on the "extent of control" theory or the "intentional inducement" theory. *Id*.

a. The Complaint Does Not Allege Intentional Inducement.

Slep-Tone has failed to plead facts showing that any one of the Caesars Defendants

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intentionally induced KJs (or any other direct infringer) to infringe Slep-Tone's SOUND CHOICE Marks. The Complaint alleges that the defendants have "benefitted [sic] from the use and display of unauthorized media-shifted and format-shifted copies of karaoke accompaniment tracks which have been marked falsely with SLEP-TONE's federally registered trademarks." (Compl. ¶ 70.) The Complaint alleges that the defendants have "possessed, used, or authorized or benefited from the use and display of unauthorized counterfeit goods bearing the Sound Choice Marks, or has provided, advertised, or authorized or benefited from the provision of services in connection with the Sound Choice Marks." (Compl. ¶ 230.) And the Complaint alleges that the defendants have "used, or authorized or directly benefited from the use of, a reproduction, counterfeit, or copy of the Sound Choice Marks in connection with the provision of services including karaoke services, by manufacturing or acquiring the reproduction, counterfeit, or copy of the Sound Choice Marks and by displaying the reproduction, counterfeit, or copy of the Sound Choice Marks during the provision of those services." (Compl. ¶ 238.) None of these conclusory allegations show that any one of the Caesars Defendants induced anybody to do anything.

b. The Complaint Does Not Allege Knowledge of The Infringement Or Direct Control Or Monitoring Of the Instrumentalities Of the Infringement.

The Complaint fails to allege that the Caesars Defendants knew of the infringement or had direct control over or monitoring of the instrumentalities of infringement. Under the extent of control theory, "a plaintiff must prove that the defendant had knowledge and '[d]irect control and monitoring of the instrumentality used by the third party to infringe the plaintiff's mark.'" *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 591 F. Supp. 2d 1098, 1111 (N.D. Cal. 2008) (quoting *Lockheed Martin*, 194 F.3d at 984)). Actual knowledge exists where it can be shown by a defendant's conduct or statements that it actually knew of specific instances of direct infringement. *See A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir.2001). Constructive knowledge exists where it can be shown a defendant should have known of the direct infringement. *Id*. In addition, a defendant's "willful blindness" to "blatant" and repeated acts of infringement may satisfy the knowledge requirement. *See Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996) (approving Seventh Circuit's use of "willful blindness" to establish knowledge

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element of contributory infringement test, stating "a swap meet operator can not disregard its vendors' blatant trademark infringements with impunity.").

In this case, the Complaint fails to allege facts showing that any one of the Caesars Defendants had actual or constructive knowledge of the alleged infringement. There are literally no allegations in the Complaint that any of the Caesars Defendants actually knew that karaoke shows were being performed on any of Caesars Defendants' properties using counterfeit copies of Slep-Tone's CDs. The Complaint does not allege that Slep-Tone sent any of the Caesars Defendants a cease and desist letter or otherwise put them on notice. Nor does the Complaint allege facts showing that any of the Caesars Defendants *should have known* of the alleged infringement. The most the Complaint alleges is that KJs who use illegal copies of Slep-Tone's tracks are able to offer lower priced karaoke services. (Compl. ¶ 89.) And that "[v]enues such as those operated by the Defendants can enjoy significant savings by turning a blind eye to the action of the illegitimate KJs they hire." (Compl. ¶ 93.) These empty and generalized allegations do not show that any one of the Caesars Defendants were on notice of even a single act of infringement. Nor do these allegations demonstrate "willful blindness." Willful blindness is defined as a "deliberate failure to investigate suspected wrongdoing." *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.,* 955 F.2d 1143, 1149 (7th Cir. 1992). Here, there are no facts alleged in the Complaint from which the Court can conclude that any one of the Caesars Defendants "deliberately" failed to investigate any suspicion of infringing conduct. Nor are there any facts from which the Court can conclude that any one of the Caesars Defendants suspected wrongdoing in the first place.

