

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

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BROADCAST COMMUNICATIONS, INC.

Index No: 60364/01

Plaintiff,

Hon. Herman Cahn
J.S.C.

-against-

WORDPLAY, INC., Louis Perretta and ABC CORP.,
the last defendant being a fictitious name for a
corporation whose name is not currently
known to the Plaintiff,

Defendants.
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**DEFENDANT WORDPLAY, INC.'S MEMORANDUM OF LAW IN OPPOSITION TO THE ORDER TO
SHOW CAUSE AND IN SUPPORT OF WORDPLAY'S CROSS MOTION TO VACATE THE
RESTRAINING ORDER AND FOR COSTS**

CHERIFF CHERIFF & FINK, P.C.

By: _____

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PRELIMINARY STATEMENT

This memorandum of law is submitted on behalf of Defendant Wordplay, Inc. (“Wordplay”) in opposition to Plaintiff Broadcast Communications, Inc.’s (“Broadcast”) request for injunctive relief and in support of Wordplay’s cross motion for the costs associated with vacating the Temporary Restraining Order (“TRO”) set forth in this Court’s Order to Show Cause.

Broadcast brought this order to show cause to enjoin defendants from publishing the magazine *Celebrity Sleuth* with any publisher other than Plaintiff and to enjoin Defendants from using the bipad or any portion of the U.P.C. label associated with the publication of *Celebrity Sleuth*.

The order to show cause should be denied in its entirety because Plaintiff failed to satisfy the criteria necessary to establish the right to a preliminary injunction. Defendant Wordplay should be awarded its costs associated with its opposition and cross-motion because Plaintiff misled this Court as to the propriety of its claims and sought injunctive relief at a time deliberately calculated to cause defendants the most harm.

STATEMENT OF FACTS

A statement of the undisputed facts is set forth in the Cheriff Affirmation. A more complete statement of facts is set forth in the Reshen Affidavit and the Perretta Affidavit. Suffice it to say that Plaintiff Broadcast and Defendant Wordplay entered into an Agreement in August 1992. (the “August 1992 Agreement”) for the publication of the *Celebrity Sleuth* magazine. Broadcast drafted the August 1992 Agreement. Pursuant to the August 1992 Agreement, Wordplay, the undisputed owner of the *Celebrity Sleuth*

trademark, would prepare editorial and pictorial material as well as package the magazine. Broadcast would publish and arrange for the printing and distribution of the magazine. The August 1992 Agreement provided for options to renew for two (2) additional four (4) year periods.

Plaintiff incorrectly contends that it did renew the August 1992 Agreement for a second four year period in July 2000. This renewal period was to cover publishing the magazine for an additional four years commencing in or about June 2001 through May 2005. Plaintiff also maintains that it owns the bipad that appears as part of the U.P.C. label that is used to distribute the *Celebrity Sleuth* magazine and thus is entitled to injunctive relief barring defendants from publishing *Celebrity Sleuth* and using the bipad.

Defendant Wordplay contends that Plaintiff waived its right to renew the August 1992 Agreement for a second four year period. Defendant maintains that the August 1992 Agreement was terminated by the parties in the summer of 2000. Defendant disputes Plaintiff's claim that Plaintiff owns the bipad. Defendants submit that they are free to publish the magazine *Celebrity Sleuth*. They also maintain that they are allowed to distribute the magazine with Curtis Distribution Company, who has the right to use the bipad to distribute *Celebrity Sleuth* magazine and has done so since 1992.

