

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

BIG DADDY GAMES, LLC,

Plaintiff,

v.

OPINION AND ORDER

12-cv-449-bbc

REEL SPIN STUDIOS, LLC;
GAME MANAGEMENT CORP.;
JAMES L. DONKER; DAVID E. GROND;
PATRICK YOUNG; WILLIAM STIMAC;
MICHAEL LINDEMAN; RHODY R. MALLICK;
DALE CEBULA; KATHLEEN MALONEY;
MATTHEW BARRETT; ROBERT L. DIENER;
THE LYONS DEN DL, LLC; NIGL'S, INC.;
GAMEDAY SPORTS BAR, INC.;
ANTLERS SPORTS BAR & GRILL, LLC;
OSHKOSH LANES LLC; BACK AGAIN
STADIUM BAR, INC.; MR. D'S TWO, LLC;
SUSIE'S TRACKSIDE LLC; LAST HURRAH LLC;
HOTEL PUB, L.L.P.; WOOD SHED, INC.;
GEORGE SIMONIS; Q GAME TECHNOLOGIES
PTY LTD; and NICK MCLEOD,

Defendants.

This copyright and trademark infringement case was transferred recently to this court from the Eastern District of Wisconsin. Plaintiff Big Daddy Games, LLC contends that defendants Reel Spin Studios, LLC, Game Management Corp. and their respective owners and members, defendants James L. Donker, David E. Grond, Patrick Young, William Stimac and Michael Lindeman, have infringed plaintiff's trademarks and copyrights on certain video

games. In particular, plaintiff contends that these defendants hired defendants Q Game Technologies and Nick McLeod to create games substantially similar to plaintiff's games and then leased and installed video game consoles containing those games in bars and restaurants in Wisconsin operated by defendants Rhody R. Millick, Dale Cebula, Kathleen Maloney, Matthew Barrett, Robert L. Diener, The Lyons Den DL, LLC, Gameday Sports Bar & Grill, Inc., Antlers Sports Bar & Gill, LLC, Oshkosh Lanes LLC, Back Again Stadium Bar, Inc., Mr. D's Two, LLC, Susie's Trackside LLC, Last Hurrah LLC, Hotel Pub, L.L.P., Nigl's, Inc. and Wood Shed, Inc.

All defendants except Q Game Technologies, Nick McLeod and George Simonis have filed a motion to dismiss plaintiff's claim for trademark infringement under the Lanham Act and plaintiff's claim for copyright infringement against the corporate officers of defendants Reel Spin Studios and Game Management Corporation. Dkt. #47. (Defendant Simonis has not appeared in the case. The clerk of court granted plaintiff's motion for entry of default against Simonis on August 16, 2012.) Defendants Q Game Technologies and McLeod filed a separate motion to dismiss plaintiff's Lanham Act claim and the copyright claim against McLeod. Dkt. # 59. Both motions are ready for decision. Additionally, defendants have filed a motion for reconsideration of an order from the district court in the Eastern District of Wisconsin denying their request for costs under Rule 41(d). Dkt. #62.

After reviewing plaintiff's complaint and the parties' arguments, I conclude that plaintiff has failed to plead facts sufficient to state a claim for trademark infringement under the Lanham Act. Additionally, plaintiff has failed to plead facts sufficient to state a claim for copyright infringement against defendants Donker, Grond, Young, Stimac and

Lindeman. Thus, I am granting defendants' motions to dismiss in those respects. Because plaintiff has had multiple opportunities to plead a claim under the Lanham Act, I am dismissing that claim with prejudice. However, because this is the first time defendants have challenged plaintiff's copyright claim against the individual defendants, I will allow plaintiff an opportunity to replead that claim with additional facts.

I am denying the motion to dismiss plaintiff's copyright infringement claim against defendant McLeod because plaintiff has alleged sufficient facts about specific actions taken by McLeod related to the alleged infringement. Also, I am denying defendants' motion for reconsideration of Judge Griesbach's order regarding costs. The award of costs under Rule 41(d) is discretionary and defendants have identified no clear error of law that would persuade me to reconsider Judge Griesbach's decision on the issue.

I draw the following facts from plaintiff's complaint. I note that although plaintiff's complaint is 20 pages long, many of the allegations contained within it are actually legal conclusions or recitations of the elements of plaintiff's claims. I have disregarded those "allegations." McCauley v. City of Chicago, 671 F.3d 611, 617 (7th Cir. 2011) ("Many of the alleged 'facts' are actually legal conclusions or elements of the cause of action, which may be disregarded on a motion to dismiss.").

