

1 UNITED STATES DISTRICT COURT

2 DISTRICT OF SOUTH DAKOTA

3 WESTERN DIVISION

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5 STURGIS MOTORCYCLE RALLY, INC., CIV 11-5052

6 PLAINTIFF, AUGUST 5, 2011
7 VS. RAPID CITY, SOUTH DAKOTA

8 RUSHMORE PHOTO & GIFTS, INC.,
9 JRE, INC., CAROL NIEMANN,
10 PAUL A. NIEMANN, BRIAN M. NIEMANN,

11 DEFENDANTS.

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13 PARTIAL TRANSCRIPT OF TRO HEARING
14 COURT'S RULING

15 BEFORE THE HONORABLE JEFFREY L. VIKEN,
16 UNITED STATES DISTRICT JUDGE

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1 (Court's ruling.)

2 THE COURT: Thank you. Please be seated. I did
3 review all the submissions by the parties in advance of the
4 hearing today and I have now heard testimony of all
5 witnesses presented both by the movants for injunctive
6 relief as well as for the plaintiffs who seek injunctive
7 relief in the case.

8 With regard to the credibility of witnesses, I
9 find every witness who testified under oath sincerely held
10 the views about which they testified. The question then
11 becomes the relevancy or usefulness of the testimony with
12 regard to the Dataphase factors. So this is not an
13 instance, in my judgment, of credibility of anyone who is
14 being untruthful or misleading, but I have to focus on the
15 realities of the Dataphase factors. Of course, as I said
16 at the beginning, injunctive relief is an extraordinary
17 remedy and it must not be capable of a legal remedy; it's
18 an equitable remedy, that is, money damages can't suffice
19 to provide the protection sought by the party that asks for
20 injunctive relief. Rather, it indeed has to be irreparable
21 injury and the Dataphase factors must be analyzed.

22 So I will give you my findings, but on the state
23 of this record I am going to deny the injunctive relief. I
24 am going to do so based on the Dataphase factor which is
25 bearing the most weight in the authority from the U.S.

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1 Court of Appeals for Eighth Circuit and that is the
2 probability or likelihood that the movant here, Rushmore
3 Photo, will succeed on the merits. Now, in saying this, I
4 am not saying that in a trial on the merits that Rushmore
5 Photo and the other defendants cannot succeed, but a trial
6 on the merits would be a full examination and a full
7 opportunity by all parties to the action to present
8 evidence so that we have a complete record from which I
9 could then make an additional decision with sufficient time
10 to do so. In that setting, indeed, market studies may be
11 offered both by the plaintiff and defendants in the case,
12 or otherwise affect my judgment with regard to the validity
13 of the mark. But if I look at probability or likelihood of
14 the movant here to succeed on the merits, the burden hasn't
15 been carried and here are the reasons why I conclude that.

16 First of all, the mark of February 22, 2011, for
17 the word "Sturgis" is entitled to presumption under the
18 Lanham Act that it's valid; and that's *Aromatique*,
19 *Incorporated versus Gold Seal, Incorporated*, 28 F.3d 863;
20 it's the Eighth Circuit in 1994, but it's well-established
21 law under the Lanham Act that a certificate of
22 registration, which is Exhibit A attached to plaintiff's
23 complaint, is prima facie evidence of validity of a
24 registered mark, and the registration of the mark, and the
25 registrant's ownership of the mark, and the registrant's

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1 exclusive right to use the registered mark in commerce or
2 in connection with goods and services specified in the
3 certificate.

4 Now, there are a number of things that Exhibit A,
5 the registration of February 22, 2011, is not. It is not
6 the exclusive right to use the name "Sturgis" in connection
7 with the place name. In fact, it's not anything other than
8 the scope of registration number 3923284. And in each
9 class of goods for which the word "Sturgis" is trademarked,
10 each class of goods includes the phrase "all of the
11 aforementioned goods relating to the Sturgis Motorcycle
12 Rally." That is, the Sturgis mark relates to goods and
13 services and the matters -- the classes described in the
14 registration related to the Sturgis Rally. Not a place
15 name, not selling a map with the name Sturgis on it or any
16 other matter. It's very specific and it's limited, which
17 is the purpose of the Lanham Act, and the presumption is to
18 protect the intellectual property interest of a registered
19 party. So objections to that registration are subject to
20 public notice and an opportunity to be heard. And the
21 objections are either defeated or sustained and the mark is
22 either registered or it's not. In this case, the mark was
23 registered, and that's Exhibit A to the plaintiff's
24 complaint.

25 I do not find that there's been carrying of the

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1 burden to defeat the presumption with regard to the
2 secondary meaning of the Sturgis mark.

3 Now, at a trial on the merits I suspect that we
4 will hear evidence, and it may be that I as the finder of
5 fact I may be persuaded otherwise, but on the state of this
6 record, I cannot reach that conclusion.

