

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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NOMINATION DI ANTONIO E PAOLO GENSINI
S.N.C., NOMINATION S.R.L., and
NOMINATION USA, INC.,

Plaintiffs,

07 Civ. 6959
MEMORANDUM & ORDER

-against-

H.E.R. ACCESSORIES LTD., PAN OCEANIC
GROUP, LLC, RICHARD TERZI, HYMIE
ANTEBY, SAME ANTEBY, JACK ANTEBY,
CLAIRE'S BOUTIQUE'S INC., CLAIMRE'S
STORES, INC., SOCORRO ECHEVERRIA,
d/b/a DEALT-IN MARKETING AGC INC.,
THOSE CHARACTERS FROM CLEVELAND,
INC., AMERICAN GREETINGS CORPORATION,
ARTLIST INTERNATIONAL, INC., ARTLIST
INTERNATIONAL USA, INC., DIC I
CORPORATION d/b/a DIC ENTERTAINMENT
CORPORATION, HEARST HOLDINGS, INC.,
FLEISCHER STUDIOS, INC., KING FEATURES
SYNDICATE, HOUGHTON MIFFLIN COMPANY,
UNIVERSAL STUDIOS LICENSING LLLP,
NINTENDO OF AMERICA, INC., JAMES K.
BENTON, SANRIO INC., VIACOM
INTERNATIONAL, INC., JOHN DOES 1-50
and XYZ COMPANIES 1-50,

Defendants.

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DEBORAH A. BATTS, United States District Judge.

Plaintiffs Nomination Di Antonio E Paolo Gensini S.N.C.,
Nomination S.R.L., and Nomination USA, Inc. (collectively
"Nomination" or "Plaintiffs") bring suit against, inter alia,
Defendants Those Characters from Cleveland, Inc., American
Greetings Corporation, AGC, Inc., Artlist International Inc.,

Artlist International USA, Inc., DIC I Corporation d/b/a DIC Entertainment Corporation, Hearst Holdings, Inc., Fleisher Studios, Inc., King Features Syndicate, Houghton Mifflin Company, Universal Studios Licensing LLLP, Nintendo of America, Inc., James K. Benton, Sanrio Inc., and Viacom International Inc. (collectively, the "Licensor Defendants") for trademark infringement under the Lanham Act and six related claims. The Third Amended Complaint alleges the Licensor Defendants supplied rights to their own intellectual property to the manufacturers and distributors of products (the "Supplier Defendants") that directly infringed upon Plaintiffs' trademark. On February 26, 2010, the Supplier Defendants Answered the Third Amended Complaint.

The Licensor Defendants now move to dismiss the claims against them pursuant to Federal Rule of Civil Procedure 12(b)(6) for failure to state a claim. Because the Court finds that Plaintiffs have failed to allege the necessary elements of their claims, the Licensor Defendants' Motion to Dismiss is GRANTED.

I. BACKGROUND¹

The basic facts of this case are recounted in this Court's Order of December 13, 2009, and familiarity with them is presumed.

The Licensor Defendants are alleged to have licensed their intellectual property rights to famous characters (e.g., SpongeBob SquarePants, Betty Boop, Popeye, Super Mario Brothers, etc.) to the Supplier Defendants, who in turn used those licenses to market "composable" bracelet links that infringed on Plaintiffs' trademark. (Third Am. Compl. ¶ 4-7.) Plaintiffs allege that "[t]he Licensor Defendants knew or should have known, at the time they entered into license agreements with the Supplier Defendants or subsequently, that they were contributing to the Supplier Defendants' infringement of [Nomination's trademark]." (Id.) Furthermore, at least by December 29, 2005, Plaintiffs notified at least some² of the Licensor Defendants

¹ The following facts alleged in the Third Amended Complaint are presumed true and construed in the light most favorable to Plaintiffs for purposes of this motion.

