

**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, Defendants	:	

**PLAINTIFF’S BRIEF IN OPPOSITION TO DEFENDANTS
MOTION FOR RULE 11 SANCTIONS**

Counterstatement of the Facts

Plaintiff provided Defendants with ample warning before filing this case and did not act in bad faith. Defendants’ unauthorized use of Plaintiff’s name on their website had concerned Plaintiff long before Glassic filed a complaint with the state’s Office of the Attorney General.¹ Minutes for a Plaintiff’s Board meeting held on February 17, 2007, state: “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 Director had spoken to Defendant Gorka about problems with the website and the need for disclosure. (SLCA00205, SLCA01113). They also state: “If

¹ 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.

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

At a meeting held on October 18, 2008, Plaintiff’s Board passed a resolution authorizing counsel to take any and all steps necessary to protect the Association’s corporate name and prevent any unauthorized misappropriation of same. (SLCA01123). Defendant Gorka was present at the 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. The home page contained a large introductory banner with a photograph in the background of the community’s lake and boldfaced “Stillwater Lakes Civic Association” in the foreground. Further, the first letters in each word (SLCA) were highlighted with increased font size and a different color from the rest of the text. A couple inches below the banner appeared the sentence, “Welcome to SLCA!” Underneath that salutation was a photograph of the Association’s physical road sign which reads “Stillwater Lakes Civic Association.” Next to the sign was a sentence that read: “Stillwater Lakes Civic Association (SLCA) is conveniently located off Route 940,

near Interstates 380 & 80, in Pocono Summit, Pennsylvania.” The site went on to make many other references to SLCA. Any reasonable person viewing this homepage would certainly believe that the website was owned and operated by Plaintiff.

Prior to filing this action, Plaintiff’s counsel sent another warning letter to Defendants dated October 23, 2008. See Exhibit E to Complaint and Amended Complaint. This letter explained that Defendants website was “misappropriating the Association’s corporate name” and demanded that such activity cease or legal action would follow. Rather than heed the Association’s warnings, Defendants took action that clearly evidenced their own bad faith. Within days of the letter, Defendant Stillwater Lakes Community Activist was incorporated as a Pennsylvania nonprofit corporation. See SLCA00112, SLCA00156, SLCA00220, SLCA01155. Within a few weeks, the domain names were transferred to Activist. See SLCA01147, SLCA01142. Activist has always been a sham. As recently as January of this year, Defendants could not identify any person, aside from Glassic who had “been involved in and/or affiliated the operation of Stillwater Lake Community Activist...” See Plaintiff’s Interrogatories and 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 in existence. 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.

Defendants also made changes to the website so as create even more confusion.

See Exhibit C and F to Complaint. 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 Para. 2 and 3. In other words, Defendants realized, without prompting, that the website infringed upon the Association's rights and needed correcting. In any event, the wording in the banner was changed. Using a phrase with the same "SLCA" acronym, the banner now read: "Stillwater Lakes Community Activists" with the first letters of each word still highlighted with increased font size and different coloring from the rest of the text. The updated website still proclaimed, "Welcome to SLCA!" It also, however, contained this passage: "Stillwater Lakes Community Activists (SLCA) is a growing group of property owners in the planned community known as Stillwater Lakes Civic Association." This phrase, alone, is inaccurate and confusing. Plaintiff Stillwater Lakes Civic Association is

not a planned community, rather it is the planned community's unit owners association. See 68 Pa. C.S. § 5103. Most importantly, the updated site also made constant mention of the Association and repeatedly confused the reader by utilizing the acronym "SLCA" to reference both the Stillwater Lakes Community Activists and the Association without distinction. Finally, at the bottom of the homepage, there was a disclaimer, in small font, that read: "The articles, notices, advertisements and any other information on this site may or may not reflect the views or opinions of the publisher or the Board of Directors and management, unless expressly and specifically stated therein." The disclaimer was problematic in that (1) it was located at the bottom of the page, thus making it less noticeable, (2) it was in small font, (3) it left the reader to guess whether it was referencing Plaintiff's Board or Defendant Activist's Board, and (4) by using the phrase "may or may not reflect," it was impossible to tell whether the "Board" did or did not endorse the advertisements and other material on the site. Importantly, this is how the homepage appeared at the time this case was filed in December of 2008. See Defendants' Answer to Request for Admission at No. 5 and Answer to Motion to Dismiss at Paragraph 3.