ALLEGATIONS OF FACT

Between 2002 and 2004, John Paul Jones, an Australian citizen, created video games called Egyptian Treasure, Reef Reels and Spooky Spins. In April 2004, defendant George Simonis, an Australian citizen, entered into an agreement with Jones under which Simonis

could sell the games online. In July 2005, Simonis registered a business under the trade name “Pokies4fun” in Australia. He sells the games to the public through his websites www.aussieslots.com and www.pokies4fun.com.

Through a series of transactions, Toccata Gaming International, LLC and plaintiff Big Daddy Games obtained rights to Jones’s games as of January 6, 2009. Plaintiff and Toccata Gaming possess a registered United States copyright for Spooky Spins, Egyptian Treasure and Reef Reels and distribute the games under those names.

On January 1, 2010, Simonis entered into a software license agreement with defendant Reel Spin Studios that purported to grant Reel Spin Studios a 20-year exclusive license to run individual applications of Spooky Spins, Egyptian Treasure and Reef Reels and to rent or lease any rights in the software of those games without the consent of Simonis or Pokies4fun. Reel Spin Studios then hired defendant Q Game Technologies, an Australian company owned by defendant Nick McLeod, to use the individual applications of the games obtained through the software license agreement to create games that look and operate like the original Spooky Spins, Egyptian Treasure and Reef Reels. Reel Spin Studios and Game Management Corp. then sold or leased the games to various bars and other businesses located throughout Wisconsin. Defendants James Donker and David Grond are owners and members of Game Management Corp. Defendants Patrick Young, William Stimac and Michael Lindeman are owners and members of Reel Spin Studios.

PROCEDURAL HISTORY

Although the current iteration of this case was transferred recently to this court from

the District Court for the Eastern District of Wisconsin on June 26, 2012, this case is not new to this court. In conjunction with Toccata Gaming International, plaintiff Big Daddy Games filed the same claims against defendants Reel Spin Studios, Game Management Corp. and several others in this court in August 2011. Toccata Gaming International, LLC v. Reel Spin Studios, LLC, 11-cv-600-bbc. After I held a hearing and denied plaintiff's motion for a preliminary injunction, Reel Spin Studios and Game Management filed a motion to dismiss for failure to state a claim upon which relief may be granted. Dkt. #54, in 11-cv-600-bbc. Before the motion was decided, the plaintiffs filed an amended complaint, which was followed by another motion to dismiss by the defendants. On March 29, 2012, I denied the defendants' motion to dismiss the plaintiffs' copyright infringement claim, but granted the motion to dismiss the plaintiffs' claims for trademark infringement under the Lanham Act and for unfair competition under state law. I gave the plaintiffs a chance to replead those two claims. The plaintiffs filed an amended complaint on April 13, 2012, and the defendants filed another motion to dismiss plaintiffs' Lanham Act claim. A few days later, the plaintiffs voluntarily dismissed the case.

A week after plaintiffs dismissed their case in this court, plaintiff Big Daddy Games filed this case in the Eastern District of Wisconsin, asserting the same claims it had asserted in its previous case in this case and adding several new defendants. (Toccata Gaming did not join as a plaintiff in the new case.) Judge Griesbach granted defendants' motion to transfer the case to this court, but denied the defendants' motion for costs under Fed. R. Civ. P. 41(d) incurred in defending the original lawsuit plaintiff had filed previously in this court. Dkt. #52, in 12-cv-449-bbc.

OPINION

A. Trademark Claim under § 43 of the Lanham Act, 15 U.S.C. § 1125(a)

In count II of plaintiff's complaint, plaintiff contends that defendants Reel Spin Studios, Game Management Corp., and their owners Donker, Grond, Young, Stimac and Lindeman, violated its trademark rights under § 43 of the Lanham Act by advertising, selling and distributing games under the names Spooky Spins, Reef Reels and Egyptian Treasure. Plaintiff contends that the names of its games are protected trademarks and that defendants infringe those trademarks by selling games with the same names.

