IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MASSACHUSETTS

SportsChannel New England Limited Partnership d/b/a Comcast Sportsnet New England

Plaintiff,

v.

Fancaster, Inc. and
Craig Krueger,

Defendants.

Case No. 1:09-cv-11884-NG

MEMORANDUM IN SUPPORT OF DEFENDANTS' MOTION TO DISMISS FOR LACK OF SUBJECT MATTER JURISDICTION, LACK OF PERSONAL JURISDICTION, IMPROPER VENUE, AND FOR FAILURE TO STATE A CLAIM FOR RELIEF OR, IN THE ALTERNATIVE, TO STAY OR TRANSFER VENUE

Pursuant to Fed. R. Civ. P. 12(b) and (2) Defendants Fancaster, Inc. and Craig Kreuger respectfully move that the Court dismiss the Complaint for lack of subject-matter and personal jurisdiction. Defendants further move that the Court decline to exercise its discretionary jurisdiction under the Declaratory Judgment Act. Mr. Krueger further moves for dismissal of the Complaint as to him pursuant to Rule 12(b)(6) for failure to state a claim against him in his personal capacity.

In the alternative, Defendants move for a stay of this case pending resolution of an earlier-filed trademark infringement litigation currently pending in the United States District Court for the District of New Jersey involving the same federally-registered trademark and the same infringing term. The defendants in that case are corporate parents and/or affiliates of Plaintiff SportsChannel, have identical interests, and are represented by the same legal counsel.

FACTS

Craig Krueger is an individual, a citizen of New Jersey who resides in Fort Lee, NJ. Krueger is the President of Fancaster, Inc., a South Dakota corporation with its principal place of business in Fort Lee, NJ. (Krueger Decl. ¶¶ 1-3.)[1]

Since as early as 1988, Krueger and Fancaster have been in the business of providing wireless broadcasting services and information related to current events, sports, and consumer advertising. Fancaster originally transmitted and broadcast information by means of low-power radio transmission but its business model has evolved with changes in communications technology and the development of the Internet. Beginning in 1997, Fancaster offered its services through major wireless paging carriers and delivered sponsored broadcast news alerts to subscribers of wireless paging devices. Fancaster presently offers information pertaining to sports, sports fans, broadcasting, and related content both on the Internet through a website located at www.fancaster.com and also provides content and third-party advertising over wireless devices via text messaging. (*See* Krueger Decl. ¶ 7.)

In 1988, Krueger applied for, and in 1989 received, a federal trademark registration for FANCASTER on the Principal Register of the United States Patent and Trademark Office, Reg. No. 1,543,885, in the field of "Broadcasting Services" (the "FANCASTER® Mark"). (*See* Krueger Decl. Ex 1.) That Registration has since become incontestable by reason of continued use of the mark for five years from the date of registration. In 1988, Fancaster registered the Internet domain www.fancaster.com. In November 2007, Krueger assigned all of his right, title, and interest in the FANCASTER® Mark to Fancaster, Inc. (*See* Krueger Decl. ¶ 8.)

[1] Declaration of Craig Krueger in Support of Defendants' Motion to Dismiss For Lack of Personal And Subject Matter Jurisdiction and For Failure to State a Claim Or, In The Alternative, To Stay, filed herewith.

In July 2006, Fancaster observed that SportsChannel was using the FANCASTER® Mark in connection with what SportsChannel's then website described as a "community service program that educates young New England sports fans about careers in sports television." Fancaster notified SportsChannel of its ownership of the FANCASTER® Mark and demanded that SportsChannel cease and desist use of the term "Fancaster." By letter dated November 22, 2006, Fancaster advised SportsChannel that it would take no action to enforce its federal trademark rights in the FANCASTER® Mark against SportsChannel in connection with the use just described. Fancaster advised, however, that it reserved its right to assert its trademark rights in the future should SportsChannel expand its use of the term "Fancaster" into other areas or should Fancaster become aware of any actual confusion. Thereafter, neither Krueger nor Fancaster has had any contact with SportsChannel. (*See* Krueger Decl. ¶¶ 13-14.)

