

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WISCONSIN

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HY CITE CORPORATION,

Plaintiff,

v.

REGAL WARE, INC. and  
SALADMASTER, INC,

Defendants.

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OPINION AND ORDER

10-cv-168-wmc

In this civil action, plaintiff Hy Cite Corporation alleges defendants Regal Ware, Inc. and Saladmaster, Inc. sold falsely marked salad cutters and made injurious statements about plaintiff's products. Specifically, plaintiff has asserted a *qui tam* action on behalf of the public for false patent marking under 35 U.S.C. § 292 and alleges claims for defamation, product disparagement and unfair competition arising from defendants' statements about plaintiff's products.

Before the court are plaintiff's motions for leave to file both a First and Second Amended Complaints. Because Rule 15 requires leave to amend be freely granted and because the amendments do not cause prejudice to defendants, plaintiff's motion for leave to file the Second Amended Complaint will be granted and this opinion will consider defendants' arguments for dismissal in light of plaintiff's Second Amended Complaint.<sup>1</sup>

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<sup>1</sup> As defendants noted, plaintiff's Second Amended Complaint "does not alter the allegations of Hy Cite's pleading in any way material to the motion to dismiss." (Dkt. #73.) Also, because plaintiff has filed a motion for a Second Amended Complaint, its motion for leave to file a First Amended Complaint will be denied as moot.

Defendants move to dismiss plaintiff's Second Amended Complaint on several grounds.<sup>2</sup> Saladmaster asserts that it is a dissolved Delaware corporation and lacks the capacity to be sued. Regal Ware argues that plaintiff has failed to plead sufficient facts under Rule 8 of the Federal Rules of Civil Procedure to support its claim for false patent marking and lacks standing to file that claim. Regal Ware also argues that application of 35 U.S.C. § 292 to the facts alleged would violate the "Take Care" and "Appointments" Clauses of Article II of the United States Constitution. Finally, Regal Ware argues that plaintiff's claims for defamation, product disparagement and unfair competition are insufficient as a matter of law under Rule 12(b)(6). For the reasons set forth below, defendants' motion to dismiss will be granted as to defendants Saladmaster and otherwise denied. Defendants' pending motion to strike immaterial matter from plaintiff's complaint will be similarly denied.<sup>3</sup>

#### FACTS<sup>4</sup>

Plaintiff Hy Cite is a Wisconsin corporation with its principal place of business at 333 Holtzman Road, Madison, Wisconsin 53713. Hy Cite sells cookware products, including

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<sup>2</sup> Plaintiff also seeks a declaratory judgment that it has not tortiously interfered with defendants' business contracts. Defendants do not address this claim in their motion to dismiss, nor will the court.

<sup>3</sup> In light of these rulings, Regal Ware's request that the remaining state law claims be dismissed for lack of supplemental jurisdiction if no federal claims exist after resolution of this motion will be denied as moot.

<sup>4</sup> The following facts are drawn from plaintiff's Second Amended Complaint and attached exhibits. At this stage of pleading, the court construes all of plaintiff's factual allegations as true and draws all reasonable inferences in plaintiff's favor. *Savory v. Lyons*, 469 F.3d 667, 670 (7th Cir. 2006).

salad cutters, to independent contractors who in turn sell the products to consumers. Defendant Regal Ware is a Delaware corporation with a principal place of business at 1675 Reigle Drive, Kewaskum, Wisconsin 53040. Regal Ware is also in the cookware industry and manufactures, supplies, and sells cookware products, including salad cutters. Regal Ware is the record owner of U.S. Patent No. D543,774 (the '774 patent) and U.S. Patent No. D610397 (the '397 patent). The '774 patent covers salad cutters with a tripod-base and the '397 patent covers salad cutters with a round base. Regal Ware has marked its round-based salad cutters with the '774 patent.

