

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA**

SLEP-TONE ENTERTAINMENT
CORPORATION,

Plaintiff,

v.

HEATHER LAPADAT d/b/a TWIN CITY
KARAOKE,

Defendant.

Civil Action No.: 14-cv-04737 (PJS/FLN)

**DEFENDANT'S REPLY MEMORANDUM IN SUPPORT OF ITS MOTION
TO DISMISS UNDER FED. R. CIV. P. 12(b)(6)**

TABLE OF CONTENTS

Introduction 1

Argument 2

I. SLEP-TONE HAS ASSIGNED AWAY ITS RIGHT TO THE SOUND CHOICE MARKS 2

II. SLEP-TONE’S COMPLAINT SHOULD BE DISMISSED WITH PREJUDICE FOR FAILURE TO STATE A CLAIM 4

 A. Slep-Tone Concedes that Ms. Lapadat Does Not Sell, Offer to Sell, Distribute, or Advertise Any Goods. The Lanham Act Claims Related to Goods Fail to State a Claim 4

 B. Because Ms. Lapadat Does Not Sell, Offer to Sell, or Distribute Goods, the Counterfeit Claims Asserted Against Goods Fail to State a Claim 6

 C. Slep-Tone’s Complaint Fails to State a Lanham Act Claim in Connection with Services 8

 1. Slep-Tone fails to plead the threshold requirement that Ms.Lapadat used the SOUND CHOICE designation as a mark in connection with her services as required under the Lanham Act 8

 2. Slep-Tone further fails to plead factual allegations related to a likelihood of confusion 12

 D. Slep-Tone Fails to State a Claim for Relief Directed Against Counterfeit Services Because It Does Not Allege Use of SOUND CHOICE as a Service Mark or that It Puts on Karaoke Shows 14

III. SLEP-TONE’S CLAIMS ARE DIRECTED TO RIGHTS GOVERNED EXCLUSIVELY BY COPYRIGHT LAW 16

Conclusion 21

TABLE OF AUTHORITIES

CASES	Page(s)
<i>Arizona v. California</i> , 530 U.S. 392 (2000).....	3
<i>Black Diamond Sportswear, Inc. v. Black Diamond Equip., Ltd.</i> , No. 06-3508-cv, 2007 U.S. App. LEXIS 23515 (2d Cir. 2007).....	8, 13
<i>Comedy III Prods., Inc. v. New Line Cinema</i> , 200 F.3d 593 (9th Cir. 2000).....	16
<i>Daimlerchrysler AG v. Bloom</i> , 315 F.3d 932 (8th Cir. 2003).....	6, 8
<i>Dastar Corp. v. Twentieth Century Fox Film Corp.</i> , 539 U.S. 23 (2003).....	5, 18, 19
<i>Ford Motor Co. v. Great Domains.com, Inc.</i> , 177 F. Supp. 2d 635 (S.D. Mich. 2001).....	8, 9, 12
<i>Higgins v. City of Tulsa</i> , 103 Fed. Appx. 648 (10th Cir. 2004).....	4
<i>In re Red Robin Enterprises, Inc.</i> , 222 U.S.P.Q. 911 (TTAB 1984).....	9, 13
<i>Int’l Nutrition Co. v. Horphag Research, Ltd.</i> , 220 F.3d 1325 (Fed. Cir. 2000).....	3
<i>Litchfield v. Crane</i> , 123 U.S. 549 (1887).....	3
<i>Nat’l Car Rental Sys. v. Computer Assocs. Int’l</i> , 991 F.2d 426 (8th Cir. 1993).....	16
<i>Orr v. Clements</i> , 688 F.3d 463 (8th Cir. 2012).....	4
<i>Petty v. Cnty. of Franklin</i> , 478 F.3d 341 (6th Cir. 2007).....	4
<i>Select Comfort Corp. v. Sleep Better Store, LLC</i> , Civil No. 11-621, 2012 U.S. Dist. LEXIS 189645 (D. Minn. Oct. 12, 2012).....	14

<i>Slep-Tone Entm't Corp. v. Arrowood</i> , No. 2:10-cv-592, 2011 U.S. Dist. LEXIS 109905 (S.D. Ohio Sept. 26, 2011).....	20
<i>Slep-Tone Entm't Corp. v. Coyne</i> , No. 13 C 2298, 2014 U.S. Dist. LEXIS 63393 (N.D. Ill. May 8, 2014).....	19
<i>Slep-Tone Entm't Corp. v. Elwood Enters., Inc.</i> , No. 13 C 7346, 2014 U.S. Dist. LEXIS 54872 (N.D. Ill. Apr. 21, 2014).....	19
<i>Slep-Tone Entm't Corp. v. Grillhouse, Inc.</i> , No. 6:13-cv-02016-TC (D. Or. Jan. 30, 2015)	19
<i>Slep-Tone Entm't Corp. v. Shenanigans Lounge</i> , No. 6:12-cv-1236-TC, 2013 U.S. Dist. LEXIS 60432 (D. Or. Feb. 22, 2013).....	19
<i>Slep-Tone Entm't Corp. v. Canton Phoenix Inc.</i> , No. 3:14-CV-764-PK, 2014 U.S. Dist. LEXIS 159390 (D. Or. Sept. 4, 2014).....	20
<i>Slep-Tone Entm't Corp. v. Canton Phoenix Inc.</i> , No. 3:14-CV-764-PK, 2014 U.S. Dist. LEXIS 158851 (D. Or. Nov. 7, 2014).....	21
<i>SquirtCo. v. Seven-Up Co.</i> , 628 F.2d 1086 (8th Cir.1980)	14
<i>United States v. Foote</i> , 413 F.3d 1240 (10th Cir. 2005)	15
STATUTES	
15 U.S.C. § 1114	4, 5
15 U.S.C. § 1116(d)	1, 2, 6, 7, 14
15 U.S.C. § 1125	4, 5, 18
15 U.S.C. § 1127	1, 4, 5, 15
17 U.S.C. § 102.....	17
17 U.S.C. § 106.....	16
17 U.S.C. § 301.....	16
OTHER AUTHORITIES	
Fed. R. Civ. P. 41(b)	4

