

MARQUIS AURBACH COFFING

10001 Park Run Drive
Las Vegas, Nevada 89145
(702) 382-0711 FAX: (702) 382-5816

1 **Marquis Aurbach Coffing**
TERRY A. COFFING, ESQ.
2 Nevada Bar No. 4949
JOHN M. SACCO, ESQ.
3 Nevada Bar No. 1585
BRIAN R. HARDY, ESQ.
4 Nevada Bar No. 10068
10001 Park Run Drive
5 Las Vegas, Nevada 89145
Telephone: (702) 382-0711
6 Facsimile: (702) 382-5816
tcoffing@maclaw.com
7 bhardy@maclaw.com
Attorneys for Hot Shots Bar and Grill,
8 The Pub, LLC, Joe, Dan,
Decatur Restaurant & Tavern, DDRT, LLC,
9 Starmaker Karaoke, Debbie Harm, Café Moda;
Café Moda, LLC and William Carney
10

11 **UNITED STATES DISTRICT COURT**
12 **DISTRICT OF NEVADA**

13 SLEP-TONE ENTERTAINMENT
CORPORATION,

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

14
15 Plaintiff,

16 vs.

17
18 ELLIS ISLAND CASINO & BREWERY;
FAME OPERATING COMPANY, INC.; HOT
19 SHOTS BAR AND GRILL (a/k/a KELLEY'S
PUB); THE PUB, LLC; JOE; DAN; BIG
20 NAILS, LLC; BEAUTY BAR; CAFÉ MODA;
CAFÉ MODA, LLC; WILLIAM CARNEY;
21 LAS VEGAS DJ SERVICE; JONNY VALENTI;
E STRING HRILL & POKER BAR; PCA
22 TRAUTH, LLC; KARAOKE LAS VEGAS;
JACK GREENBACK; BILL'S GAMBLIN'
23 HALL & SALOON; CORNER INVESTMENT
COMPANY, LLC; IMPERIAL PALACE
24 HOTEL & CASINO; HARRASH'S IMPERIAL
PALACE CORPORATION; ROLL 'N'
25 MOBILE DJ'S AND KARAOKE TOO;
KENNY ANGEL; PT'S PLACE; GOLDEN-
26 PT'S PUB CHEYENNE-NELLIS 5, LLC; PT'S
PUB; GOLDEN-PT'S PUB WEST SAHARA 8,
27 LLC; PT'S GOLD; GOLDEN-PT'S PUB
CENTENNIAL 32, LLC; GOLDEN PT'S PUB
28 STEWART-NELLIS 2, LLC; FOLDEN

**DEFENDANTS' HOT SHOTS BAR AND
GRILL, THE PUB, LLC, JOE AND
DAN, DECATUR RESTAURANT &
TAVERN, DDRT, LLC, STARMAKER
KARAOKE, DEBBI HARM. CAFE
MODA, CAFE MODA, LLC AND
WILLIAM CARNEY'S REPLY IN
SUPPORT OF MOTION TO DISMISS**

MARQUIS AURBACH COFFING

10001 Park Run Drive
Las Vegas, Nevada 89145
(702) 382-0711 FAX: (702) 382-5816

1 TAVERN GROUP, LLC; STEVE & RAY
 2 KARAOKE; STEVE; RAY; LEGENDS
 3 CASINO; PUGDAWIGS, LLC; STARMAKER
 4 KARAOKE DEBBIE HARMS; DECATUR
 5 RESTAURANT & TAVERN; DDRT, LLC;
 6 PUTTERS; LISA/CARRISON LTR; DJ TARA
 7 KING PRODUCTIONS; TARA KING; KIXX
 8 BAR; BOULDER STATION CASINO; NP
 9 BOULDER, LLC; NPPALACE, LLC; PALACE
 10 STATION; DANSING KARAOKE; KIRK;
 11 GILLEY'S LAS VEGAS; TREASURE
 12 ISLAND; TREASURE ISLAND, LLC; HALF
 13 SHELL SEAFOOD AND GAMIN; HALF
 14 SHELL, LLC; JAMES BELLAMY; MEGA-
 15 MUSIC PRODUCTIONS; MR. D'S SPORTS
 16 BAR; SPORTS BAR, LLC; RICK
 17 DOMINGUEZ; SOUND SELECT; ISLAND
 18 GRILL; OFFICE 7 LOUNGE &
 19 RESTAURANT, INC.; JAKE'S BAR; DOC, G.
 20 & G., INC.; MIKE CORRAL; DAVE CORRAL;
 21 SHOWTYME KARAOKE & DJ; CALICO
 22 JACK'S SALOON; MIKE R. GORDON; RED
 23 LABEL LOUNGE; RED LABEL BAR, INC.;
 24 TERRY CICCI; TERRY-OKE KARAOKE;
 25 KJ'S BAR & GRILL; L.T. BOND, INC.; TIM
 26 MILLER; VISION & SOUND
 27 ENTERTAINMENT; THUNDERBIRD
 28 LOUNGE AND BAR; ARUBA HOTEL AND
 SPA; IRVINGTON PROPERTIES, LLC;
 THUNDERBIRD BAR & LOUNGE, LLC;
 AUDIO THERAPY DJ; MATTE McNULTY
 (a/k/a DJ Matte); AUDIO THERAPY; GSTI
 HOLDING, LLC; GOLD SPIKE HOTEL &
 CASINO; GOLD SPIKE HOLDINGS, LLC;
 MARDI GRAS LOUNGE-BEST WESTERN;
 THE NEVADIAN, LLC; BEST WESTERN
 MARDI GRAS INN; J.P.P.J. OF NEVADA,
 INC.; HARRAH'S LAS VEGAS; CAESAR'S
 ENTERTAINMENT CORPORATION; TJ'S
 ALL-STARK KARAOKE; JOHN MENNITI;
 and JOHN DOES NOS. 1-10 INCLUSIVE,
 IDENTITIES UNKNOWN,

Defendants.

