

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

QUALITY BICYCLE PRODUCTS,
INC.

Plaintiff,

V.

BIKEBARON, LLC
SINCLAIR IMPORTS, LLC and
LANCE DONNELL,

Defendants.

Court File No.

(Jury Trial Demanded)

INTRODUCTION

1. By this suit, Plaintiff Quality Bicycle Products, Inc. seeks relief for willful violations of the Copyright Act of 1976 (17 U.S.C. §§ 106 and 501), the Lanham Act (15 U.S.C. §1125), civil conspiracy, state law trademark claims, violation of Minnesota’s Deceptive Trade Practices Act, and the common law of unfair competition. Plaintiff seeks damages and injunctive relief.

JURISDICTION AND VENUE

2. This Court has original jurisdiction over the subject matter of the Copyright Act claims (17 U.S.C. §§ 106 and 501 et seq.) and the Lanham Act claims (15 U.S.C. § 1125) per 28 U.S.C. §§ 1331 and 1338(a), and pendent and supplemental jurisdiction over the state law claims under 28 U.S.C. §§ 1338(b) and 1367 in that such claims are joined with substantial and related claims under the Copyright Act and Lanham Act.

3. Defendants are subject to both general and specific jurisdiction because they conduct business in the State of Minnesota and within this jurisdiction. Upon information and belief, Defendants each advertise, sell, and distribute goods in this state using the copyrighted images at issue in this dispute. The exercise of personal jurisdiction over Defendants by this Court is reasonable and consistent with the Due Process Clause of the United States Constitution.

4. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b)(2) and 28 U.S.C. § 1391(c).

THE PARTIES

5. The Plaintiff, Quality Bicycle Products, Inc. (“QBP”) is a Minnesota corporation having its principal place of business at 6400 W. 105th Street, Bloomington, MN 55438.

6. Defendant BikeBaron, LLC is a limited liability corporation organized and registered to do business in the State of Nevada under Entity Number E0190922008-1 and having a registered agent located at 6100 Neil Road, Reno, Nevada 89511.

7. Defendant Sinclair Imports, Inc. is a corporation organized and registered to do business in the State of Nevada under Entity Number C11162-1989 and having a registered agent located at 6100 Neil Road, Reno, Nevada 89511.

8. Defendant Lance Donnell is a resident of the State of Nevada. Defendant Donnell is a principal owner and manager of Defendant BikeBaron, LLC and the principal owner, President and a Director of Defendant Sinclair Imports, Inc.

FACTS

9. Since at least 1984, Plaintiff has continuously used the trademarks and service marks “QBP” and “Quality Bicycle Products” (the “Marks”) to identify its wholesale distribution services for bicycles and bicycle products in the United States.

10. Plaintiff’s rights in the Marks are the subject of pending applications with the United States Patent and Trademark Office, namely U.S. Trademark App. Serial Nos. 85726057 and 85725999. Since at least 1984, Plaintiff has extensively advertised and promoted the Marks. Plaintiff has and continues to spend significant dollars and resources in promoting the Marks, which has led to widespread public recognition of the Marks and a connotation of high quality for those goods and services offered under the Marks. As a result of such use and promotion, the Marks have developed and represent valuable goodwill inuring to the benefit of Plaintiff.

11. As a further result, Plaintiff’s Marks are famous and well known, particularly among bicycle suppliers, retailers, and consumers located in Minnesota and the United States.

12. As part of its business, Plaintiff also creates valuable copyrighted material. Specifically, Plaintiff QBP creates original graphic images of the products it distributes (the “QBP Product Images”) and compiles those images into an annual print catalog that is distributed to its retail customers. Periodically, Plaintiff has registered a copyright for its annual QBP print catalog, most recently as Copyright Registration TX0007338887 / 2011-02-18, attached as Exhibit A.

13. Plaintiff also publishes an annual “Consumer” catalog with the same copyrighted QBP Product Images, but without any pricing information, as a promotional

and advertising vehicle for Plaintiff's goods and services. Plaintiff only sells to bicycle retailers, and does not sell its goods directly to consumers.

14. Plaintiff QBP uses the exact same copyrighted QBP Product Images on its business to business website, www.qbp.com. The website is particularly directed at Plaintiff's customers, which largely consist of independent bicycle retailers in Minnesota and nationwide.

