

UNITED STATES DISTRICT COURT
DISTRICT OF SOUTH DAKOTA
WESTERN DIVISION

STURGIS MOTORCYCLE RALLY, INC.,

Civil File No.: 11-cv-5052-JLV

Plaintiff,

v.

**RUSHMORE PHOTO & GIFTS, INC.,
JRE, INC., CAROL NIEMANN,
PAUL A. NIEMANN, and BRIAN M.
NIEMANN,**

Defendants.

-AND-

**RUSHMORE PHOTO & GIFTS, INC.,
JRE, INC., CAROL NIEMANN,
PAUL A. NIEMANN, and BRIAN M.
NIEMANN,**

Counterclaim-Plaintiffs,

v.

STURGIS MOTORCYCLE RALLY, INC.,

Counterclaim-Defendant.

**DEFENDANTS/COUNTERCLAIM-PLAINTIFFS' MEMORANDUM OF LAW IN
SUPPORT OF THEIR MOTION FOR A TEMPORARY RESTRAINING ORDER
AND A PRELIMINARY INJUNCTION**

INTRODUCTION

Plaintiff Sturgis Motorcycle Rally, Inc. ("SMRI") obtained Federal Trademark Registration No. 3,923,284 ("Sturgis Registration") for the name "Sturgis" as it relates to goods and services of the Sturgis Bike Rally. The Sturgis Registration was originally applied for by

SMRI's predecessor-in-interest Sturgis Area Chamber of Commerce. The registration was initially rejected because the name "Sturgis" is primarily geographically descriptive, and thus not registerable. 15 U.S.C. § 1052(e)(2). But on November 1, 2001, Marlin Martin, the then-President of the Chamber, overcame this rejection based on his sworn statement that the Chamber had "continuous and substantially exclusive use" of the name "Sturgis" at "the Rally since at least as early as July 1, 1987." Anyone who is even remotely familiar with the Rally knows that this statement is clearly false and fraudulent, as hundreds of vendors (including **28** who have submitted declarations in support of this Motion), with no affiliation to the Chamber whatsoever, sold "Sturgis" products at the Rally from 1987 – 2001.

Consistent with the indisputable common knowledge that hundreds of vendors used the name "Sturgis" on or in connection with the sale of products sold at the Rally prior to 2002, Good Sports, Inc. and Black Hills Harley-Davidson both opposed the Sturgis Registration based, in part, on the fact that (1) the name "Sturgis" is primarily geographically descriptive and thus not registerable, and (2) the statements by Mr. Martin were fraudulent because the Chamber "kn[e]w that many of over 700 vendors use the name STURGIS on or in connection with Rally Products." (*See, e.g.,* Davis Dec., Ex. 4, ¶¶ 8-9, 50.)¹ In fact, Jerry Berkowitz of Good Sports and the Vice President of Black Hills Harley Davidson swore under penalty of perjury that the facts listed in their respective opposition papers were true and correct.

After making their sworn statements to the U.S. Trademark Office, Jerry Berkowitz of Good Sports and Jim Burgess from Black Hills Harley-Davidson switched sides, and joined with Dean Kinney from the Chamber to form a new entity, SMRI. Good Sports and Black Hills Harley-Davidson then dropped their opposition, which allowed the Sturgis Registration to issue

¹ The names of all declarations have been shortened to the format of the last name of the declarant and then "Dec.", for example, "Davis Dec."

to its new owner, SMRI, on February 22, 2011. As a result, the very people (and their affiliated companies) who swore that the Sturgis Registration was invalid and based on fraud (Jerry Berkowitz of Good Sports and Black Hills Harley-Davidson) are now the owners of the registration through SMRI. Notwithstanding their knowledge of the invalidity and unenforceability of the Sturgis Registration and the purported “rights” associated with it, SMRI and its agents have, in the weeks leading up to this year’s Rally, intimidated dozens of long-time Sturgis vendors with threats of seizures, confiscations, and litigation if they do not license their merchandise through and make monetary payments to SMRI, the supposedly exclusive owner of the rights to the name “Sturgis” as it relates to the Rally.

This year’s Rally begins on Monday, August 8, 2011. Defendants and vendors, including those that are customers of Defendants, are in great fear that SMRI will follow through on its threats during the Rally and seize their Sturgis products, thus crippling the vendors’ businesses. If SMRI is allowed to continue threatening vendors and/or actually carrying out or authorizing seizures and confiscations of Sturgis merchandise during the Rally, grave irreparable harm would be done to these vendors, many of which rely heavily on their sales at the Rally to feed their families and keep their businesses afloat.

The Sturgis Registration and SMRI’s claimed exclusive “rights” to the name “Sturgis” are at the center of this lawsuit, and their enforcement against vendors is the biggest threat in SMRI’s arsenal of intimidation. Based on the numerous sworn statements of long-time Sturgis vendors, and of Jerry Berkowitz of Good Sports and Black Hills Harley Davidson themselves, there is at the very minimum a fair chance that Defendants will prevail on their claims that the Sturgis Registration and SMRI’s exclusive rights to the name “Sturgis” are invalid under 15 U.S.C. § 1052(e)(2) because the name “Sturgis” is primarily geographically descriptive and is

unenforceable based on fraud on the Trademark Office. Therefore, Defendants respectfully request that the Court issue a temporary restraining order and preliminary injunction that precludes SMRI and its subsidiaries, parents, officers, directors, agents, servants, employees, affiliates, attorneys and all other persons in active concert or participation with SMRI from enforcing or threatening to enforce SMRI's Sturgis Registration or any alleged exclusive rights in the name "Sturgis" or from threatening that SMRI and/or its agents will be conducting seizures at and around the upcoming Rally of any "non-licensed" goods that use or incorporate the name "Sturgis." In order to preserve the status quo and protect the free market that the Rally has long enjoyed, Defendants' Motion should be granted.

