

**UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA**

STILLWATER LAKES CIVIC ASSOCIATION, INC.,	:	
	:	
Plaintiff	:	
v.	:	3:08 CV 2264
	:	
NOREEN GORKA, MICHAEL GLASSIC, STILLWATER LAKES CITIZENS, and STILLWATER LAKES COMMUNITY ACTIVIST, a nonprofit corporation,	:	
	:	
Defendants	:	
	:	

**PLAINTIFF’S REPLY BRIEF IN SUPPORT OF ITS
MOTION TO DISMISS CASE WITH PREJUDICE**

A. A MOTION TO DISMISS CASE WITH PREJUDICE SHOULD NOT BE DENIED TO ALLOW DEFENDANTS TO FILE A MOTION FOR RULE 11 SANCTIONS WHERE DEFENDANTS FAILED TO COMPLY WITH RULE 11’s SERVICE REQUIREMENTS.

Defendants object to Plaintiff’s Motion to Voluntarily Dismiss with Prejudice based upon their desire to file a Motion for Sanctions under Rule 11. In fact, Defendants Gorka and Glassic have subsequently filed such a motion. Moreover, the Motion for Sanctions specifically states that it was being “brought pursuant to Rule 11 of the Federal Rules of Civil Procedure, based upon violations by the Plaintiff of Rule 11(b).” Motion for Sanctions at Paragraph 3.

Rule 11c(2), however, clearly provides as follows:

(2) Motion for Sanctions. A motion for sanctions must be made separately from any other motion and must describe the specific conduct that allegedly violates Rule 11(b). The motion must be served under Rule 5, but it must not be filed or be presented to the court if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service or within another time the court sets. If warranted, the court may award to the prevailing party the reasonable expenses, including attorney's fees, incurred for the motion.

In this case, Defendants wholly failed to serve Plaintiff with a copy of their Motion for Sanctions prior to filing their objections to Plaintiff's Motion to Dismiss or their actual Motion for Sanctions.¹ Importantly, the Advisory Committee's Notes to the 1993 Amendments to Rule 11 specifically provide that "a motion may be filed *only* if the offending paper is not withdrawn or corrected within 21 days after service of the motion." (emphasis added).² It is also well settled that "[c]ompliance with this "safe harbor" provision is mandatory" and that "[i]f the twenty-one day period is not provided, the motion must be denied." Stauffer v. D.R. Horton, Inc.--New Jersey, 2008 WL 5215951, *2 (E.D.Pa. 2008) (quoting In re Schaefer Salt Recovery, Inc., 542 F.3d 90, 99 (3d Cir. 2008)). Moreover, "[t]he purpose of this safe harbor provision ... is to give the offending party the opportunity, within 21 days after service of the motion for sanctions, to withdraw the offending pleading *and thereby escape sanctions.*" Barber v. Miller, 146 F.3d 707, 710 (9th Cir. 1998) (emphasis in original). See also the Advisory

¹ Defendants filings do not allege that the Motion for Sanctions was properly served nor contain certificates of service.

² The Notes also explain that: "The motion for sanctions is not, however, to be filed until at least 21 days (or such other period as the court may set) after being served.... To stress the seriousness of a motion for sanctions and to define precisely the conduct claimed to violate the rule, the revision provides that the "safe harbor" period begins to run only upon service of the motion."

Committee's Notes to the 1993 Amendments to Rule 11 ("under the revision, the timely withdrawal of a contention will protect a party against a motion for sanctions").

Importantly, it has been held that a party can escape sanctions by merely providing notice of its *offer* to dismiss claims within the twenty-one day period. See Thomason v. First Priority Bank, 2010 WL 3607543 (N.D.Okla. 2010). The filing of a formal Motion to Dismiss is not necessary. Id. Further, even "a plaintiff who seeks to voluntarily dismiss a claim *without prejudice* within the twenty one day safe harbor period is entitled to the protection of that provision." Id. at 4 (citing Nagle Industries, Inc. v. Ford Motor Co., 173 F.R.D. 448 (E.D.Mich.1997) and Photocircuits Corp. v. Marathon Agents, Inc., 162 F.R.D. 449, 452 (E.D.N.Y.1995)).

In the instant case, Plaintiff formally filed a Motion to Voluntarily Dismiss Case with Prejudice. Thus, there is no question that Plaintiff would have been protected against sanctions had this Motion to Dismiss been filed after Defendants properly followed the safe harbor provision. As such, it is beyond logic for Defendants to object to the Motion to Dismiss based upon its desire to seek Rule 11 sanctions without first having satisfied Rule 11's safe harbor requirement. See Lasorsa v. Ameriquest Mortg. Co., 238 F.R.D. 554, 555 (E.D.Pa. 2006) ("The flaw in [petitioner's] logic is that it forgets the essential purpose of Rule 11's creating a 21-day safe-harbor, which is to offer the opposing party a chance to withdraw the challenged paper, claim, defense, contention, allegation, or denial... [T]he proposed motion served its purpose-i.e., plaintiffs withdrew the offending counts of their Complaint").