In June 2008, Fancaster filed suit against three Comcast entities ("Comcast") in the U.S. District Court for the District of New Jersey, asserting federal trademark infringement and related claims arising out of the use of the term "Fancast." Comcast counterclaimed against both Fancaster and Krueger personally for declarations of non-use and abandonment. *Fancaster, Inc. v. Comcast Corporation, Comcast Interactive Media, LLC, and Comcast Management LLC,* C.A. No. 08-CV-02922 (D.N.J.) (the "New Jersey Action"). The New Jersey Action is currently pending, with discovery nearly complete. (*See* Krueger Decl. ¶¶ 10-11.)

ARGUMENT

I. The Court Lacks Subject-Matter Jurisdiction Under the Declaratory Judgment Act.

Under the Declaratory Judgment Act, 28 U.S.C. § 2201, this Court has subject-matter jurisdiction over SportsChannel's claims only if an "actual controversy" exists between the parties at the time the complaint was filed. *Davox Corp. v. Digital Systems Int'l, Inc.*, 846 F.Supp. 144, 147 (D. Mass. 2003); *Calderon v. Ashmus*, 523 U.S. 740, 745 (1998); *Aetna Life*

Ins. Co. v. Haworth, 300 U.S. 227, 240, (1937). The First Circuit requires that a plaintiff seeking a declaratory judgment in a trademark case show that it could "reasonably have anticipated a claim against it" to establish subject-matter jurisdiction: "[a] federal court will not start up the machinery of adjudication to repel an entirely speculative threat." *PHC, Inc. v. Pioneer Healthcare, Inc*., 75 F.3d 75, 79 (1st Cir. 1996).

There is no "actual controversy" here. The entire basis for SportsChannel's complaint is a single letter it received more than three years ago, in which Fancaster and Krueger stated that they did not intend to enforce the FANCASTER® Mark against SportsChannel's use of the term "Fancaster" for a "community service program that educates young New England sports fans about careers in sports television." That letter explicitly did *not* threaten litigation over SportsChannel's use of the term "Fancaster" in that manner. Moreover, Fancaster and Krueger simply reserved their rights to enforce the FANCASTER® Mark at some point in the future should SportsChannel expand its use of "Fancaster" in a way that they deemed infringing.

Even if Krueger and Fancaster had specifically warned of future litigation should SportsChannel's use of "Fancaster" expand (and they did not), SportsChannel has not provided any support for concluding that present circumstances might cause Krueger and Fancaster to carry through. SportsChannel alleges only that "in 2003 and 2004 alone" it selected more than 60 students to participate in its program (Complaint ¶ 9), and that it is *considering* expanding the program:

> Among the plans for FanCaster ***being considered*** by Plaintiff are expanding the target audience to include college-aged students and adults and to change the FanCaster program to a sponsored promotion affiliated with one or more corporate partners rather than a community service oriented event.

(Complaint ¶ 20) (emphasis added).

SportsChannel's alleged "consideration" of some possible future expansion of its program from "young New England sports fans" to include "college-age students and adults" is hardly sufficient to create a reasonable apprehension of suit based on a *non-threat* of litigation in a letter written more than three years ago. That SportsChannel is also allegedly "considering" obtaining corporate sponsors for a program that may not substantially differ from the program against which Fancaster and Krueger explicitly *declined* to enforce the FANCASTER® Mark more than three years ago is similarly no basis for a reasonable apprehension of suit.

