

**Gameologist Group, LLC v New York Div. of  
Lottery**

2009 NY Slip Op 32914(U)

December 7, 2009

Supreme Court, New York County

Docket Number: 102951/09

Judge: Marilyn Shafer

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SUPREME COURT OF THE STATE OF NEW YORK — NEW YORK COUNTY

PRESENT: MARILYN SHAFER

PART 8

Index Number : 102951/2009  
GAMEOLOGIST GROUP LLC  
vs.  
NEW YORK DIVISION OF LOTTERY  
SEQUENCE NUMBER : 001  
DISMISS ACTION

INDEX NO. \_\_\_\_\_  
MOTION DATE \_\_\_\_\_  
MOTION SEQ. NO. \_\_\_\_\_  
MOTION CAL. NO. \_\_\_\_\_

this motion to/for \_\_\_\_\_

PAPERS NUMBERED  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Notice of Motion/ Order to Show Cause — Affidavits — Exhibits ...

Answering Affidavits — Exhibits \_\_\_\_\_

Replying Affidavits \_\_\_\_\_

Cross-Motion:  Yes  No

Upon the foregoing papers, it is ordered that this motion *was denied*  
*with sq 203 + decided pursuant*  
*to attached return*

**FILED**  
DEC 16 2009  
NEW YORK  
COUNTY CLERK'S OFFICE

Dated: 12/7/09

MARILYN SHAFER  
J.S.C.

Check one:  FINAL DISPOSITION  NON-FINAL DISPOSITION  
Check if appropriate:  DO NOT POST

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE FOR THE FOLLOWING REASON(S):

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK: IAS PART 8

-----X

THE GAMEOLOGIST GROUP, LLC,

Plaintiff,

Index No. 102951/09

-against-

NEW YORK DIVISION OF LOTTERY, SCIENTIFIC  
GAMES INTERNATIONAL, INC., and SCIENTIFIC  
GAMES CORPORATION, INC.,

Defendants.

**FILED**  
DEC 16 2009  
NEW YORK  
COUNTY CLERK'S OFFICE

-----X  
Shafer, J.:

In motion sequence number 001, defendant New York Division of Lottery (the Lottery) moves, pursuant to CPLR 3211 (a) (2), to dismiss the complaint for lack of subject matter jurisdiction. In motion sequence number 002, defendants Scientific Games International, Inc. and Scientific Games Corporation, Inc. (together, the Scientific Defendants) move, pursuant to CPLR 3211 (a) (7), to dismiss the third, fifth, seventh, eighth, and ninth causes of action for failure to state a claim. In motion sequence number 003, the Lottery and the Scientific Defendants move for an order, pursuant to CPLR 520.11 (a) (1), admitting Joshua R. Slavitt pro hac vice to represent the defendants in this action.

Motion sequence numbers 001, 002 and 003 are consolidated for disposition.

## Background

The following factual allegations are set forth in the complaint, and for the purposes of these motions, are accepted as true.

In 2001, Jeffery McGill, a slot technician from Atlantic City, New Jersey, developed the idea for BLING BLING 2002 (the Mark).<sup>1</sup> In January 2002, McGill registered BLING BLING 2002 with the New Jersey Trademark Office. McGill then assigned ownership of the mark BLING BLING 2002 to plaintiff the Gameologist Group, LLC (Gameologist), in order to better develop and market the trademark. Gameologist registered the Mark with the United States Patent and Trademark Office in 2003.

In August 2002, Gameologist purchased an "e-mail blast" from Casino Journal Magazine to introduce Gameologist's products to casino and gaming executives. Gameologist also attended the Global Gaming Exposition in September of 2002 to promote the Mark. As a result, Oberthur Gaming Technologies Corporation (Oberthur), a producer and marketer of scratchoff lottery tickets, approached Gameologist about purchasing licensing rights to the Mark. On October 11, 2002, Oberthur sent a letter to Gameologist presenting different concepts for scratch-off games based on the Mark. Oberthur stated that it would guarantee

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<sup>1</sup> Plaintiff refers to the mark as BLING BLING, but the mark registered with the United States Patent and Trademark Office is actually BLING BLING 2002. See Complaint, Exhibit A.

