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CIVIL PENALTY FOR IMPORT OF COUNTERFEIT GOODS BASED ON USE OF TRADEMARK

Case In Point: *United States of America v. Time Able, Inc.*, (2008) WL 4350027
Re Counterfeit Requirements Under The Tardiff Act

In this case, defendant Able Time (Able) is an importer of watches bearing the mark TOMMY. Able began importing the watches before Tommy Hilfiger, the registered trademark owner of "TOMMY," sold watches. The watches were seized by the Bureau of Customs and Border Protection pursuant to the Tariff Act, which authorizes seizure of any merchandise bearing a counterfeit mark. 19 U.S.C. section 1526(e). A civil penalty was imposed upon Able under 19 U.S.C. section 1526(f), authorizing a fine upon anyone who imports merchandise seized under 1526(e). Able argued that the watches were not counterfeit, as a matter of law, since the trademark owner Tommy Hilfiger did not make or sell watches at the time the watches were seized. The Court of Appeals held that there is no identity of goods requirement under the Tariff Act and found for plaintiff, the United States. Thus, a civil penalty may be imposed on one who imports goods bearing a counterfeit trademark, even if the person holding the trademark does not make or sell the same goods.

"FIRST SALE" DOCTRINE CANNOT BE USED AS A DEFENSE TO UNAUTHORIZED DISTRIBUTION OF GOODS

Case In Point: *Omega S.A. v. Costco Wholesale Corp.*, (2008) 541 F.3d 982
Re First Sale Doctrine and Unauthorized Distribution

Costco Wholesale bought Omega watches from companies who purchased the watches overseas from authorized dealers. Omega sued Costco for copyright infringement for the unauthorized distribution of Omega watches in the U.S. Costco's defense was that under the first sale doctrine, Omega's initial foreign sale of the watches precluded claims of infringing distribution and importation in connection with the subsequent, unauthorized sales. The Court ruled in favor of Omega, holding that the first sale doctrine precludes lawsuits only when the items were sold in the U.S. from an authorized distributor. Because Omega did not grant Costco the authority to sell in the U.S., Omega could proceed without a bar from the first sale doctrine.

"IMPLIED" COPYRIGHT LICENSE EXISTS UPON SHOWING OF INTENT

Case In Point: *Asset Marketing Systems, Inc. v. Gagnon,* (2008) 542 F.3d 748
Re Implied Licenses

American Marketing Systems, Inc. (AMS) hired Gagnon as an independent contractor to write computer programs for people who continued to use and modify the programs after Gagnon's services ended. Gagnon sued for copyright infringement suit because AMS continued to use the programs without obtaining a license or permission. The Court held, in favor of AMS, that AMS had an implied unlimited license for the programs. An implied license is granted when (1) the licensee requests the creation of the work, (2) the licensor makes that particular work and delivers it to the licensee who requested it, and (3) the licensor intends that the licensee retain and modify his/her work. The Court found that (1) AMS did request the work, (2) Gagnon created the programs for AMS and delivered them by installation, and (3) Gagnon did intend that AMS would modify and retain the programs, since intent is measured by the party's conduct at the time of product delivery; in this case, installation.

LASSIE SURVIVES ARGUMENT THAT COPYRIGHT ACT OF 1976 ACTED TO BAR TERMINATION OF TRANSFER RIGHTS

Case In Point: *Classic Media, Inc. v. Mewborn*, (2008) 532 F.3d 978
Re Right of Termination

Knight created the Lassie Come Home series in 1938. She granted copyrights to Lassie Television, Inc. who later assigned the rights to Classic Media, Inc. After Knight died, his daughter, Mewborn, made two copyright renewal contracts with Classic Media, one in 1976 and one in 1978. The Copyright Act of 1976 gave the heirs of copyright protected creations a right of termination within a limited period for works created before 1978. Mewborn filed timely termination of her copyright contract with Classic Media. Both parties sued for declaratory relief for their copyright interests. The issue was whether the Act's termination of transfer right, 17 U.S.C. section 304c can be extinguished by a post-1978 re-grant of the very rights previously assigned before 1978.

The Court held that Mewborn had not waived her rights under the Act of 1976 in her 1978 contract with Classic Media. To find that she had would run contrary to the plain statutory language of the 1976 Act and also the congressional intent to give the benefit of additional renewal term to the author and his heirs.

