IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF WISCONSIN

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NATIONAL COUNCIL OF THE
UNITED STATES SOCIETY OF
ST. VINCENT DE PAUL, INC.,

OPINION AND ORDER

Plaintiff,

16-cv-423-bbc

v.

ST. VINCENT DE PAUL COMMUNITY
CENTER OF PORTAGE COUNTY, INC.,

Defendant.

- -

This is an action for trademark infringement and unfair competition, brought under the Lanham Act, 15 U.S.C. §§ 1051, et seq. Plaintiff National Council of the United States Society of St. Vincent de Paul, Inc., is a Catholic charitable organization dedicated to raising money for the poor. Plaintiff contends that defendant St. Vincent de Paul Community Center of Portage County, Inc., has used plaintiff's trademarks and service marks illegally in conjunction with promoting defendant's own operations in Wisconsin and advertising its own goods and services online. In response to plaintiff's complaint, defendant has filed two answers asserting a number of defenses and counterclaims.

Now before the court is plaintiff's motion to dismiss defendant's counterclaims for failure to state a claim upon which relief can be granted. Dkt. #14. For the following reasons, that motion will be granted in part and denied in part.

BACKGROUND

A. Allegations of the Complaint

Plaintiff National Council of the United States Society of St. Vincent de Paul, Inc., has been operating as a national non-profit organization since 1845, when it held its first meeting in St. Louis, Missouri. Since then, plaintiff has organized itself and operated throughout the country in numerous local councils and conferences that exist in every Catholic diocese in the United States, pursuing plaintiff's mission to raise money for the poor. Its primary activities include collecting charitable donations, operating thrift stores and conducting volunteer programs and community service projects to benefit the needy. Plaintiff owns several trademarks and service marks, which it uses to promote its services. These marks incorporate several variations of the name "St. Vincent de Paul," including abbreviations such as "St. Vinnie's" and "St. Vinny's." Plaintiff operates multiple thrift stores in Wisconsin, including one in Portage.

Defendant St. Vincent de Paul Community Center of Portage County, Inc. is a Wisconsin corporation that is not affiliated or associated with plaintiff. Since 2014, defendant has operated a thrift store in Stevens Point, Wisconsin, where it sells goods at discount prices using the name "St. Vinnies Thrift Store." Defendant previously maintained and operated a "St. Vincent de Paul Thrift Store" in Plover, Wisconsin. It also operates a food pantry and flea market using a similar name. Defendant promotes and markets these services online, via a website accessible throughout the United States, using some of plaintiff's marks to do so.

In June 2014, plaintiff sent a cease-and-desist letter notifying defendant that it was infringing on plaintiff's intellectual property rights. After some initial engagement, defendant ultimately become unresponsive to plaintiff's correspondence and efforts to discuss usage of the marks. Plaintiff then filed this complaint in June 2016.

B. Counterclaims and Procedural History

Defendant's initial answer to the complaint included a set of affirmative allegations, followed by a simple and rather conclusory list of purported defenses and counterclaims: "Laches"; "Estoppel"; "Waiver"; "License"; "Implied licence"; "Generic mark"; "Breach of contract (Counter-claim)"; "Promissory Estoppel (Counter-claim)"; "Unjust enrichment (Counter-claim)"; and "Bad faith / Breach of the duty of good faith and fair dealing (Counter-claim)." Dkt. #9, at 10-11. These purported defenses and counterclaims all seem to stem from defendant's basic allegations that its organization has been performing and promoting its charity work in Wisconsin, including operating a thrift store and food pantry and using the marks in question to do, so for more than 30 years. Defendant further alleges that plaintiff was, should have been or easily could have become aware of its activities, but never complained or spoke up before 2014 because the two organizations shared a common and mutually beneficial mission and even coordinated their work.

Plaintiff moved to dismiss the counterclaims under Federal Rule of Civil Procedure 12(b)(6), contending that defendant failed to provide fair notice of what the claims are and the grounds upon which they rest, as is required by Rule 8. Dkt. #14. Defendant filed a

response to the motion, expanding upon its affirmative defenses and counterclaims, and plaintiff filed a reply brief. Dkts. ## 18 and 22.

While plaintiff's motion to dismiss was pending and just before the court's deadline for amendments to the pleadings, defendant filed an amended answer with affirmative defenses and counterclaims. Dkt. #23. See also dkt. #17 (pretrial conference order), at 1. The amended answer also included more affirmative allegations with additional factual and legal detail regarding the claims and defenses asserted. In particular, defendant reasserted three counterclaims against plaintiff for (1) breach of contract and of the duty of good faith and fair dealing, (2) promissory estoppel and (3) unjust enrichment. Dkt. #23, ¶¶ 56-74.