Gameologist 30% of licensing and royalty fees based on the projected sales of the games. This deal, however, was never finalized.

In April 2003, Gameologist contacted MDI Entertainment, LLC (MDI), a subsidiary of the Scientific Defendants, which specializes in game and promotional entertainment for the lottery industry, to inquire if they had any interest in the Mark. In January 2004, Gameologist and MDI signed an agreement authorizing MDI's use of the Mark through December 2006. After entering into this agreement, MDI issued a press release to announce its agreement with Gameologist. This announcement was published in multiple trade journals distributed to the gaming community. Some of the gaming publications featured pictures of Gameologist's scratch-off tickets. Gameologist also issued press releases to publicize the Mark and concept. However, in March 2004, MDI cancelled the agreement, citing a few reasons, including that all of its target markets rejected the Mark because it was "too ethnic."

After MDI terminated the agreement with Gameologist, Gameologist wrote to the former Governor of New York, George E. Pataki, seeking to market the Mark directly to the Lottery. On July 19, 2004, the Lottery informed Gameologist that they were not interested in the Mark because of disappointing focus group test results.

In December 2007, the Lottery began distributing a scratch-off ticket entitled "BA-DA BLING," which Gameologist claims focuses on diamonds, dollar signs, and luxury items, similar to Gameologist's BLING BLING 2002 scratch-off ticket. This new scratch-off game was developed by the Scientific Defendants for exclusive distribution to the Lottery for retail sale exclusively in New York State. Gameologist asserts that the Lottery and the Scientific Defendants infringed on the Mark. After an unsuccessful attempt to settle this dispute, Gameologist filed suit in the federal District Court of New Jersey. Gameologist later discontinued that action, and filed suit in this court.

Gameologist asserts claims for trademark infringement under the Lanham Act, false designation of origin and unfair competition under the Lanham Act, false advertising under the Lanham Act, unfair competition under New York common law, trademark infringement under New York General Business Law § 360, passing off, unfair competition and false advertising under New York General Business Law §§ 349 and 350, quantum meruit, unjust enrichment, and civil conspiracy.

#### **Analysis**

#### Motion for Pro Hac Vice

The court will first resolve the defendants' motion for admission of Joshua R. Slavitt pro hac vice. There is no opposition to this motion.

An attorney from another state may be admitted pro hac vice to participate in the trial or argument of a particular cause in which the attorney may be employed, upon application to and in the discretion of the court in which the cause is pending. 22 NYCRR 602.2. The present application includes an affidavit of support from Suzanne D'Amico, a member of the New York State Bar, and recent certificates of good standing from New Jersey and Pennsylvania, the two states where Mr. Slavitt is admitted. Therefore, this court sees no reason to deny this motion. See *18 International, Ltd. v Interstate Express, Inc.*, 116 Misc 2d 66, 68 (Sup Ct, New York County 1982). Mr. Slavitt is permitted to appear pro hac vice to represent the defendants.

Defendant Lottery's Motion to Dismiss and for Sanctions

Defendant Lottery moves to dismiss, arguing that it enjoys sovereign immunity from suit in any court other than the Court of Claims, and therefore, that this court lacks subject matter jurisdiction. While the Court of Claims does have jurisdiction over claims for damages against the State and its instrumentalities, it does not have jurisdiction over equitable claims. *Zutt v State of New York*, 50 AD3d 1131, 1132 (2<sup>nd</sup> Dept 2008). The Court of Claims may only grant some sort of incidental equitable relief when determining claims for monetary damages. *Psaty v Duryea*, 306 NY 413, 417 (1954). Therefore, the Supreme Court may hear claims for injunctive relief against the

State as long as the claims are not primarily for monetary damages. *Zutt v State of New York*, 50 AD3d at 1132. The court must determine whether the equitable claims are purely incidental to the monetary relief sought or vice versa. *Gebman v Pataki*, 256 AD2d 854, 855 (3<sup>rd</sup> Dept 1998).