As both a competitor and a customer of Regal Ware, Hy Cite has purchased thousands of round-based salad cutters from Regal Ware and sold them to independent contractors. Sometime in March of 2009, Hy Cite informed Regal Ware that it intended to purchase round-based salad cutters from a third party. On March 25, 2009, Regal Ware advised Hy Cite in writing that Regal Ware's '774 patent and undisclosed pending patent applications covered the design of Regal Ware's salad cutters -- independent of the shape of the base -- and that the sales of hand-operated cutters obtained from an unlicensed third party would be an infringement of Regal Ware's patent rights. Regal Ware's application for the '397 patent, which covers the round-based salad covers, was filed only six days before this letter was sent, and the patent did not issue until February 23, 2010.

On March 26, 2009, Hy Cite sent a letter to Regal Ware asserting that it did not infringe the '774 patent and could not infringe pending patent applications. In response, Regal Ware sent a letter on March 31, 2009, notifying Hy Cite that Regal Ware was aggressively seeking patent protection of its round-based salad cutter design.

Defendant Saladmaster is a former subsidiary of Regal Ware. On February 23, 2010, Saladmaster's president sent a memorandum to Saladmaster's dealers, stating that a "knock-off" product of the Saladmaster line is often made "using Asian steel and manufacturing processes," shipped to Italy for finishing, and stamped "made in Italy." Although disclaiming knowledge of any details regarding the "knock-off" product, the memorandum indicated that the product was sold by Hy Cite. Saladmaster's president also stated that Hy Cite's products were made with "dirty steel" during a speech at a national Saladmaster convention in Las Vegas, Nevada during February 2010.

On March 29, 2010, Hy Cite filed this lawsuit against defendants, alleging that Regal Ware's marking of the round-based salad cutter with the '774 patent and communications with Hy Cite regarding its patent rights in the round-based salad cutters constitute false patent marking in violation of 35 U.S.C. § 292. Hy Cite also alleged that the written and oral statements made by Saladmaster's president give rise to claims for defamation, product disparagement, and unfair competition.

## OPINION

### **I. Saladmaster as Named Defendant**

Both parties agree that Saladmaster is a dissolved Delaware corporation and is not a proper party to this action. In fact, plaintiff's First and Second Amended Complaints remove Saladmaster as a defendant and instead maintain claims of defamation and product disparagement against Regal Ware, the parent company and successor of Saladmaster. Accordingly, Saladmaster is properly dismissed as a party in suit.

**II. False Patent Marking under 35 U.S.C. § 292**

**A. Article III Standing**

Defendants also argue that plaintiff Hy Cite has failed to plead sufficient facts to support a claim of false patent marking under Rule 8 of the Federal Rules of Civil Procedure and lacks standing to file that claim. Rule 8 of the Federal Rules of Civil Procedure requires that a pleading contain a “short and plain statement of the claim showing that the pleader is entitled to relief.” Fed. R. Civ. P. 8(a)(2). While conclusory language is insufficient to meet the basic notice-pleading standard, a plaintiff need only plead such facts as to “give the defendant fair notice of what the . . . claim is and the grounds upon which it rests.” *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007). To survive a motion to dismiss, a complaint must contain sufficient factual matter to state a claim to relief that is plausible on its face. *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1949 (U.S. 2009).

A claim for false patent marking under 35 U.S.C. § 292 requires allegations that a defendant falsely marked an unpatented article with intent to deceive the public. *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1300 (Fed. Cir. 2009) (citing *Clontech Labs. Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005)). Plaintiff’s complaint sufficiently pleads this cause of action. Specifically, plaintiff has alleged that Regal Ware’s round-based salad cutters were falsely marked with the ’774 patent -- which covers only salad cutters with a tripod base -- and that Regal Ware intentionally included these markings to deceive both its industry competitors and the general consuming public. These allegations are amply supported by pictures showing the round-based cutters bearing the ’774 patent mark and communications from Regal Ware to Hy Cite asserting exclusive patent rights in the round-based salad cutter

design.