It should be noted that Defendants correctly cite Gary v. Braddock Cemetery, 517 F.3d 195 (3rd Cir. 2008) for the principal that “a District Court should rule on a Motion for Sanctions before entering final judgment.” Defendant’s Memorandum in Opposition at p. 7. This citation, however, does not support their cause. In Braddock, the Third Circuit Court of Appeals clearly explained the following:

[Petitioner] responded by serving Plaintiffs with a copy of the motion for Rule 11 sanctions that they intended to file with the district court pursuant to Rule 11(c)(1).^{FN2} ... When Plaintiffs did not dismiss their complaint as requested in the Rule 11 notice, [petitioner] filed a motion to dismiss together with its motion for Rule 11 sanctions.

FN2. Fed.R.Civ.P. 11(c)(1) **requires** a litigant to give advance notice of the intent to move for sanctions by properly serving the opposing party with a copy of the motion prior to filing with the court.

517 F.3d at 199 (emphasis added). This decision actually makes clear that Defendants cannot prevail on a Rule 11 Motion without first complying with its service provisions. In turn, this necessarily dooms Defendants’ objection to Plaintiff’s Motion to Dismiss. See AeroTech, Inc. v. Estes, 110 F.3d 1523, 1528 (10th Cir. 1997) (“Because [defendant] did not move for Rule 11 sanctions until after [plaintiff] had moved to dismiss its claims against him, we agree with the magistrate's conclusion that Rule 11's cure provision prevents [defendant] from seeking sanctions.”); Morrone v. Gunderson, 169 F.R.D. 168, 172 (M.D.Fla. 1996) (“[A]s a result of the 21 day ‘safe harbor’ provision of Rule 11, Defendants should not have filed their Rule 11 motion for sanctions based upon Plaintiffs' Second Amended Complaint when the allegedly

offensive pleading had already been withdrawn by Plaintiffs' voluntary dismissal of the case.”).

B. PLAINTIFF DID NOT ACT IN BAD FAITH BY FILING THIS CASE AND/OR THE MOTION TO VOLUNTARILY DISMISS

Defendants assert that Plaintiff initiated this action in retaliation for Glassic filing a complaint with the Office of the state Attorney General (AG) on September 25, 2008.³ As such, they claim that Plaintiff acted in bad faith. These claims must fail.

Defendants ignore the fact that, prior to Glassic’s AG complaint, Plaintiff had asserted its rights with respect to the website. For example, minutes for a meeting of Plaintiff’s Board of Directors held on February 17, 2007, provide: “At this point, if the Board does not approve the information contained on the site, they cannot use the Stillwater Lakes Civic Association name. It is the Association’s reputation at risk...” (SLCA000161, SLCA01112). Minutes for the March 29, 2007, meeting reflect that a Board member had spoken to Gorka about problems with the website and the need for disclosure. (SLCA000205, SLCA01113). They also state: “If they are going to use the name STILLWATER LAKES CIVIC ASSOCIATION content MUST go through the Board.” *Id.* Further, in a letter dated September 7, 2007, Plaintiff explained that “the website is not authorized or censored by the Board of Directors [and i]n addition, it contains misinformation which prompted a lawsuit against the Association last year.”

³ Based upon Defendants past remarks, Plaintiff is led to believe that the complaint at issue was filed by Glassic with the AG’s Office on September 5, 2008, and specifically identified the owner of the community’s management company at the time as the party being complained against, as opposed to the Plaintiff or any individual Director.

See Exhibit D to Complaint and Amended Complaint. Accordingly, Plaintiff requested that the website “be removed immediately.” Id.⁴

More importantly, after Glassic filed his complaint with the AG’s office, Plaintiff did not immediately file this lawsuit. At a meeting held on October 18, 2008, Plaintiff’s Board passed a resolution whereby it authorized “legal counsel to take any and all steps, including but not limited to filing lawsuits necessary to protect the Association’s corporate name and prevent any unauthorized misappropriation of said corporate name.” (SLCA01123). Gorka was present at this meeting and even abstained from the vote acknowledging that she thought the resolution was related to the website. Id. Defendants admit that, at the time that this resolution was passed, the website’s homepage appeared as it did in Exhibit A in the Motion to Dismiss. See Answer to Motion to Dismiss at Paragraph 2.

Plaintiff’s counsel sent another warning letter dated October 23, 2008.⁵ See Exhibit E to Complaint and Amended Complaint. Rather than heed the Association’s warnings, Defendants took action that clearly evidenced their own bad faith. Within days of the letter, Glassic incorporated Defendant Stillwater Lakes Community Activist as a Pennsylvania nonprofit corporation. See SLCA00112, SLCA00156, SLCA00220, SLCA01155. Within a few weeks, the domain names were transferred into this

⁴ Defendants acknowledge receipt of the letter. See Amended Complaint and Answer thereto at Paragraph 47; answers to requests for admission at Paragraph 10.