Rule 3.3 of the Minnesota Rules of Professional Conduct2, 3
Fed. R. Civ. P. 12(b)(6)4

INTRODUCTION

Slep-Tone's Complaint should be dismissed because it fails to plead a claim for relief under the Lanham Act and is directed at alleged acts that are exclusively within the domain of copyright law. Slep-Tone's claims under the MDPTA and for common law unfair competition rise and fall together with its Lanham Act claims. This dismissal should be with prejudice and equally binding on Phoenix Entertainment Partners, LLC, the owner of the SOUND CHOICE Marks pursuant to an assignment executed February 10, 2015.

Slep-Tone does not state a claim in connection with goods under the Lanham Act because it does not plead that Ms. Lapadat sells, offers to sell, distributes, or advertises goods. Slep-Tone does not contend otherwise in opposition to this motion. The absence of this necessary factual predicate is conceded. Without allegations directed to the Lanham Act's requirement that Ms. Lapadat use the Marks in connection with goods that she sells or transports in commerce, Slep-Tone fails to state a claim for goods. *See* 15 U.S.C. § 1127 (defining the term "use in commerce"). Slep-Tone also cannot state a claim for counterfeit goods without alleging that Ms. Lapadat sold, offered to sell, or distributed goods. *See* 15 U.S.C. § 1116(d).

Slep-Tone also fails to plead that Ms. Lapadat used the SOUND CHOICE Marks as a service mark in connection with her provision of karaoke services. The Complaint does not state a claim for relief directed to services. The display of a mark in a way that does not identify or distinguish the user's services from others is not a "use" under the Lanham Act. *See* 15 U.S.C. § 1127 (providing that a service mark is a designation "used

by a person . . . to identify and distinguish the services of one person . . . from the services of others and to indicate the source of the services”). Slep-Tone fails to plead that Ms. Lapadat used the SOUND CHOICE Marks to identify or distinguish her services and dismisses the lack of such allegations as irrelevant.

Just as for goods, Slep-Tone’s failure to allege use of the SOUND CHOICE Marks by Ms. Lapadat as a mark for services precludes it claims for counterfeit services. *See* 15 U.S.C. § 1116(d). Slep-Tone further fails to plead that it uses the Marks for the services described in the registration, a required element for counterfeiting. *See id.* Simply having a trademark registration for services does not establish concurrent use and is insufficient to state a claim for counterfeit services.

The Complaint fails to state any claim under the Lanham Act. Slep-Tone’s Complaint is directed at subject matter that is exclusively governed by copyright law. The “wrong” that Slep-Tone asserts is nothing more than the performance of the allegedly unauthorized copies of its audiovisual karaoke accompaniment tracks. Control of the performance of these tracks is exclusively within the purview of the Copyright Act. Slep-Tone’s Complaint should be dismissed with prejudice.

ARGUMENT

I. SLEP-TONE HAS ASSIGNED AWAY ITS RIGHTS TO THE SOUND CHOICE MARKS.

An attorney owes a duty of candor toward the Court under Rule 3.3 of the Minnesota Rules of Professional Conduct. Minn. Rules of Prof’l Conduct 3.3. The duty of candor includes an “obligation as an officer of the court to prevent the trier of fact

from being misled by false evidence.” *Id.* cmt. 5. As part of this obligation, an attorney must not “make a false statement of fact or law to a tribunal, or fail to correct a false statement of material fact or law previously made to the tribunal.” *Id.* at 3.3(a)(1).

Counsel for Ms. Lapadat recently learned that Slep-Tone does not own the SOUND CHOICE Marks. While Slep-Tone states it is the owner of the SOUND CHOICE Marks in its opposition to this motion, (*see* Dkt. No. 17, at 6-7), Slep-Tone assigned the entire right, title, and interest in and to the SOUND CHOICE Marks to Phoenix Entertainment Partners, LLC (“Phoenix Entertainment”) on February 10, 2015. The Trademark Assignment was filed with the Trademark Office the next day. The record of assignment is attached as Exhibit A to the Declaration of Emily Wessels filed in support of this motion.