To state a claim for trademark infringement under § 43(a) of the Lanham Act, a plaintiff must allege facts permitting an inference that (1) it has trademark rights to the words or symbols at issue; and (2) the defendant's use of the mark is infringement. Packman v. Chicago Tribune Co., 267 F.3d. 628, 638 (7th Cir. 2001). The second element, infringement, is satisfied by alleging facts suggesting that the use of allegedly infringing mark causes a likelihood of confusion among consumers regarding the "origin" of the goods and services sold by the plaintiff. Id. at 637. See also Bretford Manufacturing, Inc. v. Smith System Manufacturing, Corp., 419 F.3d 576, 580 (7th Cir. 2005) (trademark claim arises from "a misrepresentation of the goods' origin"). Under trademark law, the "origin" of the goods means "the producer of the tangible product sold in the market place." Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 31 (2003). In other words, plaintiff must allege facts suggesting that defendants' distribution of games using the "Spooky Spins," "Egyptian Treasure" and "Reef Reels" marks has misled customers into thinking the games

were produced by or in association with plaintiff.

Defendants have moved to dismiss plaintiff's trademark claim, contending that plaintiff has failed to allege facts sufficient to satisfy the second element of its trademark claim. I agree. In the previous order dismissing plaintiff's Lanham Act claim, I concluded that "plaintiffs' complaint contains only conclusory allegations to the effect that defendants have made false designations of origin, encouraging the passing off of the games as those of plaintiffs," and explained that "[i]f plaintiffs wish to pursue a Lanham Act claim against defendants, they will have to amend their complaint to allege facts tending to show that defendants have taken actions or made misrepresentations that misled customers about the *origin* of the games. . . ." Dkt. #121 at 13-14, in 11-cv-600-bbc. Despite these instructions, plaintiff's new complaint contains no new facts to bolster its Lanham Act claims. Instead, plaintiff relies largely on "allegations" that parrot the elements of a trademark claim, such as:

[Defendant's] advertising, selling, distributing, offering for sale and/or leasing the Infringing Game is likely to cause consumer confusion in the marketplace and is likely to cause mistake, or to deceive others to incorrectly believe that the Infringing Games are made by, sponsored by, approved by, originate with, or are affiliated with [plaintiff].

Cpt., dkt. #1, ¶ 79. See also id. ¶¶ 80-83, 85-89. This is not enough to satisfy the pleading requirements of Fed. R. Civ. P. 8 and to survive a motion to dismiss under Fed. R. Civ. P. 12(b)(6). Plaintiff does not even identify the relevant market and alleges no facts that would explain why or how customers in the market would be confused about the origin of games sold by defendants that are identified as defendants' games. Brooks v. Ross, 578 F.3d 574,

581 (7th Cir. 2009) (plaintiffs fail to state claim when they “merely parrot the statutory language of the claims that they are pleading (something that anyone could do, regardless of what may be prompting the lawsuit), rather than providing some specific facts to ground those legal claims”). Therefore, I am granting defendants’ motion to dismiss plaintiff’s claim under the Lanham Act. Because plaintiff has had multiple opportunities to provide factual allegations to support this claim, the dismissal will be with prejudice.

B. Copyright Claim against Individual Corporate Officers

In count I of its complaint, plaintiff contends that all defendants have infringed its copyrights to Egyptian Treasure, Reef Reels and Spooky Spins. Defendants have moved to dismiss plaintiff’s copyright infringement claims against defendants Donker, Grond, Young, Stimac, Lindeman and McLeod, contending that plaintiff has failed to show that these corporate officers should be held personally liable for the actions taken by Reel Spin Studios, Game Management Corp. and Q Game Technologies. Defendant relies on Dangler v. Imperial Machine Co., 11 F.2d 945 (7th Cir. 1926), in which the court of appeals held that a corporate officer can be held liable for patent infringement only if the officer exceeds his duties and willfully and knowingly participates directly in the infringing activity. Id. at 947. Under the standard set forth in Dangler:

[I]n the absence of some special showing, the managing officers of a corporation are not liable for the infringements of such corporation, though committed under their general direction. . . . It is when the officer acts willfully and knowingly—that is, when he personally participates in the manufacture or sale of the infringing article (acts other than as an officer), or when he uses the corporation as an instrument to carry out his own willful and

deliberate infringements, or when he knowingly uses an irresponsible corporation with the purpose of avoiding personal liability—that officers are held [liable] jointly with the company.