Defendants do not dispute that the round-based salad cutters were marked with the '774 patent or that it asserted patent rights in the round-based salad cutters. Rather, defendants contend that plaintiff has failed to allege injury in fact, causation, or redressability under its 35 U.S.C. § 292 claim, and thus lacks standing to sue.

The question of standing is a jurisdictional prerequisite under Article III of the Constitution. *Vermont Agency of Natural Res. v. United States ex rel. Stevens*, 529 U.S. 765, 771 (2000). Every plaintiff must show that (1) it has suffered an actual and concrete injury in fact, (2) there is a causal connection between the injury and the conduct complained of, and (3) the injury is likely capable of being redressed by a favorable decision. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992).

Here, defendants' standing argument is without support. As the Federal Circuit Court of Appeals recently articulated, § 292 is a *qui tam* provision under which any person is authorized to pursue the action on behalf of the government, as well as himself. *Stauffer v. Brooks Brothers, Inc.*, 619 F.3d 1321, 1325-26 (Fed. Cir. 2010). Under such a provision, "the assignee of a claim has standing to assert the injury in fact suffered by the assignor." *Id.* at 1325 (citing *Vermont Agency*, 529 U.S. at 773). Because "Congress has, by enacting section 292, defined an injury in fact to the United States," Hy Cite also has standing to assert that injury. *Stauffer*, 619 F.3d at 1325.

Defendants' arguments as to causation and redressability fail for the same reason. The enactment of § 292 is a congressional determination that patent mismarking causes harms that can, and should, be redressed. As the Federal Circuit noted, it is unlikely the government has

ever been denied standing to enforce its own laws, and “[b]ecause the government would have standing to enforce its own law . . . the government’s assignee[] also has standing to enforce section 292.” *Id.* at 1325.

Whether Hy Cite’s alleged injuries to itself or to competitors in the cookware industry give it standing, either individually or as a member of the public, is of no particular moment to its standing to bring a § 292 claim. Rather, “standing arises from [a plaintiff’s] status as ‘any person,’ and [a plaintiff] need not allege more for jurisdictional purposes.” *Stauffer*, 619 F.3d at 1327. Thus, plaintiff has standing as the assignee of the government, regardless of any injury specific to it.

**B. Article II’s “Take Care” and “Appointments” Clauses**

The “Take Care” clause found under Article II section 3 of the United States Constitution states that the President, being vested with the executive power, “shall take care that the laws be faithfully executed” and the “Appointments” clause found under Article II section 2, clause 2, states that the President “shall appoint . . . Officers of the United States.” Defendants contend that plaintiff cannot pursue its false markings claim under § 292(b) because the statute violates both the “Take Care” and “Appointments” clauses of the Constitution by failing to provide the federal government with any control over litigation brought under this *qui tam* provision. In other words, the statute does not give the government enough, if any, control of a person’s false patent marking action to comply with the above clauses. The court finds no basis for application of the “Take Care” and “Appointments” clauses on the facts here.

Beginning with the language of the “Take Care” clause, nothing states that the faithful execution of the laws must be done *exclusively* by the executive branch. A look at history and tradition establishes just the opposite. In considering the *qui tam* provisions in other statutes, the Supreme Court has noted the long and established history of *qui tam* actions permitting execution of the laws by non-government officials. See *Vermont Agency of Natural Res.*, 529 U.S. at 774-778. In fact, it was the history of *qui tam* actions that provided the bulk of the support for the Court’s holding in *Vermont Agency of Natural Resources* that the plaintiff had standing to pursue an action under the False Claims Act, 31 U.S.C. § 3729(a). *Id.* at 777 (noting that the plaintiff had Article III standing to bring *qui tam* action under the False Claims Act because the long tradition and history of such actions was “well nigh conclusive” of the issue). While the majority opinion in *Vermont Agency of Natural Resources* declined to decide whether *qui tam* actions violated Article II, the dissent noted that the historical evidence supporting the majority’s decision on Article III standing would be sufficient to support the finding that *qui tam* actions do not violate Article II. Compare 529 U.S. at 778 n.8 with *id.* at 801 (Stevens, J., dissenting).