NO STATUTORY DAMAGES WHEN THE INITIAL ACT OF INFRINGEMENT TAKES PLACE BEFORE THE EFFECTIVE COPYRIGHT REGISTRATION DATE

Case In Point: *Derek Andrews, Inc. v. Poof Apparel Corporation,* (2008) 528 F.3d 696
Re Violations "Commence" Upon First Act in Series

Derek Andrews Inc. (Andrews) created his "Twisted Heart" apparel line in 2003. The distinctive hang-tag consisted of a red satin ribbon attached to a label and artwork and was first published on August 11, 2003 and registered with the U.S. Copyright Office on June 15, 2005. Poof Apparel Corporation (Poof) marketed apparel with the same hang-tag, but with the name "Poof!". In 2005, Andrews sent a cease and desist letter to Poof after becoming aware of Poof's hang-tag. Andrew's copyright was registered more than three months after its first publication and Poof's infringement first occurred before the effective date of registration. Andrews filed a lawsuit in district court and the court granted a default judgment to him because Poof did not respond, granting Andrews $685,307.70 in damages, $15,000 in statutory damages and $296,090.50 in attorney fees. Poof appealed.

The issue was whether section 412 of the Copyright Act, which mandates that in order to recover statutory damages, the work must have been registered prior to commencement of the infringement, unless the registration is made within three month after first publication of the work, bars an award of statutory damages for post-registration infringements when the initial act of infringement occurred prior to the effective copyright registration date. The Court of Appeals held that Andrews was not entitled to the statutory damages award. The Court's decision rested upon the interpretation of the word "commences" in the statute. The design of the statutory provision was to deny statutory damages for infringement which took place before the registration of a copyright and to encourage companies to check the database to prevent infringement. To uphold the incentives, the Court held that the term "commences" refers to the first act in a series of ongoing violations and held that Poof's violation was an ongoing series of infringements that first commenced in May 2005; therefore, Andrews was not entitled to statutory damages.

LACK OF COPYRIGHT INFRINGEMENT CLAIM BARS SUIT FOR COMPETITIVE INJURY

Case In Point: *Sybersound Records, INC. v. UAV Corporation*, (2008) 517 F.3d 1137

Sybersound produces and sells karaoke records, selling primarily to retailers and distributors that resell the records to the public. Sybersound made an agreement with the retailers and distributors that it would obtain copyright licenses from the copyright owners and pay fees and full royalties to each.

Sybersound tried unsuccessfully to sue its competitors on the grounds that: (1) the defendants have not complied with all copyright requirements, the (2) competitor defendants admitted to intentionally failing to acquire the appropriate licenses, (3) the defendants used misleading labels, and (4) sent a letter to the retailers and distributors claiming Sybersound did not have licenses for the songs included on its records.

The Court ruled that that a party who lacks standing to bring a copyright infringement suit but who complains of competitive injury stemming from acts of alleged infringement, cannot bring a Lanham Act claim, Racketeer Influenced and Corrupt Organizations Act (RICO) claim, or related state law unfair competition claim because the success of such suit would require the litigation of the underlying infringement claim, which Sybersound had no standing to bring. The Court also held that just because Sybersound obtains part of an interest of a copyright from a co-owner of the copyright, does not mean that Sybersound obtains an assignment or exclusive license giving it a co-ownership interest in the copyright, if the other copyright co-owners do not transfer their interest as well.

YOU'RE SAFE UNDER THE LANHAM ACT IF YOU USE OR ENCOURAGE OTHERS TO USE A WORD IN ITS GENERIC SENSE

Case In Point: *The Freecycle Network, Inc. v. Oey*, (2007) 505 F.3d 898

Tim Oey publicly challenged the validity of The Freecycle Network, Inc.'s ("TFN") claimed trademark in the term "freecycle" and encouraged the public to use the term in its generic sense. TFN sued Oey under the Lanham Act for damages and sought an injunction. The Court held that there was no valid cause of action under the Lanham Act for using a term in its generic sense.

VISA OFF THE HOOK FOR TRADEMARK INFRINGEMENT BECAUSE ALL IT DID WAS PROCESS CREDIT CARD PAYMENTS FOR INFRINGERS

Case In Point: *Perfect 10, Inc. v. Visa Intern. Service Ass'n*, (2007) 494 F.3d 788

Perfect 10, Inc. sued Visa International, alleging that its websites stole Perfect 10's copyrighted images, altered them, and offered them for sale. Perfect 10 argued that Visa International vicariously contributed to copyright and trademark infringement and violated several California laws prohibiting unfair competition and false advertising, because defendants were the financial institutions that processed credit card payments to the websites for the illegally sold images. The Court held that Visa International did not commit contributory and vicarious trademark infringement because it was not involved in the actual infringement and did not induce the infringement; it simply processed the payments for those transactions and nothing more. Visa International lacked sufficient control and personal involvement in the infringing activities to be liable for violating the California laws prohibiting unfair competition and false advertising and Perfect 10's right to publicity.