Id. See also Panther Pumps & Equipment Co. v. Hydrocraft, Inc., 468 F.2d 225, 233 (7th Cir. 1972) (applying Dangler to patent infringement claim against corporate officers); General Motors Corp. v. Provus, 100 F.2d 562, 564 (7th Cir. 1938) (same).

Plaintiff concedes that Dangler applies to its copyright claim, but argues that its complaint contains allegations against the individual defendants sufficient to satisfy the Dangler standard. As I explained in a previous case, when applying Dangler at the motion to dismiss stage, courts should consider whether the plaintiff has pleaded sufficient facts regarding the corporate officer’s personal participation in the allegedly infringing activities. Grice Engineering, Inc. v. JG Innovations, Inc., 691 F. Supp. 2d 915, 925 (W.D. Wis. 2010). The plaintiff states a claim if it alleges facts suggesting that the officer had an active, hands-on role in the corporation’s operations and alleged infringement. Id. Compare Specht v. Google, Inc., 660 F. Supp. 2d 858, 864-65 (N.D. Ill. 2009) (dismissing claim against corporate officers because “[p]laintiffs failed to allege any facts that would demonstrate wrongdoing by any of the Individual Defendants”), with Syscon, Inc. v. Vehicle Valuation Services, Inc., 274 F. Supp. 2d 975, 977 (N.D. Ill. 2003) (president personally authorized and contributed to the infringing activity and promotion of product), and For Your Ease Only, Inc. v. Calgon Carbon Corp., 2003 WL 21475905, *3 (N.D. Ill. June 20, 2003) (president allegedly “personally imported, manufactured, and offered the allegedly infringing product for sale,” as well as personally appeared on television to promote product).

I conclude that plaintiff's allegations against defendant McLeod are sufficient to satisfy the standard under Dangler. Plaintiff alleges that "Q Game and McLeod have infringed [plaintiff's] copyrights to the Games by creating software source code for the Infringing Games that is substantially similar to the software source code for [plaintiff's] Games." Cpt., dkt. #1, at ¶ 67. The allegations suggests that McLeod participated personally in the allegedly infringing activity by creating software source codes. Dangler, 11 F.2d at 947 (officer may be held liable if he "personally participates in the manufacture or sale of the infringing article"). Therefore, I am denying the motion to dismiss plaintiff's copyright claim against McLeod.

However, plaintiff's complaint contains nothing but vague and conclusory allegations about what actions the owners and members of Reel Spin Studios and Game Management Corp. took that violated plaintiff's copyrights. Plaintiff's only allegations related to defendants Donker, Grond, Young, Stimac and Lindeman are that they are "owner[s] and member[s]" of Reel Spin Studios or Game Management Corp. and, "[u]pon information and belief," "have personally aided, abetted, participated in, authorized and/or ratified" Reel Spin's and Game Management's infringement of plaintiff's games. Cpt., dkt. #1, at ¶¶ 5-9, 68-69. These allegations are simply a recitation of the standard set forth in Dangler. They provide no details about what actions the individual defendants took that would actually satisfy the standard and provide no notice to defendants about what particular acts they committed that would make them liable to plaintiff for copyright infringement. As with plaintiff's claims under the Lanham Act, plaintiff's have "merely parrot[ed] the [] language

of the claims they are pleading . . . rather than providing some specific facts to ground those legal claims.” Brooks, 578 F.3d at 581. Accordingly, I am granting defendants’ motion to dismiss plaintiff’s copyright claims against defendants Donker, Grond, Young, Stimac and Lindeman.

Unlike plaintiff’s Lanham Act claim, plaintiff’s copyright claims against the individual defendants were not the subject of defendant’s earlier motions to dismiss and plaintiff has not had an opportunity to replead these claims with additional facts. Therefore, I will dismiss the claims without prejudice and give plaintiff one opportunity to file an amended complaint. This will be the only amended complaint permitted in this case.

C. Sanctions

Before this case was transferred here, defendants (with the exception of the Australian defendants) moved for costs under Fed. R. Civ. P. 41(d). Under Rule 41(d),

If a plaintiff who previously dismissed an action in any court files an action based on or including the same claim against the same defendant, the court:

(1) may order the plaintiff to pay all or part of the costs of that previous action; and

(2) may stay the proceedings until the plaintiff has complied.