Although not dispositive, this long history of *qui tam* actions dating back to the country’s founding strongly supports finding § 292’s *qui tam* provision constitutional. See, e.g., *Pequignot v. Solo Cup Co.*, 640 F. Supp. 2d 714, 726 (E.D. Va. 2009) *aff’d in part and vacated in part on other grounds*, 608 F.3d 1356 (Fed. Cir. 2010). As another district court so aptly put it, “[i]t is unlikely that the framers would have written a Constitution that outlawed [*qui tam* actions], and then immediately passed several *qui tam* laws that unconstitutionally encroached on Executive Branch power before the ink on the Constitution was even dry.” *Pequignot*, 640

F. Supp. 2d at 726.

Furthermore, defendants have failed to persuade the court that unless a *qui tam* action provides specific provisions permitting substantial control by the government, the statute is unconstitutional under Article II's "Take Care" clause. In particular, defendants contend that because § 292 is a criminal statute, it involves a core executive function, requiring at least the prospect of substantial government control to comply with the "Take Care" clause. First, while § 292 is nominally a criminal statute, the punishment for violating the statute is merely a civil fine. *Pequignot*, 608 F.3d at 1363. The false markings statute is not similar to, for example, the provisions in the Ethics in Government Act that permitted "the appointment of an 'independent counsel' to investigate and, if appropriate, prosecute certain high-ranking Government officials for violations of federal criminal laws." *Morrison v. Olson*, 487 U.S. 654, 660 (1987). Accordingly, the court does not agree that the statute can reasonably be characterized as invoking the executive's core function of criminal prosecution.<sup>5</sup>

Second, although § 292 does not provide the specific provisions regarding government involvement provided under the False Claims Act, the government can undoubtedly be involved if it wants. As both plaintiff and the United States noted in their briefs here, the United States' government retains the authority and ability to exercise involvement and control over this § 292 *qui tam* lawsuit if needed. (*See* Pl.'s Br. in Opp'n (dkt. #20) at 12; United States' Br. (dkt. #46) at 31 n.12.) For example, the government maintains (1) the right to be notified of the filing of the complaint in this action, 35 U.S.C. § 290; (2) the right to appear in this action, 28 U.S.C. §§ 517 and 518; and (3) the right to intervene as a real party in interest,

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<sup>5</sup> Moreover, Hy Cite is seeking only civil penalties, based on alleged injuries to its business, not unlike any number of federal statutes creating private causes of action.

Fed. R. Civ. P. 41(a)(1)(A)(ii). The fact that the government has chosen not to exercise these rights, and instead filed an *amicus* brief in support of plaintiff's right to proceed, is hardly an abdication of government control. Indeed, defendants have not only failed to show that the government's ability to exercise authority in this case through the cited avenues has been thwarted or even inhibited, the government's participation as *amicus* is strong evidence to the contrary. Therefore, the court cannot find that the *qui tam* provision of § 292 is unconstitutional under Article II's "Take Care" clause on its face or in practice.

Finally, defendants undeveloped challenge to § 292 under the "Appointments" clause is equally unavailing.<sup>6</sup> There is simply no evidence that plaintiff Hy Cite's -- or any other entity's -- use of § 292(b)'s *qui tam* provision makes it an "officer" of the United States government. As previously discussed, plaintiff is acting as nothing more than the assignee of the government's claim for false patent markings. Defendants have provided nothing to even suggest that plaintiff, as an assignee, is an officer of the United States as the term is used in Article II. Accordingly, § 292(b)'s *qui tam* provision is not unconstitutional under Article II's "Appointments" clause.