As the assignee of Slep-Tone’s rights in the SOUND CHOICE Marks, Phoenix Entertainment is in privity with Slep-Tone with respect to the Marks. *See, e.g., International Nutrition Co. v. Horphag Research, Ltd.*, 220 F.3d 1325, 1329 (Fed. Cir. 2000) (citing *Litchfield v. Crane*, 123 U.S. 549, 551 (1887) (defining privity to include a “mutual or successive relationship to the same rights of property”)). As a privy of Slep-Tone with respect to the property-in-suit, Phoenix Entertainment is bound under the principles of res judicata by the judgment of the Court in this matter. *Id.*; *see Arizona v. California*, 530 U.S. 392, 412 (2000) (explaining that res judicata operates not only to protect “the defendant’s interest in avoiding the burdens of twice defending a suit, but is also based on the avoidance of unnecessary judicial waste”).

II. SLEP-TONE’S COMPLAINT SHOULD BE DISMISSED WITH PREJUDICE FOR FAILURE TO STATE A CLAIM.

A complaint that fails to state a claim upon which relief can be granted under Rule 12(b)(6), the standard for which is set forth in Ms. Lapadat’s opening memorandum, should be dismissed with prejudice. The Rules provide that dismissal under Rule 12(b)(6) generally “operates as an adjudication on the merits.” Fed. R. Civ. P. 41(b). As an adjudication on the merits, the dismissal should be with prejudice. *Orr v. Clements*, 688 F.3d 463, 465 (8th Cir. 2012) (“[T]here is a presumption that a dismissal under Rule 12(b)(6) is a judgment on the merits made with prejudice”); *see also Petty v. Cnty. of Franklin*, 478 F.3d 341, 346 n.3 (6th Cir. 2007) (“[A] 12(b)(6) dismissal . . . is generally construed as a dismissal *with* prejudice on the merits.”); *Higgins v. City of Tulsa*, 103 Fed. Appx. 648, 651 (10th Cir. 2004).

A. Slep-Tone Concedes that Ms. Lapadat Does Not Sell, Offer to Sell, Distribute, or Advertise Any Goods. The Lanham Act Claims Related to Goods Fail to State a Claim.

Absent from Slep-Tone’s Complaint are any allegations that Ms. Lapadat uses the SOUND CHOICE Marks or Trade Dress “in connection with the sale, offering for sale, distribution, or advertising of any goods.” 15 U.S.C. § 1114. Section 1125(a) similarly requires the sale of goods. 15 U.S.C. § 1125; § 1127 (defining “use in commerce”). Slep-Tone only alleges that Ms. Lapadat engages in the provision of karaoke services, making no mention of the provision of any goods. (*See* Compl. ¶¶ 7, 42.) Slep-Tone does not refute this point in its opposition. (Dkt. No. 17, at 9-10 (“Lapadat’s

Activities”).) By its silence, Slep-Tone concedes that Ms. Lapadat does not sell, offer for sale, advertise, or distribute any goods.

Slep-Tone nonetheless asserts that its Complaint alleges a Lanham Act claim for use of the SOUND CHOICE Marks and Trade Dress in connection with goods, citing only to paragraph 47 of its Complaint. (*Id.* at 19.) Paragraph 47 merely states, “On information and belief, many of the files stored on the Defendant’s computer hard drives are representative of karaoke tracks originally created by Slep-Tone and are marked with the Sound Choice Marks.” (Compl. ¶ 47.)

Paragraph 47 does not allege a use in connection with goods under the Lanham Act. *See* 15 U.S.C. § 1114; § 1125. The Lanham Act specifies that a mark is used in commerce in connection with goods when “it is placed in any manner on the goods or their containers . . . [and] **the goods are sold or transported in commerce.**” 15 U.S.C. § 1127 (emphasis added); *see also Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 32, 37 (2003) (concluding that “the phrase [origin of goods] refers to the producer of the **tangible goods that are offered for sale**” (emphasis added)). Slep-Tone makes no allegation that Ms. Lapadat makes use of any mark, including the SOUND CHOICE Marks, in connection with goods that she sells or transports in commerce.

The remaining paragraphs Slep-Tone points to as alleging a Lanham Act claim for goods are all conclusory allegations of confusion about the source of goods. They do not allege a sale or offer for sale of goods in commerce:

53. A patron or unwitting customer of Defendant, when confronted with the display of the Sound Choice Marks and the Trade Dress at one of Defendant’s

shows, is **likely to be confused into believing, falsely, that Slep-Tone created the tracks in use or authorized their creation.**

77. Use of the Sound Choice Marks and the Trade Dress in the manner attributable to Defendant is likely to cause confusion, or to cause mistake, or to deceive customers at the venues in which Defendant performs into believing that the services those customers are receiving are being provided with the authorization of the [sic] Slep-Tone using **bona fide, legitimate, authorized karaoke accompaniment tracks.**

84. The display of the Sound Choice Marks and the Trade Dress is also likely to cause confusion, or to cause mistake, or to deceive those present during the display, in that those present are **likely to be deceived into believing, falsely, that the works being performed were sold by Slep-Tone** and purchased by Defendant for use in providing karaoke entertainment services.

(See Dkt. No. 17, at 20 (citing Compl. ¶¶ 53, 77, 84 (emphasis added)).)

