iiio aiic	a Entertainment Properties, LLC v. Wodern Housing, i	LLC
1	MICHAEL J. McCUE (Nevada Bar #6055)	251)
2	JONATHAN W. FOUNTAIN (Nevada Bar #10 LEWIS AND ROCA LLP	331)
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4		
5	Attorneys for Plaintiff	
6	American Casino and Entertainment Properties,	LLC
7		
8		
9	UNITED STATES DISTRICT COURT DISTRICT OF NEVADA	
10		
11		
12	AMERICAN CASINO AND	Case No. 2:11-cv-00222-JCM-LRL
13	ENTERTAINMENT PROPERTIES, LLC, a Delaware limited liability company,	PLAINTIFF'S RESPONSE TO
14	Plaintiff,	DEFENDANT'S OBJECTION TO PLAINTIFF'S PROPOSED ORDER
15	V.	
16	MODERN HOUSING, LLC, a Washington limited liability company,	
17		
18	Defendant.	
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-1-

1	Plaintiff American Casino and Entertainment Properties LLC ("Plaintiff" and/or "ACEP")	
2	hereby responds to Defendant Modern Housing LLC's October 14, 2011 letter to the Court. In the	
3	letter, Defendant objects to the entry of Plaintiff's proposed order (Docket No. 31).	
4	The Defendant is objecting to two sentences in Plaintiff's proposed order. Those sentences	
5	state:	
6	The Court hereby FINDS that Plaintiff American Casino and Entertainment Properties, LLC has not used its ACESTAY mark in commerce. [and]	
8		
9	The Court hereby further FINDS that Defendant Modern Housing, LLC has filed with the Court a stipulation and covenant not to sue Plaintiff American Casino and Entertainment Properties, LLC (Doc. #10) for its use of the ACEPLAY mark.	
10	(Doc. #31 at 1, ll. 24-28.)	
11	The Defendant's objection to these two sentences is meritless. Both sentences are true.	
12	With respect to the first sentence, at the hearing on the Defendant's motion to dismiss, the	
13	Defendant argued that its stipulation and covenant not to sue would not cover the ACESTAY	
14	mark because the mark has not been used in commerce. The hearing transcript states the	
15	following:	
16 17	THE COURT: Let me ask the defendants a question. Your proposed stipulation covers ACEPLAY, does it also cover ACESTAY?	
18	MR. MERONE: My understanding, your Honor is that because they have not used the mark yet that it wouldn't be covered because there's no possibility of an actual	
19	claim.	
20	(Tr. at 3, ll. 2-8.) A true and accurate copy of the transcript is attached hereto as Exhibit A.	
21	Indeed, the Court went on to conclude that: "There's no controversy over ACESTAY because you	
22	haven't used it yet." (Tr. at 13, ll. 11-12.)	
23	With respect to the second sentence, the fact that the Defendant filed a stipulation and	
24	covenant not to sue is a matter of record. (See Doc. #10.)	
25	Both of the sentences in Plaintiff's proposed order (Doc. #31) are also neutrally worded so	
26	as not to favor the Plaintiff or the Defendant.	
27		

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-2- 588635.1

CONCLUSION

The Defendant's objection to two true and neutrally worded sentences in Plaintiff's proposed order is meritless. The Court should enter Plaintiff's proposed order, Docket No. 31.

Dated: this 14th day of October, 2011.

Respectfully submitted,

LEWIS AND ROCA LLP

By: /s/Jonathan W. Fountain
MICHAEL J. McCUE (NV Bar #6055)
JONATHAN W. FOUNTAIN (NV Bar #10351)
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Las Vegas, NV 89169 Tel: (702) 949-8224 Fax: (702) 949-8363

Attorneys for Plaintiff
American Casino and
Entertainment Properties, LLC

CERTIFICATE OF SERVICE

I hereby certify that on October 14, 2011, I caused a copy of the foregoing document entitled PLAINTIFF'S RESPONSE TO DEFENDANT'S OBJECTION TO PLAINTIFF'S PROPOSED ORDER to be filed with the Court and served upon the following counsel of record via the Court's CM/ECF system:

