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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

CITY OF LEAVENWORTH, a
Washington municipal corporation,

Plaintiff,

v.

PROJEKT BAYERN
ASSOCIATION, a Washington
nonprofit corporation,

Defendant/Third-Party Plaintiff,

v.

LEAVENWORTH CHAMBER OF
COMMERCE, a Washington
nonprofit corporation,

Third-Party Defendant.

NO. 2:22-CV-0174-TOR

ORDER ON MOTION TO DISMISS
DEFENDANT’S SECOND
AMENDED COUNTERCLAIMS
(ECF No. 51) AND MOTION TO
DISMISS THIRD-PARTY
COMPLAINT (ECF No. 52)

BEFORE THE COURT is a Motion to Dismiss Defendant’s Second
Amended Counterclaims (ECF No. 51) and a Motion to Dismiss Third-Party’s
Amended Complaint (ECF No. 52). These matters were submitted for

ORDER ON MOTION TO DISMISS DEFENDANT’S AMENDED
COUNTERCLAIMS (ECF No. 51) AND MOTION TO DISMISS THIRD-
PARTY COMPLAINT (ECF No. 52) ~ 1

1 consideration without oral argument. The Court has reviewed the record and files
2 herein and is fully informed. For the reasons discussed below, the motions are
3 **granted in part and denied in part.**

4 **BACKGROUND**

5 This matter relates to two competing Oktoberfest celebrations, one
6 organized by Plaintiff the City of Leavenworth (the “City”) and the other
7 organized by Defendant the Projekt Bayern Association (“Projekt Bayern”).¹
8 ECF No. 1. On December 21, 2022, Projekt Bayern filed a Second Amended
9 Counterclaim and First Amended Third-Party Complaint. ECF No. 50. The City
10 and Third-Party Defendant Leavenworth Chamber of Commerce (the “Chamber”)
11 filed motions to dismiss. ECF Nos. 51, 52. The Second Amended Counterclaims
12 and Amended Third-Party Complaint raise the following causes of action: (I) false
13 designation of origin, false description, and unfair competition in violation of 15
14 U.S.C. § 1125(a) (against the City); (II) false designation of origin, false
15 description, and unfair competition in violation of 15 U.S.C. § 1125(a) (against the
16 Chamber); (III) common law unfair competition (against the City); (IV) common
17 law unfair competition (against the Chamber); (V) violation of Washington’s
18 Consumer Protection Act (against the City); (VI) violation of Washington’s

19
20 ¹ The Court refers to the parties by name for clarity.

1 Consumer Protection Act (against the Chamber), and (VII) tortious interference
2 with business expectancy (against the City). ECF No. 50 at 17–32, ¶¶ 1–88.² The
3 following facts are drawn from Projekt Bayern’s Amended Counterclaims and
4 Third-Party Complaint, which are accepted as true for the purposes of the present
5 motion. *Chavez v. United States*, 683 F.3d 1102, 1108 (9th Cir. 2012).

6 Since August 1998, Projekt Bayern has rendered, among other things,
7 entertainment services in the nature of organizing and conducting cultural festivals
8 featuring food, beverages, alcohol, live musical performances, and entertainment
9 for children and adults (“Projekt Bayern Services”) in connection with the
10 trademark LEAVENWORTH OKTOBERFEST. ECF No. 50 at 3, ¶ 8. Since that
11 time, Projekt Bayern has operated its LEAVENWORTH OKTOBERFEST festival
12 in the City of Leavenworth. *Id.* at 4, ¶ 16.

13 On September 26, 2012, the City and Projekt Bayern entered into a lease
14 agreement that leased Projekt Bayern space for its LEAVENWORTH
15 OKTOBERFEST event. *Id.*, ¶ 17. Under this agreement, the original term was
16 five years, with the possibility of automatic renewal after this first five-year period.
17 *Id.* at 5, ¶ 18. In 2017, the 2012 lease agreement was renewed. *Id.*, ¶ 22.

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19 ² The paragraph numbering restarts at Count I in the Second Amended
20 Counterclaims and First Amended Third-Party Complaint.