3. The Complaint Fails to Plausibly Allege Vicarious Infringement.

To the extent that Slep-Tone seeks to hold the Caesars Defendants vicariously liable for trademark infringement or unfair competition, the Complaint's empty allegations fail to state an actionable claim. "Vicarious liability for trademark infringement requires 'a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product.'" *Perfect 10, Inc.*, 494 F.3d at 808. Here, Slep-Tone does not allege facts supporting the existence of any apparent or actual partnership between any KJ and any of the Caesars

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Defendants. The Complaint does not allege facts showing that any KJ and any of the Caesars Defendants have entered into a legal relationship with mutual legal authority to bind the other in transactions with third parties. Nor does the Complaint allege facts showing that any KJ and any one of the Caesars Defendants exercise joint ownership or control over any infringing CD.

B. The Complaint Is Barred By The Doctrine Of Nominative Fair Use.

Slep-Tone's claims are also barred by the doctrine of nominative fair use. Nominative fair use refers to a defendant's use of the plaintiff's trademark to describe or identify the plaintiff's product. 3 J. Thomas McCarthy, *McCarthy On Trademarks And Unfair Competition* § 23:11 (4th ed. 2006 & Supp. 2012). "[A] defendant who raises the nominative fair use issue need only show that it uses the mark to refer to the plaintiff's trademarked goods or services. The burden then reverts to the plaintiff to show a likelihood of confusion under the nominative fair use analysis." *Id*. § 23:11. Here, the Defendants allegedly used Slep-Tone's SOUND CHOICE Marks to, at most, identify Slep-Tone's music and lyrics. The Complaint alleges that the Defendants have provided karaoke entertainment in connection with the operation of eating and drinking establishments and that the SOUND CHOICE Marks are displayed when KJs play Slep-Tone's CDs. (Compl. ¶¶ 55, 62.) Slep-Tone further alleges that the music tracks played are copies of Slep-Tone's music. So, when the Defendants play CDs during karaoke shows, the SOUND CHOICE Marks are seen in connection with *Slep-Tone's* actual music and lyrics. Thus, the SOUND CHOICE Marks are used in connection with Slep-Tone's music and lyrics, not those of some other party.

The Court may consider the issue of nominative fair use on a motion to dismiss. *See In re Dual-Deck Video Cassette Recorder Antitrust Litig.*, 11 F.3d 1460, 1466-67 (9th Cir. 1993); *1 800 Get Thin, LLC v. Hiltzik*, No. CV11-00505 ODW (PJWx), 2011 WL 3206486 (C.D. Cal. July 25, 2011) (dismissing trademark infringement claim against the Los Angeles Times for using plaintiff's 1 800 GET THIN trademark in seven news articles); *Architectural Mailboxes, LLC v. Epoch Design, LLC*, No. 10cv974 DMS (CAB), 2011 WL 1630809 (S.D. Cal. Apr. 28, 2011) (dismissing trademark infringement claim based upon the defendant's use of plaintiff's OASIS trademark on defendant's website where website identified plaintiff as the manufacturer of the

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"Oasis Jr." metal mailbox at issue).

The Ninth Circuit considers three factors to determine whether nominative fair use has occurred. It considers whether: (1) the product was "readily identifiable" without use of the mark; (2) the defendant used more of the mark than necessary; and (3) whether the defendant falsely suggested he was sponsored or endorsed by the trademark holder." *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1175–76 (9th Cir. 2010) (citing *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796, 801 (9th Cir.2002)). This test "evaluates the likelihood of confusion in nominative use cases." *Id.* It is designed to address the risk that nominative use of the mark will inspire a mistaken belief on the part of consumers that the speaker is sponsored or endorsed by the trademark holder. *Id*. If the nominative use satisfies the three-factor test, it does not infringe. *Id*.

Here, each of the nominative fair use factors are satisfied. First, Slep-Tone admits that it is not the sole provider of karaoke accompaniment tracks in the market. (Compl. ¶ 48 ("Sound Choice is recognized as one of the leading producers of high quality karaoke accompaniment tracks."); Compl. ¶ 91 (referring to "other manufacturers' tracks").) Since Slep-Tone is not the sole provider of karaoke accompaniment tracks, its CDs are not readily identifiable without referring to its SOUND CHOICE Marks.

