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NO JS-6

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

GIBSON GUITAR CORP., a	)	Case No. CV 12-10870 DDP (AJWx)
Delaware corporation,	)	
	)	<b>ORDER GRANTING MOTION TO DISMISS</b>
Plaintiff,	)	
	)	[Dkt. No. 30]
v.	)	
	)	
VIACOM INTERNATIONAL INC., a	)	
Delaware corporation; JOHN	)	
HORNBY SKEWES & CO., LTD., a	)	
United Kingdom corporation,	)	
	)	
Defendants.	)	
	)	
	)	

Presently before the court is Defendant Viacom International Inc. ("Viacom")'s Motion to Dismiss Plaintiff's Amended Complaint for Failure to State a Claim on Which Relief May Be Granted. Having considered the parties' submissions and heard oral argument, the court adopts the following order.

**I. Background**

Plaintiff Gibson Guitar Corporation ("Gibson") owns trademarks to the Flying V Body Shape Design Trademark, the Flying V Peg-Head Design Trademark, and the word mark FLYING V. (FAC ¶ 14.) Defendant Viacom is a Delaware corporation that owns trademarks for

1 SpongeBob Squarepants and Nickelodeon. (Id. ¶ 6.) Defendant John  
2 Hornby Skewes & Co. Ltd. ("JHS") is a United Kingdom corporation  
3 that promotes and sells various products using the SPONGEBOB  
4 trademarks. (Id. ¶ 7.) Plaintiff alleges that JHS has used  
5 Plaintiff's Flying V trademarks without authorization. (Id. ¶¶ 21-  
6 32.) Plaintiff makes the following factual allegations regarding  
7 Viacom:

8           35. Upon information and belief, the Viacom License  
9 requires Defendant Viacom to monitor and control the  
10 quality and distribution of the JHS' Unauthorized  
11 Products containing the SPONGEBOB SQUAREPANTS and  
12 NICKELODEON trademarks.

13           36. Upon information and belief, the Viacom License  
14 requires Defendant Viacom to monitor and control the  
15 quality and distribution of the JHS's Unauthorized  
16 Products containing the SPONGEBOB SQUAREPANTS and  
17 NICKELODEON trademarks. JHS is the distributor of the  
18 JHS's Unauthorized Products, and specifically pursuant to  
19 the License Agreement, Viacom controls, among other  
20 things, which products JHS can use Viacom's trademarks  
21 on, i.e. Ukuleles. Viacom controls product approval, and  
22 JHS must report and notify Viacom of all sales outside  
23 the Licensed Territory. A copy of this License Agreement  
24 is attached as Exhibit G.

25           37. Upon information and belief, Viacom had  
26 constructive knowledge that JHS' Unauthorized Products  
27 were infringing the Gibson Trademarks. The Gibson  
28 Trademarks are all registered in the United States, one  
for over 30 years. The Lanham Act requires the trademark  
owner to monitor the use of its own trademarks, including  
the use by third parties, or trademark rights could be  
lost.

          38. Viacom has actual knowledge of the infringement  
of the Gibson Trademarks by JHS' Unauthorized Products.  
Gibson contacted Viacom on December 7, 2012, with a cease  
and desist letter describing the infringement of JHS'  
Unauthorized Products. A copy of this cease and desist  
letter is attached hereto as Exhibit H.

          39. Despite its constructive and actual knowledge of  
the infringement of the Gibson Trademarks by JHS'  
Unauthorized Products, Viacom has continued to provide  
its intellectual property to JHS for use with JHS'  
Unauthorized Products.

          40. Upon information and belief, Viacom  
intentionally induced JHS to infringe on Gibson  
Trademarks by controlling and approving products that  
infringe on Gibson Trademarks and obtaining license fees  
for such infringement.

1           41. Upon information and belief, the aforementioned  
2 misuse of the Gibson Trademarks by Viacom was done with  
3 the intent of deceiving or misleading customers into  
4 mistakenly believing that said JHS' Unauthorized Products  
5 were authorized Gibson products originating from Gibson  
6 or its related companies and otherwise misappropriating  
7 the goodwill built up by Gibson in the Gibson Trademarks  
8 and otherwise attracting and misdirecting consumers  
9 looking for genuine or authorized Gibson goods to the JHS  
10 websites.