15. QBP also creates and maintains a proprietary database of the same QBP Product Images and other product descriptions and content (the "QBP Online Catalog") that it makes available to its independent retailer customers by subscription and under license through an arrangement with SmartEtailng, Inc. ("SmartEtailng"), a web hosting and content creation company. Only those independent bicycle retailers who have an account with QBP and sign a subscription agreement with SmartEtailng are able to obtain a license to use the QBP Online Catalog and QBP Product Images for online retail purposes.

16. Each of the QBP Product Images that go into the QBP Online Catalog database are marked by adding a visible, obvious digital watermark consisting of a "QBP" trademark and the "©" copyright symbol. In addition to the visible watermark, each of the images contains a second digital watermark that is invisible to the naked eye but detectable when the image is magnified. These digital watermarks cannot be removed without leaving evidence of the removal. The digital watermarks are used to both promote QBP through use of the Marks and enable Plaintiff to monitor the use or misuse of its copyrighted images by online retailers.

17. Upon information and belief, Defendants formed “BikeBaron LLC,” an online retailer selling bicycle products directly to consumers through the [www.bikebaron.com website](http://www.bikebaron.com), and on an eBay store under an anonymous eBay seller name of “BikeBaron800.”

18. Upon information and belief, Defendants used this strategy to conceal from its suppliers of bicycle products its retail sales.

19. Significantly, Defendant Sinclair Imports is engaged in retail sales directly to consumers. With suppliers and retailers, however, Defendant Sinclair Imports purports to be only a wholesale distributor, providing bicycle products to only bicycle retailers. Defendant Sinclair Imports, in fact, has agreed with one or more suppliers to only sell via the wholesale channel, to independent bicycle retailers. Defendant Sinclair Imports has agreed with those suppliers that it will not sell directly to consumers.

20. Defendants created the BikeBaron entity and online presence in order to circumvent the contractual commitments made by Defendant Sinclair Imports to its own suppliers and to secretly and unfairly compete with both its own retail customers and with Plaintiff and other legitimate wholesale distributors.

21. In creating the online advertising for www.bikebaron.com and the BikeBaron800 eBay store, Defendants used and continue to use numerous images that were created, copyrighted, and clearly watermarked as such by Plaintiff. Some of the images misappropriated by Defendants have had the watermarks cropped from the image. Other images show evidence that attempts were made to remove or obscure the watermarks. Some of the images used by Defendants still contain visible digital watermarks with the QBP Marks. Examples of Defendants’ online misappropriation of

Plaintiff's copyrighted images on www.bikebaron.com and the BikeBaron800 eBay store are attached as Exhibit B.

22. In developing the www.bikebaron.com website, Defendants created and organized it in such a way that an online search for "Bikebaron" returns a result that juxtaposes the word "Bikebaron" with the phrase "Quality Bike Parts."

23. Upon information and belief, Defendants not only direct their advertising and sales effort to Minnesota, but have actually sold and distributed their products to retailers and consumers in the state of Minnesota.

24. Upon information and belief, Defendants have used the copyrighted QBP Product Images and the QBP Marks in connection with the same goods offered for sale by Plaintiff.

25. Defendants' goods offered for sale in Minnesota and nationwide are directed to the same customers and consumers as Plaintiff's goods.

26. Defendants are infringing upon the Marks by using the confusingly similar "Quality Bike Parts." Defendants' use of the QBP Marks and QBP Product Images containing the Marks will create a substantial likelihood of confusion, deception, or mistake among Plaintiff's customers, consumers, and potential customers and consumers.

27. Defendants' use of the QBP Marks in Minnesota and nationwide dilutes the Marks by lessening the capacity of the Marks to identify and distinguish Plaintiff's goods in Minnesota and nationwide.

COUNT 1 – COPYRIGHT INFRINGEMENT

28. Plaintiff incorporates the allegations of Paragraphs 1-27 above.

29. Plaintiff is the owner of United States Copyright Registration TX 0007338887 for its annual QBP Print Catalog which includes the QBP Product Images within the catalog that are subject to the same copyright protection.

30. Without consent, authorization, approval, or license, Defendants knowingly, willfully, and unlawfully copied, prepared, published, and distributed Plaintiff's copyrighted work, portions thereof, or derivative works and continue to do so.