DEFENDANTS' HOT SHOTS BAR AND GRILL, THE PUB, LLC, JOE AND DAN, DECATUR RESTAURANT & TAVERN, DDRT, LLC, STARMAKER KARAOKE, DEBBI HARM, CAFE MODA, CAFE MODA, LLC AND WILLIAM CARNEY'S
REPLY IN SUPPORT OF MOTION TO DISMISS

Defendants Hot Shots Bar and Grill, The Pub, LLC, Joe, Dan, Decatur Restaurant & Tavern, DDRT, LLC, Starmaker Karaoke, Debbie Harm, Café Moda, Café Moda, LLC and William Carney (collectively the "Defendants") by and through their attorneys of record, the law firm of Marquis Aurbach Coffing, hereby file the instant Reply in Support of their Motion to Dismiss Plaintiff's Complaint.

This Reply is made and based upon the attached Memorandum of Points and Authorities, all papers and pleadings on file herein, and any oral argument allowed at the time of the hearing.

Dated this 21st of May, 2012.

MARQUIS AURBACH COFFING

By /s/ Brian R. Hardy
TERRY A. COFFING, ESQ.
Nevada Bar No. 4949
JOHN M. SACCO, ESQ.
Nevada Bar No. 1585
BRIAN R. HARDY, ESQ.
Nevada Bar No. 10068
10001 Park Run Drive
Las Vegas, Nevada 89145
Attorneys for Hot Shots Bar and Grill,
The Pub, LLC, Joe, Dan,
Decatur Restaurant & Tavern, DDRT, LLC,
Starmaker Karaoke, Debbie Harm, Café
Moda; Café Moda, LLC and
William Carney

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MEMORANDUM OF POINTS AND AUTHORITIES**I. INTRODUCTION.**

Noticeably absent from Plaintiff's allegations is any indication that it put any of the Defendants on actual notice. The Plaintiff alleges that it investigated the unauthorized use and display of its marks, but neglected to actually notify the Defendants of the unauthorized use. Instead, Plaintiff filed its instant suit without notice, warning, sufficient facts to support its allegations and without differentiating between the litany of defendants identified therein. Rather, Plaintiff's "shot-gun" approach of naming every party it can conceive of to for the purpose of coercing settlements rather than protecting legitimate intellectual property rights is deplorable. Unfortunately, this appears to be consistent with the Plaintiff's litigation model adopted by in Nevada and the rest of the country.

Here, Plaintiff's entire action is premised upon a trademark infringement claim founded upon the allegation that when the lyrics are shown on a karaoke screen at a venue, the mere fact that the Plaintiff's SOUND CHOICE logo appears on the lyric screen constitutes trademark infringement by the PT'S Defendants. However, trademark infringement requires that the defendant actually "use" the trademark in the offering of goods or services for sale. In this case, Plaintiff has not properly alleged that the innocent property owners (such as Defendants Hot Shots Bar and Grill, The Pub, LLC, Joe, Dan, Decatur Restaurant & Tavern, DDRT, LLC, Café Moda; Café Moda, LLC and William Carney (collectively the "Owner Defendants")) used Plaintiff's SOUND CHOICE mark in commerce. Without being able to reasonably show that the Owner Defendants used its trademark, Plaintiff's Complaint fails to allege sufficient facts upon which any relief could be granted and, therefore, must be dismissed as it pertains to the Owner Defendants. Moreover, the Plaintiff has wholly failed to allege facts sufficient to establish trademark liability against the KJ Defendants (such as Starmaker Karaoke and Debbie Harm) as there are no facts establishing any likelihood of confusion and who are protected under the doctrine of nominative fair use. Simply put, Plaintiff uses its SOUND CHOICE Marks to identify itself as the source of the goods listed in its trademark registrations - its karaoke CDs. Plaintiff does not use its SOUND CHOICE Marks to identify itself as a provider of karaoke

1 services. Indeed, Plaintiff's trademark registrations do not cover karaoke services. Thus, the
2 SOUND CHOICE Marks are being used, if at all, to identify Plaintiff as the source of the CDs
3 *not* to identify the KJ Defendants karaoke services.

4 Based upon the foregoing, this case should be dismissed as the Plaintiff has wholly failed
5 to state claims upon which relief can be granted.

6 **II. ARGUMENT.**

7 **A. LEGAL STANDARD.**

8 Fed R. Civ. P. 12(b)(6) authorizes this Court to dismiss a complaint for failure to state a
9 claim upon which relief can be granted. "To survive a motion to dismiss, a complaint must
10 include "enough facts to state a claim to relief that is plausible on its face." Ashcroft v. Iqbal,
11 556 U.S. 662 (2009) *quoting* Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570 (2007). Bald
12 contentions, unsupported characterizations, and legal conclusions are not well-plead allegations,
13 and will not suffice to defeat a motion to dismiss. See G.K. Las Vegas Ltd. Partnership v. Simon
14 Prop. Group, Inc., 460 F. Supp.2d 1246, 1261 (D. Nev. 2006); see also Sprewell v. Golden State
15 Warriors, 266 F.3d 979, 988 (9th Cir. 2001). Here, Plaintiff's Complaint for trademark
16 infringement and unfair competition simply fails to allege sufficient facts or legal principles
17 upon which any relief can be granted. Therefore, the Complaint should be dismissed against the
18 Defendants in its entirety.