11 Based on these allegations, Plaintiff alleges that Viacom is  
12 contributorily and vicariously liable for JHS's infringement.

## 13 **II. Legal Standard**

14           A complaint will survive a motion to dismiss under Rule  
15 12(b)(6) when it contains "sufficient factual matter, accepted as  
16 true, to state a claim to relief that is plausible on its face."  
17 Ashcroft v. Iqbal, 556 U.S. 662, 663 (2009) (quoting Bell Atl.  
18 Corp. v. Twombly, 550 U.S. 544, 570 (2007)). When considering a  
19 Rule 12(b)(6) motion, a court must "accept as true all allegations  
20 of material fact and must construe those facts in the light most  
21 favorable to the plaintiff." Resnick v. Hayes, 213 F.3d 443, 447  
22 (9th Cir. 2000). Although a complaint need not include "detailed  
23 factual allegations," it must offer "more than an unadorned,  
24 the-defendant-unlawfully-harmed-me accusation." Iqbal, 556 U.S. at  
25 678. Conclusory allegations or allegations that are no more than a  
26 statement of a legal conclusion "are not entitled to the assumption  
27 of truth." Id. at 679. In other words, a pleading that merely  
28 offers "labels and conclusions," a "formulaic recitation of the  
elements," or "naked assertions" will not be sufficient to state a  
claim upon which relief can be granted. Id. at 678 (citations and  
internal quotation marks omitted).

1 "When there are well-pleaded factual allegations, a court  
2 should assume their veracity and then determine whether they  
3 plausibly give rise to an entitlement of relief." Id. at 664.  
4 Plaintiffs must allege "plausible grounds to infer" that their  
5 claims rise "above the speculative level." Twombly, 550 U.S. at  
6 555-56. "Determining whether a complaint states a plausible claim  
7 for relief" is a "context-specific" task, "requiring the reviewing  
8 court to draw on its judicial experience and common sense." Iqbal,  
9 556 U.S. at 663-64.

### 10 **III. Discussion**

#### 11 **A. Contributory Infringement**

12 "To be liable for contributory trademark infringement, a  
13 defendant must have (1) 'intentionally induced' the primary  
14 infringer to infringe, or (2) continued to supply an infringing  
15 product to an infringer with knowledge that the infringer is  
16 mislabeling the particular product supplied." Id. at 807, citing  
17 Inwood Labs., Inc v. Ives Labs., Inc., 456 U.S. 844, 855 (1982).  
18 "When the alleged direct infringer supplies a service rather than a  
19 product, under the second prong of this test, the court must  
20 'consider the extent of control exercised by the defendant over the  
21 third party's means of infringement.' For liability to attach,  
22 there must be 'direct control and monitoring of the instrumentality  
23 used by a third party to infringe the plaintiff's mark.'" Id.,  
24 quoting Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d  
25 980, 984 (9th Cir.1999) (alterations omitted).

26 "The tests for secondary trademark infringement are even more  
27 difficult to satisfy than those required to find secondary  
28 copyright infringement." Perfect 10, Inc. v. Visa Int'l Serv.

1 Ass'n, 494 F.3d 788, 806 (9th Cir. 2007). See also Sony Corp. of  
2 America v. Universal City Studios, Inc., 464 U.S. 417, 439 n.19  
3 (1984) (noting that "Inwood's narrow standard for contributory  
4 infringement" governs only trademark cases, not copyright cases,  
5 which has a broader contributory infringement standard).

6 **1. Intentional Inducement**

7 The standard for "intentional inducement" is fairly high. It  
8 requires that the contributory infringer do more than be able to  
9 "reasonably anticipate" the direct infringement. Inwood, 456 U.S.  
10 at 852 n.13. Thus, in Inwood, which concerned a drug manufacturer  
11 that produced "generic" capsules designed to duplicate the  
12 appearance of a trademarked drug, there was no intentional  
13 inducement where "incidents [of mislabeling] occurred too  
14 infrequently to justify the inference that the petitioners'  
15 catalogs and use of imitative colors had 'impliedly invited'  
16 druggists to mislabel" the generic drugs under a brand name. Id.  
17 at 853. Likewise, in Perfect 10, Inc. v. Visa International  
18 Service Association, payment processing for infringing Internet  
19 websites by credit card companies did not constitute intentional  
20 inducement of infringement even though it did provide "critical  
21 support" to infringing websites; Perfect 10 alleged no "affirmative  
22 acts by Defendants suggesting that third parties infringe Perfect  
23 10's mark, much less induce them to do so." Perfect 10, 494 F.3d  
24 at 807.