I. FACTUAL AND PROCEDURAL BACKGROUND

A. THE SORDID HISTORY OF THE STURGIS REGISTRATION AND SMRI.

On February 22, 2011, SMRI obtained Federal Trademark Registration No. 3,923,284 ("Sturgis Registration") for the name "Sturgis" as it relates to goods and services of the Sturgis Bike Rally. (Doc. No. 1-1, p. 2 of 12.) SMRI is the alleged owner of the Sturgis Registration, and it allegedly obtained ownership of the registration from the original applicant, the Sturgis Area Chamber of Commerce ("the Chamber"), on June 30, 2010. (Davis Dec., Ex. 1.)

The application for the Sturgis Registration was filed by the Chamber on January 30, 2001. (Doc. No. 1-1, p. 4 of 12.) On May 8, 2001, the Trademark Office rejected the Chamber application for "Sturgis" based on 15 U.S.C. § 1052(e)(2) because the name "Sturgis" is primarily geographically descriptive. (Davis Dec., Ex. 2, p. 3.) On November 1, 2001, the Chamber submitted a claim, in the form of a declaration from then-President of the Chamber, Marlin Martin, of acquired distinctiveness under 15 U.S.C. § 1052(f) based on the Chamber's supposed "substantially exclusive and continuous use of STURGIS as a mark in commerce for at

least the preceding five years on or in connection with the same or related goods and services as recited in the . . .” 15 classes included in the application, which included T-shirts, key rings, pens, flags, glassware, patches, and entertainment services. (Davis Dec., Ex. 3, pp. 9-12 and Ex. D, ¶ 4.)

The Sturgis Registration was published for opposition on October 15, 2002, and on December 11 and 13, 2002 respectively, Good Sports, Inc. (“Good Sports”) and Black Hills Harley-Davidson filed notices of opposition, contending that the Sturgis Registration should not issue. (Davis Dec., Exs. 4 and 5.) In their Notices of Opposition, both parties swore:

STURGIS is the name of a city in the State of South Dakota.

The name STURGIS is primarily recognized in the State of South Dakota as the identifier for the city of Sturgis, South Dakota.

Applicant admitted in the application for the mark in the ‘097 Registration that the name STURGIS is primarily geographically descriptive.²

The Rally has been held each year in and around the City of Sturgis, South Dakota since at least 1938.

The name STURGIS is primarily geographically descriptive when used on or in connection with Rally Products and related services.

Applicant knows it has not used the name STURGIS substantially exclusively in conjunction with the sale of Rally Products in the five years preceding November 1, 2001.

Applicant has knowledge of the substantial use by others of the name STURGIS in conjunction with the promotion of the Rally.

Applicant knows that many of over 700 vendors use the name STURGIS on or in connection with Rally Products.

At least as early as 1990, Applicant knew of Good Sports[sic] use of the name STURGIS in commerce in connection with the sale of Rally Products.

² Davis Dec., Ex. 9, pp. 1-2.

Applicant's claim of acquired distinctiveness of the name STURGIS is fraudulent and contains false information because on November 1, 2001, Applicant knew of substantial use of the name STURGIS by Good Sports and others, in commerce, on or in connection with the sale of Rally Products.

(Davis Dec., Ex. 4, ¶¶ 11-15, 48-52 (emphasis added); *see also* ¶¶ 8-9.) Jerry Berkowitz, President of Good Sports, swore under penalty of perjury that these factual statements were made of his own knowledge and were true. (Davis Dec., Ex. 4, p. 15.) Jim Doyle, Vice President of Black Hills Harley Davidson, made very similar sworn statements as well. (Davis Dec., Ex. 5, ¶¶ 11-12, 14-18, 50-64 and p. 19.) Proceedings at the Trademark Trial and Appeal Board continued for some time.

Then, on March 31, 2010, Jerry Berkowitz of Good Sports, Jim Burgess of Black Hills Harley-Davidson, John Johnson of First Interstate Bank, and Dean Kinney of HomeSlice and the Chamber banded together to form SMRI. (Davis Dec., Ex. 6, p. 3 and Ex. 7.) On June 30, 2010, the Chamber assigned all of its rights to the Sturgis Registration to SMRI. (Davis Dec., Ex. 1.) Just days later, on July 2, 2010, Good Sports and Black Hills Harley-Davidson withdrew their oppositions to the Sturgis Registration. (Davis Dec., Ex. 8.) Thus, SMRI was the stated owner of the Sturgis Registration, while the application was still pending from June 30, 2010 through February 22, 2011, when the Trademark Office issued the Sturgis Registration to SMRI. (Doc. No. 1; Davis Dec., Ex. 1.)

As Vice Chairs of SMRI, Jerry Berkowitz and Jim Burgess were most certainly aware of the sworn, factual statements from Good Sports and Black Hills Harley-Davidson that would mandate the invalidity and unenforceability of the Sturgis Registration. (*See* Davis Dec., Exs. 4-7.) Nonetheless, Jerry Berkowitz and Jim Burgess, through SMRI and their respective companies, have made threats to Defendants and to numerous long-time Sturgis vendors

claiming the exclusive rights to the name “Sturgis” when they know that such claims are clearly and factually false.³

B. DEFENDANTS ARE LONGSTANDING LOCAL BUSINESSES AND BUSINESS OWNERS THAT HAVE SOLD MERCHANDISE BEARING THE NAME “STURGIS” FOR 24 YEARS WITHOUT A LICENSE FROM ANYBODY.