### III. Defamation, Product Disparagement, and Unfair Competition

Defendants next argue that plaintiff's claims of defamation, product disparagement and

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<sup>6</sup> While defendants cite the "Appointments" clause in their brief, they do nothing more than simply mention it in conjunction with their arguments regarding the "Take Care" clause. (See Defs.' Br. in Supp. (dkt. #7) at 16.) In fact, defendants do not even mention the "Appointments" clause in their reply brief. (See Defs.' Reply Br. (dkt. #30) at 9-13.) The court will not flesh out defendants' argument for them. See, e.g., *Little v. Cox's Supermarkets*, 71 F.3d 637, 641 (7th Cir. 1995) (court "is not required to scour the party's various submissions to piece together appropriate arguments").

unfair competition are insufficient as a matter of law because each fails “to state a claim upon which relief can be granted.” Fed. R. Civ. P. 12(b)(6). Dismissal pursuant to Rule 12(b)(6) is proper “when the allegations in a complaint, however true, could not raise a claim of entitlement to relief.” *Twombly*, 550 U.S. at 558. In deciding a motion to dismiss, a court must construe all of plaintiff’s factual allegations as true and draw all reasonable inferences in plaintiff’s favor. *Savory v. Lyons*, 469 F.3d 667, 670 (7th Cir. 2006). Hy Cite’s claims of defamation, product disparagement and unfair competition all arise out of two alleged communications: (1) a memorandum written and sent by Saladmaster’s president to its dealers, suggesting that plaintiff’s products are made using Asian steel and manufacturing processes, shipped to Italy for finishing, and stamped “made in Italy”; and (2) an oral statement issued at a national Saladmaster convention by Saladmaster’s president that Hy Cite’s products are made with “dirty steel.” Taken together this is enough to survive Rule 12(b)(6), though barely.

#### **A. Defamatory Meaning**

Defendants first contend that the memorandum is not capable of defamatory meaning. Under Wisconsin law, a communication is defamatory if it tends to harm the reputation of another so as to lower that person in the estimation of the community or deter third persons from associating with him. *Converters Equip. Corp. v. Condes Corp.*, 80 Wis. 2d 257, 262-63, 258 N.W.2d 712, 715 (1977). If the statements complained of are capable of nondefamatory or defamatory meaning, a jury question is presented. *Id.* (citing *Martin v. Outboard Marine Corp.*, 15 Wis. 2d 452, 463-64, 113 N.W.2d 135, 141 (1962)). “Only if the communication cannot

reasonably be understood as defamatory can the motion to dismiss be granted.” *Starobin v. Northridge Lakes Dev. Co.*, 94 Wis. 2d 1, 10, 287 N.W.2d 747, 751 (1980).

When determining whether a statement is capable of defamatory meaning, a court must consider the words and statements in the context of the communication as a whole. *Westby v. Madison Newspapers, Inc.*, 81 Wis. 2d. 1, 6, 259 N.W.2d 691, 693 (1977); *Frinzi v. Hanson*, 30 Wis. 2d 271, 276, 140 N.W.2d 259, 261 (1966). Defendants argue that the plain language of the memorandum to its dealers is incapable of defamatory meaning. In relevant part, the memorandum states:

At the recent Sales Rally, I informed Dealers that Bill Francisco had accepted a position with Royal Prestige to assist in developing a “knock-off” of the Saladmaster product line. To the best of our knowledge the product is manufactured by the Meyer Company, which is a large manufacturer of retail cookware. We understand that Meyer cookware is often manufactured using Asian steel and manufacturing processes. The product is then shipped to Italy for finishing and to be stamped “made in Italy.” We do not know the details regarding the product line that Royal Prestige is buying from Meyers since it is manufactured outside of the United States . . . . While the knock-off product is owned by Hy Cite, neither the Royal Prestige nor Hy Cite names are being used with the “knock-off” product line. Apparently, they have determined that those brand names may not benefit the new initiative.

Contrary to defendants’ assertions, the memorandum’s plain language does not plead plaintiff out of court, though it comes close standing alone. When read as a complete passage in a light most favorable to Hy Cite, the memorandum suggests that: a “knock-off” product is owned by Hy Cite; it is manufactured by the Meyer Company; and the manufacturing processes used by the Meyer Company are less than optimal, if not defective.