Jonathan D. Reichman
 William M. Merone
 William R. Urga

/s/Jonathan W. Fountain
An employee of Lewis and Roca LLP

Lewis and Roca LLP 28
3993 Howard Hughes Parkway
Suite 600
Las Vegas, Nevada 89109

-4- 588635.1

Exhibit A

1	UNITED STATES DISTRICT COURT
2	DISTRICT OF NEVADA
3	THE HONORABLE JAMES C. MAHAN, JUDGE PRESIDING
4	
5	
6	AMERICAN CASINO AND ENTERTAINMENT PROPERTIES,
7	LLC,
8	Plaintiff,
9	vs. No. 2:11-CV-0222-JCM-CWH
10	MODERN HOUSING, LLC, MOTION HEARING
11	Defendant.
12	
13	
14	REPORTER'S TRANSCRIPT OF PROCEEDINGS
15	WEDNESDAY, SEPTEMBER 21, 2011
16	10:00 A.M.
17	
18	
19	APPEARANCES:
20	For the Plaintiff: JONATHAN FOUNTAIN, ESQ. MICHAEL McCUE, ESQ.
21	
22	For the Defendant: WILLIAM MERONE, ESQ. MINDY FISHER, ESQ.
23	
24	
25	Reported by: Joy Garner, CCR 275 Official Federal Court Reporter

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LAS VEGAS, NEVADA, WEDNESDAY, SEPTEMBER 21, 2011
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                        10:00 A.M.
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                  PROCEEDINGS
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              THE CLERK: Case Number
7
    2:11-CV-222-JCM-CWH, American Casino and
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    Entertainment Properties, LLC versus Modern
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    Housing, LLC.
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                      Counsel, would you please state
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    your appearances for the record.
12
              MR. FOUNTAIN: Jonathan Fountain,
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    Michael McCue, and Nikkya Williams on behalf of
14
    the Plaintiff American Casino Entertainment
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    Properties, LLC.
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              MR. MERONE: All right, thank you, Mr.
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    Fountain.
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              MS. FISHER: Mindy Fisher on behalf of
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    defendant.
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              MR. MERONE: William Merone, Kenyon and
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    Kenyon, on behalf of defendant.
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              THE COURT: All right, I've reviewed
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    this with my brain trust. Let me tell you what
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    I'm inclined to do and then I'll give everyone a
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    chance to argue and admire my brain trust here in
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1 the jury box.

2.0

Let me ask the defendants a question. Your proposed stipulation covers ACEPLAY, does it also cover ACESTAY?

MR. MERONE: My understanding, your Honor, is that because they have not used the mark yet that it wouldn't be covered because there's no possibility of an actual claim.

MR. MERONE: There's no -- my -- if
they haven't actually used it up and to the point
where this case began which is my understanding,
then there's nothing to cover. So there's no way
we could bring an action for past or present
infringement of use of ACESTAY because they
haven't used ACESTAY. So, therefore, it would
not technically be within the scope of the
covenant, but it doesn't need to be because
there's nothing to -- we could act on.

THE COURT: All right, I understand, all right. What I'm inclined to do is to grant the motion to dismiss because it seems like there's no -- they aren't -- there's just no competition here here in Las Vegas particularly with the stipulation not to sue American Casino

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for any past, current, or continued use. Now
that, of course, in the future -- and I mean a
dismissal, by the way, would be without prejudice
in the event that some infringement did arise.

But, of course, you've got the
MedImmune case out of the District Court in
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2.0

But, of course, you've got the MedImmune case out of the District Court in California, the Central District, but I'm inclined to grant the motion without prejudice. Really there's no basis the defendants would have to sue the plaintiff at this point and the covenant I think is sufficiently broad to protect you.