1 On July 11, 2017, LEAVENWORTH OKTOBERFEST was placed on the
2 Principal Register of the United States Patent and Trademark Office (“USPTO”),
3 Registration No. 5,239,374. *Id.* at 3, ¶¶ 9–10. Projekt Bayern invested hundreds
4 of thousands of dollars in advertising and services to create a brand and goodwill
5 in connection with LEAVENWORTH OKTOBERFEST. *Id.* at 3–4, ¶¶ 13–14. As
6 a result, the public travels across the country yearly to participate in Projekt
7 Bayern’s LEAVENWORTH OKTOBERFEST event and the public recognizes
8 LEAVENWORTH OKTOBERFEST as representing Projekt Bayern’s services.
9 *Id.* at 4, ¶ 15.

10 On March 23, 2021, the City terminated the 2012 lease agreement. *Id.* at 6,
11 ¶ 24. On June 3, 2022, the City issued a press release stating: “Historically,
12 October has been reserved for Oktoberfest. The City is seeking a new style of
13 partnership with an entity that will conceptualize, plan, prepare, execute, evaluate
14 and replicate a marquee event to promote the City, showcase local businesses,
15 respect community character, celebrate inclusion, and balance the needs of visitors
16 and residents in October.” *Id.*, ¶ 25. Projekt Bayern submitted a proposal to
17 operate a LEAVENWORTH OKTOBERFEST event but the proposal was rejected
18 by the City. *Id.*, ¶ 26. Projekt Bayern reserved the Leavenworth Festhalle for its
19 LEAVENWORTH OKTOBERFEST 2022 event, but the City directed the
20 Festhalle to cancel the reservation. *Id.*, ¶ 27.

1 Following the rejection and reservation cancellation, Projekt Bayern moved
2 its LEAVENWORTH OKTOBERFEST event to Wenatchee, Washington. *Id.*, ¶
3 28. Projekt Bayern continues to operate the LEAVENWORTH OKTOBERFEST
4 event in the same manner as years prior, including hiring the same musicians and
5 vendors, marketing the event to the same prospective visitors, shuttling bus
6 services between Leavenworth and Wenatchee, and promoting Old-World
7 Bavarian themes in Leavenworth and the surrounding area. *Id.* at 6–7, ¶ 29.

8 On July 11, 2022, the City announced that it would operate an “Oktoberfest
9 2022” (“2022 Festival”) in Leavenworth to compete with Projekt Bayern’s event in
10 Wenatchee. *Id.* at 7, ¶ 33. The Chamber, in partnership with the City, planned to
11 provide the 2022 Festival in a geographic area that directly overlaps with the area
12 in which Projekt Bayern provides its’ services. *Id.* at 7–8, ¶ 34. The City and
13 Chamber marketed the 2022 Festival as an “event identical” to Projekt Bayern’s.
14 *Id.* at 8, ¶ 35. Despite Projekt Bayern’s event being the only Oktoberfest in the
15 City for 20 years, the City and Chamber advertised that “Oktoberfest returns to
16 Leavenworth” and included photos of Projekt Bayern events. *See id.* at 8–11, ¶¶
17 36–43. While Projekt Bayern does not allege the City or Chamber used its
18 trademark, it alleges the use of the phrases “Oktoberfest returns” and “Oktoberfest
19 is back,” along with the hashtag #leavenworthoktoberfest, in association with
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1 pictures from Projekt Bayern’s prior LEAVENWORTH OKTOBERFEST events,
2 has caused confusion regarding the sponsor of the 2022 Festival. *Id.* at 15, ¶ 55.

3 DISCUSSION

4 I. Motion to Dismiss Standard

5 Federal Rule of Civil Procedure 12(b)(6) provides that a defendant may
6 move to dismiss the complaint for “failure to state a claim upon which relief can be
7 granted.” A 12(b)(6) motion will be denied if the plaintiff alleges “sufficient
8 factual matter, accepted as true, to ‘state a claim to relief that is plausible on its
9 face.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v.*
10 *Twombly*, 550 U.S. 544, 570 (2007)). While the plaintiff’s “allegations of material
11 fact are taken as true and construed in the light most favorable to the plaintiff” the
12 plaintiff cannot rely on “conclusory allegations of law and unwarranted inferences
13 ... to defeat a motion to dismiss for failure to state a claim.” *In re Stac Elecs. Sec.*
14 *Litig.*, 89 F.3d 1399, 1403 (9th Cir. 1996) (citation and brackets omitted). That is,
15 the plaintiff must provide “more than labels and conclusions, and a formulaic
16 recitation of the elements.” *Twombly*, 550 U.S. at 555.

