

UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS

CARROLL SHELBY, CARROLL HALL  
SHELBY TRUST and CARROLL SHELBY  
LICENSING, INC., a Texas  
Corporation,

Plaintiffs,

v.

FACTORY FIVE RACING, INC., a  
Massachusetts Corporation;  
LK MOTORSPORTS, a California  
Corporation; and  
INTERNET COMMUNITY PARTNERS,  
LLC d/b/a FFCOBRA.COM, a Limited  
Liability Company, State of  
Organization Unknown,

Defendants.

CIVIL ACTION NO.  
09-CV-10281-PBS

MEMORANDUM AND ORDER

February 16, 2010

Saris, U.S.D.J.

**I. INTRODUCTION**

Carroll Shelby, the Carroll Hall Shelby Trust, and Carroll Shelby Licensing, Inc., (collectively, "Shelby") allege that Factory Five Racing, Inc. ("Factory Five" or "FFR"), LK Motorsports ("LK"), and Internet Community Partners, LLC ("ICP"), have engaged in trademark and trade dress infringement with respect to several of Shelby's marks and automobile designs. Essentially, Shelby contends that FFR is marketing knock-offs of

the Daytona Coupe Cobra, one of its renowned racing and production cars. Factory Five has filed a Motion to Dismiss pursuant to Fed. R. Civ. P. 12(b)(6) on the ground that Shelby's trade dress claims are precluded by res judicata and that its other claims are either moot or barred by the conditions of a prior settlement agreement. ICP has filed a separate Motion to Dismiss. After hearing and review of the record, the Court **ALLOWS** Factory Five's Motion to Dismiss and **DENIES** ICP's Motion to Dismiss.

## II. BACKGROUND

### A. The Parties

Plaintiff Carroll Shelby is a renowned race car driver who, following his retirement in the early 1960s, designed several racing and production cars, identified as "Shelby Cobras." (Compl. ¶ 9.) Among these are the Shelby Cobra 427 S/C ("427 S/C") and the Daytona Coupe Cobra ("Daytona Coupe"). (Id. ¶¶ 10, 11.) Shelby and his commercial entities allegedly own or are the licensees of numerous trademarks, including SHELBY, 289, and 427 S/C. (Id. ¶ 12.) In 1997, Ford Motor Company ("Ford") granted Shelby an exclusive license to use its COBRA trademark and various related logos in connection with the trade dress of the Shelby Cobra vehicles, including the Daytona Coupe. (Id. ¶ 17.)

Defendant Factory Five Racing manufactures and sells kit car replicas of Shelby vehicles, including the Type 65 Coupe and 427

Roadster, replica kits of Shelby's Daytona Coupe and 427 S/C, respectively. (Id. ¶ 20; Def. FFR's Mem. in Supp. Renewed Mot. to Dismiss 2.) In connection with those activities, Factory Five operates a website under the domain name www.factoryfive.com, on which it promotes and sells its kit cars, and which also contains a link to Defendant ICP's website, www.ffcobra.com. (Compl. ¶¶ 21, 22.) Defendant LK Motorsports is a manufacturer and distributor of Factory Five automobiles and kit cars. (Id. ¶ 31.)

**B. The 2000 Litigation**

In 2000, Carroll Shelby, Carroll Shelby Licensing, Inc., and Shelby American, Inc., sued Factory Five in the United States District Court for the District of Massachusetts. Carroll Shelby, et al. v. Factory Five Racing, Inc., 00-CV-10409-RWZ. Ford was a party to that litigation. The complaint there alleged that Shelby had rights in "trademarks and trade shapes consisting of, but not limited to, SHELBY, COBRA, and the COBRA SNAKE designs as those relate to the vintage 1960s automobiles created, designed, and made by Carroll Shelby." (FFR's Mem., Ex. A ¶ 13 ("2000 Complaint").) That complaint stated claims for trademark infringement, counterfeiting, dilution, and unfair competition under both the Lanham Act, 15 U.S.C. §§ 1051-1141n, and Massachusetts law.

The 2000 Complaint made specific reference to the design

shape of the 427 S/C. (Id. ¶¶ 14, 15.) It did not identify the Daytona Coupe specifically, but made several allusions to the designs and trade shapes of Shelby's multiple famous automobiles. (Id. ¶¶ 13, 16-19.) Shelby also sought injunctive relief permanently restraining Factory Five from using the disputed marks and from "doing any other act or thing likely to induce the belief that FFR's business or products are in any way connected with Shelby's businesses, products or services or are sponsored or approved by Shelby." (Id. at 13, ¶¶ 1(a)-(b).) The parties' trial briefs in the prior litigation also focused primarily on the trade dress of the 427 S/C, while making wider reference to Shelby's other automobile designs. (See Opp. to Def. FFR's Renewed Mot. to Dismiss, Ex. 3 at 2; Def. FFR's Reply in Supp. Renewed Mot. to Dismiss, Ex. D at 2-4.)

The prior litigation resolved in 2002 with a settlement agreement, entered by the court as an Injunction and Final Judgment by Consent. The injunction stated, "FFR, its agents, affiliates, heirs, successors, assigns, servants, employees and attorneys are permanently enjoined" from using certain trademarks, including COBRA, 427 S/C, SHELBY, SHELBY COBRA, and both DAYTONA COUPE and DAYTONA COUPE COBRA "on or in connection with the marketing, sale or distribution of motor vehicles, kit cars, parts and accessories for kit cars, automotive parts and accessories, or any other product not made by Ford or Shelby." (FFR's Mem., Ex. B ¶¶ 3.1, 4, 5.) The settlement also enjoined

Factory Five from "using the Ford/Shelby Marks and names or any similar name or mark in a way that is likely to induce the belief that FFR's business, products or services are . . . connected with Ford's or Shelby's businesses, products or services or are sponsored or approved by Ford or Shelby." (Id. ¶ 3.3.) Ford and Shelby, in exchange, agreed to a dismissal of claims:

All claims and defenses that have been asserted or could have been asserted as of this date for use of the Ford/Shelby Marks and names or any confusingly similar name, mark or domain name, are hereby satisfied and extinguished and dismissed with prejudice, subject only to each party's right to assert those names or marks in an attempt to enforce compliance with this Final Judgment. Shelby dismisses with prejudice all claims that have been asserted or could have been asserted relative to the trade dress or designs of FFR's kits, including but not limited to the kits known as the 427 Roadster and the Type 65 Coupe.