19 **B. PLAINTIFF OPPOSITION IS UNTIMELY.**

20 On April 12, 2012, the Defendants moved the Court to dismiss this case. [#46.] The
21 motion was filed and served electronically via the Court's CM/ECF system. Id. The Court's local
22 rules require an opposition to a motion to be filed and served fourteen days after service of the
23 motion. L.R.7-2(b). In addition, Rule 6(d) of the Federal Rules of Civil Procedure and Part
24 III(A)(2) of the District of Nevada Electronic Filing Procedures provide for an additional three
25 days if the motion was served electronically. Here, because the motion was filed and served
26 electronically, Plaintiff had a total of 17 days to file and serve its opposition to the motion (which
27 was properly identified by the Court in its Notice of Electronic Filing as April 29, 2012).
28 However, because April 29, 2012, was a Sunday, under Federal Rule of Civil Procedure

1 6(a)(1)(C), Plaintiff had until the next day that was not a Saturday, Sunday, or legal holiday to
 2 file and serve an opposition (i.e., until April 30, 2012). Plaintiff failed to timely file any
 3 opposition on April 30, 2012.¹ Rather, consistent with its diligence in prosecuting this case,² it
 4 did not file any opposition until May 10, 2010. [#65].

5 **C. THE COMPLAINT FAILS TO STATE A CLAIM FOR TRADEMARK**
 6 **INFRINGEMENT AND SHOULD BE DISMISSED.**

7 To state a claim for trademark infringement, the Plaintiff must allege facts demonstrating:
 8 (1) ownership of a valid trademark and (2) likelihood of confusion from the defendant's use of
 9 the mark. Levi Strauss & Co. v. Blue Bell, Inc., 778 F.2d 1352, 1354 (9th Cir. 1985). In
 10 addition, trademark infringement and unfair competition claims “are subject to a commercial use
 11 requirement.” Bosley Med Inst., Inc. v. Kremer, 403 F.3d 672, 676 (9th Cir. 2005); New Kids
 12 on the Block v. News Am. Publ’g, Inc., 971 F.2d 302, 307 (9th Cir.1992). The inclusion of a
 13 commercial use requirement serves “to secure the owner of the mark the goodwill of his business
 14 and to protect the ability of consumers to distinguish among competing producers.” Bosley, 403
 15 F.3d at 676 *citing* Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 774, 112 S. Ct. 2753, 120
 16 L. Ed. 2d 615 (1992)). Notably, “the reason that it is argued that a non-trademark use of
 17 another's mark is not an infringement is that a non-trademark use is highly unlikely to cause
 18 actionable confusion. To be an infringement, there must be a likelihood of confusion over
 19 source, sponsorship, affiliation or approval.” 4 J. Thomas McCarthy, McCarthy On Trademarks
 20 and Unfair Competition § 23:11.50 (4th ed. 2008).

21
 22
 23
 24 ¹ As of April 30, 2012, Plaintiff's failure to timely file points and authorities in opposition to the motion constituted
 25 Plaintiff's consent to the granting of the motion pursuant to L.R. 7-2(d) and this Court may proceed accordingly.
 26 Nevertheless, despite Plaintiff's failure to timely file an Opposition, Defendants will address the merits of the
 27 Plaintiff's late Opposition.

28 ² Plaintiff's complete lack of diligence in this case has not only resulted in certain parties being dismissed due to its
 failure to oppose certain motions [#55], it has wholly failed to schedule or participate in any pretrial conference with
 the Defendants which filed their respective answers on March 20, 2012 and March 30, 2012.

1 Here, it is uncontested that Plaintiff has alleged that it is the owner of the SOUND
 2 CHOICE Mark and meets the first element of its infringement claim.³ However, Plaintiff has
 3 failed to allege that the Owner Defendants used the SOUND CHOICE mark in commerce⁴ and
 4 makes only general allegations against the KJ Defendants, stating “[f]or KJs, karaoke is a
 5 commercial enterprise” and that “[k]araoke entertainment is provided as part of, and/or in
 6 conjunction with, the commercial enterprise of those persons and entities named herein who own
 7 and/or operate eating and drinking establishment(s).”⁵ Compl. [#1] ¶¶55-56. Moreover,
 8 Plaintiff’s Complaint improperly lumps together the actions of each of the nearly one hundred
 9 defendants which not only fails to satisfy the notice requirement of Fed. R. Civ. Pro. Rule 8⁶ but
 10 given the nature of the broad allegations the “geographic and temporal realities make plain that
 11 all of the defendants could not have participated in every act complained of.” See Magluta v.
 12 Samples, 256 F.3d 1282, 1284 (11th Cir. 2001). Notably, the Complaint does not distinguish
 13 between owner defendants who provided karaoke services as KJs and owner defendants who
 14 merely hired KJs to put on karaoke shows at their properties. Because the Complaint fails to
 15 allege *specific* facts establishing that anyone of the Defendants used the SOUND CHOICE
 16 Marks in commerce, it fails to state a claim upon which relief may be granted and must be
 17 dismissed.

18 _____
 19 ³ See Compl. [#1] at ¶¶95-96 *citing* United States Patent and Trademark Office (“USPTO”) Trademark Registration
 2,000,725 for “pre-recorded magnetic audio cassette tapes and compact discs containing musical compositions and
 compact discs containing video related to musical compositions.”