31. Defendants' use of the infringing copyrighted material infringes Plaintiff's copyrights and misappropriates the value of Plaintiff's work.

32. Defendants' continued use of Plaintiff's copyrighted QBP Product Images will further infringe and further misappropriate the value of Plaintiff's work.

33. Defendants' conduct infringes upon Plaintiff's exclusive rights of reproduction and distribution that are protected under the Copyright Act.

34. On information and belief, unless enjoined by this Court, Defendants intend to continue their course of conduct and to wrongfully use, infringe upon, and otherwise profit from the original work of Plaintiff QBP and works derived from it.

35. The natural, probable, and foreseeable result of Defendants' wrongful conduct has been and will continue to be to deprive Plaintiff of the benefits of its works, to deprive Plaintiff of goodwill, and to injure Plaintiff's relations with present and prospective customers.

36. Defendants' conduct was willful within the meaning of the Copyright Act- intentional, reckless, and knowledgeable disregard of Plaintiff's legal rights. Defendants' use of Plaintiff's Product Images despite their obvious watermarks which contained the ©

copyright symbol, and use of Plaintiff's famous Marks, make the willfulness of Defendants' conduct abundantly clear.

37. Defendants' actions have caused and will continue to cause irreparable harm and damage to Plaintiff, including but not limited to economic and reputation losses. Defendants have realized unjust profits, gains, and advantages as a proximate result of their infringement and will continue to realize unjust profits, gains, and advantages as a proximate result of their infringement as long as such infringement is permitted to continue.

38. Plaintiff has no adequate remedy at law to compensate the Plaintiff for all of the damages stemming from Defendants' conduct.

39. Plaintiff is entitled to an injunction restraining the Defendants, the officers, agents, and employees of the Defendants, and all persons acting in concert with them, from engaging in any further acts in violation of the copyright laws.

40. Plaintiff is further entitled to recover from Defendants the damages it has sustained and will sustain, and any gains, profits, and advantages obtained by Defendant as a result of its acts of infringement. Plaintiff hereby reserves the right, pursuant to 17 U.S.C. § 504(c), to elect to recover statutory damages for each infringement, in lieu of seeking recovery of actual damages.

41. As Defendants' infringement was intentional and willful, the Plaintiff is entitled to an increased award of statutory damages and exemplary damages, along with its attorneys' fees and the costs of this suit.

**COUNT 2 – VIOLATION OF THE LANHAM ACT
FALSE DESIGNATION OF ORIGIN**

42. Plaintiff incorporates the allegations of Paragraphs 1-41 above.

43. Defendants' sales, advertising, and infringing activities are in interstate commerce.

44. Defendants' activities are likely to cause confusion, mistake, or deception as to the affiliation, connection, or association of Defendants' goods with the goods of Plaintiff in violation of 15 U.S.C. §1125(a).

45. Defendants' activities are likely to cause confusion, mistake, or deception as to the origin, sponsorship, or approval of Defendants' goods by Plaintiff in violation of 15 U.S.C. §1125(a).

46. Defendants' activities are done with willful intent to cause confusion, mistake, or deception.

47. Plaintiff has no adequate remedy at law. Defendants' actions have caused and will continue to cause irreparable harm and damage to Plaintiff.

COUNT 3 – FEDERAL DILUTION

48. Plaintiff incorporates the allegations of Paragraphs 1-47 above.

49. Plaintiff's trademarks, QBP and QUALITY BICYCLE PRODUCTS, are famous in Minnesota and nationwide.

50. Defendants' activities after the Marks became famous have and will cause dilution by blurring of Plaintiff's trademarks in violation of federal dilution law under 15 U.S.C. § 1125(c).

51. Defendants' actions have caused and will continue to cause irreparable harm and damage to Plaintiff.

COUNT 4 – STATE DILUTION

52. Plaintiff incorporates the allegations of Paragraphs 1-51 above.

53. Plaintiff's trademarks, QBP and QUALITY BICYCLE PRODUCTS, are famous in Minnesota and nationwide.

54. Defendants' activities after the marks became famous have and will cause dilution by blurring of Plaintiff's trademarks in violation of state dilution law under Minn. Stat. §333.285.