Defendants have sold at and around the annual Sturgis Bike Rally merchandise bearing the name “Sturgis” for 24 years. (B. Niemann Dec., ¶ 2; P. Niemann Dec., ¶ 2.) Specifically, Defendants have openly and publicly sold at and around the annual Sturgis Bike Rally merchandise bearing the name “Sturgis” from at least 1987 until the present day. (B. Niemann Dec., ¶ 3; P. Niemann Dec., ¶ 3.) None of this merchandise was licensed from anyone claiming rights to the name “Sturgis.” Never did Defendants pay licensing or royalty fees to anybody claiming to own the rights to the name “Sturgis.” (B. Niemann Dec., ¶¶ 3-4; P. Niemann Dec., ¶¶ 3-4.) For each of those years, Defendants paid for and rented vendor space at and around the Rally, and paid the applicable state and local sales tax, if any, related to those sales. (B. Niemann Dec., ¶ 3; P. Niemann Dec., ¶ 3.) During those years, Defendants also spent money locally at local Sturgis businesses for food, lodging, and entertainment, pouring money into the local Sturgis economy. (B. Niemann Dec., ¶ 3; P. Niemann Dec., ¶ 3.)

In 2001 and before, going back to 1987, Defendants sold mugs, shot glasses, thermal mugs, playing cards, headwear, magnets, keychains, stickers, t-shirts, hoodies, ripped denim, shop shirts, long sleeve tees, ladies apparel, can and bottle coozies, postcards, poker chips, hat pins, patches, golfballs and tees, lighters, bottle openers, rain ponchos, knives, belly bags, flags,

³ Davis Dec., Exs. 10-13; B. Niemann Dec., ¶¶ 6-8, 10; P. Niemann Dec., ¶¶ 6-8, 10; Young Dec., ¶ 7; Angderson Dec., ¶¶ 7-9; Lupo Dec., ¶¶ 6, 8; Gormley Dec., ¶¶ 6-8; Elley Dec., ¶¶ 6-9; K. Tranni Dec., ¶¶ 6-9; V. Tranni Dec., ¶¶ 6-8; Celist Dec., ¶¶ 6-9; Farrokhi Dec., ¶¶ 6-8; Meltzer Dec., ¶¶ 6-8; Schroeder Dec., ¶¶ 6-9; L. Mortimer Dec., ¶¶ 6-9; Wallenberg Dec., ¶¶ 6-9; Driggs Dec., ¶¶ 6-8; K. Mortimer Dec., ¶¶ 6-8; Farhat Dec., ¶¶ 6, 8-9; Kirwan Dec., ¶¶ 6-9.

cameras, first aid kits, sunglasses, wallets, flasks, waterballs, and tin signs at the Sturgis Rally with revenues of around \$10,000 in 1987 to now nearly \$500,000 as of the end of business in 2010. (B. Niemann Dec., ¶ 4; P. Niemann Dec., ¶ 4.) During those same years, Defendants personally witnessed hundreds of other vendors selling and offering for sale “Sturgis” merchandise during the Rally, many of those vendors being people Defendants knew personally. (B. Niemann Dec., ¶ 4; P. Niemann Dec., ¶ 4.) Based on Defendants’ discussions with vendors, the vast majority of vendors did not have or need a license to sell their “Sturgis” merchandise. (*Id.*) This was public, common knowledge amongst vendors at the Rally prior to 2002, going back many years. (*Id.*) Never have Defendants paid licensing or royalty fees to the Sturgis Area Chamber of Commerce for the right to use the name “Sturgis” on Defendants’ merchandise either. (*Id.* at ¶ 5.)

In June 2011, SMRI sued Defendants for trademark infringement and threatened to confiscate and seize Defendants’ “Sturgis” merchandise if they did not pay SMRI licensing fees and obtain a license from SMRI for the use of “Sturgis” name on Defendants’ goods, despite the fact that they have been selling “Sturgis” merchandise at the Rally for 24 years without such a license. (Doc. No. 1; B. Niemann Dec., ¶ 6; P. Niemann Dec., ¶ 6.) Defendants currently have several counterclaims and defenses pending against SMRI and its alleged exclusive rights to the name “Sturgis,” including requests for cancellation and invalidity based on the name “Sturgis” being primarily geographically descriptive and the Sturgis Registration being fraudulently-obtained. (Doc. No. 10, ¶¶ 63-95 and pp. 12-21.)

Not only has SMRI sued Defendants for trademark infringement of their use of the name “Sturgis” on Rally merchandise (*see* Doc. No. 1), SMRI has also threatened to sue and enforce their alleged rights against numerous other Sturgis vendors, many of whom are Defendants’

customers and have been using the “Sturgis” name on their products for decades.⁴ If SMRI and its agents are not enjoined from making further threats to Defendants’ business, customers, and others in their same situation (such as vendors who sell “Sturgis” merchandise) and stopped from seizing or threatening to seize “Sturgis” merchandise, these businesses will suffer irreparable damage to their good will and may in fact be driven out of business altogether.⁵

II. ARGUMENT

A. **THIS COURT SHOULD MAINTAIN THE STATUS QUO BY ALLOWING FREE USE OF THE NAME “STURGIS” BY PRECLUDING SMRI FROM ENFORCING ITS ALLEGED EXCLUSIVE “RIGHTS” IN THE NAME “STURGIS” PENDING THE OUTCOME OF THIS CASE ON THE MERITS.**

1. **Purpose of a Temporary Restraining Order**

A temporary restraining order “is usually issued to preserve the status quo until a hearing on the merits may be had.” *Missouri-Kansas-Texas Ry. Co. v. Randolph*, 182 F.2d 996, 999 (8th Cir. 1950). It does not involve the merits of the action. *Id.* In fact, the purpose of an injunction *pendente lite* is not to determine any disputed right, but to prevent a threatened wrong or any further perpetration of injury, or the doing of any act pending the final determination of the action whereby rights may be threatened or endangered. *Benson Hotel Corp. v. Woods*, 168 F.2d 694, 696 (8th Cir. 1948). A temporary restraining order is issued to maintain things in the condition in which they are at the time; and thus to protect property or rights from further complication or injury until the issues can be determined after a full hearing. *Id.*

Ordinarily, the trial court has the discretion to grant a temporary restraining order where it appears that there is a substantial controversy between the parties and that one of them is committing an act or threatening the immediate commission of an act that will cause irreparable

⁴ See Footnote 3.