20 ⁴ To counter this, the Plaintiff cites only to the allegation that the Owner Defendants allow karaoke in their
 21 establishments in which “counterfeit copies of the Slep-Tone’s accompaniment tracks were observed being used.”
 22 See Opposition [#65] at 5:22-24. Such allegation does not amount to an allegation of use of the Plaintiff’s mark in
 23 connection with the sale, distribution or advertising of goods and services which infringe upon the Plaintiff’s mark.
 As set forth in Plaintiff’s Complaint, the Owner Defendant’s operate eating and drinking establishments – they do
 not manufacture “pre-recorded magnetic audio cassette tapes and compact discs containing musical compositions
 and compact discs containing video related to musical compositions.” See *supra* fn. 3.

24 ⁵ Plaintiff’s general allegations regarding commercial use are conclusory and, therefore, cannot be accepted as true.
 25 Indeed, conclusory allegations of commercial use are insufficient to state a claim for trademark infringement. See
 26 e.g. Enea Embedded Tech., Inc. v. Eneas Corp., No. 08-CV-1595-PHX-GMS, 2009 WL 648891, at *4-7 (D. Ariz.
 27 Mar. 11, 2009). Moreover, as the Supreme Court held in Iqbal that “[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.” 556 U.S. 662; see also Sprewell, 266 F.3d at 988.

28 ⁶ See Gauvin v. Trombatore, 682 F. Supp. 1067, 1071 (N.D. Cal. 1988)

1 Finally, the Complaint fails to allege facts establishing a likelihood of confusion. If the
2 Court determines from the pleadings that confusion is unlikely, the complaint should be
3 dismissed. See Murray v. Cable Nat'l Broadcasting Co., 86 F.3d 858, 860 (9th Cir. 1996) *citing*
4 Toho Co. Ltd. v. Sears Roebuck & Co., 645 F.2d 788, 790-91 (9th Cir. 1981). A likelihood of
5 confusion exists when a consumer viewing a service mark is likely to purchase the services
6 under a mistaken belief that the services are, or are associated with, the services of another
7 provider. Murray, 86 F.3d at 861 *citing* Rodeo Collection, Ltd. v. West Seventh, 812 F.2d 1215,
8 1217 (9th Cir. 1987). Here, Plaintiff has alleged likelihood of confusion among viewers and
9 participants in karaoke shows, not confusion among its customers -- KJs who purchase CDs. To
10 this end the Plaintiff has attempted to clarify its position by stating, "the display of counterfeit
11 copies of the Plaintiff's Marks in conjunction with the playback of the counterfeit copies of the
12 karaoke tracks is likely to ... caus[e] customers to wrongfully conclude that the counterfeit
13 marks and counterfeit copies of the Plaintiff's karaoke tracks are genuine and authentic Sound
14 Choice Marks and karaoke tracks." See Opposition [#65] at 7:14-20. The forgoing fails to
15 define "customer". In fact, the "customer" identified by the Plaintiff is the Owner Defendants
16 patron. These patrons are not the "customer" of the Plaintiff. It is well established that the
17 relevant type of customer confusion is confusion among the trademark owner's customers in the
18 trademark owner's channels of trade. See e.g. In re The WW Henry Company, L.P., 82
19 U.S.P.Q.2d 1213 (T.T.A.B. 2007) (concluding that there was no likelihood of confusion because
20 the two products would be sold "to different classes of purchasers through different channels of
21 trade."); Electronic Design & Sales, Inc. v. Electronic Data Systems Corp., 954 F.2d 713, 717
22 (Fed. Cir. 1992) *citing* Witco Chem. Co. v. Whitfield Chem. Co., 418 F.2d 1403, 1405 (CCPA
23 1969)(stating "likelihood of confusion must be shown to exist not in a purchasing institution, but
24 in a customer or purchaser . . . We are not concerned with mere theoretical possibilities of
25 confusion, deception, or mistake or with *de minimis* situations but with the practicalities of the
26 commercial world, with which the trademark laws deal.)

27 Here, there can be no likelihood of confusion. Despite the Plaintiff's misguided attempt
28 to utilize the vague term "customer", its Complaint clearly alleges that viewers and participants

1 in karaoke shows will be confused by the Defendants' use of the SOUND CHOICE Marks. See
 2 Compl. [#1] ¶241. Simply put, the viewers and participants in karaoke shows are not Plaintiff's
 3 customers. Rather, Plaintiff admittedly sells its CDs to KJs. Id. ¶¶49, 52 & 65. Neither the
 4 Complaint nor its trademark registration support any inference that the Plaintiff is in the business
 5 of providing karaoke services or that the defendants are in the business of selling karaoke
 6 accompaniment tracks to KJs. Accordingly, there is no likelihood of confusion as a matter of
 7 law because the persons allegedly confused -- viewers of and participants in karaoke shows -- are
 8 not the same class of persons who purchase Plaintiff's karaoke accompaniment tracks to use in
 9 connection with providing karaoke services.

10 **1. The Complaint Fails to Allege Contributory Infringement.**

11 In its Opposition, Plaintiff contends that it has sufficiently alleged claims for contributory
 12 and vicarious trademark infringement. See Opposition [#65] at 10:22-12:23. Plaintiff's
 13 Complaint, however, fails to set forth sufficient facts to establish the necessary elements required
 14 for contributory or vicarious trademark infringement claims.