25 Here, under the intentional inducement prong, Plaintiff  
26 alleges that "[u]pon information and belief, Viacom intentionally  
27 induced JHS to infringe on Gibson Trademarks by controlling and  
28 approving products that infringe on Gibson Trademarks and obtaining

1 license fees for such infringement." (FAC ¶ 40.) The issue is  
2 thus whether Viacom's "controlling and approving" infringing  
3 products and receipt of license fees for infringing products  
4 constitute intentional inducement.

5 In the first place, the control and approval exercised by  
6 Viacom do not appear to be "affirmative acts." Viacom retains the  
7 right to stop a product from being marketed and sold, but Plaintiff  
8 does not allege any facts suggesting that Viacom acted  
9 affirmatively in its relationship with JHS once the license  
10 agreement was signed. As in Perfect 10, "Defendants lend their  
11 names and logos" to the infringers "despite actual knowledge of the  
12 infringement," but these facts as pled do not "constitute a clear  
13 expression of a specific intent to foster infringement." 494 F.3d  
14 at 802 (internal quotation marks omitted). Like Perfect 10,  
15 Plaintiff here "has not alleged any 'specific acts' intended to  
16 encourage or induce infringement." Id.

17 Additionally, a certain amount of control is required for a  
18 valid trademark license agreement. "[W]hen the owner of a trademark  
19 licenses the mark to others, he retains a duty to exercise control  
20 and supervision over the licensee's use of the mark." Miller v.  
21 Glenn Miller Prods., Inc., 454 F.3d 975, 992 (9th Cir.  
22 2006) (internal citation and quotation marks omitted). The duty to  
23 supervise and control derives from trademark law rather than a  
24 given contract. Id. The purpose of requiring a licensor to retain  
25 such control is to protect consumers from deceptive use of a  
26 trademark. "If the licensor is not compelled to take some  
27 reasonable steps to prevent misuses of his trademark in the hands  
28 of others the public will be deprived of its most effective

1 protection against misleading uses of a trademark." Dawn Donut Co.  
2 v. Hart's Food Stores, Inc., 267 F.2d 358, 367 (2d Cir. 1959).  
3 Hence, "naked licensing, without any control over the quality of  
4 goods produced by the licensee, . . . is inherently deceptive and  
5 constitutes abandonment of any rights to the trademark by the  
6 licensor." Barcamerica Intern. USA Trust v. Tyfield Importers,  
7 Inc., 289 F.3d 589, 598 (9th Cir. 2002) (internal citations and  
8 quotation marks omitted).

9 To hold that the amount of control required by a license  
10 agreement is sufficient to state a claim for contributory  
11 infringement by a licensor would expose every licensor to claims of  
12 contributory infringement for every license. The purpose of  
13 requiring control by licensors is not to expose them to secondary  
14 liability but to protect consumers.<sup>1</sup> Furthermore, expanding  
15 contributory infringement liability to all licensors would dilute  
16 the standard for contributory trademark infringement by lowering  
17 the bar for intentional inducement. The court therefore finds that  
18 the control exerted by a licensor, without more, is not sufficient  
19 to state a claim for contributory trademark infringement.

20 For these reasons, the claim for contributory infringement  
21 fails under the first prong.

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22  
23 <sup>1</sup> Since the requirement of quality control is intended to  
24 protect consumers from fraudulent or misleading use of a trademark,  
25 it makes little sense to extend that control beyond the use of that  
26 trademark to all aspects of a product. Viacom is required to  
27 control its SPONGEBOB trademarks to ensure that a consumer does not  
28 purchase a product believing that it comes from the SpongeBob  
source and that it will be of the typical SpongeBob quality, only  
to find that it is an inferior product. Viacom in its quality  
control is required to ensure that the product meets its own  
standards of quality, not to ensure that the product breaks no  
other law, including trademark infringement.