² Plaintiffs notified TCFC, Artlist-Japan, Artlist-USA, DIC, Hearst, Houghton Mifflin, Benton, Sanrio, and Viacom. (Third Am. Compl. ¶83, Ex. T.) Plaintiffs allege that "[u]pon information and belief, the same letter was also sent to the other Licensor Defendants (AGC, American Greetings, Fleischer, King, Universal, and Nintendo), but Nomination has not yet been able to locate copies." (Third Am. Comp. ¶83.)

that H.E.R. was using their respective intellectual property to infringe upon the Nomination trademark. (Third Am. Compl. ¶ 83.) In those communications, Nomination also requested that each Licensor Defendant "cooperate with Nomination's investigation into such infringing activity." (Third Am. Compl. ¶ 84.) The Licensor Defendants allegedly ignored this request. (Third Am. Compl. ¶ 84.)

In its Order of December 13, 2009, this Court granted the Licensor Defendants' Motion to Dismiss all of Plaintiffs' claims set forth in the Second Amended Complaint pursuant to Rule 12(b)(6) for failure to state a claim. This Court sua sponte dismissed Plaintiffs' New York state law claims for false advertising or deceptive acts with respect to the Supplier Defendants as well.

Plaintiffs filed their Third Amended Complaint on January 19, 2010. Plaintiffs make seven claims against all Defendants for: (1) Trademark Infringement under 15 U.S.C. § 1114; (2) False Designation of Origin under 15 U.S.C. § 1125(a); (3) Trademark Dilution under 15 U.S.C. § 1125(c); (4) Trademark Infringement under N.Y. Gen. Bus. Law § 360-k; (5) Trademark Dilution under N.Y. Gen. Bus. Law §§ 360-1 et seq.; (6) common law trademark infringement; and (7) common law unfair competition.

The Licensor Defendants now move once again to dismiss the complaint under Rule 12(b)(6) for failure to state a claim.

II. DISCUSSION

A. Legal Standard for a Motion to Dismiss

For a Complaint to survive a Motion to Dismiss under Rule 12(b)(6), the plaintiff must plead "enough facts to state a claim to relief that is plausible on its face." Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570 (2007). "A claim has facial plausibility," the Supreme Court has explained,

"when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged. The plausibility standard is not akin to a 'probability requirement,' but it asks for more than a sheer possibility that a defendant has acted unlawfully. Where a complaint pleads facts that are 'merely consistent with' a defendant's liability, it 'stops short of the line between possibility and plausibility of 'entitlement to relief.'"

Ashcroft v. Iqbal, 129 S.Ct. 1937, 1949 (2009) (quoting Twombly, 550 U.S. at 556-57). "[A] plaintiff's obligation to provide the grounds of his entitlement to relief requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do." Twombly, 550 U.S. at 555 (internal quotation marks omitted). "In keeping with these principles," the Supreme Court has stated,

"a court considering a motion to dismiss can choose to begin by identifying pleadings that, because they are no

more than conclusions, are not entitled to the assumption of truth. While legal conclusions can provide the framework of a complaint, they must be supported by factual allegations. When there are well-pleaded factual allegations, a court should assume their veracity and then determine whether they plausibly give rise to an entitlement to relief.”

Iqbal, 129 S.Ct. at 1950.

In ruling on a 12(b)(6) motion, a court may consider the complaint as well as “any written instrument attached to the complaint as an exhibit or any statements or documents incorporated in it by reference.” Zdenek Marek v. Old Navy (Apparel) Inc., 348 F.Supp.2d 275, 279 (S.D.N.Y. 2004) (citing Yak v. Bank Brussels Lambert, 252 F.3d 127, 130 (2d Cir. 2001) (internal quotations omitted)).

B. Motion to Dismiss

Plaintiffs have asserted a variety of claims for trademark infringement, trademark dilution, and unfair competition under Federal, New York statutory, and New York common law.³

³ With respect to claims for trademark infringement, trademark dilution, and unfair competition, “[New York] State law largely tracks federal law in this area. . . .” Merck & Co., Inc. v. Mediplan Health Consulting, Inc., 425 F.Supp.2d 402, 410 (S.D.N.Y. 2006). In its December 2009 Order, this Court discussed both State and Federal claims together for purposes of determining whether Plaintiffs had adequately alleged contributory liability. Defendants request that this Court do so again, and Plaintiffs do not argue that the State and Federal

The Licensor Defendants make three arguments in support of their Motion to Dismiss. They contend first that Plaintiffs fail to state a claim for contributory infringement because (a) Plaintiffs have not alleged sufficient facts to bring the Licensor Defendants' conduct within the contributory infringement standard established by the Supreme Court in Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844 (1982); and (b) irrespective of the scope of Inwood Labs., the Third Amended Complaint does not allege sufficient facts to satisfy the element of knowledge. Finally, Licensor Defendants argue that Plaintiffs fail to state a claim for trademark dilution under either the Lanham Act or state law.