Words that charge dishonorable, unethical or unprofessional conduct in a trade business or profession are capable of defamatory meaning. *Converters*, 258 N.W.2d at 715. Hy Cite argues that recipients of defendants’ memorandum might infer from its language that

Hy Cite's products are made via unethical or unprofessional manufacturing processes.

Focusing on discrete and isolated phrases, defendants argue reasonably enough that the memorandum is not defamatory because it is directed towards the Meyer Company, rather than Hy Cite, and it states that defendants do not in fact know the details regarding the product line. However, a party may be defamed by simple implication and innuendo, *Frinzi*, 140 N.W.2d at 262, and communications are not made nondefamatory simply because they are phrased as opinions, suspicions, or beliefs. *Converters*, 258 N.W.2d at 715.

Here, the memorandum is at least arguably capable of defamatory meaning directed towards Hy Cite and the manufacturing of Hy Cite's products. Moreover, the fact that Saladmaster disavows knowledge regarding the "details" of the product line, does not disavow the specific statements that are made in the memorandum, including those regarding overseas manufacture. On the contrary, the same sentence states that the lack of further details is directly caused by the products being "manufactured outside the United States."

In any event, defendants do not challenge the defamatory meaning of the "dirty steel" comment made by Saladmaster's president at its national convention. Taken with the memorandum, the implication of this statement goes beyond merely a "competitor's comparison" to something approaching a specific, false statement about its competitor's product. For these reasons, defendants cannot prevail on their defamation argument, at least at the motion to dismiss stage.

## **B. Common Interest Privilege**

Defendants next contend that the common interest privilege protects them from plaintiff's defamation and product disparagement claims. The common interest privilege is based on the policy that one is entitled to learn from his associates what is being done in a matter in which he has an interest in common. *Zinda v. Louisiana Pacific Corp.*, 149 Wis. 2d 913, 922, 440 N.W.2d 548, 552 (1989). Whether a statement is protected by a conditional privilege is a question of law. *Wildes v. Prime Mfg. Corp.*, 160 Wis. 2d 443, 449, 465 N.W.2d 835, 838 (Ct. App. 1991).

In the area of conditional privilege, Wisconsin has endorsed the language of the Restatement (Second) of Torts. *Zinda*, 440 N.W.2d at 552. Section 596 of the Restatement defines the common interest privilege as follows:

An occasion makes a publication conditionally privileged if the circumstances lead any one of several persons having a common interest in a particular subject matter correctly or reasonably to believe that there is information that another sharing the common interest is entitled to know.

Restatement (Second) of Torts § 596. In the sphere of common business and professional interests, the Restatement extends the privilege to “partners, fellow officers of a corporation for profit, fellow shareholders and fellow servants,” as well as “[p]ersons associated together in professional activities.” *Id.* at cmt. d. The Restatement makes no mention of the privilege extending to communications made between sellers and purchasers, who more likely than not have adverse and competing interests in pursuing their own business goals. *See id.* at cmts a–e.

As an initial matter, conditional privilege is an affirmative defense. *Wisconsin v. Gilles*, 173 Wis. 2d 101, 108-12, 496 N.W.2d 133, 136-38 (Ct. App. 1992). The Seventh Circuit has indicated that a plaintiff need not plead facts to defeat the privilege and that dismissal on

grounds of conditional privilege is premature. *See, e.g., Quinn v. Overnite Transp. Co.*, 24 Fed. Appx. 582, 586 (7th Cir. 2001) (unpublished).

Even if plaintiff *did* need to plead facts to defeat the affirmative defense, it has done so. Regal Ware may have a claim to a common interest privilege if its audience were wholly-owned or, at least, exclusive dealers, but here the defamatory statements made by Saladmaster's president were read and heard by Saladmaster's dealers, who are alleged to include independent cookware contractors and purchasers of Saladmaster products. (2d Am. Compl., dkt. #71, ex. A, ¶¶ 67 & 70.) The relationship of Saladmaster and Regal Ware to these independent cookware contractors is not necessarily one of common interest, since each entity has its own independent business goals at stake. For at least this reason, defendants' assertion of conditional privilege cannot give cause for dismissal on the pleadings.