(Id. ¶ 9.) The Final Judgment also stated:

In the event that Ford or Shelby believes that FFR has violated any of the terms and conditions of this Final Judgment, judicial enforcement of this Final Judgment many [sic] not be pursued unless Ford or Shelby first give written notice to FFR of the alleged violation and FFR fails to cure or remedy the situation to Ford's or Shelby's satisfaction within thirty (30) days of FFR's receipt of notice.

(Id. ¶ 10.)

**C. The Present Litigation**

The second lap in this high-octane litigation began on December 1, 2008, when the Shelby again filed suit against Factory Five in the Central District of California, including claims against LK and ICP. Shelby again asserts claims for

trademark infringement, trademark dilution, false advertising, and unfair competition under common law and the Lanham Act, as well as violations of common law and California statutory rights to publicity and of California's Business & Professional Code, Cal. Civ. Code § 3344. Shelby alleges that Factory Five, ICP, and LK are "agents of one another, and at all times each entity was acting within the course and scope of such agency." (Compl. ¶ 6.) Shelby did not provide FFR or its alleged agents the thirty days notice and opportunity to cure required under the 2002 Final Judgment, but did provide formal notice on December 23, 2008. (FFR's Mem., Ex. C.) Factory Five claims that it removed all offending content within thirty days of receiving that notice.

As to Factory Five specifically, Shelby now alleges (1) that FFR "utilizes the trademarks owned by and licensed to Plaintiffs in the metatags<sup>1</sup> of its website to draw Internet traffic," including the trademark "COBRA"; (2) that FFR's website includes a link to ICP's site, bearing the domain name [www.ffcobra.com](http://www.ffcobra.com); and (3) that FFR "markets and sells 'replicas' of Shelby Cobra vehicles, including kit cars bearing designs confusingly similar to the Daytona Coupe Trade Dress," referring to FFR's Type 65 Coupe. (Compl. ¶¶ 20, 22, 23, 35-38.)

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<sup>1</sup> A "metatag" is an element of text placed in the head section of an HTML document that provides page description or keywords to Internet search engines. It is not visible to a visitor to the site.

Shelby asserts that ICP uses its website, [www.ffcobra.com](http://www.ffcobra.com), "a discussion forum for Shelby Cobra enthusiasts," to advertise and promote the sale of FFR's kits bearing the Daytona Coupe trade dress. (Id. ¶¶ 24, 25.) Plaintiffs claim that ICP has used the Shelby trademarks, including COBRA, SHELBY, and GT-500, in the domain name and the metatags of its website to draw Internet traffic. (Id. ¶ 26.) Shelby also claims that the Home Page of ICP's site contains a link "allowing visitors directly to access the Factory Five website and to report safety problems concerning Factory Five cars." (Id. ¶ 27.)

As to LK, alleged to be "the West Coast's premier builder of Factory Five replica cars," Shelby asserts infringement and dilution claims as to several of the Shelby marks. (Id. ¶ 31.) It also alleges claims for false advertising in connection with LK's representation that it builds "Cobras" and "continues the legacy" of authentic Shelby Cobra cars. (Id. ¶¶ 54-58.)

On January 23, 2009, Factory Five filed a Motion to Dismiss the Complaint pursuant to Federal Rule of Civil Procedure 12(b)(6), or, in the alternative, to transfer the case from the Central District of California to the District of Massachusetts. The Los Angeles court transferred the case to this Court by order dated February 23, 2009. Factory Five and ICP now present Renewed Motions to Dismiss.

### III. LEGAL STANDARD

In order to survive a motion to dismiss, a complaint must allege "a plausible entitlement to relief." Rodriguez-Ortiz v. Margo Caribe, Inc., 490 F.3d 92, 95 (1st Cir. 2007) (quoting Bell Atl. Corp. v. Twombly, 550 U.S. 544, 559 (2007)). In considering a motion to dismiss for failure to state a claim upon which relief can be granted, courts must take as true the allegations in the plaintiff's pleadings and must make all reasonable inferences in favor of the plaintiff. Rivera v. Rhode Island, 402 F.3d 27, 33 (1st Cir. 2005). The court may take into consideration the facts set out in public documents attached to the complaint or expressly incorporated therein. Watterson v. Page, 987 F.2d 1, 3 (1st Cir. 1993). Here, both parties request that the Court take judicial notice of the prior complaint as well as the settlement agreement and consent judgment.

"A pleading that offers labels and conclusions or a formulaic recitation of the elements of a cause of action will not do." Ashcroft v. Iqbal, 129 S. Ct. 1937, 1949 (2009) (internal quotations and citations omitted). "The court need not accept a plaintiff's assertion that a factual allegation satisfies an element of a claim . . . nor must a court infer from the assertion of a legal conclusion that factual allegations could be made that would justify drawing such a conclusion." Cordero-Hernandez v. Hernandez-Ballesteros, 449 F.3d 240, 244 n.3 (1st Cir. 2006).