Here, Gameologist is seeking a permanent injunction against the Lottery to prevent it from using, copying, promoting, and advertising the Mark in violation of federal and state trademark laws, as well as monetary damages for violations of these laws. The Court of Claims has made it clear that an injunction against future violations of a statute cannot be considered incidental to a money damages action for past violations. *Doe v State of New York*, 86 Misc 2d 639, 641 (Ct Cl 1976). Thus, the injunction sought by Gameologist to prevent future violations of the trademark laws is the primary relief sought, and the monetary damages for violations of these laws are incidental. The claims for monetary damages against the Lottery can also be considered incidental, because there is an agreement between the Lottery and the Scientific Defendants which appears to indemnify the Lottery against any potential liability.

For the foregoing reasons, the Lottery's motion to dismiss for lack of subject matter jurisdiction is denied. This court can hear Gameologist's equitable claims against the Lottery. Further, the Lottery's motion for sanctions is denied, as

Gameologist's conduct in filing this action in this court cannot be said to be frivolous.

The Scientific Defendants' Motion to Dismiss

The Scientific Defendants move to dismiss Gameologist's third, fifth, seventh, eighth, and ninth causes of action on the ground that they fail to state a claim.

The Scientific Defendants argue that Gameologist lacks standing to assert its third cause of action for false advertising, under 15 USC 1125 (a) (1) (B), because Gameologist is not a competitor of the Scientific Defendants, and Gameologist makes no allegations of a competitive injury. The Scientific Defendants also assert that, even if Gameologist were able to establish standing, the complaint still fails to state a claim for false advertising under 15 USC 1125 (a) (1) (B).

In order "to have standing for a [Lanham Act] false advertising claim, the plaintiff must be a competitor of the defendant and allege competitive injury' [citation omitted]." *Telecom International America, Ltd. v AT & T Corp.*, 280 F3d 175, 197 (2<sup>nd</sup> Cir 2001). Gameologist asserts that it is a competitor of the Scientific Defendants, as both engage in game design and development. Specifically, the complaint alleges that Gameologist "is a corporation specializing in the development of casino games, board games, slot machines, computer games, video games, and lottery tickets." Affidavit in Support of Defendants'

Motion to Dismiss, Exhibit A, ¶ 2. Further, press releases and articles attached to the complaint describe Gameologist as a game development company that creates and designs games, including lottery tickets. *Id.* The Scientific Defendants, by their own admission, provide services including ticket design, game design, sales and marketing support, promotions, and other services. See Affidavit in Support of Defendants' Motion to Dismiss, Exhibit B, Declaration of James C. Kennedy, ¶ 3. Thus, Gameologist has established that it is a competitor of the Scientific Defendants on the level of game design and development.

The second prong needed to establish standing is a competitive injury. An aggrieved party must demonstrate "a reasonable interest to be protected against the advertiser's false or misleading claims, and a reasonable basis for believing that this interest is likely to be damaged by the false or misleading advertising." *Societe des Hotels Meridien v LaSalle Hotel Operating Partnership*, 380 F3d 126, 130 (2<sup>nd</sup> Cir 2004) (citations and quotation marks omitted). The "reasonable interest" prong of this test includes commercial interests, present or contemplated, and direct pecuniary interests. *PDK Labs, Inc. v Friedlander*, 103 F3d 1105, 1111 (2<sup>nd</sup> Cir 1997).

At this stage, Gameologist's allegation that potential consumers of its games may mistakenly associate the advertised BA-DA BLING game for Gameologist's work sufficiently alleges a

potential competitive injury for purposes of the analysis of whether Gameologist has standing to bring this claim.

Gameologist alleges in the complaint that the purchasing public will believe that the BA-DA BLING game emanated from or was connected to or sponsored by Gameologist. Affidavit in Support of Defendants' Motion to Dismiss, Exhibit A, ¶ 70.