DERIVATIVE WORKS OF COPYRIGHTED WORKS ARE PROTECTED

Case In Point: *Jarvis v. K2 Inc.*, (2007) 486 F.3d 526.

Chase Jarvis sued K2 Corporation for breach of contract and copyright infringement. K2 used Jarvis' photographs for its sporting goods advertisements and promotional materials. Jarvis claimed that many of the photographs were used in breach of their agreement, and that his images were often used without credit. The Court held that Jarvis owned the copyright to the photographs, and many of K2's uses of the photographs were "derivative works." Further, the contract stipulated that K2's right to use the images expired in 2003, and any subsequent use of the images was a breach of contract.

REMOTENESS OF TRADEMARKS CANNOT INVOKE DEFENSE OF INNOCENT USE

Case In Point: *Quicksilver, Inc. v. Kymsta Corp*, (2006)
Re Remoteness

Quicksilver owns the trademark "ROXY." Kymsta owns the trademark "ROXYWEAR." Quicksilver sued Kymsta for trademark infringement, false designation of origin, trademark dilution and unfair competition. The Court held that that Quicksilver's "ROXY" mark is presumed valid because "ROXY" was federally registered and that remoteness was not an element of the Defense of Innocent Use under 15 U.S.C. sec. 1115(b)(5) and that reasonable juries could differ as to whether Kymstra discontinued its use of the name "ROXYWEAR" when it began selling some products under a private label.

ASSIGNMENT OF A TRADEMARK IS NOT ABANDONMENT, EVEN IF ORIGINAL TRADEMARK HOLDER DEPLETES HIS INVENTORY OF GOODS BEARING THE TRADEMARK

Case In Point: *Electro Source, LLC v. Brandess-Kalt-Aetna Group, Inc.,* (2006) 458 F.3d 931

Ronald Mallett trademarked his logo of a pelican for luggage and backpacks lines. In 2002, he sold the remaining merchandise to Electro Source and assigned the logo and the goodwill of the Pelican logo to Electro Source. However, he intended to use the logo at a later date. At the time of the assignment, Mallett had at least ten boxes of inventory bearing the Pelican Mark. Using his license, Mallett continued to market Pelican Mark goods until finally, in December 2002, he sold his remaining inventory to Electro Source. Because he continued to transport and sell his trademarked goods in commerce, he never ceased using the logo. Pelican Products began selling products with a pelican logo on its website. Electro Source sued Pelican Products for a variety of claims including trademark infringement. Pelican Products argued that Mallett had abandoned the Pelican Mark prior to the assignment to Electro Source. The Court ruled for Mallett, holding that he intended to use the logo at a future date, and the mere cleansing of old merchandise was not enough to constitute abandonment.

EX PARTE ORDERS TO STOP INFRINGEMENT ARE LIMITED

Case In Point: *Reno Air Racing Ass'n., Inc. v. McCord*, (2006) 452 F.3d 1126.

Reno Air Racing ("Reno") operated an annual air show and was the registered owner of two Federal trademarks. Reno had licensing agreements with vendors who sold merchandise featuring the trademarks inside the gates of the event. McCord sold similar merchandise outside the gates. Reno sued for trademark infringement and requested a preliminary injunction and temporary restraining order, which was issued by the lower court. McCord stopped selling one particular t-shirt but continued to sell his other products. The Court of Appeals held that the temporary restraining order was improper because such an order, when granted ex parte without notice, was only appropriate if it was likely that the alleged infringer would stop selling the infringing goods before the hearing.

GENERAL RELEASE NOT SIGNED UNDER DECEPTION, UNDUE INFLUENCE, OR MISREPRESENTATIONS WILL BE UPHELD

Case In Point: *Marder v. Lopez*, (2006) 450 F.3d 445

In 1982, Maureen Marder, a former nightclub dancer, signed a "General Release" (the Release) with Paramount Pictures so they could create a film about her life, in exchange for $2,300. The Release discharged Paramount from any claims related to the film. The movie, Flashdance, grossed over $150 million dollars. When Jennifer Lopez's video for the song "I'm Glad" was released in 2003, Marder claimed that Paramount received money from Sony for the video, since it had re-creations of scenes from Flashdance. She sued for a declaration of rights as co-author of Flashdance and for a share of revenues received by Paramount. She also asserted copyright claims against Lopez and Sony. The Court found for Paramount, holding that the contract between Marder and Paramount barred Marder's claims because it was not signed under duress, deception, undue influence, or misrepresentation, even though the Court found the language of the Release "exceptionally broad."

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