1. Contributory Infringement Against Licensor Defendants

a. The Inwood Labs. Standard.

"[A] manufacturer or distributor [who] intentionally induces another to infringe a trademark, or . . . continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement . . . is contributorially responsible for

claims should be discussed separately. Therefore, this Court will again discuss the State and Federal claims together for purposes of determining whether Plaintiffs have adequately alleged contributory liability.

any harm done as a result of the deceit." Inwood Laboratories, Inc. v. Ives Laboratories, Inc., 456 U.S. 844, 854 (1982).

Where, as here, a party supplies a service rather than a product to one engaging in trademark infringement, the Second Circuit has not decided definitively that the Inwood framework applies. Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 105-106 (2d Cir. 2010) (noting where a service-provider did not contest Inwood's application, "We therefore assume without deciding that Inwood's test for contributory trademark infringement governs."). A number of courts in this jurisdiction have applied Inwood in the service-provider context, relying upon the Ninth Circuit's opinion in Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d 980 (9th Cir. 1999), which held that "when measuring and weighing a fact pattern in the contributory infringement context without the convenient 'product' mold dealt with in Inwood Lab., we consider the extent of control exercised by the defendant over the third party's means of infringement" and thus the "[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff's mark." 194 F.3d at 984; see, e.g., Tiffany (NJ) Inc. v. eBay, Inc., 576 F.Supp.2d 463, 505 (S.D.N.Y. 2008) ("The relevant inquiry is, instead, "the extent of control exercised by the defendant over the third party's means of infringement."); Gucci America, Inc. v. Hall &

Associates, 135 F.Supp.2d 409, 416 n.14 (S.D.N.Y. 2001) (“[A] defendant can be held liable for contributory trademark infringement under the test set forth in Inwood Labs. . . . where the defendant exercised direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark.”) Accordingly, the Court must determine whether Plaintiffs allege sufficiently that Licensor Defendants engaged in “[d]irect control and monitoring of the [bracelet links] used by [Supplier Defendants] to infringe the plaintiff’s mark.” Lockheed Martin, 194 F.3d at 984.

b. “Direct Control and Monitoring”

As this Court determined in its December 2009 Order, allegations that Defendants actively monitored and controlled their own respective marks are insufficient to show that Defendants engaged in “direct control and monitoring” of the instrumentality of infringement. (December 2009 Order at 16) (citing Fare Deals Ltd. v. World Choice Travel.com, Inc., 180 F. Supp. 2d 678, 689 (D. Md. 2001), (“[A] licensor of a mark does not ordinarily have a duty to prevent a licensee’s misuse of another party’s mark.”).) Nevertheless, this Court also found that “participation in the development, promotion and sale of the counterfeit bracelets would, if true, likely equate to direct control and monitoring.” (December 2009 Order at 17.)

Now, in the Third Amended Complaint, Plaintiffs allege that the Licensor Defendants engaged in "direct control and monitoring" of the instrumentality used to infringe the Plaintiffs' mark when they 1) entered into contracts reflecting a concern that their intellectual property not be used on infringing products and providing for ongoing monitoring of such products (Third Am. Compl. ¶ 78); and 2) exercised those bargained-for rights of pre-approval and monitoring. (Third Am. Compl. ¶ 80.)