The Scientific Defendants argue that to have standing to bring a false advertising claim there must be allegations of a present competitive injury or commercial interest, and that allegations of a potential competitive injury or commercial interest are not sufficient. However, the United States Court of Appeals, Second Circuit, has considered a future potential for a commercial or competitive injury when determining standing to bring a false advertising claim. See *ITC Ltd. v Punchgini, Inc.*, 482 F3d 135, 170 (2<sup>nd</sup> Cir 2007); *PDK Labs, Inc. v Friedlander*, 103 F3d at 1111.

The next issue is whether the complaint states a claim for false advertising. To state a claim under 15 U.S.C. 1125 (a) (1) (B), a plaintiff must allege that,

(1) the defendant made false or misleading representations regarding the nature, characteristics, or quality of the plaintiff's services or commercial activities; (2) the representations were used in commerce; (3) the representations were made in the context of commercial advertising or promotion; and (4) the defendant's actions made the plaintiff believe it would be damaged by the representations.

*Verizon Directories Corp. v Yellow Book USA, Inc.*, 309 F Supp 2d

401, 404 (ED NY 2004), citing *Galerie Gmurzynska v Hutton*, 257 F Supp 2d 621, 629 (SD NY 2003), *affd* 355 F3d 206 (2<sup>nd</sup> Cir 2004).

Gameologist has sufficiently alleged a cause of action for false advertising. When deciding whether to grant a motion to dismiss pursuant to CPLR 3211, a court must accept the allegations asserted within the complaint as true and accord the plaintiff the benefit of every possible inference. *Samiento v World Yacht Inc.*, 10 NY3d 70, 79 (2008). The court need only determine whether the facts as alleged fit within any cognizable legal theory. *Id.*

In pleading its claim for false advertising, Gameologist alleges that the Scientific Defendants have infringed on its trademark, and have advertised the infringed mark as their own, conveying the impression that they are authorized to use the Mark. Accepting this as true, if the Scientific Defendants are advertising the Mark as their own, they are misrepresenting the nature and characteristics of the Mark. Thus, there is a potential claim for false advertising. Gameologist has also sufficiently pled the remaining elements.

The Scientific Defendants argue that Gameologist has not pled that they were involved in the advertising of the BA-DA BLING game. This court disagrees. Gameologist sufficiently alleges that all defendants played a part in advertising and marketing the BA-DA BLING game.

The Scientific Defendants also move to dismiss Gameologist's fifth cause of action for trademark infringement under New York General Business Law § 360. The court agrees with the Scientific Defendants' argument that Gameologist fails to state a claim for trademark infringement under New York General Business Law § 360, as Gameologist does not allege, nor does it provide evidence, that it owns a trademark registered in New York State. Without a New York trademark registration, a plaintiff cannot state a claim for relief under New York General Business Law § 360. General Business Law § 360-k; see *Dawn Donut Co. v Hart's Food Stores, Inc.*, 267 F2d 358, 366 (2<sup>nd</sup> Cir 1959). Thus, Gameologist's fifth cause of action is dismissed.

The Scientific Defendants also move to dismiss Gameologist's seventh cause of action for unfair competition and false advertising under New York General Business Law §§ 349 and 350, respectively. General Business Law §§ 349 and 350 are directed at wrongs against the consuming public. See *B.S.L. One Owners Corp. v Key Intl. Mfg.*, 225 AD2d 643, 645 (2<sup>nd</sup> Dept 1996). To state a claim under these sections, as a threshold, a plaintiff must allege that the acts or practices are consumer-oriented. See *Canario v Gunn*, 300 AD2d 332, 333 (2<sup>nd</sup> Dept 2002). In order for conduct to be considered consumer-oriented, the conduct must have a broad impact on consumers at large. See *New York Univ. v Continental Ins. Co.*, 87 NY2d 308, 321 (1995).