⁵ Defendants admit receiving this letter as well. See Amended Complaint and Answer thereto at Paragraph 49; Answers to requests for admission at Paragraph 18.

nonprofit corporation's name. See SLCA01147, SLCA01142.⁶ Importantly, Activist has always been a sham company. Plaintiff asked Defendants to "Identify all persons that have been involved in and/or affiliated the operation of Stillwater Lake Community Activist..." Plaintiff's Interrogatories at Paragraph 9. Defendants replied: "Mr. Glassic owns and operates Stillwater Lakes Community Activist and is solely involved in its operation." Defendants Answers to Interrogatories at Paragraph 9. Further, in reply to Plaintiff's document request (and more than two years after Activist was incorporated and holding the domain names), Defendants were unable to provide any of the following documents regarding Stillwater Lakes Community Activist: bylaws, corporate resolutions, meeting minutes, rules or operating procedures, lists of Directors and officers, or documents relating to corporate structure. As for membership lists, Defendants merely provided copies of all the users who had registered to use the website's forum, irrespective of whether those users provided real names or registered before the corporation was even created. In fact, Glassic and Gorka's "close friend" and one time forum administrator, David Nieves, was deposed and testified as follows:

Q. Do you know how many members are involved with the Activists?

A. Of the Activists, I don't know of any members that even exist. I do know that there are 200 members of the forum. But as far as them being members of the Activists, two different, separate entities.

David Nieves Deposition, 2/22/11, at pp. 17-18.

⁶ Immediately prior to transferring the domain names to Activists, they had been registered in the name of Defendant Stillwater Lakes Citizens. Defendants have explained that "Stillwater Lakes Citizens is simply a name." See Defendants Answers to Interrogatories at paragraph 21.

At around the time of Plaintiff's counsel's letter, Defendants also made changes to the website.⁷ Unfortunately, these changes to the website served to make it even more confusing. See Exhibit F to Complaint and Amended Complaint. Plaintiff's Brief in Support of Motion to Dismiss fully explains the problems with the updated website.

In sum, rather than retaliate against Defendants for filing a complaint with the AG's office, Plaintiff provided them with ample time and warning prior to filing this action. It was only after Defendants failed to take proper corrective action and evidenced their own bad faith that Plaintiff filed this case in December of 2008.

Defendants also allege that the "homepage of the website... was never owned by Noreen Gorka and before she became a member of the Board of Directors of the Plaintiff she stopped having involvement with the website." Memorandum in Opposition of Motion to Dismiss at p. 1. Plaintiff acknowledges that, prior to the filing of this action, Gorka sent Plaintiff's counsel a letter wherein she claimed that she had stopped being "part of" the website since she became a director⁸ and that "[t]he site was originally registered under Mike Glassic's name, but never mine." (SLCA01153). There was and is, however, ample reason to discount these assertions.

First, it is worth noting that Defendants, without any qualification, admitted Paragraph 23 in the original Complaint which reads: "On or about August 2006 and

⁷ Defendants claim that the changes were made prior to the letter being sent but after the Board had authorized legal action to protect the Association's trade name. See Defendants Answer to Motion to Dismiss at Paragraphs 2 and 3. This would appear to be an admission that Defendants understood that the website infringed upon the Association's rights and needed correcting even without prompting.

⁸ Plaintiff's minutes reflect that Gorka first attended a Board meeting as a director on June 12, 2008. (SLCA01128)

June 2008, Defendants Gorka, Glassic and Citizens registered the domain names www.stillwaterlakes.net and www.stillwaterlakes.com, respectively.” Further, as part of discovery, Defendants produced a completed questionnaire whereby Gorka specifically admits that “my husband, Michael Glassic, **and myself**, registered the domain name stillwaterlakes.net and started a website.” Exhibit A attached hereto (emphasis added).⁹ Defendants also produced no less than three different documents wherein they acknowledge that “Glassic and Gorka started the website” Exhibits B, C, D attached hereto.¹⁰

In discovery, Plaintiff either provided or made available the following: (1) audiotape from an October 24, 2006 meeting whereat Gorka admits to being involved in beginning the website, (2) a disclosure on the website that “Glassic and Gorka started the website...” (SLCA01150); and (3) Gorka’s letter dated December 12, 2007 wherein she specifically states “we started the website, www.stillwaterlakes.net” (SLCA01206).

Further, at all times, Plaintiff has been aware that 2339 Nadine Bld., Pocono Summit, PA 18346 was a property where Gorka lived, was an owner and used as an address.¹¹ Importantly, this property has always been identified as the Registered Office Address provided to the Pennsylvania Department of State for Stillwater Lakes

⁹ Unfortunately, Defendants did not number/stamp their documents prior to providing them to Plaintiff. It should also be noted that the yellow highlights were placed upon these documents by Plaintiff.

¹⁰ Defendants also admit, in the joint case management plan, that “Defendants Gorka and Glassic licensed the domain name of stillwaterlakes.net...” Joint Case Management Plan at 5.

¹¹ See also Defendants Answer to Complaint at Paragraph 14 and Answers to Interrogatories at Paragraph 1.

Community Activist, Inc. (SLCA00112, SLCA00156, SLCA00220, SLCA01155, Exhibit E attached hereto). Moreover, since June 7, 2010, Gorka has owned the property by herself. See Exhibit F attached hereto. In other words, the domain names are currently registered to a company whose registered office is located at property owned solely by Gorka.

