



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

IP/ENTERTAINMENT LAW WEEKLY CASE UPDATE FOR MOTION PICTURE STUDIOS AND TELEVISION NETWORKS

January 12, 2011

Table of Contents

- UMG Recordings, Inc. v. Augusto
- Allen v. Scholastic Inc.
- Illusionist Distribution, LLC v. Sony Pictures Classics, Inc.

UMG Recordings, Inc. v. Augusto, USCA Ninth Circuit, January 4, 2011

 [Click here for a copy of the full decision.](#)

- In a copyright infringement action, the Ninth Circuit holds that (1) UMG's shipment of promotional compact discs ("CDs") constituted a "sale" within the meaning of the "first sale" doctrine, and (2) the defendant's subsequent sale of those CDs "was therefore permissible without UMG's authorization."

UMG Recordings, Inc. shipped unsolicited promotional CDs to a number of individuals, including music critics and radio programmers, for marketing purposes. Each of these CDs bore a "restrictive statement" asserting that it was intended for promotional use only, and was not for sale or resale. When the defendant – an unintended recipient – began selling these CDs in online auctions, UMG filed a copyright infringement action against him.

The defendant invoked the "first sale" doctrine, and, in the alternative, argued that, under the Unordered Merchandise Statute, the CDs were gifts which could be retained, used, discarded, or sold by the recipient or any downstream recipient, like the defendant, without UMG's authorization.

The Ninth Circuit began its analysis by affirming that the "first sale" doctrine applies "not only when a copy is first sold, but [also] when a copy is given away or title is



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

otherwise transferred without the accoutrements of a sale.” It then considered whether UMG’s distribution of the CDs effected a “transfer of ownership” over those CDs, or whether UMG’s “restrictive statement” was effective to create a limited license in the recipients thereof.

After noting that UMG distributed the CDs without “prior agreement or request by the recipients” and made “no attempt . . . to keep track of where particular copies are or what use is made of them”, the court held that: (1) UMG transferred title to the promotional CDs to the recipients; (2) this transfer of title constituted a “sale” for purposes of the “first sale” doctrine; and (3) the defendant’s subsequent sale of the promotional CDs was “permissible without UMG’s authorization.”

With respect to the Unordered Merchandise Statute, the court found that it was only *indirectly* applicable, as the defendant was not an initial recipient of the promotional CDs. The Unordered Merchandise Statute, 39 U.S.C. § 3009, provides that “the mailing of unordered merchandise . . . constitutes an unfair method of competition and an unfair trade practice. . . .” It also provides that “any merchandise mailed in violation . . . may be treated as a gift by the recipient, who has the right to retain, use, discard, or dispose of it in any matter he sees fit without any obligation whatsoever to the sender. . . .”

After rejecting the defendant’s attempt to invoke the Unordered Merchandise Statute directly, the court explained that the “significance” of the Unordered Merchandise Statute to this case was not that it conferred any rights on the *defendant*, but rather that it conferred on the *initial recipients* the “right to retain, use, discard, or dispose of [the CDs] in any manner that [they] see[] fit, without obligation to the sender.” The court found that this provision was “utterly inconsistent with the terms of the license that UMG sought to impose on the recipients.”



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

Allen v. Scholastic Inc., USDC S.D. New York, January 6, 2011

 [Click here for a copy of the full decision.](#)

- Court grants defendant publisher's motion to dismiss copyright infringement claim filed by author of book about wizards, holding there is no substantial similarity between plaintiff's book and *Harry Potter and the Goblet of Fire*.

Adrian Jacobs wrote a book called *The Adventures of Willy the Wizard – No. 1 Livid Land*, which was published in the UK in 1987. *Livid Land* is a 16-page illustrated children's book about an adult wizard who wins a competition with the assistance of apprentices and elves.

Plaintiff, as trustee of Jacobs's estate, filed a copyright infringement claim against Scholastic, publisher of *Harry Potter and the Goblet of Fire*, the fourth book in the popular series about wizards written by J.K. Rowling. *Goblet of Fire* is 734 pages long and chronicles Harry's participation in a tournament between rival magic schools when he is fourteen years old.