Finally, conditional privilege is not absolute and may be forfeited if abused. *Zinda*, 440 N.W.2d at 553-54. Whether a conditional privilege has been abused may be a factual question for the jury. *Id.* Without more, the court is unprepared to say at the pleading stage that Saladmaster's alleged conduct -- particularly the assertions of Hy Cite's use of "dirty," foreign steel -- could not amount to abuse of its privilege as a matter of law. For all of these reasons, outright dismissal on grounds of privilege is unwarranted.

**C. "Commercial advertising or promotion" required for Lanham Act unfair competition claim**

Finally, defendants' contend that plaintiff has failed to plead the necessary elements of a Lanham Act unfair competition claim. Section 43(a)(1)(B) of the Lanham Act prohibits false or misleading descriptions or representations of fact which "in commercial advertising or

promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods." 15 U.S.C. § 1125(a)(1)(B). Defendants argue that plaintiff has failed to allege "commercial advertising or promotion," which is an essential element of any claim under (a)(1)(B). *First Health Grp. Corp. v. BCE Emergis Corp.*, 269 F.3d 800, 803 (7th Cir. 2001).<sup>7</sup>

The Seventh Circuit Court of Appeals has defined "commercial advertising or promotion" as follows:

Advertising is a form of promotion to anonymous recipients, as distinguished from face-to-face communication. In normal usage, an advertisement read by millions (or even thousands in a trade magazine) is advertising, while a person-to-person pitch by an account executive is not. So we have held in a series of disputes that require a definition of "advertising injury" under insurance policies. . . . Advertising is a subset of persuasion and refers to dissemination of prefabricated promotional material.

*Id.* at 803-04. Under this definition, neither contract negotiations between executives nor person-to-person communications, even at trade shows, constitute "commercial advertising or promotion." *Id.* at 804. *See also Sanderson v. Culligan Int'l Co.*, 415 F.3d 620, 624 (7th Cir. 2005); and *Schwartz Pharma, Inc. v. Breckenridge Pharma., Inc.*, 388 F. Supp. 2d 967, 981-82 (E.D. Wis. 2005).

The allegedly false communications presented in this case, however, are distinguishable from person-to-person pitches, at least as alleged. The statements in the memorandum were

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<sup>7</sup> Defendants also argue that allegations of *implied false* statements under Section 43(a)(1)(B) (as contrasted with *literally false* statements) require supporting factual allegations of actual consumer deception and that plaintiff has failed to allege proper factual support for its allegations of implied falsity. However, plaintiff has alleged false statements that may be found to be both implied *and* literally false (that the product is made from "dirty steel"), the second of which need not be supported by allegations of actual consumer deception. *Abbott Labs. v. Mead Johnson & Co.*, 971 F.2d 6, 14 (7th Cir. 1992). Therefore, plaintiff has sufficiently alleged falsity of the communications at issue.

indeed prefabricated and were distributed to an indeterminate number of independent cookware contractors. Furthermore, the oral statement at the national convention was made in a speech heard by a similarly indeterminate number of independent cookware contractors. At least the possibility that some of these independent cookware contractors were anonymous recipients and that the oral statement was made in a promotional context cannot be ruled out on the facts pled. Whether the communications turn out to be the “commercial advertising or promotion” required for a Lanham Act unfair competition claim awaits further factual development. With the record yet undeveloped, it would be premature to dismiss plaintiff’s claim for failure to allege “commercial advertising or promotion” as well.<sup>8</sup>

#### IV. Plaintiff’s Complaint

The final issues to be resolved are whether plaintiff has leave to file a Second Amended Complaint and whether plaintiff’s complaint contains immaterial matter that should be stricken.