15 **a. There are Insufficient Allegations of Contributory Trademark**
 16 **Infringement.**

17 To be liable for contributory trademark infringement, a defendant must have: (1)
 18 "intentionally induced" the primary infringer to infringe, or (2) continued to supply an infringing
 19 product to an infringer with knowledge that the infringer is mislabeling the particular product
 20 supplied. Perfect 10, Inc. v. Visa Int'l Service Ass'n, 494 F.3d 788, 807 (9th Cir. 2007) *quoting*
 21 Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 855, 102 S. Ct. 2182, 72 L. Ed. 2d 606
 22 (1982). Further, "[w]hen the alleged direct infringer supplies a service rather than a product,
 23 under the second prong of this test, the court must 'consider the extent of control exercised by
 24 the defendant over the third party's means of infringement.'" Perfect 10, Inc., 494 F.3d at 807
 25 *citing* Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980, 984 (9th Cir. 1999).
 26 "For liability to attach, there must be '[d]irect control and monitoring of the instrumentality used
 27 by a third party to infringe the plaintiff's mark.'" Id. Accordingly, when a defendant offers a
 28 service instead of a product, a plaintiff can base its contributory trademark infringement claim on

1 the “extent of control” theory or the “intentional inducement” theory. Id. Here, Plaintiff has
2 failed to set forth sufficient facts to establish the necessary elements required for contributory
3 infringement.

4 (1) **The Complaint Fails to Allege that the Owner Defendants**
5 **had Knowledge of the Infringement or Direct Control over**
6 **the Instrumentalities of Infringement.**

7 The Complaint fails to allege that the Owner Defendants knew of the infringement or had
8 direct control over or monitoring of the instrumentalities of infringement. Under the extent of
9 control theory, “a plaintiff must prove that the defendant had knowledge and ‘[d]irect control and
10 monitoring of the instrumentality used by the third party to infringe the plaintiff’s mark.” Louis
11 Vuitton Malletier, S.A. v. Akanoc Solutions, Inc., 591 F. Supp. 2d 1098, 1111 (N.D. Cal. 2008)
12 quoting Lockheed Martin, 194 F.3d at 984. Actual knowledge exists where it can be shown by a
13 defendant’s conduct or statements that it actually knew of specific instances of direct
14 infringement. See A & M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1020 (9th Cir.2001).
15 Constructive knowledge exists where it can be shown a defendant should have known of the
16 direct infringement. Id.

17 In this case, the Complaint fails to allege facts showing that anyone of the Defendants
18 (and specifically the Owner Defendants) had actual or constructive knowledge of the alleged
19 infringement. There are literally no allegations in the Complaint that any of the Owner
20 Defendants actually knew that karaoke shows were being performed using counterfeit copies of
21 Plaintiff’s CDs. The Complaint does not allege that Plaintiff sent any of the Defendants a cease
22 and desist letter or otherwise put them on notice. Nor does the Complaint allege facts showing
23 that any of the Owner Defendants should have known of the alleged infringement. Indeed, there
24 are no facts alleged in the Complaint from which the Court can conclude that anyone of the
25 Defendants (and specifically the Owner Defendants) “deliberately” failed to investigate any
26 suspicion of infringing conduct. Nor are there any facts from which the Court can conclude that
27 anyone of the Owner Defendants suspected or were advised of any wrongdoing.

(2) **The Complaint Fails to Allege Willful Blindness.**

As set forth above, Plaintiff has not sufficiently alleged intentional inducement or control. Thus, Plaintiff's Opposition directs this Court's focus on whether the Defendants had actual or constructive knowledge of the alleged infringement. "This second test can be met where one knows or has reason to know of the infringing activity, and it specifically covers those who are 'willfully blind' to such activity." Perfect 10, Inc. v. Cybernet Ventures, Inc., 213 F. Supp. 2d 1146, 1188-89 (C.D. Cal. 2002) *citing* Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 265 (9th Cir. 1996)). However, general knowledge that there may be some third-party infringement taking place is not enough for a defendant to be held liable for contributory infringement. Rather, the defendant must actually know or have reason to know of the infringement. See Fonovisa, Inc., 76 F.3d 261 (finding defendant had actual knowledge after being put on notice multiple times by plaintiff); see also, Perfect 10, Inc., 494 F.3d at 798; Tiffany, Inc. v. eBay, Inc., 600 F.3d 93, 107 (2d Cir. 2010) ("For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods.").

Nowhere in its Complaint does the Plaintiff allege that it put the Defendants on actual notice of any alleged infringement. Interestingly, while the Plaintiff claims to have investigated and observed the alleged infringement (See Compl. [#1] at ¶¶ 70, 130-39), it never saw fit to put the Defendants on actual notice of the infringing activities. Instead, Plaintiff simply filed the instant lawsuit with no notice or warning to the Defendants. "To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate." Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149 (7th Cir. 1992). Plaintiff's allegations that "the defendants knowingly benefit from the pirating of Plaintiff's karaoke discs (Compl. [#1] at ¶232), that the piracy of its discs is widespread (Compl. [#1] at ¶¶ 51-53, 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," (Compl. [#1] at ¶ 93), and that the Defendants' bar/restaurants become more profitable as the competition from KJs using pirated copies of Plaintiff's discs pressure legitimate KJs to accept lower compensation (Compl. [#1] at ¶ 94)" do

1 not support a “willful blindness” theory. See Opposition [#65] at 11:4-13. Rather, these are bald
2 contentions and unsupported characterizations which do not establish that the Defendants (and
3 specifically the Owner Defendants) were on notice of the alleged infringement, or that the
4 Defendants should have in any way suspected wrongdoing. The Plaintiff’s self-serving,
5 generalized allegations are not well-plead and do not atone for the deficiencies in the Plaintiff’s
6 Motion to Dismiss.