In sum, rather than retaliate against Defendants for filing a complaint with the AG's office, Plaintiff provided them with ample time and warning regarding the website prior, not only the filing of this legal action, but also to the AG complaint itself. 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 Support of Motion for Sanctions 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 director² 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 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).³ 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. Defendants also admitted that “Defendants Gorka and Glassic licensed the domain name of stillwaterlakes.net...” Joint Case Management Plan at 5.

² Plaintiff’s minutes reflect that Gorka first attended a Board meeting as a director on June 12, 2008. (SLCA01128)

³ 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.

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, Plaintiff has always been aware that 2339 Nadine Bld., Pocono Summit, PA 18346 was a property where Gorka lived, was an owner and used as an address.⁴ Importantly, this property has always been identified as the Registered Office Address provided to the Pennsylvania Department of State for Stillwater Lakes 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 office is owned solely by Gorka.

Plaintiff also produced information that shows the 2339 Nadine Bld. address listed 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 Activist as a nonprofit corporation came from a fax machine belonging to YSTRESS (SLCA00220).

⁴See also Defendants Answer to Complaint at Paragraph 14 and Answers to Interrogatories at Paragraph 1.

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 was 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, Administrative and Technical Contacts 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 was from a y-stress.com account for stillwaterlakes.com on June 21, 2008. (SLCA01143).⁵

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, this was the same address listed for the Registrant, Administrative Contact, and Technical Contact for stillwaterlakes.com (SLCA01142, SLCA01145) as well as for the Registrant of stillwaterlakes.net as of November 16, 2008 and January 30, 2009 (SLCA01147, SLCA01151).

⁵ In Plaintiff's Reply Brief for its Motion to Dismiss, it incorrectly stated that the Registrant for stillwaterlakes.com was also listed as Y-Stress, Inc. on June 21, 2008. Such is not the case and Plaintiff wishes to correct the record.

Documents subpoenaed from godaddy.com also 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).⁶ They also show a y-stress.com email account in the contact info.

Additionally, Defendants admit that both Gorka, as well as Glassic, used the phone number 5708942371. See Answers to Complaint and Amended Complaint at Paragraph 28. This number has also been used by Y-Stress, Inc. (SLCA00220). This is the same phone number that is listed for the shipping and billing information on the records from godaddy.com (GD000071-000208). It was also listed in the information for Administrative Contact and Technical Contact for stillwaterlakes.com on November 28, 2008, and December 30, 2008 (SLCA01142, SLCA01145)), for the Registrant Contact, Administrative Contact and Technical Contact for stillwaterlakes.net on November 14, 2007 (SLCA00331) and April 30, 2008 (SLCA01139) and for the Administrative and Technical Contacts for stillwaterlakes.net on August 8, 2008 (SLCA00211).

Further, Defendants cannot deny that Gorka was extremely active with the website at least prior to becoming a director. She was repeatedly 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

⁶ 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.

February 28, 2009, Defendants provided this Court with a document showing the website's vital statistics. See Exhibit 1, p. 10, to Defendants Reply Brief in Support of 12(b)(6) Motion. This document reveals that even then, 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.

Finally, even if she had truly removed herself from the website when she became a director, Gorka would still be 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. 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”). In sum, there was and is ample evidence to show Gorka's involvement with the site so as to include her in this action.

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 Support of Motion for Sanctions 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. As explained above, Plaintiff is entitled to seek relief for Defendants’ past actions as well as an injunction to insure that the website is not changed back. See Century 21 Real Estate Corp.; supra.; Shields, supra.; Brand, supra.⁷

⁷ It should be noted that 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.

Argument

A. DEFENDANTS MUST TO COMPLY WITH RULE 11's SERVICE REQUIREMENTS BEFORE FILING A MOTION FOR SANCTIONS.

The Federal Rules of Civil Procedure, at Rule 11(c)(2), clearly provide:

(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. Defendants' filings do not allege that the Motion for Sanctions was properly served nor contain certificates of service. 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).⁸ In Gary v. Braddock Cemetery, 517 F.3d 195, 199 n.2 (3rd Cir. 2008) the Third Circuit Court of Appeals clearly explained that "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

⁸ 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."

motion prior to filing with the court.” (emphasis added). “Compliance with this ‘safe harbor’ provision is mandatory” and “[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)).