17 When deciding, the Court’s review is limited to the complaint, documents
18 incorporated into the complaint by reference, and judicial notice. *Metzler Inv.*
19 *GMBH v. Corinthian Colleges, Inc.*, 540 F.3d 1049, 1061 (9th Cir. 2008).

1 The City moves to dismiss the Second Amended Counterclaims asserted
2 against it (Counts I, III, V, and VII) on the grounds that its activities constitute fair
3 use, the pleadings fail to identify any right being infringed, the pleadings fail to
4 identify how the City can be held secondarily liable, and the claim for tortious
5 interference fails to plead the requisite elements. ECF No. 51. The Chamber
6 moves to dismiss the Amended Claims asserted against it (Counts II, IV, and VI)
7 on similar grounds. ECF No. 52.

8 **A. Unfair Competition (Counts I-VI)**

9 Projekt Bayern alleges unfair competition arising under the Lanham Act, 15
10 U.S.C. § 1125(a), the common law, and the Washington Consumer Protection Act
11 (“CPA”), RCW 19.86. ECF No. 50 at 17–29, ¶¶ 1–70. The City and Chamber
12 seek dismissal of the claims, arguing the use of certain Oktoberfest-related
13 phrasing constitutes fair use. ECF Nos. 51 at 10; 52 at 11. Projekt Bayern asserts
14 it has not alleged trademark infringement; therefore, the assertion of fair use is
15 misplaced. ECF No. 53 at 18.

16 As an initial matter, Projekt Bayern attempts to argue a claim for unfair
17 competition under the Lanham Act is separate and distinct from a claim for
18 trademark infringement because § 43(a) “goes beyond trademark protection” and
19 “does not require that a plaintiff possess or have used a trademark in U.S.
20 commerce as an element of the cause of action.” ECF No. 53 at 13 (quoting

1 *Enigma Software Grp. USA, LLC v. Malwarebytes, Inc.*, 946 F.3d 1040, 1053 (9th
2 Cir. 2019); *Belmora LLC v. Bayer Consumer Care AG*, 819 F.3d 697, 706 (4th Cir.
3 2016)). Projekt Bayern misconstrues the distinctions made by other courts
4 regarding § 43(a) claims. The cases cited by Projekt Bayern discuss the distinction
5 between claims arising under § 32, which applies only to registered trademarks,
6 versus claims arising under § 43(a), which applies to “a wider range of practices,”
7 such as infringement of registered and unregistered marks, trade dress, false
8 advertising, and product disparagement. *Brookfield Commc'ns, Inc. v. W. Coast*
9 *Ent. Corp.*, 174 F.3d 1036, 1047 n.8 (9th Cir. 1999); *see also Blemora LLC*, 819 F.
10 3d at 706. The Ninth Circuit has stated the analyses under Sections 43(a) and 32
11 are “oftentimes identical,” despite the differences in the statutory language.
12 *Brookfield Commc'ns, Inc.*, 174 F.3d at 1047 n.8; *see also eAcceleration Corp. v.*
13 *Trend Micro, Inc.*, 408 F. Supp. 2d 1110, 1114 (W.D. Wash. 2006). The success
14 of either type of claim turns on whether there is a likelihood of confusion; the
15 characterization of the infringing activity is irrelevant. *New W. Corp. v. NYM Co.*
16 *of Cal.*, 595 F.2d 1194, 1201 (9th Cir. 1979) (“Whether we call the violation
17 infringement, unfair competition or false designation of origin, the test is identical
18 is there a “likelihood of confusion?”). Consequently, to adequately plead a claim
19 under § 43(a), Projekt Bayern must plead the existence of a valid, protectable
20 trademark and subsequent use by another that is likely to cause consumer

1 confusion. *Id.* Styling the claim as unfair competition has no bearing on the
2 analysis.