7 **2. The Complaint Fails to Allege Vicarious Infringement.**

8 To the extent that Plaintiff seeks to hold the Owner Defendants vicariously liable for
9 trademark infringement or unfair competition, the Complaint's empty allegations again fail to
10 state an actionable claim. “Vicarious liability for trademark infringement requires ‘a finding that
11 the defendant and the infringer have an apparent or actual partnership, have authority to bind one
12 another in transactions with third parties or exercise joint ownership or control over the
13 infringing product.’” Perfect 10, Inc., 494 F .3d at 808. Here, Plaintiff’s Complaint does not
14 allege facts supporting the existence of any apparent or actual partnership between any KJ and
15 any of the Owner Defendants. Rather, the Plaintiff relies upon the unsupported assertion in its
16 Opposition that “[h]aving made the decision to provide karaoke in order to increase venues, the
17 Owner Defendants may not later disclaim responsibility for damages which result from
18 trademark infringement which occurs during the shows.” See Opposition [#65] at 12:19-21.
19 Such allegation is not only unsupported by law it is not plead in the Complaint. As set forth
20 above, liability for vicarious infringement occurs only when one party has the authority to bind
21 the other or exercise joint ownership or control over the infringing product. Here, the Complaint
22 does not allege facts showing that any KJ and any of the Owner Defendants have entered into a
23 legal relationship with mutual legal authority to bind the other in transactions with third parties.
24 Nor does the Complaint allege facts showing that any KJ and any one of the Owner Defendants
25 exercise joint ownership or control over any infringing CD. Quite simply, there are no
26 allegations which have been or could reasonably be asserted to substantiate a claim for vicarious
27 infringement.

MARQUIS AURBACH COFFING

10001 Park Run Drive
Las Vegas, Nevada 89145
(702) 382-0711 FAX: (702) 382-5816

1 **D. THE DEFENDANTS ARE PROTECTED UNDER THE DOCTRINE OF**
 2 **NOMINATIVE FAIR USE.**

3 The Defendants are protected under the doctrine of nominative fair use. Nominative fair
 4 use refers to a defendant's use of a plaintiff's trademark to describe or identify the plaintiff's
 5 product. 3 J. Thomas McCarthy, McCarthy On Trademarks And Unfair Competition § 23:11 (4th
 6 ed. 2006 & Supp. 2012). “[A] defendant who raises the nominative fair use issue need only
 7 show that it uses the mark to refer to the plaintiffs trademarked goods or services. The burden
 8 then reverts to the plaintiff to show a likelihood of confusion under the nominative fair use
 9 analysis.” Id. § 23:11. Here, the Defendants allegedly used Plaintiff's SOUND CHOICE Marks
 10 to, at most, identify Plaintiff's music and lyrics. However, without any legal support and
 11 founded upon its conclusory allegations, Plaintiff's simply defend its position by asserting that
 12 “[s]ince authentic Marks were not displayed in conjunction with original, authentic Sound
 13 Choice products, nominative fair use is inapplicable.” See Opposition [#56] at 14:10-12. While
 14 unaddressed by the Plaintiff, the Ninth Circuit considers three factors to determine whether
 15 nominative fair use has occurred. It considers whether: (1) the product was “readily identifiable”
 16 without use of the mark; (2) the defendant used more of the mark than necessary; and (3)
 17 whether the defendant falsely suggested he was sponsored or endorsed by the trademark holder.”
 18 Toyota Motor Sales, U.S.A., 6 Inc. v. Tabari, 610 F.3d 1171, 1175-76 (9th Cir. 2010) *citing*
 19 Playboy Enterprises, Inc. v. Welles, 7 279 F.3d 796, 801 (9th Cir. 2002). This test “evaluates the
 20 likelihood of confusion in nominative use cases.” Id. This test designed to address the risk that
 21 nominative use of the mark will inspire a mistaken belief on the part of consumers that the
 22 speaker is sponsored or endorsed by the trademark holder. Id. If the nominative use satisfies the
 23 three-factor test, it does not infringe. Id. Here, each of the nominative fair use factors are fully
 24 satisfied.

25 First, Plaintiff admits that it is not the sole provider of karaoke accompaniment tracks in
 26 the market. See e.g. Compl. [#1] ¶48 & 91. Second, the Defendants have not used more of the
 27 mark than necessary. The Complaint alleges only that the Defendants have used the SOUND
 28 CHOICE Marks during “playback” of Plaintiffs tracks. Id. ¶62. Third, with respect to whether

1 the defendant falsely suggested he was sponsored or endorsed by the trademark holder, the
 2 Defendants in the case at bar used Plaintiff's mark to, at most, identify Plaintiff's music and
 3 lyrics and not to falsely associate themselves with the Plaintiff. As noted in Mattei, Inc. v.
 4 Walking Mountain Prods., "[a] defendant's use is nominative where he or she used plaintiff's
 5 [mark] to describe or identify the plaintiff's product, even if the defendant's ultimate goal is to
 6 describe or identify his or her own product." Id. 353 F.3d 792, 809-10 (9th Cir. 2003). "Where
 7 use of the trade dress or mark is grounded in the defendant's desire to refer to the plaintiff's
 8 product as a point of reference for defendant's own work, a use is nominative." Id. at 810.