A use in commerce in connection with goods is a prerequisite to liability for confusion as to the source of those goods under the Lanham Act. See *Daimlerchrysler AG v. Bloom*, 315 F.3d 932, 936 (8th Cir. 2003) (“Each provision [of the Lanham Act] requires, as a prerequisite to finding liability, that the defendant ‘use in commerce’ the protected mark or a colorable imitation thereof.”). Without allegations that Ms. Lapadat used its Marks in connection with the sale of goods, Slep-Tone’s remaining allegations of confusion associated with goods are of no moment.¹ Slep-Tone’s claims fail to state a cause of action related to goods and should be dismissed with prejudice.

B. Because Ms. Lapadat Does Not Sell, Offer to Sell, or Distribute Goods, the Counterfeit Claims Asserted Against Goods Fail to State a Claim.

Section 1116 of the Lanham Act explicitly provides that liability for counterfeiting is only available if the “goods . . . sold, offered for sale, or distributed” by

¹ These threadbare recitals of confusion are only that; they do not state a plausible basis in fact as required under *Iqbal* and *Twombly*.

the defendant are the same as those for which a mark is registered. 15 U.S.C. § 1116(d). Slep-Tone's failure to allege that Ms. Lapadat sold, offered for sale, or distributed any goods, much less sold or distributed "pre-recorded magnetic audio cassette tapes and compact discs containing musical compositions and compact discs containing video related to musical compositions," the goods for which the SOUND CHOICE Marks are registered, precludes its claims for counterfeiting related to goods. (*See* Compl. ¶¶ 7, 30, 32, 42.)

Slep-Tone responds by simply reasserting that it alleged in its Complaint that Ms. Lapadat created and/or used counterfeit copies of karaoke tracks or computer files representative of karaoke tracks, citing to allegations such as those asserted in paragraphs 49 and 52:

49. Slep-Tone did not authorize Defendant to create or use karaoke accompaniment tracks or computer files representative of karaoke accompaniment tracks that bear the Sound Choice Marks or the Trade Dress.

52. Defendant's files, which function as karaoke accompaniment tracks, are also counterfeits of genuine SOUND CHOICE-branded tracks.

(Dkt. No. 17, at 22-23.)

These allegations assert nothing regarding any "goods . . . sold, offered for sale, or distributed" by Ms. Lapadat. The Complaint fails to state a claim for counterfeit goods. These claims should be dismissed with prejudice.

C. Slep-Tone's Complaint Fails to State a Lanham Act Claim in Connection with Services.

1. Slep-Tone fails to plead the threshold requirement that Ms. Lapadat used the SOUND CHOICE designation as a mark in connection with her services as required under the Lanham Act.

Slep-Tone's failure to allege that Ms. Lapadat used the SOUND CHOICE Marks as a service mark in connection with her provision of services is fatal to its claims directed at services. The Lanham Act does not protect against confusion generally. *See Black Diamond Sportswear, Inc. v. Black Diamond Equip., Ltd.*, No. 06-3508-cv, 2007 U.S. App. LEXIS 23515, at *12 (2d Cir. 2007). Use as a service mark is a prerequisite to liability, without which the issue of confusion is never reached. *See Daimlerchrysler AG v. Bloom*, 315 F.3d at 936.

Not all unauthorized "uses" of a mark are actionable. *Ford Motor Co. v. Great Domains.com, Inc.*, 177 F. Supp. 2d 635, 649 (S.D. Mich. 2001) ("It is well established that not all uses of trademark are infringing or dilutive."). The designation must be used as a mark within the meaning of the Lanham Act to state a claim for relief. As the *Ford Motor* court explained:

The line dividing use of a word or symbol in its trademark and non-trademark senses is determined, in significant part, by whether it is used in connection with goods or services. This conclusion is amply supported by the statutory trademark laws. For example, 15 U.S.C. § 1127 defines "use in commerce" to occur when a mark is "placed in any manner on the goods" or "used or displayed in the sale or advertising of services." 15 U.S.C. § 1127. Similarly, the terms "trademark" and "service mark" are themselves defined by statute as "any word, name, symbol, or device, or any combination thereof" that is "used by a person . . . to identify and distinguish his or her goods [or services]." *Id.* (emphasis added). Indeed, the very "function" of a trademark is "to distinguish goods and services." *Lockheed*, 985 F. Supp. at 960.

Ford Motor Co., 177 F. Supp. 2d at 649-50 (emphasis and alteration in original) (citing case law that “certain infringement claims ‘are best understood as involving a non-trademark use of a mark--a use to which the infringement laws simply do not apply’”).

The case of *In re Red Robin Enterprises, Inc.*, 222 U.S.P.Q. 911 (TTAB 1984), cited by Slep-Tone emphasizes exactly this point. Whether a designation (a clown costume) could be registered as a service mark was not determined by whether it was used in connection with a performance. The determinative fact was whether the use of the designation was “in the context of ‘the sale or advertising of services to identify the services of one person and distinguish them from services of others.’” *Id.* at 912. Without being used to identify the services of one person and distinguish them from the services of others, the mark could not function so as “to indicate the sponsorship or source of such services.” *Id.* The designation was not a service mark unless it functioned as a service mark.