A recent decision from this district clarified what kind of allegations are sufficient to show "direct control and monitoring." In Gucci America, Inc. v. Frontline Processing Corp., No. 09 Civ. 6925(HB), 2010 WL 2541367 (S.D.N.Y. June 23, 2010), a manufacturer of high-end handbags sued two credit card processors for trademark infringement and unfair competition on a theory of contributory infringement. Finding that allegations of control and monitoring were sufficient as to two defendants, the court found that the "instrumentality" of the infringement was the combination of the website offering counterfeit handbags and the credit card network that allowed the distribution of counterfeit goods to proceed. Id. at *16. Because they provided credit card processing services, the defendants "'furnish[ed] the means of consummating' the trademark infringement." Id. (quoting

William R. Warner & Co. v. Eli Lilly & Co., 265 U.S. 526, 530 (1924)).

In the Third Amended Complaint, Plaintiffs' allege sufficient "direct control and monitoring" to sustain a claim of contributory infringement against the remaining Licensor Defendants. The license agreements annexed to the Third Amended Complaint provide for the Licensor Defendants to receive production samples and purport to require advance approval of the final product. (Third Am. Compl. ¶ 78.) Furthermore, Plaintiffs allege and annex approval forms to indicate that the remaining Licensor Defendants reviewed and approved final product designs. (Third Am. Compl. ¶ 79.) The allegations in the Third Amended Complaint are sufficient to show that the Licensor Defendants' conduct was more than merely incidental to the alleged infringement. See Fare Deals Ltd., 180 F. Supp. 2d at 681 (finding allegations of "direct control and monitoring" insufficient where defendants merely allowed links to their own websites to appear on an infringing website).

The Third Amended Complaint sufficiently shows that, like the credit card processors in Gucci America, Inc., the combination of the Licensor Defendant's intellectual property and the infringing links allowed the infringement to succeed. Indeed, the infringing links were not marketed as simply a

"Nomination Link," but rather as, for example, a "Dora the Explorer Nomination Link" or "SpongeBob Squarepants Nomination Link." (Third Am. Compl. ¶ 50.) In light of the prominent role the Licensor Defendants' intellectual property played in the infringing product and the extent of the allegations that the Licensor Defendants' monitored and pre-approved the infringing products, Plaintiffs' allegations of "direct control and monitoring" are sufficient to bring the Licensor Defendants' conduct within the ambit of the Inwood Labs. contributory infringement standard.

c. The Element of Knowledge

Plaintiffs, however, must also allege that the Licensor Defendants possessed knowledge of the direct infringement by the Supplier Defendants. (Defs.' Mem. Law at 14-18.) Inwood Labs. extends contributory liability only to individuals supplying a product "to one whom it knows or has reason to know is engaging in trademark infringement." Inwood Labs., 456 U.S. at 854 (emphasis added). Knowledge is, thus, an essential element of contributory infringement.

Plaintiffs allege that "[b]y virtue of their contractual right of approval of their licensees' goods and packaging, and of their exercise of that right, the Licensor Defendants knew or should have known of their respective licensees' use of the

Mark.” (Third Am. Compl. ¶ 81.) Furthermore, “[b]y virtue of their constructive knowledge of Nomination’s exclusive rights in the Mark as a result of the federal registration thereof, the Licensor Defendants knew or should have known that their licensees’ use of the Mark was unauthorized and infringed upon Nomination’s rights.” (Third Am. Compl. ¶ 82.) Plaintiffs allege that Nomination expressly notified at least some of the Licensor Defendants that the respective licensees were infringing on Nomination’s Mark, and that the Licensor Defendants ignored Nomination’s request for cooperation.” (Third Am. Compl. ¶83-84.) Finally, Plaintiffs allege that “[u]pon information and belief, the Licensor Defendants continued to allow their Supplier Defendant-licensees to use their respective intellectual property in conjunction with bracelet links that would be promoted and sold using the Mark, even after they had constructive and/or actual knowledge that the Supplier Defendants were directly infringing Nomination’s rights in the Mark.” (Third Am. Compl. ¶ 85.)

As the Second Circuit has clarified recently, “[f]or contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods.” Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 107 (2d Cir. 2010).

Rather, Plaintiffs must allege that Defendants were aware of "specific instances of actual infringement." Id. Plaintiffs' allegations of knowledge are therefore insufficient to the extent they rely on contractual pre-approval rights and Nomination's federal registration.