9 Here, Plaintiff uses its SOUND CHOICE Marks to identify itself as the source of the
 10 goods listed in its trademark registrations - its karaoke CDs. Plaintiff does not use its SOUND
 11 CHOICE Marks to identify itself as a provider of karaoke services. Accordingly, the Court
 12 should dismiss the Complaint because it is barred by the doctrine of nominative fair use.

13 **E. THE COMPLAINT FAILS TO STATE A CLAIM FOR TRADEMARK**
 14 **COUNTERFEITING AND SHOULD BE DISMISSED.**

15 In its Opposition, the Plaintiff alleges it plead claim for trademark counterfeiting.
 16 However, Plaintiff's allegations in the Complaint can in no way support a finding of trademark
 17 counterfeiting as a matter of law. In order for a claim of counterfeiting to prevail, a plaintiff's
 18 trademark must be registered on the Principal Register of the USPTO for use on the same goods
 19 or services to which the defendant applied the mark. See 15 U.S.C. § 1116(d)(1)(B)(i) (a
 20 "counterfeit mark" is a "counterfeit of a mark that is registered on the principal register...for such
 21 goods or services sold, offered for sale, or distributed"); 18 U.S.C. § 2320(e)(1)(A)(iii) (a
 22 "counterfeit mark" is a "spurious mark ... that is applied to or used in connection with the goods
 23 or services for which the mark is registered with the United States Patent and Trademark
 24 Office"). The use of a trademark in connection with goods or services for which there is no
 25 trademark registration falls outside of the definition of "counterfeit mark." See 130 Cong. Rec.
 26 H. 12078-79 (joint statement on 1984 trademark counterfeiting legislation) ("[B]ecause this act
 27 is intended to reach only the most egregious forms of trademark infringement, it does not affect
 28 cases in which the defendant uses a registered mark in connection with goods or services for

1 which the mark is not registered.”); see also, GILSON ON TRADEMARKS, §5.19. Further, the
2 Ninth Circuit has held that to meet the statutory definition of a counterfeit mark, “[s]ection
3 1116(d) requires that the mark in question be (1) a non-genuine mark identical to the registered,
4 genuine mark of another, where (2) the genuine mark was registered for use on the same goods
5 to which the infringer applied the mark.” Louis Vuitton Malletier, S.A. v. Akanoc Solutions,
6 Inc., 658 F.3d 936, 946 (9th Cir. 2011).

7
8 Here, Plaintiff’s alleged SOUND CHOICE marks do not meet the statutory definition of
9 a “counterfeit mark.” Specifically, Plaintiff’s trademark registrations identified in the Complaint
10 do not cover the same services allegedly offered by the Defendants. Again, Plaintiff relies its
11 federal registrations designated in its Complaint to support its allegations of trademark
12 counterfeiting against the Defendants. However, a simple review of its registered marks
13 evidence that such registration are for the sale of “pre-recorded magnetic audio cassette tapes and
14 compact discs containing musical compositions and compact discs containing video related to
15 musical compositions.” Thus, Plaintiff’s Complaint is wholly deficient when it merely alleges
16 the Defendants are using its SOUND CHOICE marks in connection with karaoke services. See
17 Compl. [#1] at ¶ 233. In sum, Plaintiff has pled it has federal registrations for its sale of goods
18 (pre-recorded magnetic audio cassette tapes and compact discs) but yet alleges that the
19 Defendants are using counterfeit trademarks when providing karaoke services. Clearly, the
20 Complaint fails to allege a trademark counterfeiting cause of action against the Defendants upon
21 which relief can be granted.

22 In its Opposition, Plaintiff erroneously relies upon the case Applied Information Sciences
23 Corp. v. eBay, Inc., 511 F.3d 966, 971 (9th Cir. 2007) for the proposition that a trademark
24 counterfeiting cause of action applies to situations where the mark is being used for services not
25 specifically covered by the registration. See Opposition [#65] at 13:12-19. However, Applied
26 Information Sciences Corp. deals only with trademark infringement and not counterfeiting. In
27 fact, there is no counterfeiting cause of action alleged in Applied Information Sciences Corp.,
28 and the only time the word “counterfeit” is even mentioned in that case is in the recitation of the

1 infringement statute 15 U.S.C. §1114(1). See Applied Information Sciences Corp., 511 F.3d at
2 971. The citation in Plaintiff’s Opposition is taken from a section in the case where the court is
3 analyzing a trademark infringement claim under the “likelihood of confusion” standard, not a
4 counterfeiting cause of action. Id. The law simply does not support Plaintiff’s interpretation. In
5 order to maintain a claim for trademark counterfeiting, the alleged counterfeit must be used in
6 connection with the goods or services for which the mark is registered with the USPTO. Here,
7 this is clearly not the case. Consequently, Plaintiff is not entitled to the relief it seeks from the
8 Defendants under its alleged trademark counterfeiting cause of action, and this claim should be
9 dismissed.

