

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION**

CRAIG REED, et al.,)	
)	CASE NO. 1:08CV1761
Plaintiffs,)	
)	JUDGE CHRISTOPHER A. BOYKO
vs.)	
)	
FREEBIRD FILM PRODUCTIONS, INC.,)	
et al.,)	
)	
Defendants.)	
)	

REPLY MEMORANDUM IN SUPPORT OF DEFENDANT LYNYRD SKYNYRD PRODUCTIONS, INC.’S MOTION FOR LEAVE TO FILE *INSTANTER* ITS FIRST AMENDED ANSWER, AFFIRMATIVE DEFENSES, AND COUNTERCLAIMS

In Plaintiffs’ opposition to Lynyrd Skynyrd Productions’ motion for leave to file its amended Answer to assert its counterclaims against Plaintiffs (the “Opposition), Plaintiffs have failed to establish: (1) that Lynyrd Skynyrd Productions did not act with diligence in seeking to amend its Answer to assert to its counterclaims; and (2) that Plaintiffs will be prejudiced by Lynyrd Skynyrd Productions’ counterclaims. In fact, Plaintiffs have not offered a single compelling reason why Lynyrd Skynyrd Productions should be prohibited from amending its Answer to assert its trademark, cybersquatting, and unfair competition counterclaims against Plaintiffs.

For the reasons set forth more fully below and in Lynyrd Skynyrd Productions’ Motion for Leave to File *Instanter* its First Amended Answer, Affirmative Defenses, and Counterclaims (“LSP’s Motion”), LSP’s Motion is timely, was not filed in bad faith, and does not cause undue prejudice to Plaintiffs, nor is the amendment futile.

A. LSP's Motion Is Timely Because The Case Is Still In The Early Procedural Stages

This case is still in the early procedural stages. A scheduling order has not yet been issued and, although some initial discovery has been exchanged, a considerable amount of discovery remains to be completed. Indeed, no party has taken, or even scheduled, any depositions on any issue of fact or law in this case. And no trial date has been set. There is no dispute that there is ample time for Plaintiffs to respond to the proposed counterclaims and for the parties to take discovery related to the same.

As this Court is well aware, Lynyrd Skynyrd Productions initially attempted to file its counterclaims in this case on December 15, 2008 (ECF DKT #40), less than three months after it filed its original Answer. Two days later, during a Status Conference held by the Court, it was agreed that Lynyrd Skynyrd Productions' amended Answer and counterclaims would be withdrawn, "with right to re-file motion for leave if necessary after ruling on dispositive motion." (Minutes of Proceedings, Dec. 17, 2008). It should have come as no surprise, then, after the Court ruled on the dispositive motions, that Lynyrd Skynyrd Productions expressed its intent to re-file its counterclaims. The topic was discussed at the February 5, 2010 Status Conference. The Court ordered Lynyrd Skynyrd Productions to file a motion for leave to assert its counterclaims by February 19, 2010 (Minutes of Proceedings, Feb. 5, 2010); LSP's Motion was filed on that date.

The counterclaims that Lynyrd Skynyrd Productions seeks leave to assert are essentially identical to those sought to be asserted by Lynyrd Skynyrd Productions on December 15, 2008, with the sole exception of its additional claim for a violation of the Anti-Cybersquatting Consumer Protection Act. Plaintiffs have been aware not only of Lynyrd Skynyrd Productions' intent to pursue, but also the substance of and bases for these claims, for more than 14 months.

B. LSP's Motion Was Not Filed In Bad Faith

This is Lynyrd Skynyrd Productions' first Motion for Leave to Amend its Answer and, although Plaintiffs make numerous conclusory allegations in their Opposition, Plaintiffs have not offered any evidence that Lynyrd Skynyrd Productions is acting in bad faith or that Lynyrd Skynyrd Productions' proposed counterclaims have been advanced for an improper purpose. To be clear, neither LSP's Motion nor Lynyrd Skynyrd Productions' proposed counterclaims have been brought in bad faith.

The Opposition characterizes LSP's Motion as a tactic meant to increase Plaintiffs' litigation costs and for Defendants to gain leverage.¹ Perhaps this is so because Plaintiffs recognize the considerable financial burden in attorneys' fees and costs they themselves have imposed on Defendants in bringing this suit. With the likely exception of Mr. Reed who, on information and belief, thus far has not had to factor the enormous costs of this case into his value perception of it, all of the parties and their legal counsel recognize: (1) liability issues aside, discovery has revealed that there is not a lot of money at stake; and (2) Defendants will not pay Mr. Reed the unreasonable sum he covets simply to relieve themselves of their future legal expenses in this case.

Lynyrd Skynyrd Productions' counterclaims will obviously require time and expense for which Plaintiffs and their counsel had not previously contemplated, which is presumably the real reason why they so desperately want to exclude them from this case. This desperation manifests itself in Plaintiffs' counsel's own recognition that the counterclaims would create for Lynyrd Skynyrd Productions a "good offense."