Here, Gameologist's claims under sections 349 and 350 of the General Business Law are based on the theory of trademark infringement, involving the alleged use of a Mark owned by Gameologist in a lottery game created and manufactured by the Scientific Defendants. This does not pose a significant risk of harm to the public health or interest. See *DePinto v Ashley Scott, Inc.*, 222 AD2d 288, 289 (1<sup>st</sup> Dept 1995); *Sports Traveler, Inc. v Advance Magazine Publishers, Inc.*, 1997 WL 137443, 1997 US Dist LEXIS 3403 (SD NY 1997). Therefore, this claim is dismissed.

Gameologist also fails to state a claim for quantum meruit. "To state such a cause of action, plaintiff must allege (1) the performance of services in good faith, (2) the acceptance of the services by the person to whom they are rendered, (3) an expectation of compensation therefor, and (4) the reasonable value of the services." *Soumayah v Minnelli*, 41 AD3d 390, 391 (1<sup>st</sup> Dept 2007).

Gameologist essentially argues that when it entered into an agreement with MDI, a wholly-owned subsidiary of the Scientific Defendants, authorizing MDI's use of the Mark, it entered into an agreement with the Scientific Defendants, and therefore, Gameologist performed services for the Scientific Defendants and they accepted these services. Specifically, Gameologist argues that there is a "close relationship" between MDI and the

Scientific Defendants. However, this argument is not enough to establish that the Scientific Defendants are an alter ego of MDI, and a party to the agreement. There are no allegations in the complaint to support this argument, and there is no evidence submitted to show that the Scientific Defendants are parties to the agreement. In fact, the complaint clearly alleges that MDI entered into the agreement with Gameologist. Affidavit in Support of Defendants' Motion to Dismiss, Exhibit A, ¶ 40.

Gameologist's attempt to argue that the agreement with MDI was also with defendants actually fails to support its claim for quantum meruit in that a party may not recover in quantum meruit where the parties have entered into a contract that governs the subject matter. *Cox v NAP Constr. Co., Inc.*, 10 NY3d 592, 607 (2008). Therefore, even if Gameologist had sufficiently alleged an alter ego, or submitted proof that the agreement was in fact signed and entered into by the Scientific Defendants, this claim would nevertheless fail.

The Scientific Defendants also argue that Gameologist's claim for unjust enrichment should be dismissed. To state a claim for unjust enrichment, a plaintiff must allege that the defendant was enriched at the plaintiff's expense and that it is against equity and good conscience to permit the defendant to retain such enrichment. *Lake Minnewaska Mtn. Houses v Rekis*, 259 AD2d 797, 798 (3<sup>rd</sup> Dept 1999). At this stage, Gameologist has

sufficiently pled these elements. The court disagrees with the Scientific Defendants that the connection between the Scientific Defendants and Gameologist is too attenuated to establish a claim for unjust enrichment. There are allegations that Gameologist met with persons associated with the Scientific Defendants, and while these allegations do not rise to a level of pleading an alter ego, they are sufficient to allege a connection between the parties.

Accordingly, it is

ORDERED that defendants Scientific Games International, Inc., Scientific Games Corporation, Inc., and New York Division of Lottery's motion for admission of Joshua R. Slavitt pro hac vice is granted; and it is further

ORDERED that defendant New York Division of Lottery's motion to dismiss the complaint for lack of subject matter jurisdiction and for sanctions against plaintiff the Gameologist Group, LLC is denied; and it is further

ORDERED that defendants Scientific Games International, Inc. and Scientific Games Corporation, Inc.'s motion to dismiss the third, fifth, seventh, eighth, and ninth causes of action in the complaint is granted to the extent that the fifth, seventh, and eighth causes of action of the complaint are dismissed; and it is further

ORDERED that defendants Scientific Games International, Inc., Scientific Games Corporation, Inc., and New York Division of Lottery are directed to serve answers to the complaint within 10 days after service of a copy of this order with notice of entry.

Dated: November \_\_, 2009

*Rec 7, 1*

ENTER **MARILYN SHAFER**  
**J.S.C.**  
\_\_\_\_\_  
J.S.C.

**FILED**  
DEC 16 2009  
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