Now, in the event that the defendants do enter the marketplace here, then there might be something different. It might be a different result. As far as the matters before, the TTAB, they really -- that's almost before you come to court. I mean that's a situation like this, don't register this mark, this mark infringes, do not register it. And, of course, with a court action you're saying they're using the mark, they're infringing on my existing mark.

So it's really two different, if you will, two different prongs or two different

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    emphases. One is don't register the mark, that's
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    you do that in TTAB. The other is it's my mark
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    and they are infringing on it, I'm suing for the
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    infringement, and that's where we get involved.
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    So it's like that there are TTAB proceedings
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    pending, or may be pending, or whatever the
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    status of them is I don't think has any bearing
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    on this. So what I'm inclined to do is to grant
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    your motion. Now you can talk me out of that if
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    you want.
              MR. MERONE: Well, your Honor, unless
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12
    the Court has any specific questions you wanted
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    to answer, I'd like to just ask permission to
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    respond to counsel.
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              THE COURT: Of course. Let me hear
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    from the plaintiff now.
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                             Thank you, Judge.
              MR. FOUNTAIN:
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              THE COURT: Yes, sir. Mr. Fountain.
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              MR. FOUNTAIN: And I certainly would
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    like to try and talk you out of your inclination.
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              THE COURT: Sure.
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              MR. FOUNTAIN: I think the fact that we
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    are here arguing over whether there is a dispute
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    is strong evidence that there really is a dispute
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    substantial enough for the Court to have subject
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matter jurisdiction. Essentially American Casino and Entertainment Properties, who I'll call ACEP or plaintiff, you know, applied to register two trademarks, ACEP for its casino player awards program and ACESTAY on an intent to use basis for its hotel rewards program.
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2.0

Now, the defendants opposed the ACEPLAY -- excuse me -- the ACESTAY application and have moved to cancel the ACEPLAY registration on two basis, the likelihood of confusion and trademark dilution. The parties entered into discussions with respect to discovery and such in the TTAB litigation and one of the questions was, Modern Housing, do you oppose simply maintenance of these registrations, or do you also oppose ACEP's use of the marks? And we were informed that they, in fact, opposed the use of the marks in commerce. That's why we have the dec action for trademark infringement.

THE COURT: But I mean that's something in front of the TTAB.

MR. FOUNTAIN: Well, no, not use,
Judge. The trademark --

THE COURT: Well, I understand, but I mean you're talking now about the TTAB hearing or

proceeding or whatever it was.

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MR. FOUNTAIN: Well, they said they 3 want to do away with our registrations and it said they object to our use in commerce of the 5 Now objecting to the use in commerce, that's tantamount to saying you're committing trademark infringement which is what prompted the declaratory relief action.

THE COURT: Well, I understand, but why isn't there a stipulation sufficient to allay your concerns when they say we're not going to sue you for any past, present, or continued use of the marks?

MR. FOUNTAIN: Well, ACEP has specifically announced its intent to use ACESTAY for its hotel quest rewards program. They concede that their stipulation doesn't even cover ACESTAY. So that's one reason. Their stipulation is under inclusive. It's also very nonspecific.

THE COURT: Well, I mean that's why I asked because I might be inclined at the most to allow the suit to continue as far as ACESTAY is concerned because you wouldn't know without a stipulation, yeah, we cover ACESTAY as well.

MR. FOUNTAIN: But as far as ACEPLAY is concerned, their stipulation doesn't identify specific uses that they say are okay or ones that are not okay.

2.0

THE COURT: Well, have you used it?

Yes. In the past, how did you use it? So

however you use it in the past and you continue
to use it in the future, you can't be sued under
this stipulation.

MR. FOUNTAIN: Well, Judge, that's actually not what they say in their reply brief. They say that if we engage in any expansion of our use, they can sue us.

THE COURT: But I mean that's future use. I mean who knows what you do with that with ACEPLAY. I mean you may decide, well, you're going to do something different. We want to use it here, we want to do something else with it.

And, God knows, my crystal ball is broken, I can't see into the future. So whatever other uses, oh, they can't say you can use that any way you want to in the future and we won't do anything about it. You can't expect them to make that kind of a stipulation. Do you understand?