Plaintiff also produced information that shows 2339 Nadine Bld., Pocono Summit, PA 18346 as being the address for the Registrant, Administrative Contact, and Technical Contact for stillwaterlakes.net on August 8, 2008 (SLCA00211) and on April 30, 2008 (SLCA01139) and for stillwaterlakes.com on June 21, 2008 (SLCA01143). Keep in mind that the June and August dates were after Gorka became a director.

Moreover, the fax that was sent to the Department of State registering Defendant Stillwater Lakes Community Activist, Inc. as a nonprofit corporation came from a fax machine belonging to YSTRESS (SLCA00220). Y-Stress, Inc. is a company for which Gorka is, self-admittedly, the President (Answers to Interrogatories at Paragraph 1) and has been identified as owner (see

<http://www.poconorecord.com/apps/pbcs.dll/article?AID=/20080706/NEWS02/807060307/-1/rss01>).

Y-Stress is also important in that Plaintiff produced documents showing that the email address listed for the Administrative and Technical Contacts were from a y-stress.com account and the Registrant for stillwaterlakes.net on August 8, 2008 was listed as Y-Stress, Inc. (SLCA00211); the Registrant Contact, Administrative Contact

and Technical Contact for stillwaterlakes.net on November 14, 2007 (SLCA00331) and April 30, 2008 (SLCA01139) were all listed as Y-Stress, Inc.; and the email address listed for the Administrative and Technical Contacts were from a y-stress.com account and the Registrant for stillwaterlakes.com on June 21, 2008 was listed as Y-Stress, Inc. (SLCA01143).

Further, Plaintiff produced letters from Gorka, dated December 30, 2006 and December 12, 2007, wherein she specifically uses Box 2286, Pocono Summit, Pennsylvania 18346 for her return address (SLCA01205, SLCA01206). This is important because Plaintiff also produced documents showing that as of November 28, 2008, and December 30, 2008, the address for the Registrant, Administrative Contact, and Technical Contact for stillwaterlakes.com was Box 2286, Pocono Summit, Pennsylvania 18346 (SLCA01142, SLCA01145) as was the address for the Registrant of stillwaterlakes.net as of November 16, 2008 and January 30, 2009 (SLCA01147, SLCA01151).

Plaintiff also subpoenaed documents from godaddy.com which hosts Defendants' website and registers the domain names. These documents reveal that, at all times from June 20, 2007 through July 23, 2010 (the date of the response), the Billing Information as well as the Shipping Information for each charge related to the domain names and/or website showed an address as 2339 Nadine Blvd., Box 2286, Pocon Summit, PA 18346

(GD000071-000208).¹² These documents also all show a y-stress.com email account on the contact info. Further, Defendants cannot deny that Gorka was extremely active with the website at least prior to becoming a director. She was listed as the “Administrator” in the forum (ex SLCA000273, SLCA000276) and she solicited and received payment for an advertisement. See Jack Johnson Deposition, 8/26/10, at pp. 12-13. Moreover, on February 28, 2008, Defendants provided this Court with a document showing the website’s vital statistics. See Exhibit A, p. 10, to Defendants Brief in Support of 12(b)(6) Motion. This document reveals that even as of that date, which was eight months after Gorka had become a director and two months after this case was filed, she rated 3rd on Top Topic Starters and 7th on Most Time Spent Online. See Exhibit G attached hereto.

In light of the foregoing, there was and is ample evidence to show Gorka’s involvement with the website and to name her in the Complaint. Finally, even if she had truly removed herself from the website, she would have still been responsible for her past actions. See Century 21 Real Estate Corp. v. Lendingtree, Inc., 425 F.3d 211, 217 (3rd Cir. 2005); Shields v Zuccarini, 254 F.3d 476, 486 (3rd Cir. 2001) (changes to a website cannot absolve a “defendant from liability for his earlier unlawful activities. Indeed, were there such authority we think it would be contrary to the orderly enforcement of trademark and copyright laws.”); Brand v. NCC Corp., Through its Div.

¹² Defendants objected to Plaintiff’s request for documents showing who owned the credit cards that were used to pay for the website hosting and domain name registration and the source of the money to pay those charges.

Nat. Toll Free Marketing, 540 F.Supp. 562, 564 (E.D.Pa. 1982) (defendant “claims use of the mark was discontinued July 1, 1980... this is no defense to NCC's use of the mark before July 1, 1980”).

Defendants also claim that Plaintiff’s Motion to Dismiss somehow shows its bad faith. They assert that Plaintiff has admitted that the changes to the website have “clearly eliminated the possibility of confusion.” Memorandum in Opposition to Motion to Dismiss at 3. This is false. In filing its Motion to Dismiss, Plaintiff candidly explained that since the initiation of this case, Defendants have made changes to the website that “decrease the chance of confusion regarding Plaintiff’s involvement and/or affiliation with the website.” Plaintiff’s Motion to Dismiss at Paragraph 4. All possibility of confusion has not been eliminated.