Under the standard set forth in Tiffany (NJ) Inc., Plaintiffs must allege that the Licensor Defendants were alerted to specific instances of infringement and that they continued to supply their services after they knew or should have known that their services were being used to infringe Plaintiffs' Mark. Tiffany (NJ) Inc., 600 F.3d at 109. Although Plaintiffs here allege sufficiently that at least some of the Licensor Defendants had specific knowledge of infringement based upon the letters Nomination sent in December 2005, (Third Am. Compl. ¶ 83), Plaintiffs' allegations that the Licensor Defendants continued to supply their services after this notice are conclusory under Iqbal. Not one of the license agreements and approval letters annexed to the Third Amended Complaint is dated after December 2005, when Plaintiffs notified at least some Licensor Defendants of the infringement. Nor do Plaintiffs allege that any of the license agreements were renewed or extended after the Licensor Defendants were notified of the infringement, or that the Licensor Defendants approved any additional product samples after

that date. Plaintiffs' allegations that the Licensor Defendants continued to supply their intellectual property after learning of the infringement merely restate an element of contributory infringement.

Opposing this Motion to Dismiss, Plaintiffs urge this Court to accept the "plausible inference" that the Licensor Defendants continued to provide their services after learning of the infringement. (Pls.' Opp. Mem. at 17.) Nevertheless, Plaintiffs' allegations provide no "factual content that allows the court to draw the reasonable inference." Iqbal, 129 S. Ct. at 1949. Instead of alleging facts that, if proven, would satisfy the necessary element of contributory infringement—that the Licensor Defendants continued to provide their services after they knew of the infringement—Plaintiffs provide only a "formulaic recitation" of the knowledge element of contributory infringement. Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555 (2007). Plaintiffs therefore have failed to allege sufficient facts to satisfy the knowledge element of contributory infringement, and their contributory liability claims must be dismissed.

2. Plaintiffs' Remaining Claims

Plaintiffs' Lanham Act and New York General Business Law trademark dilution claims against the Licensor Defendants must

also be dismissed. As a preliminary matter, the Second Circuit has not yet determined that a cause of action for contributory dilution exists at all. See Tiffany (NJ) Inc., 600 F.3d at 112. Nevertheless, even if such a cause of action exists, Plaintiffs' contributory dilution claims would again fail because Plaintiffs have failed to allege adequately the element of knowledge. See Tiffany (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463, 526 (S.D.N.Y. 2008) ("[E]ven assuming arguendo that a contributory dilution claim exists, it would fail for the reasons set forth [. . .] with respect to Tiffany's contributory infringement claims.").

3. Leave To Replead

Although permission to amend a Complaint "shall be freely given when justice so requires," Fed. R. Civ. P. 15(a), a Court may dismiss without leave to amend when amendment would be futile. Oneida Indian Nation of New York v. City of Sherrill, 337 F.3d 139, 168 (2d Cir. 2003) (internal citations omitted), rev'd on other grounds, 544 U.S. 197 (2005). "A proposed amendment to a pleading would be futile if it could not withstand a motion to dismiss pursuant to Rule 12(b)(6)." Id. (citing Ricciuti v. N.Y.C. Transit Auth., 941 F.2d 119, 123 (2d Cir. 1991)).


Here, because this Court gave Plaintiffs notice of the deficiencies in their Complaint in its December 2009 Order and Plaintiffs failed to correct the deficiency with respect to the element of knowledge, this Court finds that further amendment would be futile. Leave to replead claims against the Licensor Defendants is therefore DENIED.

III. CONCLUSION

For the foregoing reasons, the Motion to Dismiss the Third Amended Complaint is GRANTED in its entirety as to Defendants Those Characters from Cleveland, Inc., American Greetings Corporation, Artlist International, Inc., Artlist International USA, Inc., DIC I Corporation d/b/a DIC Entertainment Corporation, Hearst Holdings, Inc., Fleisher Studios, Inc., King Features Syndicate, Houghton Mifflin Company, Universal Studios Licensing LLLP, Nintendo of America, Inc., James K. Benton, Sanrio Inc., and Viacom International Inc.

SO ORDERED.

Dated: New York, New York
December 6, 2010



Deborah A. Batts
United States District Judge