3 The City and Chamber do not challenge Projekt Bayern’s pleading with
4 regard to the existence of a valid mark or likelihood of confusion. Accordingly,
5 the Court will presume these elements are sufficiently pleaded for the purposes of
6 this motion. Rather, the City and Chamber assert their use of certain terms and
7 phrases constitutes fair use because they are used to describe the location of the
8 event (in the city of Leavenworth), the type of event (an Oktoberfest celebration),
9 and to demonstrate the event is returning after a hiatus due to COVID-19. ECF
10 Nos. 51 at 10–14; 52 at 11–12. The offending terms and phrases are “Oktoberfest
11 returns,” “Oktoberfest is back,” and #leavenworthoktoberfest. ECF No. 50 at 17–
12 29, ¶¶ 1–70.

13 Projekt Bayern argues the use of these terms trades off the good will in
14 Projekt Bayern’s federally registered trademark, LEAVENWORTH
15 OKTOBERFEST, and has caused confusion among consumers. *Id.* Projekt
16 Bayern does not allege the City and Chamber specifically infringed on the
17 registered mark, other than its use in a hashtag. ECF No. 53 at 19; *see* ECF No. 50
18 at 8–13, ¶¶ 35–47. Moreover, Projekt Bayern does not claim ownership of
19 “Leavenworth” and “Oktoberfest” when used independently. Rather, Projekt
20 Bayern alleges infringement occurs when the words are used in close proximity to

1 each other and in connection with photographs from Projekt Bayern’s prior
2 LEAVENWORTH OKTOBERFEST events. ECF No. 53 at 19.

3 The classic fair use defense entitles a “junior user . . . to use a descriptive
4 term in good faith in its primary, descriptive sense other than as a trademark.”
5 *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1150 (9th Cir. 2002). A defendant
6 asserting the defense must demonstrate its use is “(1) other than as a trademark, (2)
7 descriptive of the defendant's goods, and (3) in good faith.” *Marketquest Grp., Inc.*
8 *v. BIC Corp.*, 862 F.3d 927, 935 (9th Cir. 2017) (citing 15 U.S.C. § 1115(b)(4)).
9 The degree of consumer confusion is a factor in evaluating fair use. *Id.*

10 The City and Chamber have successfully demonstrated fair use in the
11 phrases “Oktoberfest returns” and “Oktoberfest is back.” First, the protected mark
12 does not appear in these phrases; therefore, the phrases are not used as a
13 trademark. Second, the phrases generically describe the type of event being hosted
14 by the City and Chamber—an Oktoberfest event. The appearance of the term
15 “Leavenworth” in “close proximity” to these phrases merely describes the location
16 of the event. Any confusion associated with the use of “Oktoberfest returns” and
17 “Oktoberfest is back” cannot be fairly attributable to infringement, as the phrases
18 do not utilize Projekt Bayern’s trademark. Finally, the City and Chamber appear to
19 use the terms in good faith. Accordingly, the phrases “Oktoberfest returns” and
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1 “Oktoberfest is back” constitute fair use. Projekt Bayern’s unfair competition
2 claims under § 43(a) are dismissed with regard to these phrases.