Slep-Tone does not allege that Ms. Lapadat used the SOUND CHOICE Marks as a means to identify and distinguish her karaoke services from the services of other karaoke providers. Many of the allegations of Slep-Tone’s Complaint do not assert any use of its Marks. (Compl. ¶¶ 43-45, 55-56.) Other allegations merely assert that the performance of certain karaoke tracks caused the SOUND CHOICE Mark to be displayed. (*Id.* ¶¶ 48, 53, 57-58.) There is no assertion, let alone plausible factual allegation, that Ms. Lapadat used the SOUND CHOICE Marks to identify or distinguish her karaoke services.

Slep-Tone does not dispute this fatal deficiency. Instead, it dismisses the absence of an alleged service mark use as irrelevant. (Dkt. No. 17, at 17.) Slep-Tone also points to several paragraphs it contends demonstrate use of its marks in connection with services:

57. On information and belief, the Sound Choice Marks were displayed on video monitors during various songs played by Defendant.

74. Defendant used and knowingly directly benefited from the use of a reproduction, counterfeit, or copy of the Sound Choice Marks or the Trade Dress in connection with the provision of services including karaoke services, by manufacturing or acquiring the reproduction, counterfeit, or copy of the Sound Choice Marks or the Trade Dress, and by displaying the reproduction, counterfeit, or copy of the Sound Choice Marks or the Trade Dress during the provision of those services.

75. Defendant's use of the Sound Choice Marks and the Trade Dress was "in commerce" within the meaning of the Trademark Act of 1946 as amended.

82. On each occasion when Defendant caused or permitted a Slep-Tone accompaniment track to be played during a karaoke show, Defendant caused or permitted the display of the Sound Choice Marks and the Trade Dress in connection with Defendant's karaoke entertainment services.

95. Defendant used and knowingly directly benefited from the use of a reproduction, counterfeit, or copy of the Sound Choice Marks or the Trade Dress in connection with the provision of services including karaoke services, by manufacturing or acquiring the reproduction, counterfeit, or copy of the Sound Choice Marks or the Trade Dress, and by displaying the reproduction, counterfeit, or copy of the Sound Choice Marks or the Trade Dress during the provision of those services.

103. Defendant used and knowingly directly benefited from the use of a reproduction, counterfeit, or copy of the Sound Choice Marks or the Trade Dress in connection with the provision of services including karaoke services, by manufacturing or acquiring the reproduction, counterfeit, or copy of the Sound Choice Marks or the Trade Dress, and by displaying the reproduction, counterfeit, or copy of the Sound Choice Marks or the Trade Dress during the provision of those services.

(*Id.* at 15-16, 19.)

Most of these assertions are bare recitations of legal conclusions that fail to satisfy *Iqbal* and *Twombly*. None of them allege the required element that Ms. Lapadat used the SOUND CHOICE Marks as a service mark in connection with her provision of karaoke services.

Slep-Tone also asserts the following paragraphs allege use of the Marks to indicate the source of Ms. Lapadat's services:

53. A patron or unwitting customer of Defendant, when confronted with the display of the Sound Choice Marks and the Trade Dress at one of Defendant's shows, is likely to be confused into believing, falsely, that Slep-Tone created the tracks in use or authorized their creation.

76. Slep-Tone did not license Defendant to make, acquire, or use reproductions, counterfeits, or copies, or to use the Sound Choice Marks or the Trade Dress in connection with the services provided at Defendant's venue(s).

(*Id.* at 18.) Clearly, they do not. These paragraphs are factually unsupported allegations of confusion directed at whether certain karaoke tracks are legitimate. They say nothing about how Ms. Lapadat distinguishes her services from others.

Indeed, Slep-Tone asserts that Ms. Lapadat did *not* use the SOUND CHOICE Marks as a means to identify or distinguish her services as required under the Lanham Act. The Complaint states that in addition to the display of the SOUND CHOICE Marks being a necessary consequence of playing its karaoke accompaniment tracks, the display of other karaoke track manufacturers' marks is a necessary consequence of playing their tracks. (*See* Compl. ¶¶ 48, 87.) Slep-Tone asserts that Ms. Lapadat plays karaoke tracks from many different track manufacturers during her shows, which may or may not

include tracks containing the SOUND CHOICE Marks. (*Id.* ¶¶ 55-56.) The Complaint concedes that the SOUND CHOICE Marks are not used as a service mark.

Because the Complaint does not allege that Ms. Lapadat made use of the Marks to identify or distinguish her karaoke services, the alleged display of the Marks are simply “a non-trademark use of a mark . . . to which the infringement laws simply do not apply.” *Ford Motor Co.*, 177 F. Supp. 2d at 650. Slep-Tone’s claims should be dismissed with prejudice.

2. Slep-Tone further fails to plead factual allegations related to a likelihood of confusion.

In addition to failing to plead the threshold requirement of use as a service mark, Slep-Tone does not allege confusion regarding the source of origin of Ms. Lapadat’s services. In its opposition brief, Slep-Tone relies upon the following paragraphs, all of which assert (in a completely conclusory fashion) alleged confusion as to the source of goods:

53. A patron or unwitting customer of Defendant, when confronted with the display of the Sound Choice Marks and the Trade Dress at one of Defendant’s shows, is likely to be confused into believing, falsely, that Slep-Tone created the tracks in use or authorized their creation.