Second, the Defendants have not used more of the mark than necessary. The Complaint alleges only that the Defendants have used the SOUND CHOICE Marks during "playback" of Slep-Tone's tracks. (Compl. ¶ 62.)

Third, with respect to whether "the defendant falsely suggested he was sponsored or endorsed by the trademark holder," the defendants used Slep-Tone's mark to, at most, identify Slep-Tone's music and lyrics, not to falsely associate themselves with Slep-Tone. This element does not require a defendant to have made an affirmative statement that its product or service is not sponsored by the plaintiff. *Mattel, Inc. v. Walking Mountain Prods*., 353 F.3d 792, 811 (9th Cir. 2003). "A defendant's use is nominative where he or she used plaintiff's [mark] to describe or identify the plaintiff's product, even if the defendant's ultimate goal is to describe or identify his or her own product." *Id.,* 353 F.3d 792 at 809-810. (Emphasis added.) "Where use of the trade dress or mark is grounded in the defendant's desire to refer to the plaintiff's product as a

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point of reference for defendant's own work, a use is nominative." *Id*. at 810.

In this case, Slep-Tone uses its SOUND CHOICE Marks to identify itself as the source of the goods listed in its trademark registrations -- namely its CDs which contain karaoke accompaniment tracks. Slep-Tone does not use its SOUND CHOICE Marks to identify itself as a provider of karaoke services. Indeed, its trademark registrations do not cover karaoke services. In addition, the Complaint alleges nothing more than the display of the SOUND CHOICE Marks during karaoke shows, which are displayed automatically when Slep-Tone's CDs are played. The SOUND CHOICE Marks are being used, if at all, to identify Slep-Tone as the source of its CDs, which contain its karaoke accompaniment tracks. The SOUND CHOICE Marks are not being used to identify the defendants' karaoke services. Accordingly, the Court should dismiss the Complaint because it is barred by the doctrine of nominative fair use. To the extent Slep-Tone complains about confusion as to whether it is the origin of the copyrighted music and lyrics, its claim is barred by the United States Supreme Court's decision in *Dastar*, as set forth more fully below.

C. The Complaint Is Barred By *Dastar* And Should Be Dismissed.

Trademark law "is concerned with the protection of symbols, elements or devices used to identify a product in the marketplace and to prevent confusion as to its source." *RDF Media Ltd. v. Fox Broad. Co.*, 372 F. Supp. 2d 556, 563 (C.D. Cal. 2005) (quoting *EMI Catalogue Partnership v. Hill, Holliday, Connors, Cosmopulos, Inc*., 228 F.3d 56, 63 (2d Cir. 2000)). In contrast, copyright law "protects the artist's right in an abstract design or other creative work." *Id*. Thus, while trademark law protects the distinctive source-identifying function of a particular mark, copyright law protects the expressive content of an author's creative work as a whole. *See Whitehead v. CBS/Viacom, Inc*., 315 F. Supp. 2d 1, 13 (D.D.C. 2004).

Here, Slep-Tone impermissibly seeks to redress the unlawful copying and distribution of its music and lyrics -- claims that are properly brought under the copyrights laws -- through a trademark infringement action. Slep-Tone's claims are barred by the United States Supreme Court's decision in *Dastar Corporation v. Twentieth Century Fox Film Corporation*, which holds that the Lanham Act does not protect against confusion as to the identity of the *author* of any idea,

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concept, or communication (*i.e.*, copyrightable expression). *See Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 37, 123 S. Ct. 2041, 156 L. Ed. 2d 18 (2003).

In *Dastar*, Doubleday had published a book entitled "Crusade in Europe" and granted exclusive television rights to Fox, who created a television series based on the book. *See Dastar*, 539 U.S. at 25-27. Years went by and Fox allowed its television rights to pass into the public domain. *Id.* It later reacquired them, including the right to distribute the series on video. It sublicensed the right to manufacture and distribute videos of the series to SFM Entertainment and New Line Home Video, Inc. (the "Fox Licensees"). *Id.* However, when the television rights were in the public domain, Dastar acquired the original video tapes to the television series, revised them, and began selling them without any attribution to Fox or the Fox Licensees. *Id.* The Fox Licensees sued Dastar alleging that sales of the new television series constituted "reverse passing off" under the Lanham Act. *Id.* The district court entered a judgment for the Fox Licensees on their Lanham Act claim and the Ninth Circuit affirmed. *Id.* at 28.