This is especially true considering that Fancaster is presently embroiled in a lawsuit against other Comcast entities in the District of New Jersey over an existing infringement of the FANCASTER® Mark, rather than a theoretical future infringement that might possibly arise out of certain plans that SportsChannel is only "considering." Fancaster is a small company and is highly unlikely to initiate a second lawsuit against a different part of a massive corporate conglomerate in a distant jurisdiction. That the New Jersey Action involves allegations of infringement of the same FANCASTER® Mark by the use of the virtually identical term "Fancast" only makes the point stronger. The outcome of the New Jersey Action is likely to have a direct impact on any other lawsuits concerning the FANCASTER® Mark and the use of the terms "Fancast" or "Fancaster." No matter whether Fancaster or the Comcast Defendants prevails in that lawsuit, the result is likely to obviate the need for any future litigation.

As there is no "actual controversy" between the parties, the Court lacks subject-matter jurisdiction over this case.

II. The Court Should Not Exercise its Discretion to Entertain a Declaratory Judgment Action.

Even if a sufficient controversy did exist to support jurisdiction under the Declaratory Judgment Act, the court may exercise its discretion to decline jurisdiction in appropriate cases.

See Wilson v. Seven Falls Co., 515 U.S. 277, 287 (1995); *DeNovellis v. Shalala*, 124 F.3d 298, 313 (1st Cir. 1997). The Declaratory Judgment Act "neither imposes an unflagging duty upon the courts to decide declaratory judgment actions nor grants an entitlement to litigants to demand declaratory remedies," and courts "retain substantial discretion in deciding whether to grant declaratory relief." *Ernst & Young v. Depositors Economic Protection Corp.*, 45 F.3d 530, 534 (1st Cir. 1995).

The Court should not exercise its discretion to entertain SportsChannel's request for declaratory relief. The ongoing litigation in the District of New Jersey involves the infringement of the same FANCASTER® Mark by the use of the virtually identical term "Fancast" by corporate affiliates of SportsChannel. Should Fancaster prevail in that litigation, it is highly likely that SportsChannel will reconsider any "plans" it might currently be "considering" to expand its use of the actually identical term "Fancaster." Conversely, should Comcast prevail in the New Jersey Action on its claims for declaratory judgments of abandonment or non-use, then that result would eliminate the basis for a lawsuit against SportsChannel in this District.

There is no reason for the Court to exercise its discretion to entertain claims that almost certainly will be resolved one way or another as the result of existing litigation in the District of New Jersey. Principles of comity, avoidance of duplicate litigation, and avoidance of potentially contrary results all dictate that the Court should declined to hear SportsChannel's request for declaratory relief.

III. The Court Lacks Personal Jurisdiction Over Defendants.

SportsChannel bears the burden of proving that the Court may exercise personal jurisdiction over Fancaster and Krueger under the Massachusetts Long-Arm statute, M.G.L. c. 222A, and that the exercise of personal jurisdiction "comports with the strictures of the Constitution." *Foster-Miller, Inc. v. Babcock & Wilcox Canada*, 46 F.3d 138, 144-45 (1st Cir.

1995). For general personal jurisdiction to exist, the defendant must have "continuous and systematic" contacts with the forum state. *Mass. Sch. Of Law at Andover, Inc. v. Am. Bar Ass'n*, 142 F.3d 26, 34 (1st Cir. 1998). There are no allegations supporting the exercise of general personal jurisdiction, so the relevant inquiry is whether specific jurisdiction nexists.

Specific personal jurisdiction exists when there is a "demonstrable nexus between a plaintiff's claims and a defendant's forum-based activities. *Id.* This requires both satisfaction of the Massachusetts long-arm statute and that the exercise of jurisdiction is consistent with constitutional due process, meaning that the defendant must have 'minimum contacts" such that the exercise of jurisdiction "does not offend traditional notions of fair play and substantial justice." *Daynard v. Ness, Motely, Loadholt, Richardson & Poole, P.A.*, 290 F.3d 42, 52 (1st Cir. 2002) (citing *Int'l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

The Massachusetts long-arm statute provides in part as follows:

> A court may exercise personal jurisdiction over a person, who acts directly or by an agent, as to a cause of action in law or equity arising from the person's
>
> (a) transacting any business in this commonwealth;
>
> (b) contracting to supply services or things in this commonwealth;
>
> (c) causing tortious injury by an act or omission in this commonwealth;
>
> (d) causing tortious injury in this commonwealth by an act or omission outside this commonwealth if he regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed or services rendered in, this commonwealth ….