**PLAINTIFF HAS FAILED TO SATISFY THE REQUIREMENTS
FOR THE ISSUANCE OF A PRELIMINARY INJUNCTION**

Plaintiff's motion for a preliminary injunction fails to meet any of the requirements for granting this type of provisional remedy. In order for Plaintiff to obtain the drastic relief of a preliminary injunction pursuant to CPLR § 6301, Plaintiff has the "burden of

establishing the likelihood of ultimate success on the merits, irreparable injury absent the grant of a preliminary injunction, and a balancing of the equities in plaintiff's favor." Sur La Table Ltd. V. Rosenthal AG, 173 A.D.2d 325, 575 N.Y.S. 2d 281 (1st Dept. 1991). Plaintiff has not meet its burden.

a. Plaintiff Has Not Demonstrated That it is Likely to Succeed on the Merits

Plaintiff has not demonstrated that it is likely to succeed on the merits. The undisputed facts reveal that there are material questions of contractual interpretation that leave Broadcast's rights under the August 22, 1992 Agreement in doubt. Even giving Broadcast's version of events the benefit of the doubt there is a question as to whether Broadcast was entitled to renew the Agreement for a second time after it signed the Second Renewal Waiver. Moreover, even if Broadcast was entitled to renew the Agreement for a second time, Wordplay submitted to Broadcast the New Publisher Offer to which Broadcast never responded. See e.g. Sportschannel America Associate v. National Hockey League, 186 A.D.2d 417, 589 N.Y.S.2d 2 (1st Dept. 1992)(court denied granting injunctive relief where parties offered conflicting interpretations as to whether a right of first refusal was in dispute because plaintiff did not meet its burden to establish its likelihood of success).

As set forth in the Reshen affidavit, Wordplay contends that Broadcast's actions and failure to act belie its suggestion that the August 1992 Agreement was renewed for a second time. Throughout 2000, Broadcast took no action to ratify the alleged second renewal of the Agreement. Broadcast held no meetings or discussions with Wordplay concerning the allegedly upcoming new issues. Broadcast made no requests for materials for the "new issues". And, Broadcast made no payments to Wordplay for the

"new issues". In fact, as set forth in the Reshen affidavit, Broadcast's actions were consistent with the termination of the parties' relationship and the August 1992 Agreement. Based upon the above, the non-compete clause in the August 1992 Agreement does not survive the termination of the parties' August 1992 Agreement. See e.g. Sur La Table Ltd. V. Rosenthal AG, 173 A.D.2d 325, 575 N.Y.S. 2d 281 (1st Dept. 1991)(where there exists sharp factual dispute as to whether distribution agreement was terminated, plaintiff has not met its burden of showing likelihood of success of merits).

Broadcast claims that it "owns the bipad number pursuant to which the Magazine is currently distributed" and that the "distribution rights for magazines are associated with the bipad number not with the magazine title." Paragraphs 7 and 22 of the Wood Affidavit. The non-party affidavits of Dennis Porti, Executive Vice-President of Curtis and John Harrington, a partner in Harrington Associates, LLC the company that manages BIPAD, Inc. for the publishing industry, show that Broadcast does **not** own the bipad number and that the magazine title and the bipad number are synonymous. Both Curtis and Harrington confirm that Curtis was assigned the bipad number 50063. Harrington also submits that the bipad number "uniquely identifies a magazine title". Paragraph 3 of the Harrington Affidavit. Thus, Broadcast's assertions concerning its ownership to the Celebrity Sleuth bipad are without merit. In addition, Broadcast's claim that the distribution rights follow the bipad and not the magazine title is also without merit because the bipad number and the title are synonymous. Thus, at the very least, injunctive relief is not appropriate when sought upon the rights of parties open to doubt

and uncertainty. Sportschannel America Associate v. National Hockey League, 186 A.D.2d 417, 418, 589 N.Y.S.2d 2 (1st Dept. 1992)

b. **Plaintiff Has Failed to Demonstrate Irreparable Harm**

Plaintiff has failed to demonstrate irreparable harm. The undisputed facts suggest that Plaintiff's damages suffered because Wordplay allegedly breached the August 1992 Agreement would not be speculative. There is no dispute that Broadcast has been the publisher of *Celebrity Sleuth* since 1988. Over the course of publishing *Celebrity Sleuth*, Broadcast established a history of sales and costs associated with the publication process of the *Celebrity Sleuth* title. There is nothing speculative concerning the calculation of Broadcast's money damages to which it would be entitled if this Court were to find that Broadcast should have been the publisher for the second four year period pursuant to the August 1992 Agreement.