Defendants assert that the changes were made to the site on February 28, 2009. See Answer to Motion to Dismiss at Paragraph 6. That would be more than two months *after* this case was filed. If anything, these changes evidence Defendants’ admission that the site was problematic at the time this case was filed and needed correcting. Further, as part of discovery, Defendants provided Plaintiff with an email dated April 13, 2009, wherein a viewer of the website explained: “On the Web site lawsuit, I believe the key issue for a judge will be does your Web site cause confusion. That’s the key to trademark infringement. I think the argument can be made, and *looking at the cite (sic), it’s not clear when you log on who you are.*” Exhibit H attached hereto

(emphasis added). Accordingly, Defendants' own evidence shows that there is still a risk of confusion despite the more recent changes to the site.

Further, even if Defendants had "clearly eliminated the chance of confusion" with the changes, Plaintiff would not have been obligated to immediately seek to dismiss this case. Plaintiff would have been entitled to seek relief for Defendants' past actions as well as an injunction to insure that the website was not changed back. See Century 21 Real Estate Corp.; supra.; Shields, supra.; Brand, supra.

Finally, the changes to the website are not the only factor behind the Motion to Dismiss. The changes, coupled with Plaintiff's financial situation, led to the filing of the Motion to Dismiss. As explained in the Motion, Plaintiff cannot afford to fund this case through trial. Defendants are aware of this fact as, in an email sent this past December, Gorka went so far as to suggest that the Board "look into bankruptcy." In light of these circumstances, Plaintiff's Motion to Dismiss was certainly reasonable.¹³

C. PLAINTIFF'S CAUSES OF ACTION ARE VALID

It is respectfully suggested that, if the Court inquires beyond the above described procedural fatality and/or the lack of bad faith, it should recognize that Plaintiff's causes of action are valid.

¹³ Before leaving the topic of bad faith, it is important to consider Glassic's immediate reaction to being served with this legal action. Within days of being served with the Complaint in this case, Glassic registered www.youngandharos.com and www.youngandharos.net. See Defendants Answers to Request for Admissions at Paragraphs 20 and 21. He also set those domain names, which obviously usurp the name of the law firm representing Plaintiff, to direct internet traffic to www.stillwaterlakes.net.

At the outset, it should also be noted that Defendants have cited absolutely no legal authority to establish how Plaintiff's alleged deficiencies, if true, would be fatal to its case. In other words, Defendants have simply thrown out accusations and left it to Plaintiff and the Court to determine their legal significance, if any.¹⁴

Defendants first assert that "Stillwater Lakes" is a geographic location. While never raised as an affirmative defense, Plaintiff surmises that Defendants now make this assertion because a term which is primarily geographically descriptive is initially unregistrable under the Lanham Act. See 15 U.S.C. 1052(e)(2). The Act, however, allows registration upon a showing that the mark is distinctive. See 15 U.S.C. 1052(f). Moreover, it has been held that "[a]n unregistered trademark is 'distinctive' if it has been in substantially exclusive and continuous use in commerce for five years and through this use has acquired a secondary meaning." A1 Mortg. Corp. v. A1 Mortg. and Financial Services, LLC, 2006 WL 1437744, 7 (W.D.Pa. 2006) (citing 15 U.S.C. 1052(f). See also SunAmerica Corp. v. Sun Life Assur. Co. of Canada, 890 F.Supp. 1559, 1574 (N.D.Ga. 1994) ("merely descriptive mark may acquire distinctiveness, otherwise known as 'secondary meaning.'").

¹⁴ With respect to the alleged Rule 11 violations, it should also be noted that many of Defendants' assertions relate to affirmative defenses. That said, it has been held that a "plaintiff does not violate Rule 11(b)(2) by failing to anticipate an affirmative defense that a defendant may or may not assert." Moore v. Vital Products, Inc., 2009 WL 275475, 14 (N.D.Ill. 2009), reversed in part on other grounds, ___ F.3d ___, 2011 WL 2022951 (7th Cir. 2011). See Oliphant & Jarchow v. Cowhey, 1988 WL 139351, 1 (N.D.Ill. 1988) ("we question whether [a Rule 11 motion] can be grounded upon the fact that the complaint does not anticipate an affirmative defense. A plaintiff can always hope that a defendant will choose not to raise it...").

In this case, Plaintiff produced and/or made available volumes of documents, dated through decades, evidencing Plaintiff's extensive use of its name and recognition of same by third parties. Among other things, these included Plaintiff's newsletters which contained advertisements and were sent to the membership (ex. SLCA000225, SLCA000231, SLCA000240), inquiries from the public and replies (ex SLCA01159, SLCA001160), checks from unit owners (ex SLCA03845, SLCA03846, SLCA03852), communications with governmental representatives (ex. SLCA03517, SLCA3520, SLCA3521), insurance policies (ex SLCA03526), and vendor bills, contracts and proposals (ex. SLCA002456, SLCA02822, SLCA02827, SLCA02828, SLCA2460, SLCA02462, SLCA02463). Plaintiff even produced shirts and coffee mugs containing its name (SLCA00038, SLCA00039) as well as newspaper advertisements (ex SCLA000005). Accordingly, distinctiveness would be established.