I mean because you can say,

well, good, we'll sell it to Marriott, and I'm making this up obviously, but sell it to the Marriott, or the Hilton, or somebody, and they are going to use it all over the world. there is competition, you see, so they can't be -- you can't say I expect the defendants to say, no, you can use it however you want to in the future and we won't do anything. No, they can't do that, but the uses you made in the past and the continued use in the present and into the future, that same continued use is -- they're not going to sue you for it.

MR. FOUNTAIN: Well, Judge, your point is well taken, however, the purpose of the declaratory action was brought is so we can have some certainty. Our client has invested money in its marks. It wants to be able to continue to invest in its marks.

THE COURT: And it will be able to. It will be able to use the mark as it has used it in the past, not a problem. And in the future, not a problem because they stipulated to that. We won't sue you over that. You've got a covenant not to sue. They won't sue you over that. So you can continue to use the mark the way you've

used it in the past, that's it.

2.0

Now, as far as what's the scope of that, that's the scope of it. In other words, did you use it to sell candy bars? No, in the past, well, then now you may have a problem in the future, or used it for something else selling swimming pools, or hardware, or something, there's a problem now.

MR. FOUNTAIN: And that's exactly why we think the covenant not to sue begs future litigation because it is so unspecific and so vague that even the slightest change in use by our client could result in an infringement suit.

THE COURT: Okay. All right, anything else?

MR. FOUNTAIN: Yes, Judge. They spent a lot of time in their reply brief arguing the Dawn Donut rule, and they say that they cannot currently bring a trademark infringement claim. Essentially what the Dawn Donut rule says, and I'm paraphrasing, is that where goods and services are offered by a junior user in a geographically remote area, the senior user of a registered trademark cannot enjoin the junior user's use of a confusingly similar mark unless

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and until the senior user enters the territory
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    where the junior user is using the mark.
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    problem with Dawn Donut, it's a 1959 case.
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              THE COURT: '69.
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              MR. FOUNTAIN: '59, I believe.
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              THE COURT: Well, I show '69, but
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    that's all right.
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              MR. FOUNTAIN: Okay. The Internet
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    didn't exist then. In this case the parties
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    compete in a national market. They're both on
                   The complaint alleges our client's
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    the Internet.
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    use of ACEPLAY in connection with the website on
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                   They're both advertising and
    the Internet.
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    promoting hotel services to a national market.
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              THE COURT: Well, see, you're using the
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    mark now on the Internet, right?
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              MR. FOUNTAIN: Yes.
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              THE COURT: Yeah.
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              MR. FOUNTAIN: So in addition to there
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    being a national market --
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              THE COURT: But I mean so you're using
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    that and you can continue to use that in the
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    future and they can't do anything about that.
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              MR. FOUNTAIN: That's ACEPLAY.
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    we've also said we want to use ACESTAY in the
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same way but haven't done that yet, but again the stipulation doesn't cover that. The other basis they brought in the TTAB --
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THE COURT: But I mean it's not ripe for a controversy until we see what you -- and how you're using it. There's no controversy, no case or controversy, until you actually use ACESTAY, and they say, oh, my God, you can't use that to sell cantaloupe, or whatever, because that's what we do, or we've got farm division, or whatever, and there is some competition.

MR. FOUNTAIN: Well, I think it's a matter of degree, Judge. And we've come out straightforwardly and said we're going to use ACESTAY in the same manner we've used ACEPLAY, and we think that definite statement of intention is sufficient to create a case of controversy.

THE COURT: Okay. I mean and talk about vague, I mean that's -- we'd use it the same way, what does that mean? Oh, we'll use it on the Internet. I mean do you understand? That's so expansive, so nondescriptive, it could be anything.