As set forth in the Reshen and Perretta affidavits, the money Broadcast claims to have invested including, but not limited to, the payment of slotting fees for display on custom racks as well as expenses associated with calling on accounts, retailers and buyers is simply a cost of doing business to promote the magazine title. These costs could and should have been amortized over the course of Broadcast's Agreement with Wordplay. Thus, these incurred costs do not create an ownership right to the bipad, as Broadcast suggests, which would require some speculative analysis to determine Broadcast's damages. Injunctive relief should be denied especially where Plaintiff can be compensated with money damages. Sur La Table Ltd. V. Rosenthal AG, 173 A.D.2d 325, 575 N.Y.S. 2d 281 (1st Dept. 1991); Sportschannel America Associate v. National Hockey

League, 186 A.D.2d 417, 418, 589 N.Y.S.2d 2, 3 (1st Dept. 1992)(damages compensable in money and capable of calculation, albeit with some difficulty, are not irreparable).

On the other hand, Wordplay and Louis Perretta will be irreparably harmed if they are prevented from an uninterrupted distribution of the *Celebrity Sleuth* magazine. Reshen and Perretta state in their affidavits that any delay will cause a lack of interest in *Celebrity Sleuth* and a serious decline in sales. Harrington, in his affidavit, submits that retailers and wholesalers in the United States and Canada rely on the bipad number as the basis for all magazine newsstand distribution in North America. Porti states in his affidavit that Curtis is the owner of the *Celebrity Sleuth* bipad number and that "The bipad remains with the specific title of each periodical as long as the national distributor continues to distribute the title." If this Court were to prohibit Wordplay from using Curtis as its distributor who would use the Curtis bipad number to distribute the magazine, it would effectively prohibit Wordplay from placing its magazine with retailers and wholesalers because the *Celebrity Sleuth* magazine title follows the distribution history provided by the bipad. If the equities are equally balanced, injunctive relief should not be granted. New York City Off-Track Betting Corporation v. New York Racing Association, Inc., 250 A.D. 437, 442, 673 N.Y.S. 2d 387, 391 (1st Dept. 1998). Here where the equities favor defendants, this Court should not grant injunctive relief.

c. The Issuance of an Injunction Will Destroy the Value of the *Celebrity Sleuth* Trademark

Injunctive relief should not be granted if the injunction is really seeking a decree of specific performance in the guise of an injunction. Sportschannel America Associate

v. National Hockey League, 186 A.D.2d 417, 418, 589 N.Y.S.2d 2, 3 (1st Dept. 1992).

Harrington states that it is not proper for a distributor to use the bipad number that has been used for a particular title "until after the old magazine title that has been using the bipad is not published for a minimum of eighteen months." Harrington Affidavit, paragraph 4. Hence, if the Court were to continue the restraining order prohibiting Wordplay and Perretta from publishing *Celebrity Sleuth*, Broadcast would not be able to distribute another magazine title using the *Celebrity Sleuth* Curtis bipad for nearly two (2) years.

Perretta states that any delay in publishing *Celebrity Sleuth* will cause subscriber cancellations and newsstand consumers to switch allegiance to other competing magazines. Perretta Affidavit paragraph 16. Broadcast cannot dispute that Mavety publishes several magazines that have the same or similar audience as *Celebrity Sleuth*. Perretta also states that only magazines with a proven record of generating high dollar volume are displayed. As set forth in the affidavits of Porti and Harrington, the wholesalers and retailers use the bipad to track the sales records of magazine titles. Thus, Perretta concludes that the *Celebrity Sleuth* title will become worthless if the wholesalers and retailers do not receive timely issues of the magazine and remove the *Celebrity Sleuth* bipad number from the system. Perretta Affidavit paragraph 15.