Further, there is at least reason to question whether Stillwater Lakes is a geographic location. Defendants admitted the following Request for Admission: "Admit that the Defendants Gorka and Glassic reside in Stillwater Lake Estates." See Defendants Answer to Request for Admission at request number 3. The deeds by which Defendants took title to their properties also state that the subdivision is titled "Stillwater Lake Estates." (SLCA05628, SLCA05631, SLCA05633, Exhibit F attached hereto). Further, the Geographic Names Information System (GNIS), which is the Federal and national standard for geographic nomenclature developed by the U.S. Geological Survey in support of the U.S. Board on Geographic Names, identifies "Stillwater Lake Estates" as

the name of a geographic area in Monroe County, Pennsylvania and does not list

“Stillwater Lakes” as such. See

http://geonames.usgs.gov/pls/gnispublic/f?p=154:3:3126101770935505::NO::P3_FID,P3_TITLE:1188683%2CStillwater%20Lake%20Estates .

Also, the Agreement between the community’s developer, Sun Dance Stillwater Corp., and Plaintiff dated February 12, 1981, explains that the development is “generally known as ‘Stillwater Lake Estates.’” (SLCA000042). The recorded Declaration of Covenants, Conditions and Restrictions of Stillwater Lake Estates references the “planned community known as Stillwater Lake Estates” and the “Stillwater Lake Estates subdivision.” (SLCA05626). Finally, Plaintiff made available for inspection USGS Maps labeled POCONO PINES, PA 1997 and TOYHANNA, PA 1999. Both show “Stillwater Lake Estates” but nothing labeled “Stillwater Lakes.”

Finally, even if “Stillwater Lakes” is a geographic location and Plaintiff could not establish secondary meaning, Defendants would not be excused for asserting a false affiliation between “Stillwater Lakes Civic Association” and their website. See Quaker State Oil Refining Co. v. Steinberg, 325 Pa. 273, 284, 189 A. 473, 478 (1937) (while Plaintiff could not establish secondary meaning, “[i]f it had been shown that the defendants were endeavoring to palm off their product as plaintiffs, a different situation would exist and relief would be granted.”).

Next, Defendants claim that Plaintiff does not sell products or services in commerce. This allegation is baseless. The fact that an organization is a nonprofit and

sells no goods does not take it out of the protection of the law of unfair competition.

See 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 9:5 (4th ed. 2011); Planetary Motion, Inc. v. Techsploison, 261 F.3d 1188 (11th Cir. 2001) (“Common law unfair competition protection extended to non-profit organizations because they nonetheless engage in competition with other organizations.”). Further, the Patent and Trademark Office (the “PTO”) has registered many third-parties service marks for homeowner association services. Examples, taken from the PTO’s online database, are attached hereto as Exhibit I.¹⁵

Additionally, Plaintiff has produced and made available thousands of documents related to its marketing, advertising, dissemination of information, and its sale of goods and services. These including decades of (1) records related to maintenance staff as well as third party vendors providing maintenance services such as plumbing, sewer maintenance, plowing, pavings, etc.; (2) builder packets submitted each time a property owner wants to build a home; (3) newsletters containing advertisements¹⁶ and announcements which were mailed to the unit owners, many of whom lived out of state; (4) documents regarding its contracted management companies; (5) unit owner lists; (6) invoices and billing information for the unit owners, including many who lived out of state; (7) proposals and invoices from in and out of state merchants and vendors; and (8)

¹⁵ The PTO classifies such services into Classes 35, 36 and 37. Acceptable descriptions of services from the PTO’s online database “The US Acceptable Identification of Goods and Services Manual” (“Trademark ID Manual”) can be found at <http://tess2.uspto.gov/netahtml/tidm.html> .

¹⁶ The newsletter was produced by a firm that sought local advertising dollars in exchange for publishing the newsletter.

notices placed in the Pocono Record newspaper by Plaintiff soliciting bids and seeking job applications. Moreover, Defendants admit that Plaintiff issues resale certificates as mandated by statute (68 Pa. C.S. § 5407) to realtors and abstract companies. See Defendants Answers to Request for Admissions at Paragraph 17. Plaintiff also produced documents showing that it was solicited for and actually did engage in the sale of real estate (SLCA01183, SLCA01186, SLCA01187, SLCA01189, SLCA01191, SLCA01192) and leased its clubhouse (SLCA02800, SLCA002806). Further, Plaintiff produced a letter from Pennsylvania's Department of Revenue which provides, in part, as follows: "Welcome to Pennsylvania's Business Community. The Department of Revenue has been advised that your firm is now authorized to transact business in the Commonwealth of Pennsylvania." (SLCA01202). To recap, the Association has produced and made available several thousand documents which reflect that it has engaged in the sale of goods and services in interstate commerce. Moreover, even if such were not the case, Defendants would not be insulated from legal action. See Committee for Idaho's High Desert v. Yost, 881 F.Supp. 1457, 1470-1471 (D.Idaho,1995) ("it is clear that the names of charitable, educational, and other non-profit organizations are entitled to protection under the Lanham Act regardless of whether or not they place products into the stream of commerce"); Order of Owls v. Owls Club of McKees Rocks, 99 F.Supp. 555, 560 (W.D.Pa. 1951) ("it is well established that the courts will protect a benevolent, fraternal or social organization in the use of its name by restraining another reorganization from using the same name or

one which is deceptively similar”); Purcell v. Summers, 145 F.2d 979, 985 (4th Cir. 1944); Golden Slipper Square Club v. Golden Slipper Restaurant & Catering, 371 Pa. 92, 97, 88 A.2d 734, 737 (1952); Societa Di Mutuo Soccorso, Christoforo Colombo v. Lombardo, 350 Pa. 530, 533, 39 A.2d 581, 582 (1944). Defendants’ arguments fail.¹⁷