To support these claims, defendant alleges that it has been engaged in "substantial, continuous, and systematic charity work in the state of Wisconsin" since 1984; that plaintiff "had actual or constructive knowledge" of defendant's usage of the trade and service marks in its charitable and commercial activities; that the two organizations coordinated their activities and "cooperated in sharing donations and furthering the Mission"; that this "course of conduct or course of dealing or arrangement" persisted over a period of approximately 30 years and benefited both parties by "synergistically increas[ing] the reputation, bluesky, and recognition of each other"; and that plaintiff never complained about defendant's activities or objected to its use of the marks before sending the June 2014 cease-and-desist letter.

Instead of filing a new motion to dismiss the amended counterclaims, plaintiff filed a supplemental brief in further support of its pending motion to dismiss. Dkt. #24. Neither

party filed anything subsequently relating to the motion or counterclaims. Thus, the court is now in the position of evaluating plaintiff's motion to dismiss the counterclaims in defendant's original answer, dkt. #14, as applied (to the extent it does apply) to defendant's amended answer and counterclaims, dkt. #23.

OPINION

In its supplemental brief, plaintiff contends that it need not file a new motion to dismiss in response to defendant's amended answer and counterclaims, because the "amended counterclaims continue to suffer from the same fatal pleading and legal flaws that made any amendment of the original counterclaims futile, as demonstrated in [plaintiff's] moving papers." Dkt. #24, at 2 (citing dkts. ##14 and 22). To assess this contention, I begin by clarifying the effect of an amended pleading on an existing one:

> A pleading that has been amended under Rule 15(a) supersedes the pleading it modifies and remains in effect throughout the action unless it subsequently is modified. Once an amended pleading is interposed, the original pleading no longer performs any function in the case and any subsequent motion made by an opposing party should be directed at the amended pleading. This effect of an amended pleading under Rule 15(a) becomes particularly important when the amendment purports to cure a defective earlier pleading. For example, plaintiff may file a new complaint that does not refer to or adopt any of the deficient allegations in the original pleading; if the first complaint is considered superseded by the amendment, the court is not required to dismiss the suit when a motion points up the weaknesses of the earlier pleading. *On the other hand, defendants should not be required to file a new motion to dismiss simply because an amended pleading was introduced while their motion was pending. If some of the defects raised in the original motion remain in the new pleading, the court simply may consider the motion as being addressed to the amended pleading. To hold otherwise would be to exalt form over substance.*

6 Charles Alan Wright, Arthur R. Miller, Mary Kay Kane and A. Benjamin Spencer, Federal

Practice and Procedure § 1476 (3d ed. April 2017 Update) (emphasis added).

Therefore, to the extent plaintiff has highlighted defects in the original counterclaims that remain in the new ones, I will consider the motion to dismiss as addressed to the amended answer and counterclaims. On the other hand, to the extent such defects have been remedied by amendment, the motion may be partially or completely mooted. See, e.g., Olson v. Bemis Co., No. 12-C-1126, 2013 WL 588915, at *1–2 (E.D. Wis. Feb. 14, 2013); Briggs & Stratton Corp. v. Brown & Wiser, Inc., No. 04-C-1183, 2005 WL 2298213, at *1 (E.D. Wis. Sept. 20, 2005); Cabrera v. World's Finest Chocolate, Inc., No. 04 C 0413, 2004 WL 1535850, at *1 n.3 (N.D. Ill. July 7, 2004); Tensor Group, Inc. v. Global Web Systems, Inc., No. 96 C 4606, 1999 WL 617818, at *1 (N.D. Ill. Aug. 11, 1999).

Some of plaintiff's arguments in its motion to dismiss have clearly been mooted by the amended complaint. For example, plaintiff contends generally that defendant identified only "skeletal" counterclaims that read more like "labels and conclusions." Dkt. #14, at 4-6. In its reply brief, plaintiff then argues that defendant cannot amend its counterclaims via opposition brief and that breach of the duty of good faith and fair dealing is not an independent cause of action under Wisconsin law, but merely an interpretive tool that can be used to support a breach of contract claim. Dkt. #22, at 4-6, 14-15. Defendant's amended answer, providing substantially more factual and legal support for its counterclaims and reducing them from four to three, cures these defects and renders these arguments moot.

However, the primary contentions plaintiff advanced in its motion to dismiss were simply that defendant's counterclaims for breach of contract, promissory estoppel and unjust

enrichment failed to state a claim upon which relief can be granted. Thus, the question now before the court is whether those counterclaims, as amended, adequately state a claim. To be sufficiently well-pled to survive a motion to dismiss, each of these claims must be "plausible on its face," which means that each claim "simply calls for enough facts to raise a reasonable expectation that discovery will reveal evidence" supporting the claimant's allegations. Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 556, 570 (2007). See also Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) ("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.").