Further, “[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 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 PriorityBank, 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 seek Rule 11 sanctions at this point in the proceedings. 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.”); See also Lasorsa v. Ameriquet Mortg. Co., 238 F.R.D. 554, 555 (E.D.Pa. 2006); Morrone v. Gunderson, 169 F.R.D. 168, 172 (M.D.Fla. 1996).

Finally, the Advisory Committee's Notes to the 1993 Amendments to Rule 11 state: “Ordinarily the motion should be served promptly after the inappropriate paper is filed, and, if delayed too long, may be viewed as untimely.” They also state that “[g]iven the “safe harbor” provisions discussed below, a party cannot delay serving its Rule 11 motion until conclusion of the case (or judicial rejection of the offending contention.” Here, Defendants attack filings that were made years ago and their motion is untimely.

B. RULE 11 WAS NOT VIOLATED

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 well grounded. It should first 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. It need also be noted that many of Defendants' assertions seem to relate to affirmative defenses. 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), rev'd 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...").

At any rate, Plaintiff's counsel did meet the requirements of Rule 11 with respect to filing the Complaint and Amended Complaint in this case. Counsel researched the law and verified the facts via witnesses, documents and independent investigation. In fact, rather than recklessly include causes of action, after investigation and research, Counsel eliminated a potential cause of action for tortuous interference that had been under consideration for the Complaint. Further, the Advisory Committee's Notes to the 1993 Amendments to Rule 11 explain:

The certification is that there is (or likely will be) "evidentiary support" for the allegation, not that the party will prevail with respect to its contention regarding the fact. That summary judgment is rendered against a party does not necessarily mean, for purposes of this certification, that it had no evidentiary support for its position. On the other hand, if a party has evidence with respect to a contention that would suffice to defeat a motion for summary judgment based thereon, it would have sufficient "evidentiary support" for purposes of Rule 11.

In this case, even without deposing Defendants, Plaintiff possesses sufficient evidence to defeat a motion for summary judgment on the topics in Defendants Rule 11 Motion.

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. The PTO classifies such services into Classes 35, 36 and 37.

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 advertisements⁹ 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)

⁹ The newsletter was first produced in house and then by a firm that sought advertising dollars in exchange for publishing.

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.A. § 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.... your firm is now authorized to transact business in the Commonwealth of Pennsylvania." (SLCA01202).

Finally, it is 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. Defendants have already provided this court with proof that Plaintiff sought advertisers for its official site. This came in the form of a forum page from Defendants' website that contained a post by April Bunje, who was one of Plaintiff's Board Members at the time. On August 22, 2008, 08:37:51 AM, Bunje 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.

P. 12 of Exhibit 1 Defendants Reply Brief for 12(b)(6) Motion; Exhibit J hereto.¹⁰

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); 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 v. Lombardo, 350 Pa. 530, 533, 39 A.2d 581, 582 (1944).

Defendants also claim that they have not engaged in commerce. This claim is patently false. 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

¹⁰ See also Gleason Affidavit at Para. 18. Plaintiff also provided Defendants with a copy of the official website’s current eform (SLCLA00040) which is titled “**ADVERTISING INFORMATION REQUEST**” and solicits advertisements.

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. 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 even called the domain names "valuable assets." (SLCA01153). Without question, Defendants have been engaged in commerce.

Next, Defendants claim that they were not engaged in commercial competition with Plaintiff. It has, however, been held 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 and actually did so. See Affidavit of former Community Manager Patricia Gleason, attached hereto as Exhibit K, at Para. 4,

5, and 6. Moreover, the parties in this case have actually competed for users and paid advertisers with relation to their respective websites in this case.¹¹ On a more fundamental level, Defendants have repeatedly asserted that they created the website to provide information services to unit owners in the community. Plaintiff has been in the business of providing information services to this same group of people for decades. Its Articles of Incorporation, from 1976, identify one of Plaintiff's purposes as being to "provide information and a forum for discussion of programs and plans affecting the community." (SLCA000193). It also has a statutory duty to provide information services via the issuance of resale certificates, in return for which fees are charged. See 68 Pa. C.S. § 5407.¹² Moreover, if Plaintiff fails in these obligations, the members would likely stop paying fees and assessments to Plaintiff.

Defendants also 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

¹¹ Along these lines, it should also be noted that Plaintiff has spent effort and money to promote the official website by contracting for the creation of magnets and metal signs to promote it (SLCA03759, SLCA03757).

¹² See Gleason Affidavit at Para.7, 8, 9, 11 and 23 regarding information services.