3 As to the hashtag, #leavenworthoktoberfest, the City and Chamber argue
4 hashtags are “merely descriptive devices, not trademarks.” ECF Nos. 51 at 14; 52
5 at 12 (quoting *Eksouzian v. Albanese*, No. CV 13-00728-PSG-MAN, 2015 WL
6 4720478, at *8 (C.D. Cal. Aug. 7, 2015)). However, other courts have held
7 otherwise. *See Pub. Impact, LLC v. Boston Consulting Grp., Inc.*, 169 F. Supp. 3d
8 278, 295 (D. Mass. 2016) (finding a defendant’s use of a competitor’s mark as a
9 hashtag was likely to cause confusion); *Juul Labs, Inc. v. 4X PODS.*, 439 F. Supp.
10 3d 341, 357 (D. N.J. 2020) (indicating the use of a competitor’s mark as a hashtag
11 in social media could promote consumer confusion); *Safeway Transit LLC v. Disc.*
12 *Party Bus, Inc.*, 334 F. Supp. 3d 995 (D. Minn. 2018), *aff’d*, 954 F.3d 1171 (8th
13 Cir. 2020) (enjoining defendants from using plaintiff’s trademarks as hashtags in
14 advertising); *Align Tech., Inc. v. Strauss Diamond Instruments, Inc.*, No. 18-CV-
15 06663-TSH, 2019 WL 1586776, at *7 (N.D. Cal. Apr. 12, 2019) (declining to find
16 nominative fair use where hashtags are visible in advertising). Accordingly,
17 Projekt Bayern’s claim for unfair competition under § 43(a) may proceed with
18 regard to #leavenworthoktoberfest.

19 Projekt Bayern’s unfair competition claims under the common law and
20 Washington CPA are premised on the same factual allegations. ECF No. 50 at 22–

1 32, ¶¶ 30–88. Therefore, those claims must be dismissed with regard to
2 “Oktoberfest is back” and “Oktoberfest returns.” *See* RCW 19.86.920;
3 *eAcceleration Corp.*, 408 F. Supp. 2d at 1114. The claims may proceed as to
4 #leavenworthoktoberfest.

5 The City and Chamber raise two additional theories of dismissal for the
6 unfair competition causes of action: failure to state a claim for trade dress
7 infringement and failure to state a claim for secondary liability. ECF Nos. 51 at
8 14; 52 at 13. Projekt Bayern does not assert a trade dress cause of action, however,
9 nor has it asserted the City is vicariously liable for the Chamber’s actions—it
10 argues the City and Chamber are both directly liable for the infringement. ECF
11 No. 53 at 16–17. In any event, these alternative theories have no bearing on the
12 survival of the claims related to #leavenworthoktoberfest. Therefore, the Court
13 declines to reach these additional theories.

14 **B. Tortious Interference (Count VII)**

15 Projekt Bayern alleges the City tortiously interfered with its valid business
16 expectancy to continue hosting its LEAVENWORTH OKTOBERFEST event by
17 rejecting Projekt Bayern’s proposal in favor of an unqualified third-party and
18 forcing the Leavenworth Festhalle to cancel Projekt Bayern’s Fall 2022
19 reservation. ECF No. 50 at 29–32, ¶¶ 71–88. The City seeks dismissal of the
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1 claim, arguing Projekt Bayern could not have a legitimate business expectancy
2 where it no longer had a contract with the City. ECF No. 51 at 17.

3 To state a claim for tortious interference with a business expectancy, a
4 plaintiff must allege five elements: (1) the plaintiff had a valid business
5 expectancy, (2) the defendant knew of the expectancy, (3) the defendant
6 intentionally interfered, which caused or induced the termination of the
7 expectancy, (4) the defendant had an improper purpose or used improper means,
8 and (5) the plaintiff suffered damages. *Greensun Group, LLC v. City of Bellevue*,
9 7 Wash. App. 754, 768 (2019) (citing *Pac. Nw. Shoot Park Ass’n v. City of*
10 *Sequim*, 158 Wash.2d 342, 351 (2006)).

11 The City cites to *Pac. Nw. Shooting Park Ass’n* for the proposition that
12 Projekt Bayern must identify a specific relationship with identifiable third parties
13 to meet the first element of the tortious interference claim. ECF No. 51 at 17.
14 However, *Pac. Nw. Shooting Park Ass’n* involved a claim for tortious interference
15 with a contractual relationship, which is different from tortious interference with a
16 business expectancy. *Greensun Group, LLC*, 7 Wash. App. at 769–70. To meet
17 the first element for a claim for tortious interference with a business expectancy,
18 Washington courts “require something less than an enforceable contract,” which
19 may include “any prospective . . . business relationship that would be of pecuniary
20 value.” *Id.* at 768 (citations omitted). However, the plaintiff must have “a

1 reasonable expectation” in the future business prospect, not “merely wishful
2 thinking.” *Id.* (citation omitted).