¹ Although not relevant to this Motion, Lynyrd Skynyrd Productions would like to state for the record that, contrary to Plaintiffs' assertion, it has not admitted Plaintiffs' claims have merit, nor has it admitted that it is liable for those claims.

Contrary to Plaintiffs' assertion that Lynyrd Skynyrd Productions has waited over 18 months to assert its claims, Lynyrd Skynyrd Productions' intent to pursue its counterclaims against Plaintiffs have been well-known to Plaintiffs for more than 14 months—essentially from the outset of this case. At the December 17, 2008 Status Conference, the Court specifically requested that Lynyrd Skynyrd Productions refrain from seeking leave to file its counterclaims until early summary judgment proceedings had been concluded. Now that the early summary judgment briefing has been completed, and these motions have been adjudicated and efforts to settle the case have reached an impasse, Lynyrd Skynyrd Productions has sought leave to assert these claims, just as it originally intended to do more than 14 months ago.

Plaintiffs desire their day in court for a resolution of the alleged wrongs done against them by Defendants. Lynyrd Skynyrd Productions likewise desires its own day in court for a resolution of the wrongs done against it by Plaintiffs, as alleged in its proposed counterclaims. Moreover, Lynyrd Skynyrd Productions, like the other Defendants in this action, is entitled to a full and fair resolution of this case. In Lynyrd Skynyrd Productions' view, a full and fair resolution of this case necessarily includes consideration of Lynyrd Skynyrd Productions' counterclaims, which have been brought timely and in good faith.

C. LSP's Motion Does Not Cause Undue Prejudice to Plaintiffs

Notably, Plaintiffs have failed to offer any argument that undue prejudice would result from the amendment. Indeed, they cannot do so in light of the current procedural posture of the case and the length of time over which they have been aware of both the substance and the form of Lynyrd Skynyrd Productions' claims.

D. The Proposed Amendment Is Not Futile

Lynyrd Skynyrd Productions' proposed counterclaims are not futile. "[T]he burden of showing the proposed new claims are not futile is not particularly onerous. The movants do not have to prove all elements of their proposed count, it is sufficient that they demonstrate that there is some plausible basis in the record for their claim." *Saad v. GE HFS Holdings, Inc.*, No. 1:03CV2557, 2006 WL 1866092, at *2 (N.D. Ohio Jun. 30, 2006) (internal quotation marks omitted). Certainly, "[a] motion for leave to amend may be denied for futility if the court concludes that the pleading as amended could not withstand a motion to dismiss." *Midkiff v. Adams County Reg'l Water Dist.*, 209 F.3d 758, 767 (6th Cir. 2005). However, "rather than determining the actual legal sufficiency of the new claim, in many cases it will suffice to determine if there is a substantial argument to be made on that question and, if so, to allow the amended pleading to be filed with the understanding that a motion to dismiss for failure to state a claim may follow." *Stanley v. Malone*, No 2:07-cv-0694, 2008 WL 2557254, at *2 (S.D. Ohio Jun. 23, 2008).

Plaintiffs do not argue that there is no plausible basis in the record for Lynyrd Skynyrd Productions' counterclaims or that those counterclaims are not legally sufficient, but rather argue that the proposed counterclaims are futile assuming the Court interprets disputed factual matters regarding the claims in Plaintiffs' favor as a matter of law. The Court should reject Plaintiffs' invitation to make such determinations without the benefit of any discovery whatsoever regarding these matters.

Specifically, Plaintiffs argue that Lynyrd Skynyrd Productions' "proffered claim for 'cybersquatting' . . . is futile because the pleadings make clear that Plaintiff Reed 'believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise

lawful.’” (ECF DKT #103 at 1). Plaintiffs do not, however, refer to any particular portion of the pleadings to support this assertion. Indeed, no portion of the pleadings supports Plaintiffs’ assertion. And Reed’s self-serving declaration that he never intended to profit wrongfully at Lynyrd Skynyrd’s defense is insufficient to establish as a matter of law that Plaintiffs lacked the requisite bad faith. Lynyrd Skynyrd Productions has sufficiently alleged the requisite bad faith in its proffered claim (ECF DKT #101-2 at 34 ¶183) and at least some discovery is needed to explore the merits of Plaintiffs’ assertions as well as to assess Reed’s credibility, particularly in light of the nature of the claims raised against him.

Plaintiffs also argue that “Plaintiffs’ use [of] the asserted Lynyrd Skynyrd trademarks is a fair use as a matter of law.” (ECF DKT #103 at 1). However, whether Plaintiffs’ use of the asserted trademarks is a fair use is a mixed question of fact and law and at least some discovery is needed to explore the merits of Plaintiffs’ fair use defense. As Plaintiffs concede, “[i]n evaluating a defendant’s fair use defense, a court must consider whether [the] defendant has used the mark: (1) in its descriptive sense; and (2) in good faith.” (ECF DKT #103 at 5-6) (quoting *Hensley Mfg. v. ProPride, Inc.*, 579 F.3d 603, 612 (6th Cir. 2009)).