A. Breach of Contract

A party claiming a breach of contract must establish three basic elements: (1) that a valid contract exists, (2) that another party violated materially its terms and (3) that damages resulted from the violation. Steele v. Pacesetter Motor Cars, Inc., 2003 WI App 242, ¶ 10, 267 Wis. 2d 873, 880, 672 N.W.2d 141, 144 (citing Management Computer Services, Inc. v. Hawkins, Ash, Baptie Co., 206 Wis.2d 158, 178-83, 557 N.W.2d 67 (1996)). To state a claim for breach of contract, the claimant must allege a contractually enforceable "promise to perform that was not performed," or, stated slightly differently, "non-performance of any contractual duty of immediate performance." White v. Marshall, 693 F. Supp. 2d 873, 881–82 (E.D. Wis. 2009) (quoting Restatement of the Law of Contracts, § 312). To survive a motion to dismiss, a breach of contract claim must also

provide "meaningful guidance as to the substance of the contract" sufficient to put the alleged party in breach on notice of the conduct that is the basis for the suit. Kelleghan v. Underwood, 350 F. App'x 68, 69 (7th Cir. 2009) (citing Fed. R. Civ. P. 8(a)(2); Twombly, 550 U.S. at 556; Iqbal, 556 U.S. at 677-78; Tamayo v. Blagojevich, 526 F.3d 1074, 1083 (7th Cir. 2008)).

Plaintiff contends that, among other things, defendant fails to allege the existence of any enforceable contract that was breached. The amended answer contains no allegation that there was any written or other express contract, but it does allege that there was a "contract implied in fact" by plaintiff's "actual or constructive knowledge of Defendant's use of Defendant's Marks" and both parties' "course of conduct or course of dealing or arrangement." Dkt. #23, ¶¶ 57-59.

Under Wisconsin law, a contract implied in fact "requires, the same as an express contract, the element of mutual meeting of minds and of intention to contract." Lindquist Ford, Inc. v. Middleton Motors, Inc., 557 F.3d 469, 481 (7th Cir. 2009) (quoting Theuerkauf v. Sutton, 102 Wis. 2d 176, 183, 306 N.W.2d 651, 657 (1981)). To adequately state a claim for breach of an implied contract, a claimant must allege enough facts to show the nature of the agreement, such as what promises were exchanged, how they were communicated and how these promises created an implied contract. Bissessur v. Indiana University Board of Trustees, 581 F.3d 599, 603–04 (7th Cir. 2009) ("A plaintiff may not escape dismissal on a contract claim, for example, by stating that he had a contract with the defendant, gave the defendant consideration, and the defendant breached the

contract. What was the contract? The promises made? The consideration? The nature of the breach?"). Otherwise, a complaint or counterclaim may be dismissed for failing to provide the opposing party sufficient notice of the claim brought against it. Id.

Thus, to survive plaintiff's motion to dismiss, the allegations in defendant's amended answer must provide sufficient notice or guidance as to the implied contract that purportedly existed between the parties, and they must raise a reasonable inference that plaintiff breached any such contract. Defendant states:

> The course of dealing of Plaintiff and Defendant show an intention to contract, that the parties would cooperate in their Mission, share donations and coordinate activities as agreeable or convenient, and the Plaintiff[] would not later assert trademark rights after allowing Defendant to maintain and build Defendant's Marks and furthering the Mission over 30+ years in Defendant's community. By filing this lawsuit and trying to strip the Defendant of Defendant's marks after 30 years of cooperation the Plaintiff violated the duty of good faith and fair dealing inherent to every contract.

Dkt. #23, ¶¶ 60-61. The problem is that the "course of dealing" actually outlined in the amended answer's factual allegations does not clearly "show an intention to contract," as defendant contends. Nowhere in the amended answer does defendant allege that the parties had any agreement, explicit or implicit, that could reasonably be considered a "mutual meeting of minds and of intention to contract." Lindquist Ford, Inc., 557 F.3d at 48. Rather, the allegations suggest (vaguely) that the parties were knowingly pursuing related missions, and in the course of doing so they independently engaged in mutually beneficial, agreeable or convenient activities.

As plaintiff argues, at most, these factual allegations might suggest an implied-in-fact general agreement to cooperate that was terminable at will. However, even that would not

help defendant here, because in that case any such agreement would have expired as soon as plaintiff objected to the arrangement, which both parties agree occurred when plaintiff sent its initial cease-and-desist letter in June 2014. The only specific action (or inaction) that defendant actually contends constituted a breach is plaintiff's "[f]iling this lawsuit and trying to strip the Defendant of Defendant's marks after 30 years of cooperation [in violation of] the duty of good faith and fair dealing inherent to every contract." Dkt. #23, ¶ 61. I decline to infer from these vague allegations of a 30-year "course of dealing" that plaintiff agreed or promised not to assert its trademark rights in perpetuity, especially in the absence of any further allegations that this was in fact the shared intention of the parties. William B. Tanner Co. v. Sparta-Tomah Broadcasting Co., 716 F.2d 1155, 1159 (7th Cir. 1983) ("Courts are reluctant to interpret contracts providing for some perpetual or unlimited contractual right unless the contract clearly states that that is the intention of the parties. . . . It has been repeatedly held by the Wisconsin Supreme Court that contractual constructions or interpretations which avoid construing a contract to have an indefinite duration are preferable.").