77. Use of the Sound Choice Marks and the Trade Dress in the manner attributable to Defendant is likely to cause confusion, or to cause mistake, or to deceive customers at the venues in which Defendant performs into believing that the services those customers are receiving are being provided with the authorization of the [sic] Slep-Tone using bona fide, legitimate, authorized karaoke accompaniment tracks.

84. The display of the Sound Choice Marks and the Trade Dress is also likely to cause confusion, or to cause mistake, or to deceive those present during the display, in that those present are likely to be deceived into believing, falsely, that

the works being performed were sold by Slep-Tone and purchased by Defendant for use in providing karaoke entertainment services.

(Dkt. No. 17, at 18, 20; *see* Defendant's Opening Brief, Dkt. No. 14, at 13–15.)

These conclusory allegations are directed at whether certain karaoke tracks are legitimate, not at whether anyone will mistakenly believe there is a connection between Ms. Lapadat's karaoke shows and the owner of the SOUND CHOICE Marks. The Lanham Act does not afford relief to all unspecified forms of confusion. *Black Diamond Sportswear, Inc.*, 2007 U.S. App. LEXIS 23515, at *12 (“[T]rademark infringement protects only against mistaken purchasing decisions and not against confusion generally.”).

The Complaint contains no allegations that Ms. Lapadat used the SOUND CHOICE Marks to identify and distinguish her services from those of others such that the marks then “indicate the sponsorship or source of such services” so as to create confusion about the source or sponsorship of those services. *Red Robin Enterprises*, 222 U.S.P.Q. at 912; (*see* Dkt. No. 17, at 17). Because there is no allegation the Marks are used as service marks, the Complaint does not allege (nor could it) confusion regarding the source of origin of Ms. Lapadat's karaoke shows.

A likelihood of confusion analysis in the Eighth Circuit requires consideration of six factors:

(1) the strength of the trademark owner's mark; 2) the similarity between the trademark owner's mark and the alleged infringing mark; 3) the degree to which the allegedly infringing services competes with the trademark owner's services; 4) the alleged infringer's intent to confuse the public; 5) the degree of care reasonably expected of potential customers; and 6) evidence of actual confusion.

Select Comfort Corp. v. Sleep Better Store, LLC, Civil No. 11-621 (JNE/JSM), 2012 U.S. Dist. LEXIS 189645, at *37 (D. Minn. Oct. 12, 2012) (citing *SquirtCo. v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980)). The conclusory allegations of the Complaint, in addition to being unrelated to a Lanham Act claim of confusion regarding services, are wholly deficient under *Iqbal* and *Twombly*. No plausible set of facts are pled to support the legal conclusions. Slep-Tone’s claims directed to services should be dismissed with prejudice.

D. Slep-Tone Fails to State a Claim for Relief Directed Against Counterfeit Services Because It Does Not Allege Use of SOUND CHOICE as a Service Mark or that It Puts on Karaoke Shows.

The failure to allege that Ms. Lapadat used SOUND CHOICE as a service mark requires that the claim for counterfeit services be dismissed. *See* 15 U.S.C. § 1116(d) (requiring use of “a counterfeit *mark* in connection with the sale, offering for sale, or distribution of . . . services” (emphasis added)). It too fails to state a claim upon which relief can be granted. Additionally, the failure to allege that Slep-Tone itself uses the SOUND CHOICE Marks to “conduct[the] entertainment exhibitions in the nature of karaoke shows” for which the Marks are registered, (*see* Compl. ¶¶ 30-41), is fatal to its claim. Slep-Tone pleads only that it is a manufacturer and distributor of karaoke accompaniment tracks. (*Id.* ¶ 10.)

A counterfeiting claim under the Lanham Act requires that an alleged use be a “counterfeit of a mark that is registered on the principal register . . . for such . . . services . . . and that is in use.” 15 U.S.C. § 1116(d)(1)(B)(i). Accordingly, counterfeiting “requires not only that the genuine mark be federally registered, but also

that the mark be in actual use at the time of the defendant's use of that mark." *United States v. Foote*, 413 F.3d 1240, 1248 (10th Cir. 2005) (applying the criminal provisions related to counterfeiting, which mirror the requirement for civil counterfeiting that defendant use a mark substantially indistinguishable from "a mark registered for those goods or services on the principal register in the United States Patent and Trademark Office *and in use*" (emphasis in original)).

Slep-Tone baldly asserts that it pled this necessary element of proof, a statement that is unsupported by any citation to the Complaint. (Dkt. No. 17, at 24.) Review of the Complaint confirms the bald assertion is false. Slep-Tone only alleges that its Marks are registered for the service of conducting entertainment exhibitions in the nature of karaoke shows. (*Id.*; Compl. ¶¶ 31, 33.)

Registration of a mark does not equate with actual use. The Lanham Act specifically recognizes that a registrant may cease using a mark after registration. *See* 15 U.S.C. § 1127 ("Nonuse for 3 consecutive years shall be prima facie evidence of abandonment."). Slep-Tone's failure to plead that it uses the SOUND CHOICE Marks for karaoke services is fatal to its claims for counterfeit services. *See* 4 McCarthy on Trademarks § 25:15 (2013) ("Th[e] definition of 'counterfeit' reaches only cases in which the counterfeit mark is used in connection with the same goods or services as those for which the mark is . . . in use."). Those claims should be dismissed with prejudice.