55. Defendants' actions have caused and will continue to cause irreparable harm and damage to Plaintiff.

COUNT 5 – CIVIL CONSPIRACY

56. Plaintiff incorporates the allegations of Paragraphs 1-55 above.

57. In forming BikeBaron, LLC and creating www.bikebaron.com and the BikeBaron800 eBay store as a clandestine retail outlet for bicycle products, Defendants reached an agreement to infringe upon and misappropriate Plaintiff's copyrighted images and Marks to sell those products.

58. Defendants engaged in a common scheme and concerted action to commit overt, tortuous, and unlawful acts by violating Plaintiff's exclusive right to reproduce and distribute the QBP Product Images, and infringing Plaintiff's Marks.

59. In furtherance of this civil conspiracy, Defendants willfully and jointly participated in this conspiracy.

60. As a proximate result, Plaintiff has been damaged, as is more fully alleged above.

61. Defendants' actions have caused and will continue to cause irreparable harm and damage to Plaintiff.

COUNT 6 – VIOLATION OF MINNESOTA DECEPTIVE TRADE PRACTICES ACT (Minn. Stat. § 325D.44)

62. Plaintiff incorporates the allegations Paragraphs 1-61 above.

63. Through Defendants actions complained of herein, Defendants have violated the Minnesota Deceptive Trade Practices Act, including Minn. Stat. § 325D.44. Defendants have caused likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of their goods. Defendants have further caused likelihood of confusion or of misunderstanding as to affiliation, connection, or association with Plaintiff's products.

64. By engaging in the activities complained of, Defendants have and continue to engage in deceptive trade practices within the meaning of Minn. Stat. § 325D.43 et seq.

65. As a direct and proximate result of the likely confusion, mistake, and deception, Plaintiff has suffered and will continue to suffer irreparable harm if Defendants are not enjoined.

66. Plaintiff is entitled to an injunction pursuant to Minn. Stat. § 325D.45 and all other appropriate relief available at law.

67. Defendants have willfully engaged in the described deceptive trade practices knowing them to be deceptive. Plaintiff should therefore be awarded its reasonable attorney fees' and costs pursuant to Minn. Stat. § 325D.45.

COUNT 7 – COMMON LAW UNFAIR COMPETITION

68. Plaintiff incorporates the allegations in Paragraphs 1-67 above.

69. Defendants' infringement of Plaintiff's intellectual property rights, copyrights, trademarks, and other unfair and improper practices alleged herein, constitutes unfair competition under the common law of Minnesota and the laws of other states in violation of Plaintiff's rights.

70. All of Defendant's actions have been willful, intentional, and in deliberate disregard of Plaintiff's rights.

71. As a direct and proximate result of Defendants' unfair competition, Plaintiff has suffered and will continue to suffer irreparable injury to its business reputation and goodwill, unless Defendants are enjoined from such conduct.

72. Defendants' actions have caused and will continue to cause Plaintiff to suffer damages in an amount to be proven at trial.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury on all issues so triable.

REQUEST FOR RELIEF

WHEREFORE, Plaintiff requests judgment as follows:

1. Defendants are held liable for infringement of Plaintiff's copyrights and trademarks, and for violating Plaintiff's state law and common law rights as alleged herein.

2. Defendants, their officers, agents, servants, employees, and affiliated companies, their assigns and successors in interest, and those persons in active concert or participation with Defendants, are permanently enjoined from continued acts of infringement of Plaintiff's copyrights and trademarks at issue herein or any other similar trademark or trade name or engaging in any other conduct that creates a likelihood of misappropriation and dilution of Plaintiff's marks or trade names and the goodwill associated therewith.

3. Court's injunction specifically includes and applies to the BikeBaron800 eBay store and to www.bikebaron.com.

4. Defendants are required to pay Plaintiff statutory, compensatory, and exemplary damages for injuries sustained.

5. Defendants are required to pay all of Plaintiff's litigation expenses, including costs, disbursements, and reasonable attorneys' fees due to the deliberate and knowing nature of Defendants' actions and the exceptional nature of this case.

6. Court takes such other and further relief as it may deem just and proper.

QUALITY BICYCLE PRODUCTS, INC.

Date: September 14, 2012

By Counsel

s/Matthew S. Moore

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