The United States Supreme Court reversed the Ninth Circuit in a unanimous decision authored by Justice Scalia. The Supreme Court noted that the Lanham Act protects trademark owners against false designations of *origin* made by competitors. Justice Scalia stated: "If 'origin' refers only to the manufacturer or producer of the physical 'goods' that are made available to the public (in this case the videotapes of the new series), Dastar was the origin. If, however, 'origin' includes the creator of the underlying work that Dastar copied [*i.e.*, the original series], then someone else (perhaps Fox) was the origin of Dastar's product." *Id.* at 31. Justice Scalia reasoned that if "origin" means the creator of the underlying copyrightable work then trademark law would conflict with copyright law, which allows for the free copying and distribution of works whose copyrights have passed into the public domain. Justice Scalia stated: "Assuming for the sake of argument that Dastar's representation of itself as the 'Producer' of its videos amounted to a representation that it originated the creative work conveyed by the videos, allowing a cause of action under [the Lanham Act] for that representation would create a species of mutant copyright law that limits the public's 'federal right to 'copy and to use'' expired copyrights." *Id.* at 34. Thus, the Supreme Court held that the word "origin" in § 43(a) of the Lanham Act (*i.e.*, 15 U.S.C.

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§ 1125(a)) "refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods." *Id*. at 37.

Under *Dastar*, Slep-Tone cannot state a Lanham Act claim based on the notion that viewers and participants of karaoke shows are confused as to whether Slep-Tone is the creator of the music and lyrics on the CDs. The Complaint states: "The Defendants' use of the Sound Choice Marks is likely to cause confusion, or to cause mistake, or to deceive the Defendants' customers and patrons into believing that . . . the Defendants music libraries contain bona fide Sound Choice accompaniment tracks." (Compl. ¶ 241.) Accordingly, to the extent Slep-Tone is complaining about confusion occurring in the marketplace as to whether it is the author of its karaoke accompaniment tracks, as opposed to whether it is a source from which karaoke CDs are available for purchase, Slep-Tone fails to state a claim upon which relief can be granted.

II. THE COMPLAINT FAILS TO STATE A CLAIM FOR UNFAIR COMPETITION AND SHOULD BE DISMISSED.

Count II of the Complaint purports to allege a cause of action for unfair competition under the Lanham Act. "When trademark and unfair competition claims are based on the same [allegedly] infringing conduct, courts apply the same analysis to both claims." *Toho Co., Ltd. v. William Morrow and Company, Inc.*, 33 F. Supp. 2d 1206, 1210 (C.D. Cal. 1998) (citing *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1288 n.2 (9th Cir. 1992)). Count II is based upon the same allegedly infringing conduct as Count I. Accordingly, because Slep-Tone has failed to state a claim for trademark infringement, it has also failed to state a claim for unfair competition and the Complaint should be dismissed.

III. THE COMPLAINT FAILS TO STATE A CLAIM FOR TRADEMARK COUNTERFEITING AND SHOULD BE DISMISSED.

Although Slep-Tone does not expressly denominate a "count" in its Complaint for trademark counterfeiting, its prayer for relief requests that the Court find each of the defendants liable for trademark counterfeiting and seeks enhanced statutory damages under 15 U.S.C. § 1117(c) for trademark counterfeiting in the amount of $2 million per infringed mark. (Compl. at pp. 36-37.)

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The Complaint, however, fails to state a claim for trademark counterfeiting. To state a claim for trademark counterfeiting, the plaintiff must allege that: (1) the defendant infringed a registered trademark in violation of 15 U.S.C. § 1114; and (2) the defendant intentionally used the mark knowing it was a counterfeit, as the term counterfeit is defined in 15 U.S.C. § 1116. *See Too, Inc. v. TJX Companies, Inc.*, 229 F. Supp. 2d 825, 837 (S.D. Ohio 2002) (citing *Babbit Electronics, Inc. v. Dynascan Corp*., 38 F.3d 1161, 1180 (11th Cir. 1994)). A "counterfeit mark" is defined in 15 U.S.C. § 1116 as: "a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed . . . ." 15 U.S.C. § 1116(d)(1)(B)(i).