In summary, all of the Lanham Act claims should be dismissed with prejudice for failure to state a claim. Even accepting the conclusory allegations as being sufficient

under *Iqbal* and *Twombly* (which they are not), Slep-Tone does not plead claims that fall within the requirements of the Lanham Act.

III. SLEP-TONE’S CLAIMS ARE DIRECTED TO RIGHTS GOVERNED EXCLUSIVELY BY COPYRIGHT LAW.

Slep-Tone attempts to enforce rights that are exclusively within the domain of copyright law. Section 301 of the Copyright Act provides that “all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 . . . are governed exclusively by this title.” 17 U.S.C. § 301. As detailed above, Slep-Tone fails to allege the required elements of a cause of action under federal law; there is no basis for relief outside the scope of § 106.

Although arising in the context of state law claims, *National Car Rental* is instructive as setting forth the test for determining if an action falls wholly within the realm of § 106. *National Car Rental* explains that a cause of action falls within the exclusive rights provided for in § 106 if a plaintiff’s alleged rights are “infringed by the mere act of reproduction, performance, distribution or display.” *Nat’l Car Rental Sys. v. Computer Assocs. Int’l*, 991 F.2d 426, 431 (8th Cir. 1993). The cause of action only lies outside the general scope of copyright if “an extra element is ‘required, instead of or in addition to the acts of reproduction, performance, distribution or display.’” *Id.*

When material is “clearly covered by the Copyright Act, 17 U.S.C. § 106, . . . the Lanham Act cannot be used to circumvent copyright law.” *Comedy III Prods., Inc. v. New Line Cinema*, 200 F.3d 593, 595 (9th Cir. 2000). As described in its own words, Slep-Tone’s tracks are audiovisual works, a category of creative works explicitly

provided for under § 102 of the Copyright Act. *See* 17 U.S.C. § 102; (Compl. ¶ 14 (describing its tracks as “synchronized playback of audio and video”).) The claims asserted by Slep-Tone require nothing more than the performance of the allegedly unauthorized copies of its audiovisual karaoke accompaniment tracks. (*See* Compl. ¶¶ 16-17, 22-24, 48, 53, 57, 82, 83; *see also id.* ¶¶ 84, 89 (claiming that consumers will believe that the alleged copies of the “works being performed” were sold by Slep-Tone and other karaoke track manufactures).) The displays of the SOUND CHOICE Marks complained of in Slep-Tone’s Complaint inherently occur as part of the performance of a karaoke accompaniment track:

48. When played as intended using appropriate software, those files cause the Sound Choice Marks and the Trade Dress to be **displayed as part of the associated video component** of the karaoke tracks they represent.

(*Id.* ¶ 48.)

Slep-Tone responds by claiming that “each paragraph Lapadat cites from the Complaint regarding allegations against Lapadat actually states claims of trademark and trade dress infringement.” (Dkt. No. 17, at 26.) Undoubtedly, Slep-Tone has characterized them as claims of trademark and trade dress infringement. Slep-Tone simply ignores that in every instance nothing more than the performance of a karaoke track is required to cause the SOUND CHOICE Marks to be displayed:

53. A patron or unwitting customer of Defendant, when confronted with the display of the Sound Choice Marks and the Trade Dress at one of Defendant's shows, is likely to be confused into believing, falsely, that Slep-Tone created the **tracks in use** or authorized their creation.

57. On information and belief, the Sound Choice Marks were **displayed on video monitors during various songs played by Defendant.**

82. On each occasion **when Defendant caused or permitted a Slep-Tone accompaniment track to be played during a karaoke show, Defendant caused or permitted the display of the Sound Choice Marks and the Trade Dress** in connection with Defendant's karaoke entertainment services.

84. The display of the Sound Choice Marks and the Trade Dress is also likely to cause confusion, or to cause mistake, or to deceive those present during the display, in that those present are likely to be deceived into believing, falsely, that the **works being performed** were sold by Slep-Tone and purchased by Defendant for use in providing karaoke entertainment services.

87. On each occasion **when the Defendant displayed an accompaniment track pirated from a manufacturer other than Slep-Tone to be played during a karaoke show, Defendant caused the display of the words, names, and symbols of the other manufacturer** in connection with Defendant's karaoke services.

89. The display of these false designations of origin is likely to cause confusion, or to cause mistake, or to deceive those present during the display, in that those present are likely to be deceived into believing, falsely, that the pirated tracks are legitimate, authorized, and authentic materials that the Defendant acquired in a legitimate manner. The display of the false designations of origin is also likely to cause confusion, or to cause mistake, or to deceive those present during the display, in that those present are likely to be deceived into believing, falsely, that the **works being performed** were sold by those manufacturers and purchased by the Defendant.

(*Id.* at 26-27 (emphasis added).)

Further, and contrary to Slep-Tone's claims, Ms. Lapadat's motion is not tied to the case of *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003).

Dastar involved the origin of goods under 15 U.S.C. § 1125, and the *Dastar* plaintiffs had alleged the prerequisite elements of a claim regarding the origin of goods—that the

defendant had engaged in the sale of goods. *See, e.g., id.* at 27. *Dastar* is inapposite here because Slep-Tone has not pled a claim for goods.