Wood states that if Wordplay and Perretta publish *Celebrity Sleuth* using the Curtis *Celebrity Sleuth* bipad, it will "deprive Broadcast of its only bargaining chip in the continued negotiations with Wordplay over the future rights to publish the Magazine." Wood Affidavit paragraph 23. If this Court grants Broadcast the injunctive relief it seeks, no magazine will be published using the *Celebrity Sleuth* bipad for over one year. If *Celebrity Sleuth* is not published and distributed during this time, Defendant Wordplay

will have an asset, the *Celebrity Sleuth* trademark that will have been rendered worthless. Thus, if this Court grants injunctive relief, Broadcast will have obtained a bargaining chip in its negotiations such that Broadcast will be able to dictate the terms of any continued agreement to publish *Celebrity Sleuth* for Wordplay unless Wordplay decides to close shop. Hence, Plaintiff is improperly seeking a decree that it may use the bipad in the guise of an injunction. See. e.g. Sportschannel America Associate v. National Hockey League, 186 A.D.2d 417, 418, 589 N.Y.S.2d 2, 3 (1st Dept. 1992).

d. This Court Should Not Grant Plaintiff Injunctive Relief Because of Plaintiff's Laches

Plaintiff's failure to seek this relief until it would be most harmful to the defendants weighs against Broadcast on a balancing of the equities. The undisputed facts reveal that in July 2000, Broadcast attempted to renew the August 1992 Agreement for an additional four years by sending the New Second Renewal Letter. The New Second Renewal Letter was never signed by Wordplay. Broadcast did nothing to rectify its alleged second renewal to publish *Celebrity Sleuth* for an additional four year period until May of 2001. Broadcast does not dispute that in May 2001 when advised that Wordplay was publishing Celebrity Sleuth with a new publisher, Broadcast did nothing until July 2001.

As set forth in the Reshen Affidavit, Broadcast did nothing to assert its alleged rights pursuant to the New Second Renewal Letter because Broadcast knew that Wordplay had found another publisher. Also, during that time, Broadcast did not make a satisfactory offer to Wordplay to entice Wordplay to work with Broadcast again. Moreover, Broadcast did not request materials from Wordplay for the upcoming new

issues nor did it pay Wordplay as it would have been required under the August 1992 Agreement.

Accordingly, Broadcast's delay in seeking this relief should bar it from being awarded injunctive relief because Plaintiff waited until defendants were in production on the first new issue of *Celebrity Sleuth*. See, e.g. Sportschannel America Associate v. National Hockey League, 186 A.D.2d 417, 418, 589 N.Y.S.2d 2, 4 (1st Dept. 1992)(Plaintiff's laches in not seeking the injunction until broadcast plans were required to be finalized, less than a month before the commencement of the regular season weighed against plaintiff on a balancing of the equities).

e. Trademark Law Prohibits Broadcast's Use of the Bipad

In Dayton Progress Corporation v. Lane Punch Corporation, 917 F.2d 836 (4th Cir. 1990), the court found that three letter product designators used by a tool and die manufacturer to identify a specific type of precision punch were descriptive marks that had acquired secondary meaning. *Id.* at 838–839. In Dayton Progress Corporation, the court added that if the use of the letter designators would cause confusion, such use would constitute an unfair use and violate plaintiff's trademark. *Id.* at 838–841.

Plaintiff may not publish and distribute another magazine title using the *Celebrity Sleuth* title because the bipad five number designation is a descriptive mark that has acquired secondary meaning to retailers, wholesalers, and consumers. Perretta, Curtis, and Harrington all confirm that the five number bipad determines the placement of the *Celebrity Sleuth* magazine at the newsstands and retail locations. They also all confirm that the five number bipad and the title it designates are synonymous. Were Plaintiff to publish and distribute a different title using the Celebrity Sleuth bipad, it would be

palming off its new magazine with the same wholesalers and retailers and ultimately the consumers. Plaintiff would be attempting to create a situation in which retailers and wholesalers will mistakenly believe they are being supplied with the *Celebrity Sleuth* magazine when they are not. See Marshak v. Green, 746 F.2d 927 (2nd Cir. 1984)(use in connection with a different product would result in a fraud on the purchasing public).