Contrary to Plaintiffs’ assertion, Plaintiffs have not done “exactly the same thing here that the defendant did in *ETW Corp.*” (ECF DKT #103 at 6). The SKYNYRD mark was not being used by Plaintiffs in the title of an artistic work. Plaintiffs used the LYNYRD SKYNYRD marks in an effort to divert business from legitimate LYNYRD SKYNYRD goods and services and to trade off of the goodwill associated with those marks. Furthermore, Plaintiffs’ use of the marks was and is intended to create confusion, mistake, and deception as to the affiliation, connection, or association of Plaintiffs with Lynyrd Skynyrd Productions, and intimate that Plaintiffs’ goods and services originate with, are sponsored by, or are approved of by Lynyrd

Skynyrd Productions. Lynyrd Skynyrd Productions has sufficiently alleged the requisite elements for its proffered trademark and unfair competition claims (ECF DKT #101-2 at 31-37) and at least some discovery is needed to explore the merits of Plaintiffs' asserted affirmative defense of fair use.

Finally, Plaintiffs argue that Lynyrd Skynyrd Productions' proposed counterclaims are futile because "they arise out of conduct that, by Defendant's own affirmative allegation, began ten years ago and continued thereafter" (ECF DKT #103 at 1-2). Indeed, Lynyrd Skynyrd Productions alleges that Plaintiffs' conduct began more than ten years ago, but that Plaintiffs' conduct continued thereafter and escalated over time. Because Plaintiffs engaged in continuing infringement of Lynyrd Skynyrd Productions' trademarks and service marks, and because Plaintiffs engaged in continuing "cybersquatting" activities, Lynyrd Skynyrd Productions contends that the statute of limitations for these actions has not been triggered because the cause of action is continuously accruing. *See* O.R.C. § 2305.10; *The Mashantucket Pequot Tribe v. Redican*, 403 F. Supp. 2d 184, 198 (D. Conn. 2005) (holding that to the extent the harm complained of is ongoing, the violation of the Anti-Cybersquatting Consumer Protection Act continues to accrue).

According to Ohio Revised Code Section 2305.10, "an action for . . . injuring personal property shall be brought within two years after the cause of action accrues." And "a cause of action accrues . . . when the injury or loss to person or property occurs." O.R.C. § 2305.10. In other words, a cause of action accrues each time Lynyrd Skynyrd Productions is injured by an act of trademark infringement by Plaintiffs. *Cf. Trane U.S. Inc. v. Meehan*, 563 F. Supp. 2d 743, 758-59 (N.D. Ohio 2008) (analyzing the "continuing violation" exception in the context of an antitrust cause of action in which "a cause of action accrues each time the plaintiff is injured by

an act of the defendants”). Therefore, Lynyrd Skynyrd Productions contends that the statute of limitations has not been triggered and, accordingly, the equitable doctrine of laches does not apply.

Furthermore, under Ohio law, to invoke the doctrine of laches, the party asserting laches must show “(1) unreasonable delay or lapse of time in asserting a right, (2) absence of an excuse for the delay, (3) knowledge, actual or constructive, of the injury or wrong, and (4) prejudice” *Bosley v. Wildwett.com*, 310 F. Supp. 2d 914, 932 (N.D. Ohio 2004). Plaintiffs have failed to establish each of these elements. Nonetheless, even if the Court finds that Lynyrd Skynyrd Productions’ trademark infringement damages claim is barred by laches, “[p]rospective relief in an infringement action is not barred by a finding of laches.” *Freed v. Farag*, 994 F. Supp. 887, 891 (N.D. Ohio 1997). Lynyrd Skynyrd Productions has sought injunctive relief to prevent Plaintiffs from infringing Lynyrd Skynyrd Productions’ marks in the future (ECF DKT #101-2 at 39), and, at a minimum, its trademark infringement claims should be heard on that basis.

In short, Lynyrd Skynyrd Productions’ counterclaims are well grounded in fact and law. And they have not been brought for an improper purpose. Lynyrd Skynyrd has a right to seek to hold Plaintiffs accountable for their own malfeasance.

Lynyrd Skynyrd Productions' Motion is timely, was not filed in bad faith, and does not cause undue prejudice. This case should be tried on its merits, including the proposed counterclaims. For all the foregoing reasons, Lynyrd Skynyrd Productions respectfully requests that this Court grant leave to allow Lynyrd Skynyrd Productions to assert its counterclaims.

Respectfully submitted,

DATED: March 18, 2010

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CERTIFICATE OF SERVICE

The undersigned certifies that on March 18, 2010, a true and correct copy of the foregoing **REPLY MEMORANDUM IN SUPPORT OF DEFENDANT LYNYRD SKYNYRD PRODUCTIONS, INC.'S MOTION FOR LEAVE TO FILE *INSTANTER* ITS FIRST AMENDED ANSWER, AFFIRMATIVE DEFENSES, AND COUNTERCLAIMS** was filed electronically. Notice of this filing will be sent to all parties by operation of the Court's electronic filing system. Parties may access this filing through the Court's system.

/s/ Mark E. Avsec

One of the Attorneys for Defendant
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