
Copyright and Trademark Case Review: Run-DMC, Stem Cells and Pirates

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Copyright Opinions

Unauthorized Copying Not an Element of Prima Facie Infringement Case: *Ali v. Final Call, Inc.*, No. 15-2963 (7th Cir. Aug. 10, 2016)

Wood, J. In a suit alleging copyright infringement through the distribution of lithographs of plaintiff's portrait of Louis Farrakhan, the Seventh Circuit held that the district court erroneously required plaintiff to prove that defendant's (admitted) copying was unauthorized. The court attributed the error in part to the district court's reliance on *Hobbs v. John*, 722 F.3d 1089, 1094 (7th Cir. 2013), in which the Seventh Circuit misquoted its own precedent as requiring "unauthorized copying," rather than mere "copying," as an element of the *prima facie* case for infringement. Because the true *prima facie* elements were satisfied (ownership of valid copyright and copying), and defendant had failed to present any affirmative defense, the Seventh Circuit reversed and remanded the case for determination of damages.

Ninth Circuit Finds Triable Issue on Willfulness, Limits Statutory Damages to Named Defendants: *Friedman v. Live Nation Merchandise, Inc.*, No. 14-55302 (9th Cir. Aug. 18, 2016)

Berzon, J. In a dispute over defendant's concededly infringing use of plaintiff's copyrighted photographs of rap group Run-DMC on merchandise, the Ninth Circuit reversed the district court's summary judgment for defendant on the issues of willful infringement and knowing removal of copyright management information (CMI), explaining that issues involving a state-of-mind determination are generally inappropriate for resolution by summary judgment. With respect to the willfulness claim, the court found that the jury could reasonably conclude that Live Nation's reliance on artists who were the subject of photographs to clear photographic rights (rather than on the photographers who took the photos) amounted to recklessness or willful blindness with respect to plaintiff's intellectual property rights. With respect to the alleged CMI violation, the Ninth Circuit clarified that plaintiff could prevail upon showing that defendant distributed his works knowing that CMI had been removed, even if defendant did not remove it, and that there was a triable issue of fact with respect to this knowledge. However, the Ninth Circuit affirmed the district court in rejecting plaintiff's claim to 104 separate statutory damages awards—based on the number of retailers to which defendant had sold the infringing merchandise—holding that plaintiff was entitled to only one

award for each infringed work because he had not joined the downstream retailers as defendants.

Third Circuit Affirms \$1.6M Award, Including Multipliers for Rarity and Market Impact: *Leonard v. Stemtech International Inc.*, Nos. 15-3198, 15-3247 (3d Cir. Aug. 24, 2016)

Shwartz, J. In a case involving unauthorized use of plaintiff's stem cell photographs by defendant and its distributors, the Third Circuit found sufficient evidence to uphold the jury's \$1.6 million verdict of infringement, as well as its contributory infringement and vicarious infringement verdicts. With respect to contributory infringement, the court held that by creating the materials containing the infringing images, providing the materials to its distributors and requiring its distributors to use the materials, defendant took "steps that we[re] substantially certain to result in such direct infringement." With respect to vicarious liability, the court found that plaintiff's contractual right to impose disciplinary sanctions on distributors and its practical ability to withhold compensation and support provided sufficient evidence for the jury to conclude that plaintiff had satisfied the right and ability to supervise or control element. As for the damages award, the court held that the jury could reasonably have relied upon expert testimony applying multipliers—accounting for the rarity of stem cell images and the impact of defendant's widespread use on the market for plaintiff's work—to a "benchmark" fair market value estimate of approximately \$216,000, so as to arrive at the \$1.6 million figure. The Third Circuit further held that the district court had abused its discretion by denying prejudgment interest to plaintiff based on a view that the jury verdict "sufficiently compensated" plaintiff. However, the court upheld the district court's summary judgment for defendant on plaintiff's request for infringer's profits, as plaintiff provided insufficient evidence linking the infringement to defendant's profits.

Trademark Opinions

District Court Lacks Jurisdiction to Cancel Fraudulent Registration Where Plaintiff Not Entitled to Damages or Injunction: *East Iowa Plastics, Inc. v. PI, Inc.*, No. 15-2757 (8th Cir. Aug. 11, 2016)

Kelly, J. In an appeal involving fraudulent procurement of trademark registrations, the Eighth Circuit vacated the district court's cancellation of defendant's trademark registrations and reversed an award of attorneys' fees, finding that plaintiff lacked standing because there was no evidence of either damages or nonmonetary injury to plaintiff. The court further held that plaintiff was not a "prevailing party" by virtue of successfully defending against infringement and unfair competition counterclaims, because "[e]ach party brought virtually identical claims with respect to the same trademark, and neither was successful." However, the Eighth Circuit directed the district court on remand to determine whether attorneys' fees are available based on plaintiff's claim for declaratory judgment of trademark ownership, and noted that plaintiff may be able to seek cancellation of defendant's registrations by filing a petition with the PTO.

Seventh Circuit Rejects Post-Trial Argument Regarding Lack of Continuous Use: *S.C. Johnson & Son, Inc. v. Nutraceutical Corp.*, No. 15-33337 (7th Cir. Aug. 25, 2016)

Wood, C.J. In a dispute involving two companies using the mark BUG OFF over a 20-year period, where defendant Nutraceutical adopted the mark over 35 years ago but never registered it and plaintiff S.C. Johnson acquired the rights of a third party who registered the mark in 1998, the district court rejected the prior use defense based on a failure by defendant to demonstrate continuous use

and found trademark infringement. The Seventh Circuit reversed, finding that plaintiff was estopped from raising the continuous use defense for the first time at the post-trial stage, and that even if the continuous argument was considered, defendant had established continuous use.

Ninth Circuit Holds Sufficient Nexus Between Sales in Canada and American Commerce to Warrant Extraterritorial Application of the Lanham Act: *Trader Joe's Co. v. Hallatt*, No. 14-35035 (9th Cir. Aug. 26, 2016)

Christen, J. In a case involving a purchaser of Trader Joe's products in Washington state who distributed the goods in Canada under the business name Pirate Joe's, the Ninth Circuit reversed the district court's dismissal of Trader Joe's Lanham Act claims for lack of subject matter jurisdiction, concluding that: (1) extraterritorial reach of the Lanham Act is a non-jurisdictional merits question, and the statute's "use in commerce" element gives it extraterritorial reach; and (2) there was a sufficient nexus between defendant's activities and Trader Joe's American commerce due to the reputational harm defendant's activities could cause to Trader Joe's trademarks, which would diminish the value of the marks. Alternatively, the court also found that the defendant operated in American commerce when he purchased goods in Washington and hired locals to assist him. Finally, the court found that there was not sufficient "interference with other nations' sovereign authority" to prevent application of the Lanham Act.

Tenth Circuit Holds That Color in Product Packaging Can Be Inherently Distinctive Only When Specific Colors Are Used With a Shape, Pattern or Design: *Forney Industries, Inc. v. Daco of Missouri, Inc.*, No. 15-1226 (10th Cir. Aug. 29, 2016)

Hartz, J. In a case involving packaging for metalworking parts and accessories, the Tenth Circuit affirmed the district court's summary judgment dismissing trade dress claims, holding that color in product packaging can be inherently distinctive only when specific colors are used in association with shapes, patterns or designs, and that plaintiff's red, yellow, white and black color scheme was insufficient because it was used inconsistently. The court also affirmed the district court's finding that there was not sufficient evidence to show that the trade dress had acquired secondary meaning based on its determination that the CEO's affidavit regarding advertising, sales data and exclusive use over a 20-year period was lacking.

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