⁵ See Footnote 3.

injury to destroy the status quo of the controversy before a fully hearing can be had on the merits of the case. *Benson Hotel Corp.*, 168 F.2d at 697.

Such a temporary injunction should usually be granted where the questions presented are grave and injury to the moving party will result if it is denied and the final determination should be in his favor, while if it is granted and the decision is unfavorable the inconvenience and loss to the opposing party will be inconsiderable.

Id. “Generally such an injunction will be granted whenever necessary to the orderly administration of justice.” *Id.*

The facts of the present case support the issuance of a temporary restraining order. SMRI has brashly ignored the significance of the pending lawsuit that challenges the validity and enforceability of its alleged “rights” and the disputed issues arising therein, and has gone out into the marketplace as if it has already won this case. By its conduct, SMRI has threatened the livelihood of the businesses which Defendants and the many long-time Sturgis vendors have worked so tirelessly to create. If the Court waits until after the trial on the merits to grant Defendants injunctive relief, SMRI will continue to threaten to enforce, and likely even enforce in fact through confiscations and seizures, the suspect “rights” that it claims in the geographically descriptive name “Sturgis.” If these acts are allowed to occur before a trial on the merits of SMRI’s alleged “rights,” Defendants and numerous other Sturgis vendors will likely suffer irreparable damage to their businesses, good names, and reputations. (*See, e.g.*, Footnote 3.) As such, the situation facing the Court is entirely appropriate for the granting of a temporary restraining order pending adjudication on the merits. In the event that such relief is not granted, SMRI’s threatened actions would cause untold damages to numerous businesses, many of them small, family-owned and long-time Sturgis vendors, which may never recover.⁶

⁶ *See* Footnote 3.

2. The *Dataphase* Standard.

In determining the propriety of issuing a temporary restraining order under Federal Rule of Civil Procedure 65, courts in this circuit apply the well-established standards set out in *Dataphase Sys., Inc. v. CL Sys., Inc.*, 640 F.2d 109, 114 (8th Cir. 1981)(*en banc*); see *Jackson v. Nat'l Football League*, 802 F. Supp. 226, 229 (D. Minn. 1992). The *Dataphase* standard requires the Court to consider four factors in making this determination:

- (1) the threat of irreparable harm to the movant;
- (2) the state of the balance between this harm and the injury that granting the injunction will inflict on other parties litigant;
- (3) the probability that movant will succeed on the merits; and
- (4) the public interest.

Dataphase Sys., Inc., 640 F.2d at 114; *Sanborn Mfg. Co. v. Campbell Hausfeld/Scott Fetzer Co.*, 997 F.2d 484, 485-86 (8th Cir. 1993). The *en banc* Eighth Circuit clarified the analysis for preliminary injunctive relief in *Planned Parenthood Minnesota v. Rounds*, 530 F.3d 724 (8th Cir. 2008) (*en banc*).⁷ The court noted that under its earlier *en banc* decision in *Dataphase*, issuance of preliminary injunctive relief depends upon a “flexible” consideration of the four *Dataphase* factors. *Rounds*, 530 F.3d at 729 (citing 640 F.2d at 113). With respect to succeeding on the merits, the *Rounds* court clarified that unless the movant is seeking to enjoin “government action based on presumptively reasoned democratic processes,” courts “should still apply the familiar ‘fair chance of prevailing’ test.” *Id.* at 732. The “fair chance” standard is less demanding than the “likely to prevail” standard applicable to injunctions sought against governmental action such as a statute, and a “fair chance of prevailing” does not require a greater than fifty percent likelihood of prevailing on the merits. See *Rounds*, 530 F.3d at 731 (quoting *Dataphase*, 640 F.2d at 113).

⁷ If the Court holds a hearing before granting its final order on this Motion, Defendants’ request for a temporary restraining order can be converted into one for a preliminary injunction.

As is always true when weighing these factors to determine whether a temporary restraining order should be granted, no single factor is by itself dispositive. *Sanborn Mfg.*, 997 F.2d at 486. Rather, the court must weigh all of the factors to determine whether the balance weighs toward a grant of injunctive relief. *Id.* In weighing the factors, courts employ a sliding scale approach. *Sofinet v. I.N.S.*, 188 F.3d 703, 707 (7th Cir. 1999)(applying a four-factor analysis almost identical to *Dataphase*). For example, “the more likely it is that [movant] will succeed on the merits, the less the balance of irreparable harms need weigh towards its side.” *Id.* (quoting *Abbott Labs. v. Mead Johnson & Co.*, 971 F.2d 6, 12 (7th Cir. 1992)).

Here, a balancing of the four factors undoubtedly weighs in favor of Defendants. As more fully explained below, Defendants (and other long-time Sturgis vendors) would suffer immeasurable and irreparable damage in the form of compromised, if not lost, retail and sales relationships and public image if a temporary restraining order is not granted. SMRI’s only potential loss is economic. Further, the scale tips heavily in Defendants’ favor in terms of probability of success on the merits, as the validity and enforceability of SMRI’s alleged “rights” are seriously in question. Finally, public interest clearly weighs in favor of upholding long-standing business practices, as dozens of vendors have been using the name “Sturgis” to sell products for a decade or more. Therefore, when viewed individually and collectively, the four elements of the *Dataphase* analysis indicate that Defendants’ Motion for a Temporary Restraining Order should be granted.