3 Here, the parties entered an agreement in 2012, which was valid for a period
4 of five years. ECF No. 50 at 5, ¶ 18. The agreement was renewed in 2017. *Id.*, ¶
5 22. The City terminated the parties’ agreement on March 23, 2021. *Id.* at 6, ¶ 24.
6 Projekt Bayern does not allege the City improperly terminated the agreement. The
7 City then sent out a press release indicating it was “seeking a new style of
8 partnership” for the 2022 Festival event. *Id.* at 30, ¶ 74. Projekt Bayern was one
9 of two entities that submitted applications for the new partnership. *Id.*, ¶ 76.
10 Projekt Bayern was not selected. *Id.* at 31, ¶ 80. The majority of Projekt Bayern’s
11 allegations imply it expected to be selected based on its past contractual
12 relationship with the City. However, there are no facts to suggest the City ever
13 indicated it would select Projekt Bayern. In fact, the City’s cancellation of the
14 agreement seems to cut against any reasonable expectation Projekt Bayern may
15 have had in being selected.

16 As to the Festhalle reservation, the pleadings merely state the Festhalle
17 policies and procedures “allowed groups to lease the facility for the same period
18 that they had in the prior year,” and that the “City directed the Leavenworth
19 Festhalle’s staff to cancel Projekt Bayern’s reservations for 2022 in violation of
20 Leavenworth Festhalle’s published policies and procedures.” *Id.* at 6, ¶ 27. There

1 are no facts indicating Projekt Bayern undertook preparations in reliance of the
2 reservation. *See Greensun Group, LLC*, 7 Wash. App. 2d at 769.

3 Based on the pleadings, Projekt Bayern's claimed business expectancy
4 seems to be nothing more than wishful thinking. Consequently, Projekt Bayern
5 has not alleged sufficient facts to support the existence of a valid business
6 expectancy. Without a valid business expectancy, Projekt Bayern cannot
7 adequately plead the remaining elements of the claim. Accordingly, the claim is
8 dismissed.

9 II. Leave to Amend

10 The Court previously dismissed Projekt Bayern's claims for unfair
11 competition under the Lanham Act, common law, and Washington CPA. ECF No.
12 48. Although the standard for granting leave to amend is generous, the Court
13 should consider, *inter alia*, whether amendment would be futile. Fed. R. Civ. P.
14 15(a)(2); *United States v. Corinthian Colleges*, 655 F.3d 984, 995 (9th Cir. 2011).
15 Looking to the pleadings, it is difficult to see how Projekt Bayern could amend
16 these claims to sufficiently state causes of action for unfair competition.
17 Nonetheless, Projekt Bayern will once again be granted leave to amend. However,
18 failure to cure the deficiencies will result in a denial of leave to amend in the
19 future. *See Carvalho v. Equifax Info. Servs., LLC*, 629 F.3d 876, 892–93 (9th Cir.

2010) (quoting *Foman v. Davis*, 371 U.S. 178, 182 (1962)). Projekt Bayern is also granted leave to amend its claim for tortious interference with business expectancy.

ACCORDINGLY, IT IS HEREBY ORDERED:

1. The Motion to Dismiss Defendant’s Seconded Amended Counterclaims (ECF No. 51) is **GRANTED in part and DENIED in part**. Counts I, III, and V may proceed with regard to #leavenworthoktoberfest. The counterclaims are otherwise **DISMISSED without prejudice**. Count VII is **DISMISSED without prejudice**.

2. The Motion to Dismiss Third-Party Plaintiff’s Amended Complaint (ECF No. 52) is **GRANTED in part and DENIED in part**. Counts II, IV, and VI may proceed with regard to #leavenworthoktoberfest. The counterclaims are otherwise **DISMISSED without prejudice**.

3. Projekt Bayern is granted leave to file an amended third-party complaint and counterclaims within **thirty (30) days** of the date of this Order.

The District Court Executive is directed to enter this Order and furnish copies to counsel.

DATED March 3, 2023.



A handwritten signature in blue ink that reads "Thomas O. Rice".

THOMAS O. RICE
United States District Judge