10 **F. THE COMPLAINT FAILS TO STATE A CLAIM FOR UNFAIR**
11 **COMPETITION AND SHOULD BE DISMISSED.**

12 Plaintiff has brought both trademark and unfair competition claims against the
13 Defendants under 15 U.S.C. §§ 1114(a) and 1125(a). “When trademark and unfair competition
14 claims are based on the same [alleged] infringing conduct, courts apply the same analysis to both
15 claims.” Toho Co., Ltd. v. William Morrow and Company, Inc., 33 F. Supp. 2d 1206, 1210 (C.D.
16 Cal. 1998) *citing* E. & J Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280, 1288 n.2 (9th Cir.
17 1992); see also Visa Intern. Service Ass’n v. Visa Hotel Group, Inc., 561 F. Supp. 984, 989 (D.
18 Nev. 1983) (“The Ninth Circuit has held that the tests for Federal Trademark Infringement under
19 Title 15 U.S.C. § 1114, False Designation of Origin under Title 15 U.S.C. § 1125 and unfair
20 competition involving trademarks, are the same.”). Because the analysis for unfair competition is
21 the same as that for trademark infringement, for the same reasons set forth in the Defendants’
22 Motion to Dismiss and the instant Reply, the Court should dismiss the unfair competition cause
23 of action alleged against the Defendants for failing to set forth any demonstrable and factual
24 basis for relief against the Defendants.

25 In sum, Plaintiff has failed to sufficiently plead that it is entitled to relief under any
26 theory of trademark infringement or unfair competition. Therefore, Plaintiff’s Trademark
27 Infringement and Unfair Competition claims fail in their entirety as a matter of law.
28

MARQUIS AURBACH COFFING

10001 Park Run Drive
Las Vegas, Nevada 89145
(702) 382-0711 FAX: (702) 382-5816

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III. CONCLUSION.

For the reasons identified above, the Defendants respectfully request that this honorable Court dismiss them from the instant action with prejudice. Simply put, Plaintiff’s conclusory allegations and failure to sufficiently differentiate between the litany of defendants in this action does not meet even the most liberal notice pleading standards. Plaintiff has not alleged a single claim or asserted any facts in support of any claim against the Defendants evidencing any trademark infringement or unfair competition. Further, the Defendants cannot be liable to Plaintiff for any of the damages alleged for counterfeiting. Accordingly, the Defendants respectfully request that they be dismissed from this action with prejudice.

Dated this 21st day of May, 2012.

MARQUIS AURBACH COFFING

By /s/ Brian R. Hardy
TERRY A. COFFING, ESQ.
Nevada Bar No. 4949
JOHN M. SACCO, ESQ.
Nevada Bar No. 1585
BRIAN R. HARDY, ESQ.
Nevada Bar No. 10068
10001 Park Run Drive
Las Vegas, Nevada 89145
Attorneys for Hot Shots Bar and Grill,
The Pub, LLC, Joe, Dan, Starmaker
Karaoke, Debbie Harm, Café Moda;
Café Moda, LLC and William Carney

MARQUIS AURBACH COFFING

10001 Park Run Drive
Las Vegas, Nevada 89145
(702) 382-0711 FAX: (702) 382-5816

CERTIFICATE OF SERVICE

I hereby certify that on the 21st day of May, 2012, I served a copy of the foregoing **DEFENDANTS HOT SHOTS BAR AND GRILL, THE PUB, LLC, JOE, DAN, DECATUR RESTAURANT & TAVERN, DDRT, LLC , STARMAKER KARAOKE AND DEBBI HARM’S REPLY IN SUPPORT MOTION TO DISMISS** upon each of the parties via electronic service through the United States District Court for the District of Nevada’s ECF system to the following

<p>Donna Boris, Esq. Boris & Associates 9107 Wilshire Blvd., Suite 450 Beverly Hills, California 90210 Email: donn@borislaw.com</p> <p>and</p> <p>Kerry P. Faughnan, Esq. Law Offices of Kerry Faughnan P.O. Box 335361 North Las Vegas, Nevada 89033</p> <p><i>Attorneys for Plaintiffs</i></p>	<p>Robert Beyer, Esq. 3790 Paradise Road, Suite 250 Las Vegas, NV 89169 Email: rbeyer@siegelcompanies.com</p> <p>and</p> <p>Joseph Bistriz, Esq. Rasmussen & Kang 330 South Third St. Ste 1010 Las Vegas, NV 89101</p> <p><i>Attorneys for Defendant Gold Spike Holdings, LLC dba Gold Spike Hotel & Casino</i></p>
<p>Laura Bielinski Brownstein Hyatt Farber Schreck 100 City Parkway Las Vegas, NV 89106 Email: lbilinski@bhfs.com</p> <p><i>Attorneys for Defendants Gilley’s Las Vegas, Treasure Island, LLC, NP Boulder, LLC, and NPPalace, LLC</i></p>	<p>Frank A Ellis Ellis & Gordon 510 South 9th Street Las Vegas, NV 89101 Email: fellis@lvbusinesslaw.com</p> <p><i>Attorney for Ellis Island Casino & Brewery and Fame Operating Company, Inc.</i></p>
<p>Lauri S. Thompson Greenberg Traurig, LLP 3773 Howard Hughes Pkwy Suite 500 North Las Vegas, NV 89169 Email: thompsonl@gtlaw.com</p> <p><i>Attorney for Golden-PT’s Cheyenne-Nellis 5, LLC, Golden-PT’s Pub Centennial 32, LLC, Golden-PT’s Pub Stewart Nellis 2, LLC, Golden-PT’s Pub West Sahara 8, LLC, PT’s Gold, PT’s Place, PT’s Pub, Golden and Tavern Group, LLC</i></p>	<p>Thomas D. Boley, Esq. Boley and Aldabbagh Law Firm 3143 Industrial Road Las Vegas, Nevada 89109 Email: tboley@bandalawfirm.com</p> <p><i>Attorney for Terrance Cicci and Terry-Oke</i></p>