B. DEFENDANTS HAVE AT LEAST A FAIR, IF NOT A STRONG, CHANCE OF PREVAILING ON THE MERITS OF THEIR CLAIMS THAT SMRI'S ALLEGED EXCLUSIVE "RIGHTS" IN THE NAME "STURGIS" ARE INVALID AND UNENFORCEABLE.

In order to show a probability of success on the merits, Defendants simply have to only show a fair chance of prevailing. *See Rounds*, 530 F.3d at 731 (*quoting Dataphase*, 640 F.2d at 113). Defendants can show such a likelihood of prevailing on at least two grounds: (1) the alleged "rights" in the name "Sturgis" are invalid and enforceable because "Sturgis" is primarily geographically descriptive; and (2) the alleged "rights" in the name "Sturgis" are invalid and enforceable because the Sturgis Registration was fraudulently obtained from the U.S. Trademark Office.

1. The Use of the Name "Sturgis" is Primarily Geographically Descriptive, Has Not Acquired Secondary Meaning, and Is Invalid and Unenforceable as a Trademark.

The name "Sturgis" is indisputably a descriptive geographical term. Indeed, SMRI's predecessor-in-interest,⁸ the Sturgis Area Chamber of Commerce, has admitted that fact during the application process of one of the registrations at issue in this case. (Davis Dec., Ex. 9, pp. 1-2; *see also* Davis Dec., Ex. 4, ¶ 38 and Ex. 5, ¶ 40.) In arguing that its composite mark should be allowed by the Trademark Office, the Chamber admitted:

The reference registrations are of *the geographically descriptive mark STURGIS* registered for motorcycles Applicant's mark, on the other hand, is not merely STURGIS, but it is a composite design mark including ten stars, an eagle, a pair of motorcycles, [etc.]... As many as a quarter-of-a-million bikers in a single year have attended this event centered in Sturgis, South Dakota. *To these bikers STURGIS identifies a geographical location and event ...* [T]he STURGIS goods of Registrant are impliedly associated with the location of Applicant's annual motorcycle event. In a survey conducted at the 1992 STURGIS RALLY & RACES ... , 586 of the 853 bikers interviewed, or 68.7%, rode Harleys. *These persons, representative of the thousands of attendees at Applicant's motorcycle events and physically present in the Sturgis, South Dakota*

⁸ *See* Doc. No. 1, ¶ 13.

area are not likely to associate the geographically descriptive STURGIS component of Applicant's composite mark with a particular model of Harley-Davidson motorcycle, or related goods.

(Davis Dec., Ex. 9, pp. 1-3 (emphasis added).) A descriptive geographical term is in the "public domain" in the sense that every seller should have the right to inform customers of the geographical origin of his goods. MCCARTHY ON TRADEMARKS, § 14.1 (2011). Names which when used on or in connection with goods are primarily geographically descriptive, such names shall be refused registration on the principal register. 15 U.S.C. § 1052(e)(2).

If a geographic term is used merely to indicate the location or origin of the goods or services, it is purely descriptive. Therefore it cannot, without more, serve the trademark function of identifying one person's goods and distinguishing them goods made or sold by others in the same locality.

MCCARTHY, at § 14.1. "It would obviously promote unfair competition to proscribe for all save a single producer the name of a region and thereby preclude other producers of the same product in the same region from indicating their product's origin." *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 485 (5th Cir. 1971). Here, SMRI seeks to "own" the name "Sturgis" and thereby preclude other producers of "Sturgis" merchandise from using the "Sturgis" name without paying SMRI. This is "obvious" unfair competition, and it plainly contradicts the Chamber's (SMRI's predecessor-in-interest) admissions that "Sturgis" is geographically descriptive. *See World Carpets*, 438 F.2d at 485.

"No descriptive mark can serve as a valid trademark without evidence of secondary meaning." *OBX-Stock, Inc. v. Bicast, Inc.*, 558 F.3d 334, 340 (4th Cir. 2009); *Boston Beer Co. Ltd. v. Slesar Bros. Brewing Co., Inc.*, 9 F.3d 175, 181 (1st Cir. 1993) ("Because [plaintiff's] marks are descriptive, they are entitled to trademark protection only upon a showing of secondary meaning."); MCCARTHY, at § 14.1. "'Secondary meaning' in connection with geographically descriptive marks means that the mark no longer causes the public to associate

the goods with the geographic location, but to associate the goods with a particular product or source of the product.” *OBX-Stock*, 558 F.3d at 340; MCCARTHY, at § 14.1. “In order to establish secondary meaning, the user of a mark ... must show that by long and exclusive use in the sale of the user’s goods, the mark has become so associated in the public mind with such goods that the mark serves to identify the source of the goods and to distinguish them from those of others.” *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 870 (8th Cir. 1994).

“Proof of secondary meaning entails vigorous evidentiary requirements.” *Boston Beer*, 9 F.3d at 181. Moreover, it is the party seeking protection of a mark, here SMRI, who bears the burden of proving that secondary meaning has attached. *Id.* To establish secondary meaning in the mark “Sturgis,” not only must SMRI prove that, when read or heard by consumers in connection with products, “Sturgis” no longer means that the product came from Sturgis, but that a substantial portion of the consuming public recognizes that the word “Sturgis” identifies SMRI as the source of the products. *Id.* at 181-82. “But secondary meaning cannot be recognized where, despite a degree of association between the mark and the producer, the original meaning remains dominant; so long as the mark remains descriptive in its primary significance, subsidiary connotations cannot justify trademark treatment.” *Id.* at 182 (*quoting* R. Callmann, *Unfair Competition, Trademarks and Monopolies*, § 19.26 at 144 (4th ed. 1989)).