Trademark law prohibits the assignment of the *Celebrity Sleuth* bipad without the assignment of the accompanying goodwill of Wordplay's business. See e.g. Berni v. International Gourmet Restaurants of American, Inc., 838 F.2d. 642 (2nd Cir. 1988)(transfer of trademark or tradename without attendant goodwill of business which it represents is invalid in gross transfer of rights); Marshak v. Green, 746 F.2d 927, 929 (2nd Cir. 1984)(a trademark cannot be sold or assigned apart from the goodwill it symbolizes). The rule against "assignments in gross" bars and invalidates any sale, assignment or license of a mark without the accompanying goodwill of the business. Marshak, 746 F.2d_ at 929. During the term of the August 1992 Agreement, the bipad was always being used in conjunction with the title and business of *Celebrity Sleuth*. If the provision in the agreement granting Broadcast the U.P.C. labels were intended as an assignment of the bipad, then that provision is void because Wordplay did not assign or sell to Broadcast any other part of Wordplay's business, its trademark of *Celebrity Sleuth* or the goodwill of *Celebrity Sleuth*. Broadcast's contemplated use of the bipad is in connection with another magazine title that does not own any part of the *Celebrity Sleuth* goodwill. Such use would create a situation in which retailers and wholesalers will mistakenly believe they are being supplied with the *Celebrity Sleuth* magazine when they are not.

f. Broadcast Should Pay Wordplay's Attorneys Fees to Vacate the Restraining Order

C.P.L.R. 6315 provides that a party who is successful in vacating a TRO is entitled to an award of damages. This includes an award of Attorneys fees. Shu Yiu Louie v. David & Chiu Place Restaurant, Inc., 261 A.D. 2d 150, 152, 689 N.Y.S. 2d 476, 478 (1st Dept. 1999)(court held “attorneys’ fees incurred in a successful effort to vacate a restraining order may be recoverable damages under CPLR 6315”). As set forth in the Cheriff Affirmation and in the Bryan Schneider July 24, 2001 letter delivered to the Court, the TRO was obtained without proper notice and time being provided to Wordplay to oppose the TRO. The facts and circumstances surrounding the submission of the TRO request and the misled papers concerning the likelihood of Plaintiff's success on the merits of its claim warrant this Court's award of reasonable attorneys fees to defendant Wordplay. The undisputed facts demonstrate that Broadcast misled this Court as to the likelihood of success concerning its claims that the August 1992 Agreement was still in effect. Neither Broadcast's actions nor that of its attorneys put Wordplay on notice that Broadcast still believed that Broadcast would continue to publish *Celebrity Sleuth* for Wordplay or that injunctive relief was to be sought.

Moreover, Broadcast's claim that it was the owner of the *Celebrity Sleuth* bipad was simply without merit. The demand to "turn over" the bipad was never presented to Wordplay prior to Broadcast's motion for a TRO. Even if such demand had been made, Wordplay could not comply with such a demand, as Wordplay does not own the bipad. And, as Broadcast is well aware, no other magazine title may use the bipad for over a year. Thus, Broadcast obtained a TRO simply to place itself in a better bargaining position with Wordplay. Such abuse of the courts should not be rewarded.

The Cheriff affirmation contains information including work performed, hourly rates, and total hours worked sufficient for this Court to determine the reasonable amount of Defendant Wordplay's attorney's fees.

Accordingly, this Court should issue an order requiring Broadcast to pay Wordplay for its reasonable attorneys fees in vacating the restraining order.

CONCLUSION

For the foregoing reasons, the order to show cause should be denied in its entirety and Defendant Wordplay should be awarded its reasonable attorneys fees.

Dated: New York, New York
August 17, 2001

CHERIFF CHERIFF & FINK, P.C.

By: _____

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