

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

SHAKE SHACK ENTERPRISES, LLC and SSE
IP, LLC,

Plaintiffs,

- against -

BRAND DESIGN COMPANY, INC. d/b/a HOUSE
INDUSTRIES,

Defendant.

22 Civ. 7713 (VM)

DECISION AND ORDER

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VICTOR MARRERO, United States District Judge.

Plaintiffs Shake Shack Enterprises, LLC and SSE IP, LLC (together "Shake Shack") brought this action against defendant Brand Design Company, Inc. d/b/a House Industries ("House Industries"). The Complaint seeks (1) declaratory judgment that the style of lettering in Shake Shack's logos, signage, and merchandise does not infringe on House Industries' intellectual property rights, and (2) declaratory judgment that House Industries has engaged in copyright misuse by attempting to monopolize the legitimate use of a typeface in the public domain. (See "Complaint," Dkt. No. 1.) House Industries filed an answer and a counterclaim against Shake Shack, alleging that Shake Shack breached a contract with House Industries, related to unauthorized use of one of House Industries' Neutraface font in logos and signage. (See "Counterclaim," Dkt. No. 13.)

Now pending before the Court is Shake Shack's motion to dismiss House Industries' Counterclaim pursuant to Federal Rule of Civil Procedure 12(b)(6) ("Rule 12(b)(6)"). (See Dkt. No. 22.) For the reasons set forth below, Shake Shack's motion to dismiss the Counterclaim is **GRANTED** with prejudice.

I. BACKGROUND¹

A. FACTS

As alleged or admitted in the Counterclaim, House Industries is a typeface foundry that develops proprietary fonts and provides custom design services, including the creation of logos and branding. (See Counterclaim ¶¶ 14-15.) In 2002, House Industries developed the Neutraface font, which was inspired by and named for the Modernist architect Richard Neutra.² (See id. ¶¶ 15, 20.) House Industries developed Neutraface over the course of "several years," expending "thousands of hours." (Id. ¶ 17)

¹ Except as otherwise noted, this factual background derives from the Counterclaim and the facts pleaded therein, which the Court accepts as true for the purposes of ruling on a motion to dismiss.

² Though the words "font" and "typeface" may be casually interchanged in everyday conversation, these are distinct terms of art in the world of intellectual property. "A typeface is the artistic creation," but a "font is the result of an industrial process to enable the reproduction of typefaces in the printing process." J. Lipton, *To © Or Not to ©, Copyright & Innovation in the Digital Typeface Industry*, 43 U.C. DAVIS L. REV. 143, 148 (2009) (citing H.R. REP. 94-1476); see also Counterclaim ¶ 19. Whereas different typefaces will make individual characters (known as "glyphs") appear in one way or another, fonts are the software programs that convert text data into glyphs of a particular typeface.

House Industries makes its Neutraface font available to customers on the House Industries website. (See Counterclaim ¶ 18.) For a licensing fee, anyone can download the Neutraface font software, which enables the downloader to create text on a computer in the Neutraface typeface. The downloader must also agree to House Industries' End User License Agreement ("EULA"), the standard "Desktop" version of which delineates the specific uses for which the Neutraface font software and its resulting glyphs may be used by the downloader. (Id. ¶ 19.)

Though House Industries changes the exact terms of its standard Desktop EULA from time to time, House Industries alleges that, since 2002, the standard Desktop EULA has consistently forbidden users from using the Neutraface font software or the glyphs it generates "in connection with logos" or "products for sale." (Id.) House Industries imposes this restriction so that it can retain "control over" the usage and value of the fonts it has developed. (Id.) If a customer wishes to use the glyphs created by the Neutraface font in connection with a logo or goods for sale, the customer must first license the Neutraface font from House Industries for that specific purpose. (See id. ¶ 20.)

The Court understands House Industries' Counterclaim to further allege that there is just one way to produce digital text in the Neutraface typeface: by using House Industries' Neutraface font software. (See id.; see also House Industries' Opposition to Motion to Dismiss ("Opp.," Dkt. No. 25, at 8).)

House Industries alleges that Shake Shack has repeatedly used House Industries' proprietary Neutraface font software for logos, advertising, and sales, without having obtained permission for those specific uses, thereby violating the Desktop EULA. Specifically, according to House Industries, Shake Shack has created the following signage through the unauthorized use of the Neutraface font software: (1) Shake Shack's "innovation kitchen" signage since September 2018 (see Counterclaim ¶¶ 22-24); (2) Shake Shack's "drive thru" signage since December 2021 (see id. ¶¶ 26-29); and (3) Shack Shack's "APP+ONLINE PICK-UP," "SHACK bar," and "SHAKE SHACK bar" signage since 2017 (see id. ¶ 30).

Other than alleging on information and belief that "one or more of Shake Shack's employees, agents, or representatives acting on Shake Shack's behalf obtained access to House [Industries'] Neutraface software," House Industries does not purport to know how or when Shake Shack

obtained the Neutraface font. (Id. ¶ 32; see also Opp. at 9.) Nonetheless, House Industries claims that Shake Shack is bound by the EULA and indeed breached the EULA by using the Neutraface font software to generate logos and other materials promoting goods for sale. (See Counterclaim ¶ 31.)

B. PROCEDURAL HISTORY

Shake Shack initiated this action on September 9, 2022, seeking declaratory judgment of non-infringement and declaratory judgment of copyright misuse. (See Complaint.) House Industries filed its Answer and Counterclaim on November 16, 2022, bringing one count of breach of contract against Shake Shack. (See Counterclaim.) The parties then engaged in a pre-motion letter exchange regarding Shake Shack's anticipated motion to dismiss House Industries' Counterclaim. (See Dkt. Nos. 17-18.) Shake Shack informed the Court that House Industries had declined Shake Shack's request to withdraw or amend the Counterclaim. (See Dkt. No. 19.)

In light of the parties' failure to avoid motion practice, the Court determined that a pre-motion conference was unnecessary and directed the parties to inform the Court whether they sought supplemental or full briefing. (See Dkt. No. 20.) The parties requested full briefing. (See Dkt. No.

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