Here, the Complaint fails to state a claim for trademark counterfeiting because the SOUND CHOICE Marks do not meet the statutory definition of a "counterfeit mark." To meet that definition, "[s]ection 1116(d) requires that the mark in question be (1) a non-genuine mark identical to the registered, genuine mark of another, where (2) the genuine mark was registered for use on the same goods to which the infringer applied the mark." *Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 945-46 (9th Cir. 2011) (emphasis added). The SOUND CHOICE Marks satisfy the first part of the test because they are each a "non-genuine mark" that is "identical to the registered, genuine mark" of Slep-Tone when used by KJs who have illegally copied Slep-Tone's CDs. However, the SOUND CHOICE Marks do not meet the second part of the test because they do not cover the same goods and services allegedly offered by the defendants. The Complaint identifies Slep-Tone's U.S. trademark registrations for the SOUND CHOICE Marks as United States Trademark Registration Nos. 1,923,448 and 2,000,725. (Compl. ¶¶ 95-96.) Slep-Tone's trademark registrations permit use of the SOUND CHOICE Marks on "pre-recorded magnetic audio cassette tapes and compact discs containing musical compositions and compact discs containing video related to musical compositions." *See* http://tarr.uspto.gov/servlet/tarr?regser=serial&entry=74561912 (listing use of SOUND CHOICE on "pre-recorded magnetic audio cassette tapes and compact discs containing musical compositions and compact discs containing video related to musical compositions"); http://tarr.uspto.gov/servlet/tarr?regser=serial&entry=74627124 (listing use of SOUND CHOICE

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on "pre-recorded magnetic audio cassette tapes and compact discs containing musical compositions and compact discs containing video related to musical compositions.")[2] The defendants are accused of using SOUND CHOICE in connection with karaoke services. (Compl. ¶¶ 233 ("Each of the Defendants is accused of committing acts of infringement, unfair competition, and deceptive and unfair trade practices in substantially the same way, namely, through the use of counterfeit karaoke tracks to perform karaoke-related services.").) Accordingly, the SOUND CHOICE Marks are not "counterfeit marks" under the circumstances alleged in the Complaint. The Complaint fails to state a claim for trademark counterfeiting because the SOUND CHOICE Marks do not meet the statutory definition of "counterfeit marks" where, as here, the goods and services they cover are different from those allegedly offered by the defendants.

CONCLUSION

For the foregoing reasons, the Caesars Defendants respectfully request that the Court dismiss the Complaint.

Dated this 21st day of March, 2012.

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[2] The Court may properly consider Slep-Tone's trademark registrations when ruling on a motion to dismiss because Slep-Tone's trademark registrations are public records. *See Intri–Plex Techs., Inc. v. Crest Grp., Inc.*, 499 F.3d 1048, 1052 (9th Cir. 2007) (a "court may take judicial notice of matters of public record without converting a motion to dismiss into a motion for summary judgment, as long as the facts noticed are not subject to reasonable dispute."); *see also Journal Commun'cs, Inc. v. Sabo*, No. 3:07-00605, 2008 WL 821524, at *1 n.3 (M.D. Tenn. March 26, 2008) ("The Court may properly consider these [trademark] registrations in determining Crye-Leike's Rule 12(b)(6) motion.").

CERTIFICATE OF SERVICE

I hereby certify that on March 21, 2012, I filed the foregoing document entitled MOTION TO DISMISS BY DEFENDANTS CAESARS ENTERTAINMENT CORP., CORNER INVESTMENT CO., LLC, HARRAH'S IMPERIAL PALACE CORP., AND HARRAH'S LAS VEGAS, INC., with the Clerk of the Court via the Court's CM/ECF system, which sent electronic notice to the following:

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I hereby further certify that on March 21, 2012, I caused paper copies of the same to be served by first-class, United States, mail upon the following non-CM/ECF participants:

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