Defendants next assert that Plaintiff did not advertise on its website and had forfeited its right to do so. Perhaps the easiest way to address this issue is to point to Defendants’ previous filing in this case. Defendants have already provided this court with a forum page from their website containing a post by April Bunje, who was one of Plaintiff’s Board Members at the time. On August 22, 2008, 08:37:51 AM, she wrote, in part, as follows:

Slowly but surely the official web-site is functioning... ***Spread the word about advertising on it.*** Advertising on it(the website) will pay for itself and if that happens it will be less money out of our pockets to keep it running. Advertising information will be obtained once an e-form is filled out.

Page 12 of Exhibit 1 to Defendants Reply Brief for 12(b)(6) Motion, attached hereto as Exhibit J. Moreover, to say that Plaintiff forfeited its own advertising rights on the official website is misleading. The service contract specifically provided:

Each party agrees and acknowledges that AtHomeNet shall be free to sell and insert advertising frames, banners, and other advertising on the Web Site but shall not sell advertising in the classified ads Feature, which right is reserved to Customer. Neither party shall have any claim for advertising placed by the other party as specified in this Section 7.

¹⁷ It’s worth noting that Plaintiff has also maintained its own website, which alone evidences commercial activity. See Raintree Homes, Inc. v. CBS Networking Services, Civil No. 01-1277, M.D. Pa., 5-17-02 Memo.

(SLCA000259). Accordingly, it would appear that Plaintiff retained the exclusive right to sell advertising on the classified section of the website and a nonexclusive right to sell ads elsewhere on the website.¹⁸

While not mentioned in their Answer and New Matter, Defendants' Brief asserts that Defendants did not engage in commerce. This claim is wrong. First of all, the mere fact that a website is involved is enough to meet the "in commerce" requirement.

See Raintree Homes, Inc., *supra*. Further, in its Opinion and Order on the 12(b)(6)

Motion, this Honorable Court explained:

We also agree with Plaintiff that it has sufficiently stated a trade name infringement claim under the Lanham Act since Defendants are alleged to be attempting to obtain commercial gain from their use of its name on their website (Count I). As Plaintiff states, it has sufficiently stated and shown that Defendants have generated revenue from advertising on their website. (Doc. 14, p. 6). Exhibits A and F attached to Plaintiff's Complaint (Doc. 1) clearly show that businesses have advertised on Defendants' website and that Defendants are soliciting advertisers on their site.⁷ Thus, we find that Plaintiffs have alleged that Defendants' website is a commercial use.

Opinion at pp. 9-10. Moreover, Defendants have subsequently admitted that they were paid for at least one advertisement on the website. See Amended Answer at paragraph 54. Finally, Gorka has gone so far as to admit that the domain names are "valuable assets." (SLCA01153). Without question, Defendants have been engaged in commerce.

¹⁸ Plaintiff has also provided Defendants with a copy of the official website's current eform (SLCLA00040) which is titled "ADVERTISING INFORMATION REQUEST" and provides: "Our Community web site offers several great advertising opportunities to those who would like more business exposure to 500 plus single-family residences of our community. Opportunities are available for classified advertising and site sponsorships. For more information on these Opportunities please fill out and submit this form. You will be sent advertising opportunity and rate information as well as an order form. Thank you!"

Next, Defendants claim that they were not engaged in commercial competition with Plaintiff. It has been held, however, that “[u]se of trademarks and trade names by third parties has been restrained in connection with *non*-competing businesses, where it is clear that the third party defendant is not diverting away custom and trade.” Ress v. Barent, 378 Pa.Super. 397, 404, 548 A.2d 1259, 1263 (Pa.Super. 1988) (emphasis in original) (citing Great Atlantic and Pacific Tea Co. v. A & P Radio Stores, 20 F.Supp. 703 (E.D.Pa. 1937)). “If the defendant's acts have a tendency to confuse and deceive the public, he may be restrained.” Ress, 378 Pa.Super. at 404-05. Further, “[t]o decide whether trademark infringement exists in use of marks on noncompeting goods or services, one cannot go wrong by always phrasing the problem in terms of the ultimate question: Is the reasonably prudent purchaser likely to be confused not only as to source, but also as to sponsorship, affiliation or connection?” McCarthy, supra at §24:1. Here, the various incarnations of Defendants website, especially its home page, certainly establish a tendency to confuse and deceive the public. Moreover, the parties in this case have actually competed for users¹⁹ and paid advertisers with relation to their respective websites in this case.²⁰

¹⁹ Defendants have repeatedly asserted that they created the website to provide information services to unit owners in the community. Plaintiff has provided information services to this same group of people for decades. In fact, its Articles of Incorporation, from 1976, state one of its purposes as being to “provide information and a forum for discussion of programs and plans affecting the community.” (SLCA000193).