7 The second basis to attack the mark in terms of
8 likelihood of success on the merits is, of course, the
9 fraud claim that the mark was obtained by fraudulent means.
10 Well, that takes us to a case called 3-M Company versus
11 Intertape Polymer Group, Incorporated; it's a District of
12 Minnesota 2006 opinion; it sets out the elements of what
13 one must show to overcome a registration based on fraud,
14 and there are many other cases, but this one is at 423 F.
15 Supp. 2d, 958, District of Minnesota 2006. And it
16 instructs us that a claim of fraudulent procurement has two
17 elements. First, false material misrepresentation of the
18 fact; and second, that such statements were knowingly made
19 with the intent to deceive. Well, on the state of the
20 present record, I cannot make a finding that those elements
21 have been carried by the movant in this case. Now we have
22 got this document which has been blown up and indeed, there
23 is a phrase on it that no one really has referred to, but
24 it all relates to, in paragraph 4, not only the promotion
25 of the rally, but also relates to the purchasing public has

1 come to identify the Sturgis mark with the source of the
2 Sturgis Chamber's rally products and its rally promotion
3 and entertainment services to recognize that the Sturgis
4 mark distinguishes Sturgis Chamber rally products and
5 promotion and entertainment services from those sold by
6 others.

7 There really hasn't been any attack launched on
8 that submission to the patent trademark office in this
9 hearing that the goods are separate from others. Now,
10 there is some circumstantial evidence that that's indeed
11 true; I think the movant's own hang tags which indicate
12 that their products are authorized licensed Sturgis goods
13 is some indication and they have been using it for some
14 period of time. But that does have a value and it is a
15 distinguishable product.

16 There also has been testimony here from
17 Mr. Kinney and Mr. Brengle that for a period of years the
18 Chamber of Commerce and other predecessors to the present
19 owners of the mark engaged in enforcement activities,
20 engaged in licensing activities, and attempted to create a
21 class of goods ultimately registered in February of 2011
22 which were intellectual property and had an interest which
23 has the presumption of enforceability.

24 So on the key element of the Dataphase factors, I
25 do find that the probability or likelihood that the movant

1 will succeed on the merits or have a fair chance of
2 succeeding on the merits so as to justify the relief of an
3 injunction of the mark has not been met.

4 Well, then, to move to the other Dataphase
5 factors of the threat of irreparable harm to the movant if
6 injunctive relief is not granted; and secondly, which is
7 capable of being combined, the state of balance between the
8 harm to Rushmore Photo and injury that granting the
9 injunction will inflict on other parties litigant; that's
10 the reality that is in this testimony and I think testimony
11 presented by witnesses for both parties that certainly more
12 than 50 percent, somewhere between 70, 80, and perhaps a
13 higher percentage of Main Street Sturgis vendors are
14 selling licensed goods under this mark, and the mark has
15 been previously protected by predecessors and interests and
16 enforced by some of those holders. And so that does show
17 that in terms of harm to the public, we have a body of
18 licensees who believe that they have an exclusive product
19 to sell; it's been licensed; they have paid for the
20 license; and the market would either be diluted, damaged,
21 or affected by inferior or infringing goods if I restrain
22 the enforceability of the Sturgis mark.

23 The other part here, if we look at the harm, the
24 rally is in part or perhaps even largely funded in terms of
25 its ability to be produced and run successfully, partly

1 funded by the royalties flowing from the Sturgis mark; and
2 I believe if we eliminated that, that there would be harm
3 done. The charities that have been listed both in
4 testimony and in the plaintiff's submission in their brief,
5 those are community charities that also benefit. That ties
6 in, of course, to the public interest.

7 What is the public interest here? The public
8 interest with regard to enforcing the mark so that the
9 royalties can flow into the entities which have been
10 identified, that is, a production and successful holding
11 and hosting of the rally by the city of Sturgis and the
12 charities which benefit the public interest certainly
13 weighs in favor of protecting those interests.

14 So overall on the state of this record, without
15 more, and in the context of a temporary restraining order
16 and request for preliminary injunction, I do find that the
17 request for injunctive relief must be denied.

18 Now, I propose to develop a schedule with the
19 parties to move as promptly as the parties wish to do so
20 both with regard to the pending motion to dismiss
21 counterclaims and getting us to a trial on the merits. If
22 there's urgency with regard to a trial on the merits and
23 parties can indicate some schedule within which discovery
24 can be completed in the event the motion to dismiss
25 counterclaim is denied, we will frame up this lawsuit and

1 try those issues which remain, either all of them or the
2 ones which remain; we will try to do so promptly.

3 So with that, I look forward to working through
4 the balance of the case. And again, I appreciate very much
5 the hard work of both parties.

6 Is there anything further, Mr. Davis, on behalf
7 of the moving party in this matter?

8 MR. DAVIS: No, Your Honor.

9 THE COURT: Anything further, Mr. Sneed, with
10 regard to the plaintiff's position?

11 MR. SNEED: No, Your Honor.

12 THE COURT: Very well. Thank you for the
13 presentations and I look forward to working through the
14 balance of the case with the parties. Court is adjourned.

15 (Court adjourned at 9:20 p.m.)
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1 COURT REPORTER'S CERTIFICATE

2 STATE OF SOUTH DAKOTA)
3 COUNTY OF PENNINGTON) SS

4 I, Judith M. Thompson, R.P.R., Official Court Reporter in
5 and for the United States District Court, District of South
6 Dakota,

7 DO HEREBY CERTIFY that I acted as such Court Reporter at
8 the Hearing of the within-entitled action, and that the
9 foregoing partial transcript, pages 1 to 10, inclusive, is a
10 true and complete transcript of my shorthand notes taken at
11 said hearing.

12 Dated at Rapid City, South Dakota, this 9th day of August,
13 2011.

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15
16 /s/

17 Judith M. Thompson, R.P.R.
18 Official Court Reporter
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