Scholastic moved to dismiss the complaint, asserting that there is no substantial similarity between the two works. The court agreed.

The court conducted the "ordinary observer" test which asks whether "an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work." The court explained that where the allegedly infringing work contains both protectible and non-protectible elements, the usual "ordinary observer" test becomes more discerning, and requires the court to attempt to extract the unprotectible elements from consideration and ask whether the protectible elements, standing alone, are substantially similar.

For purposes of the motion to dismiss, the defendant conceded that the plaintiff has



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

a valid copyright in *Livid Land* and that actual copying occurred. “The operative question is thus whether a substantial similarity exists between *Goblet of Fire* and the protectible elements of *Livid Land*.”

Applying the “ordinary observer test” to the protectible elements in each book, the court compared the total concept and feel, theme, characters, plot, sequence, pace and setting of the works. The court held that, because the works at issue are primarily created for children, the total concept and feel of the works - rather than their plot and character development - is the most important factor for purposes of establishing copyright infringement. According to the court, “the contrast between the total concept and feel of the works is so stark that any serious comparison of the two strains credulity.”

The court described *Livid Land* as “a series of fragmented and often tangential scenes, each of which summarily recounts Willy’s various exploits without any supporting detail, contextual explanation, or suspenseful build-up.” By contrast, it described the *Goblet of Fire* as a “a cumulative work, in which one scene builds upon and transitions to another. The storyline is highly developed and complex, and captures the attention of both children and adults for long periods of time. . . . The text is rich in imagery, emotive and suspenseful. Sophisticated literary devices, such as foreshadowing, are frequently employed.”

The court went on to compare theme, characters, plot, sequence, pace and setting of the works, and concluded that there is no substantial similarity between any of these elements.

Regarding theme, the court stated that “*Livid Land* is entirely devoid of a moral message or intellectual depth. It does not present any overarching message or character development. . . . The characters never face any difficult choices, or experience any type of conflict.” By contrast, the court found that *Goblet of Fire*



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

“has a highly developed moral core, and conveys overarching messages through its plot. Indeed, the book’s characters are frequently subject to ethical scrutiny. The choices that they make are often difficult and marked by clear trade-offs, which are explored and elaborated upon.”

Regarding character, the court said that “it is unlikely that a rudimentary character like Willy can be infringed upon at all. *Livid Land* provides only a few details about Willy, such as where he lives and what he does, but does not imbue him with a discernible personality or distinguishable appearance. . . . Willy is but a bland and interchangeable medium through which a story is told, instead of a purposeful and deliberate actor. Because Willy’s character does not display any creativity, it does not constitute protectible expression.”

Regarding plot and sequence, both works tell the story of a wizard competition. Both works also involve a protagonist wizard who takes part in and ultimately wins a competition. However the court discerned “no similarities beyond this level of abstraction.”

The court concluded that there is no substantial similarity between the total concept and feel, theme, characters, plot, sequence, pace and setting of the works, and granted the defendant’s motion to dismiss.

Illusionist Distribution, LLC v. Sony Pictures Classics, Inc., USDC C.D.

California, November 4 and November 23, 2010

 [Click here for a copy of the dismissal summary.](#)

 [Click here for a copy of the full decision.](#)

- In trademark infringement action, court denies plaintiff’s *ex parte* application for a temporary restraining order, concluding that plaintiff is unlikely to establish a protectable trademark for its motion picture “The Illusionist” or any likelihood of confusion.



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

Plaintiff Illusionist Distribution, LLC, the exclusive owner of the worldwide copyrights and unregistered trademarks to the 2006 motion picture “The Illusionist,” sued defendants Sony Pictures Classics, Inc. and Pathé Distribution S.A.S., the distributors of an animated motion picture also called “The Illusionist,” for trademark infringement.