²⁰ Along these lines, it should also be noted that Plaintiff had spent effort and money to promote the official website by contracting for the creation of magnets and metal signs to promote it (SLCA03759, SLCA03757).

Next, Defendants claim that they didn't take any action to dilute Plaintiff's name.

This claim necessarily fails. This Honorable Court has already ruled as follows:

Plaintiff has alleged, and *its exhibits attached to its Complaint have sufficiently shown*, that Defendants are using its name on their website without its permission and that they are using its name to sell advertising on their site. Plaintiff has alleged that "Defendants' unauthorized use of Plaintiff's trade name dilutes the distinctive quality of Plaintiff's name and reputation." (Doc. 1, pp. 23-24).

Based on the Plaintiff's allegations, we agree with Plaintiff that "the [alleged] misrepresentations and confusing references to the Association and to the acronym "SLCA" on the Defendants' website and *via* their domain name have clearly tarnished the distinctiveness of the Association's trade name, which has taken several decades to develop." (Doc. 14, pp. 19-20).

12(b)(6) Opinion and Order at p. 19 (emphasis added). Importantly, Defendants specifically admitted that (1) the document attached as Exhibit "C" to Plaintiff's Amended Complaint fairly and accurately depicts the Website's homepage as it appeared on December 17, 2008 (Answer to Request Number 5) and (2) the document attached as Exhibit "A" to Plaintiff's Amended Complaint fairly and accurately depicts the Website's homepage as it appeared on October 13, 2008 (Answer to Request Number 11).²¹ Based upon these documents, the Court has already found that Plaintiff's dilution claims are valid.

Defendants next allege that Plaintiff, as a matter of evidence, did not possess a common law trade name. This is presumably based upon the assertion that the thousands of documents that Plaintiff produced showing decades of use and promotion of its trade name did not include any using the 'TM' designation. Defendants, however,

²¹ These Exhibits were the same as those attached to Plaintiff's Original Complaint.

wholly fail to cite any legal to establish that use of the TM designation is a mandatory requirement for Plaintiff's causes of action. To the contrary, as explained in MSP Corp. v. Westech Instruments, Inc., 500 F.Supp.2d 1198, 1209 (D.Minn. 2007), failure to "use the common law 'TM' designation in conjunction with the alleged marks... is insufficient to show that the terms are generic. See Two Pesos, Inc., v. Taco Cabana, Inc., 505 U.S. 763, 768, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992) (noting that designation is not required for possession of valid trademarks)."

Finally, Defendants claim that the documents produced by Plaintiff did not evidence a loss of profits due to unfair competition. At the outset, it should be noted that a review of Plaintiff's Complaint and Amended Complaint reveals that, while Plaintiff did allege that it had been injured and was entitled to damages, Plaintiff never made a specific claim for lost profits. Defendants fail to cite any authority which would prevent Plaintiff from seeking damages based upon disgorging Defendant's ad sales. Moreover, Plaintiff also incurred damages related to attorneys fees in enforcing its trade name, staff time dealing with the confusion created by Defendants' website and money spent to promote Plaintiff's own website so as to combat any confusion as to what was Plaintiff's official site. See generally Balance Dynamics Corp. v. Schmitt Industries, Inc., 204 F.3d 683, 690-93 (6th Cir. 2000) (allowing recovery of damage control expenses). Accordingly, Defendants cannot prevail on this issue.²²

²² Before concluding, it is worth noting that the information contained in this Brief was all developed without the benefit of Defendants being deposed

D. IF FEES ARE AWARDED, THE CASE SHOULD BE DISMISSED WITHOUT PREJUDICE.

Finally, it is important to keep in mind that Plaintiff seeks to voluntarily dismiss this case **with prejudice**. As such, it is respectfully suggested that an award of fees would not be appropriate. See Colombrito v. Kelly, 764 F.2d 122, 133-34 (2nd Cir. 1985) (“[W]hen a lawsuit is voluntarily dismissed with prejudice under Fed.R.Civ.P. 41(a)(2), attorneys' fees have almost never been awarded.... We would not want to discourage such a salutary disposition of litigation by threatening to award attorneys' fees if a plaintiff did not complete a trial.”); Cauley v. Wilson, 754 F.2d 769, 771 (7th Cir.1985) (“Fees are not awarded [under Rule 41(a)(2)] when a plaintiff obtains a dismissal with prejudice because the defendant cannot be made to defend again.” (internal quotations omitted)). If this Honorable Court is inclined to award fees, Plaintiff would ask that it then also consider dismissing this case without prejudice. See Citizens Sav. Ass'n v. Franciscus, 120 F.R.D. 22, 24 (M.D.Pa. 1988).

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