In *OBX-Stock*, the Fourth Circuit found that when the plaintiff affixed the letters “OBX” (an abbreviation for “the Outer Banks”) to a T-shirt, it was merely communicating the fact that the T-shirt came from the Outer Banks. 558 F.3d at 341. “But that is not the secondary meaning that allows a geographically descriptive word to indicate, by usage and promotion, a product or a source of a product.” *Id.* The court reasoned:

A T-shirt with OBX on it does not indicate that the consumer bought an OBX brand T-shirt or that the T-shirt was a product of OBX-Stock. Rather, the letters

OBX indicate that the T-shirt was purchased at the Outer Banks of North Carolina or is promoting the Outer Banks.

Id. The *OBX-Stock* court concluded that OBX was a geographically descriptive abbreviation that has no secondary meaning and therefore it was not a valid trademark. *Id.* at 342.

The facts of *OBX-Stock* are similar to those in this case. It is beyond argument that a T-shirt or other merchandise with the name “Sturgis” on it indicates that the T-shirt was purchased in Sturgis, South Dakota or is promoting Sturgis. (*See, e.g.*, Davis Dec., Ex. 9, pp. 1-3.) Such uses do not support a finding of secondary meaning. *OBX-Stock*, 558 F.3d at 341.

In determining whether there is secondary meaning, the chief inquiry is whether in the consumer’s mind the mark has become associated with a particular source. *Aromatique*, 28 F.3d at 871. Thus, consumer survey evidence has become a well-recognized means of establishing secondary meaning. *Boston Beer*, 9 F.3d at 182. However, neither SMRI nor its predecessor-in-interest, the Chamber, presented survey evidence to the U.S. Trademark Office during the application process for the Sturgis Registration. (*See, e.g.*, Davis Dec., Ex. 3.) Indeed, the Trademark Office initially refused registration based on 15 U.S.C. § 1052(e)(2), asserting that the “Sturgis” name is primarily geographically descriptive of the applicant’s goods and services. (Davis Dec., Ex. 2, p. 3.) Instead of supplying survey evidence, the applicant submitted on November 1, 2001 a claim of acquired distinctiveness under 15 U.S.C. § 1052(f) based on the Chamber’s supposed “substantially exclusive and continuous use of STURGIS as a mark in commerce for at least the preceding five years on or in connection with the same or related goods and services as recited in the” 15 classes included in the application, which included T-shirts, key rings, pens, flags, glassware, patches, and entertainment services. (Davis Dec., Ex. 3, pp. 9-12 and Ex. D, ¶ 4.) Thus, the Chamber swore to be the “substantially exclusive and continuous use[r] of STURGIS as a mark” from at least November 1996 through November 2001 for

products and services which included T-shirts, key rings, pens, flags, glassware, patches, and entertainment services. (Davis Dec., Ex. 3, Ex. D, ¶ 4.)

28 declarations,⁹ plus two sworn statements,¹⁰ evidencing extensive, widespread sales of products bearing the name “Sturgis” (without a license from the Chamber or anyone else) at the Rally prior to November 2001 undercut, and factually disprove, the Chamber’s contention that it was the “substantially exclusive and continuous use[r] of STURGIS as a mark” for at least the five years prior to November 2001. Indeed, numerous companies collectively sold millions of dollars of Sturgis merchandise at and around the Rally prior to November 2001, without a license or permission from the Chamber.¹¹ Thus, the basis for allowing the Sturgis Registration to issue, the “substantially exclusive and continuous use[s] of STURGIS as a mark” for five years prior to November 2001, is in serious factual doubt.

Moreover, two of the companies that initially opposed the Sturgis Registration were Black Hills Harley-Davidson and Good Sports. In their Notices of Opposition, both parties swore:

STURGIS is the name of a city in the State of South Dakota.

The name STURGIS is primarily recognized in the State of South Dakota as the identifier for the city of Sturgis, South Dakota.

Applicant admitted in the application for the mark in the ‘097 Registration that the name STURGIS is primarily geographically descriptive.¹²

⁹ B. Niemann Dec., ¶¶ 2-5; P. Niemann Dec., ¶¶ 2-5; Young Dec., ¶¶ 2-5; Angderson Dec., ¶¶ 2-5; Lupo Dec., ¶¶ 2-5; Gormley Dec., ¶¶ 2-5; Elley Dec., ¶¶ 2-5; K. Tranni Dec., ¶¶ 2-5; V. Tranni Dec., ¶¶ 2-5; Celist Dec., ¶¶ 2-5; Farrokhi Dec., ¶¶ 2-5; Meltzer Dec., ¶¶ 2-5; Schroeder Dec., ¶¶ 2-5; L. Mortimer Dec., ¶¶ 2-5; Wallenberg Dec., ¶¶ 2-5; Driggs Dec., ¶¶ 2-5; K. Mortimer Dec., ¶¶ 2-5; Dvorak Dec., ¶¶ 2-5; Houska Dec., ¶¶ 2-5; Butler Dec., ¶¶ 2-5; Crew Dec., ¶¶ 2-5; Quinn Dec., ¶¶ 2-5; Wiedman Dec., ¶¶ 2-5; Lich Dec., ¶¶ 2-5; Levy Dec., ¶¶ 2-5; Gold Dec., ¶¶ 2-5; Nowicki Dec., ¶¶ 2-5; Rezel Dec., ¶¶ 2-5.

¹⁰ Davis Dec., Ex. 4, ¶¶ 8-9, 50 and Ex. 5, ¶¶ 11-12, 52.

¹¹ See Footnotes 9-10.

¹² Davis Dec., Ex. 9, pp. 1-2.

The Rally has been held each year in and around the City of Sturgis, South Dakota since at least 1938.

The name STURGIS is primarily geographically descriptive when used on or in connection with Rally Products and related services.

Applicant knows it has not used the name STURGIS substantially exclusively in conjunction with the sale of Rally Products in the five years preceding November 1, 2001.