MR. FOUNTAIN: You know, well -THE COURT: You won't use it the same

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    way, oh, we're going to use it to market our
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    product. I mean what's your product now? Well,
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    now we're selling cantaloupe and so we want to
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    use it. I don't know. That doesn't seem very
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    specific.
              MR. FOUNTAIN: Well, we can certainly
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    make it specific.
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              THE COURT: I mean understand we deal
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    with cases of controversy and, of course, you
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    know that, but it's got to be a real case or
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    controversy. There's no controversy over ACESTAY
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    because you haven't used it yet.
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              MR. FOUNTAIN: I understand the Court's
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    position.
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              THE COURT:
                           Okay.
16
              MR. FOUNTAIN: I just have a couple of
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    more points I'd like to make.
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              THE COURT: Yes, sir, sure.
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              MR. FOUNTAIN: Now, one of the other
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    basis in the Trademark Trial and Appeal Board
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that Modern Housing has used to say the ACEPLAY mark should be cancelled is trademark dilution.

Now their reply brief doesn't say anything about trademark dilution. They say they can't bring an infringement claim against ACEP, but they don't

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argue they can't bring a dilution claim today against ACEP.

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And their argument goes with respect to infringement because we can't bring an infringement claim, no case of controversy, but you would say, look, they're free to bring a dilution claim, there is a case of controversy with respect to dilution, and dilution doesn't concern geographically isolated markets.

Dilution is concerned with the fame of a mark in a nationwide market. So they can't rely on the Dawn Donut rule to say they can't bring a dilution suit.

And the last point I would make, Judge, is that this Court has concurrent jurisdiction over the and Trademark Trial and Appeal Board to decide issues of trademark registrability and cancellation. In addition, after the Trademark Trial and Appeal Board proceedings conclude, a party has a right to appeal to this court, to the district court. So I think it's highly likely that we can be back here either on appeal from the TTAB or we're going to be back here on an infringement suit because they're going to allege that we've

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    changed our use in some minor way that
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    constitutes infringement. Judicial economy would
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    compel resolving the entire dispute right here
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    right now.
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              THE COURT:
                         All right.
                                       Thank you.
6
                      Let me hear from the defense.
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              MR. MERONE: Thank you, your Honor.
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              THE COURT: Yes, sir.
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              MR. MERONE: I just want to clarify a
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    couple of things and make sure we keep two
11
    different things separate. There's the issue of
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    let's set aside the coming of the suit as the
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    first issue raised as to whether or not there is
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    a case or controversy, and we all agree it has to
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    be -- it must be an actual case in controversy in
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    order to support declaratory judgment action plus
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    the DJ Act doesn't confer jurisdiction anywhere.
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                      And so the question I would pose
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    is in response is what exactly is the
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    controversy? At present we cannot bring a claim
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    against them for trademark infringement,
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    definitely no likelihood of confusion because
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    we're not in this market, therefore, people
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    really haven't heard of us here, therefore, under
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the Sleekcraft factors, or the multifactor test,

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there's no way we could sustain a claim for
confusion.
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about in the future? Five years from now if we have a hotel here, it's a completely different story, but we can't speculate as to what's going to be happening into the future. The only other possible controversy then is the issue of registrability. And contrary to what counsel said, opposition proceedings are the exclusive jurisdiction of the TTAB.

Under Section 1071, yes, there
is a --

THE COURT: Well, I mean we've been through that. I mean that's just they do something different from what I do so they're -- they --

MR. MERONE: What they do just so we're clear is they work on a hypothetical. What they say is, it doesn't matter where you are, if someone is familiar with your mark, hotel services, for any hotel service, not just -- because we get your trademark case. Oh, no, no, my hotel, that's only a ten-dollar a night hotel and we're having this different classes,