M.G.L. c. 223A § 3. Neither Fancaster nor Krueger falls within any of the provisions of the long-arm statute. As set forth in the Krueger Declaration, except for a brief contract with Fidelity Investments for an extremely limited term that began and ended in 1998 and that

involved the sale of advertising primarily outside of Massachusetts, neither Fancaster nor Krueger has transacted any business or contracted to supply services or things in Massachusetts. (*See* Krueger Decl. ¶¶ 4-6.) There is no allegation in the Complaint that either Fancaster or Krueger has caused tortious injury by an act or omission in Massachusetts either from within or without the Commonwealth. Accordingly, this Court may not exercise specific personal jurisdiction over the defendants.

IV. The Complaint Fails to State a Claim for Relief Against Krueger.

The Complaint seeks a declaratory judgment of non-infringement of the FANCASTER® Mark. Krueger assigned all of his right, title and interest in that Mark to Fancaster in November 2007. Accordingly, only Fancaster, not Krueger in his personal capacity, has the legal right to bring an action for infringement of the FANCASTER® Mark. As a declaratory judgment action is the mirror image of an affirmative action and Krueger could not file a trademark infringement lawsuit against SportsChannel, the Complaint fails to state a claim as to Krueger in his personal capacity.

V. In the Alternative, the Court Should Stay this Litigation or Transfer Venue.

As noted, in June 2008, Fancaster initiated litigation in the District of New Jersey against three Comcast entities that are related to SportsChannel. That litigation asserts that Comcast has infringed the same FANCASTER® Mark at issue in this litigation. The alleged infringement revolves around Comcast's use of the virtually identical term "Fancast," while this case turns on SportsChannel's alleged "consideration" of "plans" to use the term "Fancaster," which is of course identical to the FANCASTER® Mark. In the New Jersey Action, either the Court will hold that the use of the term "Fancast" infringes the FANCASTER® Mark, or it will hold that the FANCASTER® Mark is invalid. In either case, the outcome of the New Jersey Action is likely at the very least to have a substantial impact on any infringement of the FANCASTER®

Mark by way of SportsChannel's use of the term "Fancaster." Permitting parallel litigations to proceed does not serve the interests of judicial efficiency and will increase the cost of litigation to both parties. The interests of justice do not support forcing Fancaster and Krueger to simultaneously litigate virtually the same claims against related corporations in two judicial districts. Moreover, simultaneous litigation runs a substantial risk of conflicting outcomes, undermining the judicial process.

In the event that the Court does not dismiss the Complaint in its entirety or stay it, Fancaster and Krueger request that the Court transfer the case to the District of New Jersey. Jurisdiction in this case is not premised solely on diversity, and venue does not properly lie in this District under 28 U.S.C. § 1391(b). Neither of the defendants resides here and no portion of the alleged events or omissions giving rise to the claim occurred in this District. Accordingly, venue is improper and the Court should either dismiss on that basis or transfer to the District of New Jersey.

CONCLUSION

For the foregoing reasons, Fancaster and Krueger respectfully request that the Court dismiss the Complaint in its entirety. In the alternative, Fancaster and Krueger request that the Court stay this litigation pending the outcome of the New Jersey Action or transfer it to the District of New Jersey.

Dated: January 22, 2010

Respectfully submitted,

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Certificate of Service

I hereby certify that this document(s) filed through the ECF system will be sent electronically to the registered participants as identified on the Notice of Electronic Filing (NEF) and paper copies will be sent to those indicated as non registered participants on January 22, 2010.

/s/ Mitchell J. Matorin