Applicant has knowledge of the substantial use by others of the name STURGIS in conjunction with the promotion of the Rally.

Applicant knows that many of over 700 vendors use the name STURGIS on or in connection with Rally Products.

At least as early as 1990, Applicant knew of Good Sports['] use of the name STURGIS in commerce in connection with the sale of Rally Products.

Applicant's claim of acquired distinctiveness of the name STURGIS is fraudulent and contains false information because on November 1, 2001, Applicant knew of substantial use of the name STURGIS by Good Sports and others, in commerce, on or in connection with the sale of Rally Products.

(Davis Dec., Ex. 4, ¶¶ 11-15, 48-52 (emphasis added); *see also* Davis Dec., Ex. 5, ¶¶ 14-18, 50-64.) Jerry Berkowitz, President of Good Sports, Inc., swore under penalty of perjury that these factual statements were made of his own knowledge and were true. (Davis Dec., Ex. 4, p. 15.) Jim Doyle, Vice President of Black Hills Harley Davidson, made very similar sworn statements as well. (Davis Dec., Ex. 5, ¶¶ 11-12, 14-18, 50-64, and p. 19.) Because these sworn statements come directly from individuals and entities closely affiliated with, and directors of, SMRI, they alone show that Defendants have far more than a fair chance of prevailing on the merits of the invalidity and unenforceability of the Sturgis trademark. Even Jerry Berkowitz, Vice Chair of SMRI, has sworn that the alleged "Sturgis" trademark is invalid and unenforceable because of others' prior uses. (Davis Dec., Ex. 4, ¶¶ 8-9, 11-15, 48-52 and p. 15.)

Despite making these sworn statements under penalty of perjury advocating the invalidity and unenforceability of a “Sturgis” trademark, Jerry Berkowitz as Vice Chair of SMRI, the current owner of the supposed rights to the name “Sturgis,” has personally threatened vendors with enforcement of the Sturgis Registration and SMRI’s alleged exclusive rights to the name “Sturgis.” (*See, e.g.,* K. Tranni Dec., ¶ 7; V. Tranni Dec., ¶ 7; L. Mortimer Dec., ¶ 7; K. Mortimer Dec., ¶ 7.) This is exactly why an injunction should be entered. There are clearly questions as to the validity and enforceability of the Sturgis Registration and any alleged exclusive rights to the name “Sturgis,” as acknowledged by SMRI’s own board members. Nonetheless, SMRI continues to intimidate and threaten long-time vendors. Without a doubt, Defendants have at a bare minimum a fair chance of prevailing on the merits of showing that the name “Sturgis” is not a valid or enforceable trademark.

2. The Sturgis Registration was Fraudulently-Obtained by SMRI and the Chamber, and Is Invalid and Unenforceable as a Trademark.

On November 1, 2001, in response to a rejection by the Trademark Office, Marlin Martin, the then-President of the Chamber, swore under the penalty of perjury that he was personally familiar with the Rally and the Chamber’s marketing, distribution and sales of products in connection with the Rally. (Davis Dec., Ex. 3, Ex. D, ¶¶ 1, 4, 5.) Therefore, as shown above, it is hard to imagine how Marlin Martin, the President of the Chamber, could honestly state that the Chamber used the name “Sturgis” *substantially exclusively* in conjunction with the sale of Rally products in the five years preceding November 1, 2001. (*See id.* at ¶ 4.) As evidenced by 28 declarations submitted with this motion, dozens of other vendors used the name “Sturgis” on or in connection with Rally products prior to November 1, 2001. (*See* Footnote 9.) Indeed, Jerry Berkowitz, Vice Chair of SMRI, himself swore that the Chamber “kn[e]w that many of over 700 vendors use the name STURGIS on or in connection with Rally

Products.” (Davis Dec., Ex. 4, ¶¶ 8-9, 50.) Black Hills Harley-Davidson also swore to the same number of vendors using the name “Sturgis” prior to November 1, 2001. (Davis Dec., Ex. 5, ¶¶ 11-12, 52.)

A petition to cancel a registration for a federal trademark may be filed “[a]t any time if the registered mark[‘s] ... registration was obtained fraudulently” 15 U.S.C. § 1064(3). “Fraud in procuring a mark occurs when an applicant knowingly makes false, material representations of fact in connection with an application.” *L.D. Kichler Co. v. Davoil, Inc.*, 192 F.3d 1349, 1351 (Fed. Cir. 1999). Discovery has yet to begin and thus Defendants have not had a chance to depose Mr. Martin on his sworn statements. Nonetheless, on the record before the Court, which includes 28 vendor declarations and two sworn statements from Jerry Berkowitz and Black Hills Harley-Davidson of extensive, widespread “Sturgis” use during the alleged “substantially exclusive” timeframe, there can be no doubt that there are serious questions as to the accuracy of Mr. Martin’s representations and his, the Chamber’s, and SMRI’s, intent to defraud the Trademark Office with willfully false information in order to obtain the Sturgis Registration. *See Rounds*, 530 F.3d at 731 (holding that a “fair chance of prevailing” does not require a greater than fifty percent likelihood of prevailing on the merits). Defendants certainly have a fair chance of prevailing on their claim to cancel and render unenforceable the Sturgis Registration based on fraud on the Trademark Office.