The District Court for the Eastern District of Wisconsin denied the motion, concluding that although plaintiff had engaged in forum shopping, the award of fees was not appropriate because the efforts expended in the first lawsuit will not be wasted. Dkt. #52 at 4. Defendants have moved for reconsideration of that decision, contending that it was

based on an error of law, because the court failed to consider that a court can award costs under Rule 41(d) as a sanction for forum shopping and vexatious litigation. Defendants rely on Esposito v. Piatrowski, 223 F.3d 497, 501 (7th Cir. 2000), in which the court of appeals explained that the purpose of Rule 41(d) “is to deter forum shopping and vexatious litigation.” See also Espenscheid v. DirectSat USA, LLC, 708 F. Supp. 2d 781, 795 (W.D. Wis. 2010) (“The purpose of Rule 41(d) is to prevent forum shopping and vexatious litigation by requiring plaintiffs to shoulder the costs incurred by a defendant defending against the previously filed action.”).

Under the general “law of the case” doctrine, “a successor judge should not reconsider the decision of a transferor judge at the same hierarchical level of the judiciary when a case is transferred.” Brengettcy v. Horton, 423 F.3d 674, 680 (7th Cir. 2005). However, the the law of the case is a discretionary doctrine and successor judges can reconsider previous decisions if “some new development, such as a new appellate decision, convinces him that his predecessor’s ruling was incorrect.” Galvan v. Norberg, 678 F.3d 581, 587 (7th Cir. 2012). See also Peterson v. Linder, 765 F.2d 698, 704 (7th Cir. 1985) (“[W]hile a district judge should carefully consider the propriety of re-examining a prior ruling of another district judge in the same case, when good reasons appear for doing so (such as new evidence or controlling law, or clear error), the ‘law of the case’ doctrine must yield to rational decision-making.”).

I am not persuaded that it is appropriate to overturn Judge Griesbach’s decision regarding the award of costs. Defendants have not pointed to any clear error of law.

Although forum shopping may be an valid reason to award costs under Rule 41(d) in some circumstances, Judge Griesbach concluded that it was not appropriate in this case because the efforts expended by the parties in the previous case would not be wasted. Because one purpose of Rule 41(d) is to reimburse a defendant “for expenses incurred in preparing work product that will not be useful in subsequent litigation of the same claim,” LeBlang Motors, Ltd. v. Subaru of America, Inc., 148 F.3d 680, 685 (7th Cir. 1998) (citation omitted), Judge Griesbach’s decision was not clearly erroneous. Therefore, I will deny defendants’ motion for reconsideration.

ORDER

IT IS ORDERED that

1. The motion to dismiss filed by defendants Reel Spin Studios LLC, Game Management Corp., James L. Donker, David E. Grond, Patrick Young, William Stimac, Michael Lindeman, Rhody R. Mallick, Dale Cebula, Kathleen Maloney, Matthew Barrett, Robert L. Diener, The Lyons Den DL, LLC, Nigl’s Inc., Gameday Sports Bar, Inc., Antler’s Sports Bar & Grill, Oshkosh Lanes LLC, Back Again Stadium Bar, Inc., Mr. D’s Two, LLC, Susie’s Trackside, LLC, Last Hurrah LLC, The Hotel Pub, LLP and Woodshed, Inc., *dk.* #47, is GRANTED. Plaintiff Big Daddy Games, LLC’s claim under the Lanham Act, 15 U.S.C. § 1125(a), is DISMISSED with prejudice. Plaintiff’s copyright infringement claim against defendants Donker, Grond, Young, Stimac and Lindeman is DISMISSED without prejudice.

2. The motion to dismiss filed by defendants Q Game Technologies Pty Ltd and Nick McLeod, dkt. #59, is GRANTED IN PART and DENIED IN PART. The motion is GRANTED with respect to plaintiff's claim under the Lanham Act and this claim is DISMISSED with prejudice. The motion is DENIED with respect to plaintiff's copyright infringement claim against defendant McLeod.

3. Plaintiff may have until September 7, 2012 to file an amended complaint that includes sufficient facts to state a copyright infringement claim against defendants Donker, Grond, Young, Stimac and Lindeman. Plaintiff may not reassert its Lanham Act claim or add any additional claims or defendants to its amended complaint.

4. Defendants' motion for reconsideration of the order of the Hon. William Griesbach denying costs under Fed. R. Civ. P. 41(d), dkt. #62, is DENIED.

Entered this 24th day of August, 2012.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge