UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CJ PRODUCTS LLC and ONTEL PRODUCTS CORPORATION,
Plaintiffs,

-v-

BTC ENTERPRISES LLC d/b/a/ TOY GALAXY and RECAI SAKAR,
Defendants.

10 Civ. 5878 (KBF)

MEMORANDUM AND ORDER

BTC ENTERPRISES LLC d/b/a/ TOY GALAXY,
Counterclaim Plaintiff,

-v-

CJ PRODUCTS LLC, ONTEL PRODUCTS CORPORATION, and EPSTEIN DRANGEL LLP,
Counterclaim Defendants.

KATHERINE B. FORREST, District Judge:

Plaintiff CJ Products LLC ("CJ Products") develops, produces and sells gifts and toys. (Am. Comp ¶ 11; see also Defs.' Rule 56.1 Response ¶ 1.) It owns the trademarks for a popular line of products best known as "Pillow Pets." [1] As the name suggests, Pillow Pets are part functional pillow, part stuffed animal. Unfolded, the animal lies flat like a pillow;

[1] CJ Products owns the following trademarks associated with that line of products: My Pillow Pets; Pillow Pets; It's a Pillow, It's a Pet . . . It's a Pillow Pet; and My Pillow Pets It's Your Pillow and a Pet, It's a Pillow Pet. (See Defs.' Rule 56.1 Response ¶ 2; Wright Decl. ¶ 17.) For ease of reference, the Court refers to that line of products as "the Products" or "Pillow Pets."

folded, the four corners form "legs" on which it can stand. CJ Products also owns copyright registrations for dozens of the Pillow Pets, including the eleven animals at issue here: Lady Bug, Bumble Bee, Turtle, Penguin, Duck, Cow, Frog, Horse, Unicorn, Moose, and Dog. (Wright Decl. Ex. B.)

CJ Products entered into an exclusive agreement with plaintiff Ontel Products Corporation ("Ontel") to distribute, sell, promote or otherwise exploit Pillow Pets.[2] (Talcott Decl. ¶ 16, Ex. 12, ¶ 1.1.) There is no dispute that defendant BTC Enterprises LLC d/b/a Toy Galaxy ("Toy Galaxy") sells a competing line of similar products. (See, e.g., Defs.' Opp. at 1 (characterizing defendants' relationship with plaintiffs as that of competitors).) On August 4, 2010, CJ Products and Ontel initiated this suit against Toy Galaxy and its president, Recai Sakar, amending their complaint January 19, 2011 to allege, inter alia, trademark infringement, copyright infringement, false advertising, unfair competition and unjust enrichment. (Am. Compl. passim.)

On February 8, 2011, defendants answered the amended complaint and asserted twelve counterclaims, including unfair competition (First and Second Causes of Action), tortious interference with prospective economic advantage (Third Cause of

[2] As a matter of law, exclusive rights, such as those Ontel possesses, confer standing to sue for copyright infringement. See 17 U.S.C. § 501(b).

Action), abuse of process (Fourth Cause of Action), defamation (Fifth and Sixth Causes of Action), civil conspiracy (Seventh Cause of Action), and several requests for declaratory judgments, including of no copyright infringement (Eighth through Twelfth Causes of Action).[3] (Answer passsim.) Each counterclaim assumes that defendants have not committed infringement and that, therefore, plaintiffs' efforts to protect their copyright and trademark rights resulted in unfair competition, tortious interference, defamation, etc.

On October 31, 2011, plaintiffs moved for summary judgment on their copyright infringement claim (Second Cause of Action) and on defendants' First through Seventh Causes of Action.[4] For the reasons set forth below, the Court now GRANTS plaintiffs' motion for summary judgment and also sua sponte DISMISSES defendants' Eighth Cause of Action for a declaration of no copyright infringement.

On January 10, 2012, defendants moved to strike evidence submitted by plaintiffs in support of their motion for summary judgment. For the reasons set forth below, defendants' motion to strike is DENIED.

---

[3] Defendants' Third, Fifth, Sixth and Seventh Counterclaims are also asserted against Epstein Drangel LLP, plaintiffs' counsel. (Id.)

[4] Epstein Drangel LLP joins in plaintiffs' motion with respect to the counterclaims brought against it. (See Pl.'s Mem. at 2 (defining "Plaintiffs"), 3.)

I. MOTION FOR SUMMARY JUDGMENT

1. Standard of Review

Summary judgment is proper only if the evidence demonstrates that there is no genuine issue as to any material fact and that movants are entitled to judgment as a matter of law. See, e.g., Yurman Studio, Inc. v. Castaneda, 591 F. Supp. 2d 471, 482 (S.D.N.Y. 2008). "As a general rule, all ambiguities and all inferences drawn from the underlying facts must be resolved in favor of the party contesting the motion, and all uncertainty as to the existence of a genuine issue for trial must be resolved against the moving party." Prince Group v. MTS Prods., 967 F. Supp. 121, 124 (S.D.N.Y. 1997) (citation omitted). In addition, "it is a settled rule that credibility assessments, choices between conflicting versions of the events, and the weighing of evidence are matters for the jury, not for the court on a motion for summary judgment." Yurman Studio, 591 F. Supp. 2d at 482 (internal quotations omitted). Nonetheless, although courts are generally "wary of granting summary judgment in copyright infringement cases because of their highly fact specific nature," it is appropriate to do so when "no reasonable juror could find that defendants did not copy plaintiffs' protected works." Id. at 496.

"A party may not rely on mere speculation or conjecture as to the true nature of the facts to overcome a motion for summary judgment," as "[m]ere conclusory allegations or denials cannot by themselves create a genuine issue of material fact where none would otherwise exist." Hicks v. Baines, 593 F.3d 159, 166 (2d Cir. 2010) (internal quotation marks and punctuation omitted); see also Barkley v. Penn Yan Central School Dist., 442 Fed. Appx. 581, 582 (2011) (2d Cir. Sep. 6, 2011). Only disputes over material facts - i.e. "facts that might affect the outcome of the suit under the governing law" - will properly preclude the entry of summary judgment. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986). Such disputes must also be genuine - i.e. the nonmoving party "must do more than simply show that there is some metaphysical doubt as to the material facts." Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp., 475 U.S. 574, 586 (1986).

Where, as here, the nonmovant will bear the ultimate burden of proof on certain issues, "the moving party's burden under Rule 56 will be satisfied if he can point to an absence of evidence to support an essential element of the nonmoving party's claim." Brady v. Town of Colchester, 863 F.2d 205, 210-11 (2d Cir. 1988). Once the moving party has met that burden, the non-movant must show that "there is sufficient evidence to

reasonably expect that a jury could return a verdict in [its] favor." Id. at 211.

2. Plaintiff's Copyright Claim

To prove copyright infringement, plaintiffs must demonstrate (1) ownership of valid copyrights in the works allegedly infringed; and (2) that defendants "copied" the copyrighted works without permission. See, e.g., Island Software and Computer Serv., Inc. v. Microsoft Corp., 413 F.3d 257, 260 (2d Cir. 2005); Rogers v. Koons, 960 F.2d 301, 306 (2d Cir. 1992) (citation omitted).

Validity of the Copyrights

Copyrights registered within five years of publication "constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate." 17 U.S.C. § 410(c). Accordingly, validity is typically conceded in copyright infringement cases. Here, however, it is not. Rather, the validity of plaintiffs' copyrights is the heart of defendants' opposition to this motion. Defendants argue that there are material issues of fact as to whether CJ Products owns the eleven copyrights at issue and whether Ontel is the exclusive licensee of those copyrights. (Defs.' Opp. at 4-13.) They also assume that plaintiffs are not entitled to a presumption of validity with respect to two of the copyrights that were not registered within five years of publication (see,

e.g., Defs.' Mem. Mot. to Strike at 2-3) and contend that there is a genuine dispute regarding whether the designs plaintiffs presently market are the ones registered with the Copyright Office (Defs.' Opp. at 13-17).

Defendants' primary argument is that CJ Products does not own the copyrights in question. First, as to the eight designs published prior to March 2008, defendants argue that CJ Products LLC did not exist "as an entity" and so cannot own the copyrights in those designs. (Id. at 4-6.) Second, as to the three works published after March 2008, defendants argue that there are material issues of fact with respect to whom - CJ Products, its foreign manufacturer or its CEO - owns those works. (Id. at 6-8.) Plaintiffs have put forth copyright registrations for each of the Pillow Pets at issue that name CJ Products LLC as the owner. (Wright Decl. Ex. B.)

Although CJ Products LLC was formed in March 2008, it previously existed as a sole proprietorship called "CJ Products," owned by CJ Products's current CEO and owner, Jennifer Telfer, and her husband. (Pls.' Response to Defs.' Stmt. ¶¶ 2-3.) In 2004, Ms. Telfer, as an employee of the proprietorship, designed the Pillow Pets currently marketed by plaintiffs. (See id. ¶ 4; see also Talcott Decl. ¶ 17, Ex. 13 21:19-22:2, 24:8-10, 26:24-27:2, 28:13-15, 32:15-17, 33:2-17, 36:9-37:7.) Accordingly, those designs were works for hire,

owned by the proprietorship. See 17 U.S.C. §§ 101, 201(b); (see also Wright Decl. Ex. B. (registrations identifying the Pillow Pets as "works made for hire")). The only change that occurred in 2008 was one of corporate form. (See Pls.' Response to Defs.' Stmt. ¶¶ 1-3.) Defendants have put forth only conjecture and conclusory allegations in support of their argument that the copyrights owned by the proprietorship were not properly transferred to the LLC. (E.g., id. ¶ 8.) That is not enough to create a genuine issue of material fact. Barkley, 442 Fed. Appx. at 582; Hicks, 593 F.3d at 166.

Nor does the fact that each of plaintiffs' pre-2008 copyrights lists CJ Products LLC, not the proprietorship, as the owner create a triable issue as to the proprietorship's original ownership of the copyrights or as to the validity of the registrations. It is well settled that minor, technical inaccuracies will not invalidate a copyright registration if they would not have affected the Copyright Office's approval of the application. See, e.g., Eckes v. Card Prices Update, 736 F.2d 859, 861-62 (2d Cir. 1984) ("Only the knowing failure to advise the Copyright Office of facts which might have occasioned a rejection of the application constitute[s] reason for holding the registration invalid and thus incapable of supporting an infringement action." (internal quotation marks omitted)); Pantone, Inc. v. A.L. Friedman, Inc., 294 F. Supp. 545, 551

(S.D.N.Y. 1968) ("Pantone Press, Inc. was in fact identical with the plaintiff. Such technical minutiae do not afford a basis for defeating an otherwise valid copyright.").

Furthermore, defendants' contention that the so-called "Nunc Pro Tunc Agreement" between CJ Products and Color Rich Limited ("CRL"), the Pillow Pets' manufacturer, indicates that CRL may have contributed to CJ Product's designs is meritless. (See Defs.' Opp. at 8-10.) That contract merely confirms the oral understanding between CJ Products and CRL, dating back to 2004, that the former owned and continues to own the Pillow Pet designs. (Pl.'s Response to Defs.' Stmt. ¶ 10; Talcott Decl. ¶ 8, Ex. 5 at 1.) Defendants' assertions are highly speculative and without any record support; indeed, Ms. Telfer's deposition indicates that CRL did not contribute to the creative design of the Pillow Pets whatsoever. (See Talcott Decl. ¶ 17, Ex. 13 33:2-21, 36:9-37:7.)

Regarding Ontel's standing, the record is clear that Ontel has certain exclusive rights in the eleven works at issue by virtue of its licensing agreement with CJ Products. (See Talcott Decl. ¶ 16, Ex. 12, ¶¶ 1.1 (granting the right "to distribute, sell, advertise, promote or otherwise exploit the Products").) Those rights are sufficient to confer standing in accordance with 17 U.S.C. § 501(b). Defendants' assertion that the agreement reserves to CJ Products "all right, title and

interest in and to the design of the Products" overlooks that such reservation is explicitly "[s]ubject to the rights granted to Ontel under th[e] Agreement."[5] (Id. ¶ 4.1(a); Defs.' Opp. at 12.)

Defendants also contend that since two of the works were published more than five years prior to receipt of the copyright registrations, they are not entitled to a presumption of validity. (See Defs.' Mem. Mot. to Strike at 2-3.) While defendants are correct as a matter of fact and law, that is not dispositive: This Court has the discretion to give the same presumption of validity to those two works that the statute provides to the others. See 17 U.S.C. § 410(c). Indeed, when the same argument was made against CJ Products in another infringement case, Judge Vitaliano of the U.S. District Court for the Eastern District of New York noted that

> [g]iven that the overwhelming majority of the designs within this product line are clearly entitled to the statutory presumption of validity, the Court finds that it is especially appropriate to exercise the discretion accorded it by statute and afford the same weight to the . . . certificates registered outside the protected harbor timeline. Plaintiffs currently make and sell 33 versions of the pillow pet product line that are all functionally the same - they are a combination of a stuffed animal and a pillow. That the "Buzzy Bumble Bee" design, for example, was registered within the five-year period and the "Puffy Duck" design was not, is substantively insignificant.

[5] Under the agreement, Ontel also has the right to enforce CJ Products's intellectual property rights. (See id. ¶ 4.1(b).)

> Both products are made and marketed as part of the identical product line.

CJ Prods. LLC v. Concord Toys Int'l Inc., No. 10-5712, 2011 WL 178610, at *3 (E.D.N.Y. Jan. 19, 2011). Another Eastern District judge, Judge Mauskopf, recently adopted the same rationale in another infringement case involving CJ Products. CJ Prods. LLC v. Snuggly Plushez LLC, 809 F. Supp. 2d 127, 143-44 (E.D.N.Y. 2011). This Court does the same.

Finally, defendants argue that plaintiffs have failed to show that the eleven designs at issue are "in fact" the same as those registered with the Copyright Office. (Defs.' Opp. at 13-17.) They base that argument on plaintiffs' stated difficulty in obtaining the Pillow Pet "deposit materials" submitted to the Copyright Office with their registration applications. (Id. at 14-15.) According to defendants, without the deposit materials in evidence, how can they know that the copyright registration for the "Lady Bug" relates to the lady bug toy that looks like theirs? (See id. at 15; see generally Wright Decl. Ex. E (side-by-side comparisons of plaintiffs' and defendants' products).) Such argument, however, is pure speculation and conjecture. Defendants have failed to raise a triable issue of fact as to whether the eleven Pillow Pets in question correspond with the registered designs. The Lady Bug is a lady bug, the Bumble Bee a bumble bee, and the Penguin a penguin. As the old adage goes,

and it applies here with particular resonance, if it looks like a duck and quacks like a duck, it is a duck.

Accordingly, defendants have failed to raise a triable issue of fact with regard to plaintiffs' ownership of the copyrights and standing to pursue an infringement claim.

Copying

To prevail on this motion, plaintiffs must also demonstrate that there is no genuine issue of material fact as to whether defendants "copied" plaintiffs' eleven Pillow Pet works without permission. See, e.g., Rogers, 960 F.2d at 306. The term "copy" has a broad meaning, defined by the Copyright Act and case law to include violations of any of the exclusive rights in the bundle conferred on the copyright holder. 17 U.S.C. § 501(a); see also Island Software and Computer Serv., 413 F.3d at 260. The bundle of exclusive rights includes, inter alia, the right to make reproductions (what most people refer to colloquially as "copying") and to distribute copies by sale. 17 U.S.C. § 106. Copyright infringement may be inferred "if the two works are so strikingly similar as to preclude the possibility of independent creation." Lipton v. Nature Co., 71 F.3d 464, 471 (2d Cir. 1995) (internal quotation marks omitted).

Here, the eleven works at issue are virtually identical and, thus, satisfy the strikingly similar standard. Based on the side-by-side comparisons of the parties' products put forth

by plaintiffs (Wright Decl. Ex. E), "no reasonable juror could find that defendants did not copy plaintiffs' protected works," Yurman Studio, 591 F. Supp. 2d at 496. The minute differences in the eyes and facial features cited by defendants, and defendants' conclusory assertion that "the quality of the fabric and finish of [their] products is notably higher," are insufficient to raise a triable issue of fact as to infringement. (See Defs.' Stmt. ¶ 56.)

Accordingly, because there is no genuine dispute of material fact that plaintiffs own valid copyrights to the Pillow Pets and that defendants' products are essentially the same as those sold by plaintiffs, plaintiffs are entitled to judgment as a matter of law on their copyright claim.

3. Defendants' Counterclaims

Defendants' First through Seventh Causes of Action are each based on the premise that defendants have not committed infringement and that, as such, plaintiffs' actions to protect their rights were somehow unlawful. As discussed above, however, defendants have failed to raise a triable issue of fact regarding plaintiffs' copyright infringement claim. It follows that defendants' counterclaims are also inadequately supported.

First, with respect to defendants' unfair competition causes of action, defendants have failed to create any genuine doubt that plaintiffs did not act in good faith in seeking to

enforce their rights, see, e.g., LoPresti v. Massachusetts Mut. Life Ins. Co., 820 N.Y.S.2d 275, 277 (2d. Dep't 2006), or that they did not fairly represent the nature or characteristics of defendants' products in their warning letters to defendants' customers, see 15 U.S.C. § 1125(a)(1)(B). As previously discussed, CJ Products has proven that it owns valid copyrights and that defendants infringed those rights. Defendants have also acknowledged CJ Products's trademark rights (See Defs.' Counter-56.1 ¶ 2) and that they sold their products to a number of kiosk owners who designated their kiosks as "My Pillow Pets" and "Pillow Pets" (Id. ¶ 101). Moreover, defendants and their products were not even identified in the warning letters (Talcott Decl. ¶¶ 11-12, Exs. 7-8; see also Pls.' Response to Defs.' Stmt. ¶¶ 50-51), and defendants acknowledge that other infringing products also motivated plaintiffs' letters (Defs.' Counter 56.1 ¶ 105; see also id. ¶¶ 79, 106). Under such circumstances, no rational juror could find that plaintiffs did not have a legitimate business motivation for their warning letters and that the letters - which did not even mention defendants or their products - falsely described those products.

For the same reasons, defendants' counterclaim for tortious interference with prospective economic advantage also fails. See, e.g., Kirsch v. Liberty Media Corp., 449 F.3d 388, 400 (2d Cir. 2006) (including as an element of the claim, that "the

defendant acted solely out of malice, or used dishonest, unfair or improper means" (emphasis added and internal quotation marks omitted)). In addition, that counterclaim requires proof that the alleged interference caused injury, see, e.g., id., another element for which defendants have failed to adduce adequate evidence (see Defs.' Counter 56.1 ¶¶ 107, 109-110; Sakar Dep. 253:22-256:7, 310:8-312:12). Similarly, truth is a defense to defendants' defamation counterclaims, see, e.g., Dillon v. City of New York, 261 A.D.2d 34, 39 (1rst Dep't 1999), and - as discussed above - defendants have failed to raise a triable issue of fact that they have not engaged in copyright infringement.

Defendants concede that they have not uncovered sufficient facts with respect to their abuse of process counterclaim and that they cannot maintain a claim for civil conspiracy against CJ Products and Ontel. (See Defs.' Mem. at 25.) While defendants assert that their civil conspiracy claim against Epstein Drangle LLP continues to stand, that cause of action must also fall in light of their concession that no civil conspiracy claim against the other alleged co-conspirators is supportable. Epstein Drangle LLP could not be in a conspiracy with itself. See Abacus Fed. Savings Bank v. Lim, 75 A.D.3d 472, 474 (1st Dep't 2010) (requiring as an element of the claim,

"an agreement between two or more parties"). Thus, that claim is dismissed as well.

Finally, since this Court has granted summary judgment to plaintiffs on their copyright infringement claim, it sua sponte dismisses defendants' Eighth Cause of Action for a declaration of no copyright infringement. A district court "ha[s] discretion to grant summary judgment sua sponte, so long as [it] determines that the party against whom summary judgment is rendered has had a full and fair opportunity to meet the proposition that there is no genuine issue of material fact to be tried." Webadviso v. Bank of America Corp., 448 Fed. Appx. 95, 97 (2d Cir. 2011) (internal punctuation omitted). Although plaintiffs here did not move with respect to the Eighth Cause of Action, that cause of action is the mirror image of the infringement claim on which plaintiffs did move. (Compare Am. Compl. ¶¶ 48-54 with Am. Answer ¶¶ 188-190.) Accordingly, by virtue of having had a "full and fair opportunity" to adduce evidence in opposition to plaintiffs' infringement claim, defendants have had a "full and fair opportunity" to support their counterclaim. Thus, that counterclaim is properly dismissed sua sponte.