##### A. **Plaintiff’s motion for leave to file a second amended complaint**

Rule 15 of the Federal Rules of Civil Procedure provides that a district court should freely grant leave to amend when justice requires. Motions to amend are to be liberally granted absent a showing of (1) undue delay, bad faith or dilatory motive on the part of the

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<sup>8</sup> The parties also disagree as to whether defendants’ alleged false patent marking is sufficient to support a claim of unfair competition under Section 43(a)(1)(b). Because defendants’ memorandum and oral statements alone are enough to prevent dismissal of plaintiff’s unfair competition claim, however, the court will reserve on this issue at the motion to dismiss stage.

movant, (2) repeated failure to cure deficiencies, (3) undue prejudice to the opposing party, or (4) futility of amendment. *Barry Aviation, Inc. v. Land O'Lakes Mun. Airport Comm'n*, 377 F.3d 682, 687 (7th Cir. 2004) (citing *Foman v. Davis*, 371 U.S. 178, 182 (1962)).

Defendants make no attempt to show any grounds to deny leave under (1) through (3), but consistent with (4) argue that plaintiff's proposed amendments are futile and add unclear, non-substantive and confusing allegations. An amendment is futile if the complaint, as amended, would fail to state a claim upon which relief may be granted. *General Electric Capital Corp. v. Lease Resolution Corp.*, 128 F.3d 1074, 1085 (7th Cir. 1997). As discussed above, plaintiff's claims are sufficient under Rule 12(b)(6) to state a claim upon which relief may be granted, and thus are not futile. Moreover, plaintiff's amendments do not add non-substantive or confusing allegations, but rather were made in direct response to defendants' challenge to the sufficiency of the allegations in the original complaint. The amendments recognize the change in corporate status of a defendant, provide additional factual support for plaintiff's claims and refute allegations made by defendants in their motion to dismiss. For these reasons, plaintiff's motion for leave to amend the complaint will be granted.

**B. Defendants' motion to strike immaterial matter**

Defendants' motion to strike immaterial matter from plaintiff's complaint will also be denied. Rule 12(f) of the Federal Rules of Civil Procedure permits a court to strike from pleadings "any redundant, immaterial, impertinent, or scandalous matter." Although the decision to strike is in the discretion of trial court, *Talbot v. Robert Matthews Distrib. Co.*, 961

F.2d 654, 665 (7th Cir. 1992), striking a party's pleadings is an extreme measure and motions to strike are viewed with disfavor and infrequently granted. *Stanbury Law Firm, P.A. v. Internal Revenue Service*, 221 F.3d 1059, 1063 (8th Cir. 2000). In particular, the Seventh Circuit has cautioned that motions to strike extraneous matter are generally disfavored and should only be granted if the complaint is actually prejudicial to the defendant. *Davis v. Ruby Foods, Inc.*, 269 F.3d 818, 821 (7th Cir. 2001) ("Fat in a complaint can be ignored." (internal quotations omitted)).

Defendants contend that certain allegations in the complaint relating to the infringement and validity of three of its patents are immaterial to the causes of action set forth in plaintiff's complaint. Again, however, defendants are mistaken. The challenged portions of the complaint, which relate in large part to communications between the parties regarding defendants' assertion of patent rights, provide context and factual information relevant to plaintiff's false marking and tortious interference claims. Moreover, because inclusion of the challenged portions do not appear to be at all prejudicial to defendants, the motion to strike will be denied. *Id.*

#### ORDER

IT IS ORDERED that:

- (1) Defendants' motion to dismiss, dkt. #7, is:
  - (a) GRANTED as to defendants' request to dismiss Saladmaster as a defendant; and
  - (b) DENIED in all other respects.
- (2) Plaintiff's motion for leave to file a Second Amended Complaint, dkt. #71, is GRANTED; once filed with the court and formally served on defendants, the Second Amended Complaint will be the operative pleading in this case.

- (3) Plaintiff's motion for leave to file a First Amended Complaint, dkt. #22, is DENIED as moot.

Entered this 15th day of March, 2011.

BY THE COURT:

/s/

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WILLIAM M. CONLEY  
District Judge