The plaintiff filed an *ex parte* application for a temporary restraining order. In that application, the plaintiff argued that the defendants’ promotion, marketing, distribution, and release of their animated motion picture constituted trademark infringement. The court disagreed.

A plaintiff seeking injunctive relief must show that (1) it is likely to succeed on the merits; (2) it is likely to suffer irreparable harm in the absence of preliminary relief; (3) the balance of equities tips in its favor; and (4) an injunction is in the public interest. The court determined that plaintiff failed to demonstrate a likelihood of success on the merits.

The court began by noting that because plaintiff had not registered “The Illusionist” with the USPTO, plaintiff could only establish a protectable interest if its mark were sufficiently distinctive or had acquired secondary meaning in the market. Acknowledging that “The Illusionist” was a descriptive mark, the plaintiff sought to establish secondary meaning through evidence that it had spent nearly \$30 million to market and advertise “The Illusionist” during its theatrical and DVD release windows. The court found this evidence to be insufficient. The court wrote, a “large expenditure of money . . . does not in itself create legally protectable rights.”

Turning to the likelihood of confusion prong of its analysis, the court applied the so-called *Sleekcraft* factors, outlined by the Ninth Circuit in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979). Although the court acknowledged that the marks at issue were identical, the court nevertheless concluded that the plaintiff’s



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

mark was “weak.” A multitude of other works with the title “Illusionist” contributed to that conclusion. The court found that this weakness, coupled with differences in the two works’ setting, plot, and intended audiences, prevented any likelihood of consumer confusion. Among other things, the court observed that the plaintiff’s motion picture is based on a 1989 short story written by Pulitzer prize-winning novelist Steven Millhauser and takes place in early twentieth century Vienna, while the defendants’ motion picture is an animated art film based on a screenplay written in the 1950s by famed French mime, actor, and film director Jacques Tati, and is set in Scotland in the 1950s.

In addition, the court found that the defendants had a strong First Amendment defense based on *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989). Under the *Rogers’s* test, later adopted by the Ninth Circuit, the Lanham Act only applies to the title or other aspect of an artistic work where the public interest in avoiding confusion outweighs the public interest in free expression. That balance is struck through application of the artistic relevance test. Under that test, the artistic use of a trademark is permitted where it has some artistic relevance to the work at issue and does not explicitly mislead as to the source or content of the work. In this case, the court concluded that the defendants used the title “The Illusionist” to describe the main character of the film, and that it thus had artistic relevance to that film. The court also concluded that the title of the defendants’ motion picture did nothing to mislead as to the source of the work.

Finally, the court found that the balance of hardships favored defendants. After noting that the plaintiff was attempting to protect the remaining revenue streams of a nearly five-year-old film from unlikely confusion, the court concluded that an injunction would cause irreparable damage to the prospects of the defendants’ motion picture. The court observed that any delay of the release of the defendants’ film would jeopardize the film’s chances for year-end awards consideration, which consideration can often significantly increase box office receipts.



Publications

CASES OF INTEREST

LOEB & LOEB adds Depth.

Accordingly, the court denied plaintiff's *ex parte* application. Following the court's denial of plaintiff's application for a temporary restraining order, on November 23, 2010, the parties filed a stipulation for dismissal of the entire action.

For more information, please contact Jonathan Zavin at jzavin@loeb.com or at 212.407.4161.

Westlaw decisions are reprinted with permission of Thomson/West. If you wish to check the currency of these cases, you may do so using KeyCite on Westlaw by visiting <http://www.westlaw.com/>.

Circular 230 Disclosure: To assure compliance with Treasury Department rules governing tax practice, we inform you that any advice (including in any attachment) (1) was not written and is not intended to be used, and cannot be used, for the purpose of avoiding any federal tax penalty that may be imposed on the taxpayer, and (2) may not be used in connection with promoting, marketing or recommending to another person any transaction or matter addressed herein.

This publication may constitute "Attorney Advertising" under the New York Rules of Professional Conduct and under the law of other jurisdictions.

© 2011 Loeb & Loeb LLP. All rights reserved.