II. MOTION TO STRIKE

Defendants have also moved to strike a number of items plaintiffs submitted in support of their motion for summary

judgment. Specifically, defendants move to strike Exhibits 1-4 and paragraph 5 of the "Second Drangel Declaration and Exhibits," as well as Exhibit C and paragraphs 11, 17, 21 and 22 of the "Second Wright Declaration and Exhibits." This Court did not refer to any of those items in granting plaintiffs' motion for summary judgment. Nonetheless, because the Court disagrees with defendants' arguments, it DENIES defendants' motion.

First, Exhibits 1 and 2 to the Second Drangel Declaration are documents that defendants produced. (See Defs.' Mem. Mot. to Strike at 4.) Defendants do not dispute their authenticity. (See id.) Though the Court did not need to rely on those documents for its decision, defendants have not met their burden of showing that they lack sufficient relevance to merit striking. Exhibit 3 is a public document of which this Court may take judicial notice. Additionally, Exhibit 4 contains photographs of the copyright deposit materials that defendants repeatedly requested. Given the logistical issues involved in obtaining those materials cited by plaintiffs (Pls.' Opp. at 3-4; 2d Wright Decl. ¶¶ 13-15), and the fact that obtaining them was, in any event, unnecessary for proving infringement (and more a response to a tactical play by defendants), plaintiffs have shown good cause for the late production. Moreover, since this litigation is a search for the truth, defendants cannot be prejudiced by the materials' production. The Court, in its

discretion, therefore refuses to preclude the deposit materials.[6] See Design Strategy, Inc. v. Davis, 469 F.3d 284, 296 (2d Cir. 2006).

The Court also agrees with plaintiffs that Exhibit C to the Second Wright Declaration is responsive to points raised in defendants' opposition to the summary judgment motion. Defendants have failed to identify a sufficient basis to exclude that exhibit, and it shall remain part of the record. With respect to the testimony in the Second Wright Declaration that defendants assert was not based on personal knowledge, this Court simply declines to consider those aspects of the declaration as an alternative to striking them - as already stated, the Court had not considered those aspects in any event. See Doe v. Nat'l Bd. of Podiatric Med. Examiners, No. 03 Civ. 4034, 2004 U.S. Dist. LEXIS 7409, at *11 (S.D.N.Y. 2004). Similarly, with respect to the contested paragraph of the Second Drangel Declaration, that opinion testimony is rationally based

[6] The Court is also not convinced that the deposit materials should be excluded on authenticity grounds. As an initial matter, defendants have not actually questioned the authenticity of the materials. (See Defs.' Mem. Mot. to Strike at 5.) In any event, Paragraph 9 of the Drangel Declaration is testimony that the materials are what they claim to be or evidence that the materials copied were obtained from the Copyright Office, in satisfaction of Federal Rules of Evidence 901(b)(1) and/or (7). (2d Wright Decl. ¶ 9); see also Interplan Architects, Incs. V. C.L. Thomas, Inc., No. 4:08-cv-013181, 2010 U.S. Dist. LEXIS 114306, at *26-27 (S.D. Tex. Oct. 27, 2010). Also of note, each of the copies of the deposit materials are accompanied by a copy of a Copyright Office sealed document that states "Copy of a Deposit" and includes the corresponding Copyright registration number. (2d Wright Decl. Ex. 4.)

on Mr. Drangel's experience and first-hand knowledge and so satisfies Federal Rule of Evidence 701(a).

III. CONCLUSION

For the foregoing reasons, plaintiffs' motion for summary judgment is GRANTED, and defendants' motion to strike is DENIED.

The parties shall appear for a status conference with the Court on June 12, 2012 at 3:00 p.m. to discuss remaining pretrial proceedings.

The Clerk of the Court is directed to terminate the motions at Docket Numbers 34 and 51.

SO ORDERED

Dated: New York, New York
June 1, 2012

KATHERINE B. FORREST
United States District Judge