C. THERE IS A SERIOUS THREAT OF IRREPARABLE HARM TO DEFENDANTS AND OTHER STURGIS VENDORS IF AN INJUNCTION IS DENIED.

The other key factor in any analysis of preliminary injunctive relief is irreparable harm. *Chicago Stadium Corp. v. Scallen*, 530 F.2d 204, 206 (8th Cir. 1976). Indeed, “[t]he basis of injunctive relief in the federal courts has always been irreparable harm and inadequacy of legal

remedies.” *Rounds*, 530 F.3d at 732 n.5. Here, SMRI has sued Defendants and been threatening to sue their customers, as well as numerous other Sturgis vendors.¹³ (B. Niemann Dec., ¶¶ 6-8, 10-11; P. Niemann Dec., ¶¶ 6-8, 10-11.) SMRI has also threatened to confiscate and seize any “Sturgis” merchandise if Defendants, their customers, and other Sturgis vendors do not pay SMRI licensing fees and obtain a license from SMRI for the use of “Sturgis” name on their products, despite the fact that these companies have been selling “Sturgis” merchandise at the Rally for more than 10 years without such a license. (*See* Footnote 3.) Indeed, SMRI’s threats of Defendants’ customers continue to this very day, and shamelessly include demands for license payments for merchandise that simply contain the geographic name(s) “Sturgis,” “Sturgis, South Dakota,” and/or “Black Hills.” (*See, e.g.*, Davis Dec., Exs. 10-13.)

Defendants, as well as many other Sturgis vendors, have sworn that the continued threats by SMRI have caused them great distress, as they have put a cloud of uncertainty over their businesses at their critical and most profitable time of year – the Sturgis Rally. Much of the money that Defendants and other Sturgis vendors earn for the entire fiscal year is earned during the Rally from the sale of “Sturgis” merchandise. If SMRI and its agents are not enjoined from making further threats to these business, Defendants, their customers, and others in my same situation, and stopped from seizing or threatening to seize “Sturgis” merchandise, Defendants and other Sturgis vendors will suffer irreparable damage to their good will and may in fact drive them out of business altogether. (*See* Footnote 3.) In fact, Defendants have lost hundreds of thousands of dollars in business so far due to SMRI’s threats and litigation, and have lost, or are at risk of losing, many longstanding business relationships altogether, which would be difficult,

¹³ *See also* Footnote 3.

if not impossible, to fully compensate for with monetary damages. (B. Niemann Dec., ¶ 10; P. Niemann Dec., ¶ 10.)

Moreover, Defendants, many of their customers and other Sturgis vendors are small, family businesses that derive the majority of their revenues from sales at and around the Rally. Moreover, many of these companies, including Defendants, have been selling Sturgis merchandise for decades.¹⁴ As recognized by other courts within this Circuit, any unilateral non-judicial actions by one party before the court addresses the merits could likely inflict irreparable injury on others. *Jax Ltd., Inc. v. Reuter*, No. 05-CV-2658 (DWF/SRN), 2005 WL 3272060, *4-5 (D. Minn. Nov. 28, 2005) (finding that denial of TRO “would be potentially devastating to Jax”). *Cf. Ryko Mfg. Co. v. Eden Servs.*, 759 F.2d 671, 673 (8th Cir. 1985) (affirming injunction against termination of distributorship contract that would possibly force distributor, which derived 95% of its revenues from agreement with manufacturer, out of business, whereas manufacturer’s loss was compensable with damages). Thus, while SMRI could ultimately be compensated with damages if it could (however unlikely) prevail on the merits at trial, Defendants and other vendors could be driven out of business before the merits are determined. This clearly constitutes irreparable harm warranting an injunction.

D. THE BALANCE OF HARMS AND PUBLIC INTEREST FAVOR DEFENDANTS AS WELL AND MANDATE THE ENTRY OF INJUNCTIVE RELIEF TO PRESERVE THE STATUS QUO.

The third factor, the balance of harms, also favors Defendants. As stated above, SMRI could be compensated with damages if it were (however unlikely) to ultimately win at trial. Defendants, their customers, and the other vendors that could be shut down before the merits are determined, however, could not be so easily be compensated if SMRI loses on the merits.

¹⁴ See Footnote 9.

Indeed, there is a significant risk that Defendants, their customers, and the other Sturgis vendors will have been driven out of business by SMRI's enforcement efforts,¹⁵ regardless of the likelihood that SMRI's alleged exclusive "rights" to the name "Sturgis" are invalid and unenforceable. And regarding the fourth factor, public interest, if Defendants and other business selling products in Sturgis are driven out of business, the city and the public will lose the sales tax revenue, rental and vendor license fees, as well as all of the money spent locally at local Sturgis businesses for food, lodging, and entertainment around and during the Rally.

III. CONCLUSION

In sum, allowing SMRI to enforce and threaten to enforce suspect "rights," despite the serious questions as to the validity and enforceability of such "rights," would inflict irreparable harm upon Defendants, their customers, other long-time Sturgis vendors, the Rally, and ultimately the public. Moreover, enjoining SMRI from such actions pending a resolution of the merits would not impose much, if any, burden on SMRI. Hundreds of vendors have been selling products bearing the name "Sturgis" at the Rally for decades. (*See* Footnotes 9-10.) With all of the factors weighing in favor of Defendants, particularly when coupled with Defendants' strong showing of irreparable harm and their at least "fair chance" of success on the merits – which again does not require that success is "likely" or even greater than fifty percent – the balance decisively shifts in favor of issuing Defendants' requested injunction. The Court should prevent what could be a traumatic and irreparable damaging disruption of the Rally's vendor business, and to maintain the free market status quo pending the outcome on the merits of the invalidity and unenforceability of SMRI's supposed exclusive "rights" to the name "Sturgis." Defendants'

¹⁵ *See* Footnote 3.

Motion for a Temporary Restraining Order and a Preliminary Injunction should be granted in its entirety.

Respectfully Submitted,

Dated: August 3, 2011

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CERTIFICATE OF SERVICE

I hereby certify on August 3, 2011, a true and correct copy of
**DEFENDANTS/COUNTERCLAIM-PLAINTIFFS' MEMORANDUM OF LAW IN
SUPPORT OF THEIR MOTION FOR A TEMPORARY RESTRAINING ORDER
AND A PRELIMINARY INJUNCTION** was served electronically through the CM/ECF
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