The other *Slep-Tone* decisions upon which Slep-Tone relies premised their extension of *Dastar* on the basis that Slep-Tone alleged confusion as to the origin of goods in the form of karaoke accompaniment tracks played by the karaoke operator defendants:

Case Cited By Slep-Tone	Statements Identifying the Allegations Concern Goods
<i>Slep-Tone Entm't Corp. v. Grillhouse, Inc.</i> , No. 6:13-cv-02016-TC, at *9-10 (D. Or. Jan. 30, 2015).	“[Slep-Tone] alleges that defendants offered their customers counterfeit KA tracks that were degraded through unauthorized media-shifting and format-shifting. . . . Defendants, by regularly offering customers degraded KA tracks bearing plaintiff’s trademarks, created a reasonable likelihood that these same customers would believe that the counterfeits were actually plaintiff’s product.”
<i>Slep-Tone Entm't Corp. v. Coyne</i> , No. 13 C 2298, 2014 U.S. Dist. LEXIS 63393, at *29 (N.D. Ill. May 8, 2014).	“Like <i>Dastar</i> , Slep-Tone is the ‘producer of the tangible goods that are offered for sale,’ and thus the ‘origin of goods’ for purposes of the Lanham Act. Slep-Tone alleges that Defendants copied, without alteration, Slep-Tone’s ‘source-identifying mark’ and used it . . . ‘to cause confusion . . . as to the origin . . . of [their] goods.’”
<i>Slep-Tone Entm't Corp. v. Elwood Enters., Inc.</i> , No. 13 C 7346, 2014 U.S. Dist. LEXIS 54872, at *17 (N.D. Ill. Apr. 21, 2014).	“Slep-Tone alleges facts about the misuse of its trademark on products it did not create, namely because Slep-Tone’s registered trade dress and trademark appear on [the KJ’s tracks].”
<i>Slep-Tone Entm't Corp. v. Shenanigans Lounge</i> , No. 6:12-cv-1236-TC, 2013 U.S. Dist. LEXIS 60432, at *11 (D. Or. Feb. 22, 2013).	“[P]laintiff alleges that its trademark has been affixed to a product that defendants are using to generate customers and revenue - a product that is not plaintiff’s product but a different ‘media-shifted’ or

	‘format-shifted’ version of the product.”
<i>Slep-Tone Entm’t Corp. v. Arrowood</i> , No. 2:10-cv-592, 2011 U.S. Dist. LEXIS 109905, at *9 (S.D. Ohio Sept. 26, 2011).	“Plaintiff alleges that ‘Defendants’ use of the Sound Choice marks is likely to cause confusion, or to cause mistake, or to deceive Defendants’ customers and patrons into believing that . . . that Slep-Tone manufactured or approved the manufacture of the goods used or displayed by Defendants.” (quotations omitted).

Bald allegations of confusion do not make out a claim under the Lanham Act or state law. As to claims directed at goods, the Lanham Act requires that the defendant used the marks in connection with goods by selling or transporting goods in commerce. As to claims directed at services, the Lanham Act requires that the defendant used the marks as service marks: to distinguish her services from others to falsely imply some connection with the owners of the SOUND CHOICE Marks. The mere display of SOUND CHOICE Marks as a consequence of playing a song is not a service mark use. These necessary predicates to a Lanham Act claim are not pled. The Complaint in this case fails to state a claim for relief.

The cases upon which Slep-Tone relies do not address the issues presented here and are not helpful. *Canton Phoenix* remains most instructive. The *Canton Phoenix* Court recognized that the display of the SOUND CHOICE Marks during the performance of copied tracks was not calculated to cause consumer confusion regarding the source of karaoke services, “but rather performs the entirely appropriate function of correctly identifying the provenance of the tracks.” *Slep-Tone Entm’t Corp. v. Canton Phoenix Inc.*, No. 3:14-CV-764-PK, 2014 U.S. Dist. LEXIS 159390, at *28 (D. Or. Sept. 4, 2014),

adopted entirely as to the federal trademark claims, 2014 U.S. Dist. LEXIS 158851 (D. Or. Nov. 7, 2014).

The analogy concerning the film *The Phantom of the Opera* used by the *Canton Phoenix* court is also illustrative. The “fact that [a] film opens and closes with Universal Studios’ registered and still-enforceable trademarks is no obstacle to either public performance or [copying and selling] the . . . film.” *Id.* at *30. Similarly, the presence of the SOUND CHOICE Marks as part of Slep-Tone’s audiovisual tracks does not give rise to actionable claims under trademark law that would create an obstacle to public performance. Slep-Tone’s claims are confined to the realm of copyright law. The Complaint should be dismissed with prejudice.

CONCLUSION

For the foregoing reasons, Ms. Lapadat respectfully requests that the Court grant this motion and dismiss Slep-Tone’s Complaint with prejudice for failure to state a claim.

Dated: March 17, 2015

Respectfully submitted,

/s/ Allen W. Hinderaker
Allen W. Hinderaker (45787)
William Schultz (323482)
Emily Wessels (396775)
Merchant & Gould P.C.
3200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
Telephone: (612) 336-4677
Facsimile: (612) 332-9081

ATTORNEYS FOR DEFENDANT
HEATHER LAPADAT