Because I can infer no such contractual right, promise, or agreement from defendants' allegations, there is no basis to infer that plaintiff had any duty of good faith and fair dealing with respect to defendant's use of the marks in question. Mahnke v. GTE North Inc., 182 Wis. 2d 511, 514 N.W.2d 879 (Ct. App. 1994) ("[I]t is axiomatic that a party cannot be held to a good faith obligation to perform a nonexistent contract."). Thus, defendant has failed to allege facts plausibly supporting a claim for breach of contract, Bissessur, 581 F.3d

at 603-04; Twombly, 550 U.S. at 556, and plaintiff's motion to dismiss will be granted as to that counterclaim.

B. Promissory Estoppel

A claim for promissory estoppel under Wisconsin law requires "establishing 1) a promise; 2) on which the promisor should reasonably expect to induce action or forbearance; 3) which did induce such action or forbearance; and 4) that injustice can be avoided only by enforcement of that promise." Beer Capitol Distributing, Inc. v. Guinness Bass Import Co., 290 F.3d 877, 880 (7th Cir. 2002) (citing Hoffman v. Red Owl Stores, Inc., 26 Wis.2d 683, 133 N.W.2d 267, 273 (Wis.1965)). A promise is more than a mere prediction or statement of opinion; it indicates intent by the promisor to be bound, to some degree of specificity, which is judged by an objective standard. Knauf Realty, LLC v. Prudential Real Estate Affiliates, Inc., 486 F. Supp. 2d 855, 861 (W.D. Wis. 2007) (citing Seventh Circuit cases and applying Wisconsin law). "The critical requirement is that the promise be one that the promisor should reasonably have expected to induce either action or forbearance by the plaintiff. Otherwise, the promisee has no basis for insisting upon enforcement of the promise. The reliance that makes the promise legally enforceable must be induced by a reasonable expectation that the promise will be carried out." Id. (internal quotations and citations omitted).

Nowhere in the amended answer does defendant allege that plaintiff made any promise whatsoever. Defendant's allegations implicitly suggest that plaintiff's course of

cooperative and mutually beneficial dealings with defendant over the years reasonably led defendant to rely on plaintiff's continued cooperation. In that way, this claim is a re-framing of defendant's implied contract claim. However, there was no alleged *promise,* by which defendant intended to be bound, for plaintiff to rely on. Without establishing this first element of promissory estoppel, defendant cannot state a claim. Healthwerks Biomet Spine, LLC Howmedica Osteonics Corp. v. Rogers, No. 14-CV-93-PP, 2016 WL 5793680, at *10 (E.D. Wis. Sept. 30, 2016). Accordingly, plaintiff's motion to dismiss this counterclaim will be granted.

C. Unjust Enrichment

"To establish a claim for unjust enrichment, the [claimant] must prove three elements: (1) the plaintiff conferred a benefit upon the defendant; (2) the defendant had an appreciation or knowledge of the benefit; and (3) the defendant accepted or retained the benefit under circumstances making it inequitable for the defendant to retain the benefit without payment of its value." Don-Rick, Inc. v. QBE Americas, 995 F. Supp. 2d 863, 873–74 (W.D. Wis. 2014) (quoting Buckett v. Jante, 2009 WI App 55, ¶ 10, 316 Wis.2d 804, 767 N.W.2d 376).

Defendant alleges that both organizations benefited from and were enriched by the coordinated activities of the other toward their common, or at least similar, mission. Defendant alleges also that plaintiff will continue to benefit unjustly from the good will defendant has earned and inculcated in the community. At this point in the proceedings,

that is enough to state a claim, as it "simply calls for enough facts to raise a reasonable expectation that discovery will reveal evidence" supporting defendant's claim for unjust enrichment. Twombly, 550 U.S. at 556. Accordingly, plaintiff's motion to dismiss this counterclaim will be denied.

ORDER

IT IS ORDERED that

1. The motion to dismiss for failure to state a claim filed by plaintiff National Council of the United States Society of St. Vincent de Paul, Inc., dkt. #14, is GRANTED as to the counterclaims for breach of contract and promissory estoppel, and DENIED as to the counterclaim for unjust enrichment.

2. Defendant St. Vincent de Paul Community Center of Portage County, Inc.'s counterclaims for breach of contract and promissory estoppel are DISMISSED.

Entered this 31st day of May, 2017.

BY THE COURT:

/s/

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BARBARA B. CRABB
District Judge