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.’”).

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). It also produced hundreds of recorded documents that referenced its trade name. It even produced shirts and coffee mugs containing its name (SLCA00038, SLCA00039) as well as newspaper advertisements (ex SCLA00005). The former Community Manager also attested to Plaintiff often using and being called Stillwater Lakes. See Gleason Aff. at Para. 12. Distinctiveness would be established.

Further, there is at least reason to question whether Stillwater Lakes is a geographic location. Defendants admit that they “reside in Stillwater Lake Estates.” See Defendants Answer to Request for Admission at request number 3. The deeds to

Defendants properties and the relevant community documents call the subdivision “Stillwater Lake Estates.” (SLCA05628, SLCA05631, SLCA05633, Exhibit F attached hereto, SLCA00042, SLCA05626). Plaintiff also made available for inspection USGS Maps labeled POCONO PINES, PA 1997 and TOBYHANNA, PA 1999, both showing “Stillwater Lake Estates” but nothing labeled “Stillwater Lakes.” Additionally, even if “Stillwater Lakes” is a geographic location and Plaintiff could not establish secondary meaning, Defendants would be liable 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) (without 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 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 at p.19 (emphasis added). Importantly, Defendants admit that (1) the document attached as Exhibit “C” to Plaintiff’s Amended Complaint depicts their

homepage as it appeared on December 17, 2008 (Answer to Request No. 5) and (2) the document attached as Exhibit “A” to Plaintiff’s Amended Complaint depicts their homepage as it appeared on October 13, 2008 (Answer to Request No. 11).¹³ Based upon these documents, the Court has already found Plaintiff’s dilution claims to be 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, 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 Plaintiff has not evidenced 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

¹³ These Exhibits were the same as those attached to Plaintiff’s Original Complaint.

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 damage control expenses).¹⁴ Defendants cannot prevail.

In light of the above, it is respectfully suggested that Plaintiff's case would have survived a Motion for Summary Judgment. Nonetheless, even if it did not, there would not be grounds for Rule 11 Sanctions. Trace Services, Inc. v. American Meter Co., 141 F.R.D. 47 (W.D.Pa. 1992) involved a trademark dispute where the Court denied Rule 11 sanctions after granting summary judgment. The Court explained:

[P]laintiff should not be sanctioned for not bowing to the weight of the evidence particularly where plaintiff had at least a few factors in the multi-factor test for likelihood of confusion in its favor. Had there been no similarity between the marks, and/or no actual or possible competition between the products, the case for Rule 11 sanctions would be more compelling. As it stands, however, plaintiff had some basis for asserting its claims. Having such a basis, plaintiff should not be sanctioned simply because his lawsuit failed to survive a motion for summary judgment.

141 F.R.D. at 50. In this case at hand, Plaintiff certainly had at strong basis for asserting its claims and Defendants Motion for Sanctions should likewise be denied.

C. PLAINTIFF SHOULD BE AWARDED FEES IN DEFENDING THE OBJECTIVELY UNREASONABLE RULE 11 MOTION.

Rule 11c(2) provides that "the court may award to the prevailing party the

¹⁴ See Gleason Affidavit at Para. 4, 5 and 6 regarding staff time spent to correct confusion.

reasonable expenses, including attorney's fees, incurred for the motion.” In this case, Defendants’ Motion for Sanctions was filed without providing prior service clearly required under the Rule. Moreover, Plaintiff had already filed a Motion to Dismiss the case with Prejudice. This is the very relief that Defendants could have hoped for if they had complied with Rule 11’s service requirements. As such, one can only conclude that the Motion for Sanctions was filed so as to harass Plaintiff and its counsel and was not objectively reasonable. Accordingly, an award of fees is appropriate.

D. DEFENDANTS MUST OFFER PROOF OF FEES.

In the event that the Court does grant Defendant’s Motion for Sanctions, Defendants must be made to offer proof of their counsels’ hourly rate, the number of hours incurred and a description of the work performed. “Without supporting documentation, it is impossible to determine whether the fees and costs were reasonable and, hence, whether the sanction based on the fees and costs was reasonable. Fed.R.Civ.P. 11(c)(2).” Bynum v. American Airlines, Inc., 166 Fed.Appx. 730, 736, 2006 WL 272694, 4 (5th Cir. 2006) See Garber v. Shiner Enterprises, Inc., 2007 WL 4557857, 1 (W.D.Mich. 2007).

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