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different class of purchasers, different price
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    points, none of that matters to the trademark
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    office. They say any hotel, any possible
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    conceivable hotel, just name it, and if that same
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    person is going to encounter a guest reward
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    program for a hotel under ACESTAY, they might
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    think there's a connection.
                                  It's a hypothetical.
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    It's not what's actually happening in the real
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    world.
            So it's a different process so there's
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    and no controversy to begin with on any level.
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                      Now, separately the covenant not
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    to sue, that's a belt and suspenders. What I'm
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    saying is, listen, there's no controversy, but if
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    you're afraid that your past or your current
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    activities were -- and I did check and it
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    actually does cover ACEP even though it doesn't
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    have to because there was no ability to cover.
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              THE COURT: I didn't have the exact
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    language right here in front of me right now, but
2.0
    my recollection was that it did, but that's why I
21
    asked.
            I wanted to be sure.
22
                            Yeah, it didn't need to,
              MR. MERONE:
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    but I do want to make sure we're clear on one
24
    point so there's no confusion in that it covers
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    their past infringement and says if the world
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    stays the same as it is right now, we're not
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    going to come after you, but if you engage in
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    different use, for example, what if they open a
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    casino in Seattle? Or if we change our use, what
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    if we open a hotel in Las Vegas?
                                       Then we are
6
    going to have a conflict because now --
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                           That's why I said my
              THE COURT:
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    crystal ball is broken, Mr. Merone, I don't know.
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              MR. MERONE: So they can keep doing
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    today what they're doing, but in the future it's
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    not a covenant for whatever use they may make in
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    the future because if we enter this market ten
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    years from now under the presumptions afforded by
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    the Lanham Act, we're the senior registrant,
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    senior national user, they are displaced. And
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    the way that gets resolved as to, well, would
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    there be that problem in the future? That's what
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    the TTAB proceedings are all about.
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              THE COURT:
                           Yeah.
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                            Thank you.
              MR. MERONE:
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              THE COURT:
                           Thank you.
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              MR. FOUNTAIN:
                             Judge, just one further
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    point about ACESTAY.
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              THE COURT:
                           Sure.
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              MR. FOUNTAIN: We said we want to use
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it, they say we cannot use it. That's a
controversy. We shouldn't have to risk an
infringement suit where, you know, potentially
we're exposed to treble damages.
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THE COURT: But again until you actually use it, then what are we talking about? I mean --

MR. MERONE: And the only point I would make on that, your Honor, is -- your Honor, I wish to make two points on that. I don't think it's a major point, but, one, first there's no evidence about that. It's an allegation in their complaint that's no --

THE COURT: Say that again, I'm sorry.

MR. MERONE: There's no evidence about the conversation they're referencing. There's an allegation in the complaint which is for purposes of a 12(b) motion is insufficient. So there's actually no evidence, but be that as it may, according to the dates what they said is when you had a conversation with someone in the context of discussing particular cases at a time when they weren't using the mark and said, yeah, we're going to object to your use. What use? Again if they opened in Seattle, absolutely I'd be

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THE COURT: Yeah, there's just no case or controversy with that. Okay, all right, thank you.

All right, I'm going to go ahead with my inclination. Let me ask the defendants to prepare an appropriate order granting your motion, and I will talk to the brains of the outfit. And that's a joke for the record because I know the associates are going to be preparing the order. So if you will go and prepare an order granting your motion and run it by the plaintiff. And if you can't agree on the language, then you can submit it to me and we'll decide the appropriate language, but again there's just no case. I don't see a case for controversy here yet. When there is, and again we deal in actuality, so I intend to use your mark to sell something -- I keep saying to sell cantaloupes I quess because cantaloupes are in the news -- to sell cantaloupes, you know, well, then we'll deal with that when it comes up, but until then, there's just no case or controversy with your stipulation that they can continue to use ACEPLAY and you won't use them for any use in

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    the past or continued use into the future, all
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    right?
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               MR. MERONE: Understood.
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               THE COURT: All right. Thank you.
                                                     Wе
    will be in recess.
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           (Whereupon, the proceedings concluded.)
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                       I hereby certify that pursuant
    to Section 753, Title 28, United States Code, the
20
    foregoing is a true and correct transcript of the
    stenographically reported proceedings held in the
21
    above-entitled matter.
22
23
    Date: September 29, 2011
                                   /s/ Joy Garner
                                   JOY GARNER, CCR 275
24
                                   U.S. Court Reporter
25
```