## 2. Continued Supply to Known Infringer

Under the second prong of the Inwood contributory infringement test, Plaintiff alleges that "Viacom had constructive knowledge that JHS's Unauthorized Products were infringing the Gibson Trademarks" by virtue of the U.S. registration of the Gibson Trademarks, and that "Viacom has actual knowledge of the infringement of the Gibson Trademarks by JHS' Unauthorized Products" by virtue of the cease and desist letter. (Id. ¶¶ 37-38.) "Despite its constructive and actual knowledge of the infringement of the Gibson Trademarks by JHS' Unauthorized Products, Viacom has continued to provide its intellectual property to JHS for use with JHS' Unauthorized Products." (Id. ¶ 39.) Plaintiff describes Viacom's licensing of its SPONGEBOB trademark to JHS as a "service" provided to JHS.<sup>2</sup> (Opp. at 14.)

Whether Viacom had actual or constructive knowledge of JHS's infringement, it must also have had the requisite control over the infringement in order to be held liable for contributory infringement. In Perfect 10, the Ninth Circuit considered whether providers of credit card services were liable for infringement by websites for whom they processed payments, and held that despite their knowledge of the websites' infringement, the credit card

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<sup>2</sup> A license to use a trademark is not clearly either a service or a product. However, the Ninth Circuit advises 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." Lockheed Martin Corp., 194 F.3d at 984. As this is the same as the test used to evaluate contributory infringement with respect to services, the court need not consider whether a trademark license is more like a product or a service.



1 payment networks were not liable because they lacked the requisite  
2 control.

3 Perfect 10 has failed to allege facts sufficient to show  
4 direct control and monitoring of the instrumentality used  
5 by a third party to infringe the plaintiff's mark.  
6 Perfect 10 claims that the "product" or "instrumentality"  
7 at issue here is the credit card payment network through  
8 which Defendants process payments for infringing  
9 material. . . . [T]his network is not the instrument used  
10 to infringe Perfect 10's trademarks; that infringement  
11 occurs without any involvement of Defendants and their  
12 payment systems. Perfect 10 has not alleged that  
13 Defendants have the power to remove infringing material  
14 from these websites or directly stop their distribution  
15 over the Internet. At most, Perfect 10 alleges that  
16 Defendants can choose to stop processing payments to  
17 these websites, and that this refusal might have the  
18 practical effect of stopping or reducing the infringing  
19 activity. This, without more, does not constitute direct  
20 control.

21 Perfect 10, 494 F.3d at 807 (internal citations and quotation marks  
22 omitted).

23 Perfect 10 is distinguishable from the instant case insofar as  
24 there the alleged contributory infringers were providing an  
25 ancillary service to the direct infringers, whereas here, Viacom's  
26 "service" - the SPONGEBOB trademarks - appears on the infringing  
27 product itself. Here, instead of providing the means for consumers  
28 to purchase the infringing product, the infringing product bears  
29 Viacom's SPONGEBOB marks, which presumably create at least a part  
30 of the product's appeal.

31 Despite these differences, this case resembles Perfect 10 in  
32 important ways. As in Perfect 10, the "service" provided by Viacom  
33 - the SPONGEBOB trademark - is not the instrument of infringement;  
34 the infringing trademark is the FLYING V word mark and Flying V  
35 trademark body shape. Although Viacom's mark appears on an  
36 allegedly infringing product, Viacom's licensing of the SPONGEBOB

1 mark to JHS is not the instrument of infringement. JHS apparently  
2 makes non-infringing instruments using the SPONGEBOB mark, such as  
3 a drum set and a guitar, and could make a non-infringing SpongeBob  
4 ukulele. Also as in Perfect 10, Viacom could bar JHS from selling  
5 the SpongeBob SquarePants Flying V Ukulele, which would "have the  
6 practical effect of stopping or reducing the infringing activity,"  
7 id., but would not prevent JHS from designing and selling a Flying  
8 V Ukulele without the SPONGEBOB mark, since the two marks are  
9 independent.

10 Thus, when this court "consider[s] the extent of control  
11 exercised by the defendant over the third party's means of  
12 infringement," Lockheed Martin Corp., 194 F.3d at 984, it finds  
13 that such control is lacking. Although there are steps Viacom  
14 could take to prevent allegedly infringing products from being  
15 manufactured, marketed, and sold, these steps do not have a direct  
16 connection to the infringement itself; JHS can infringe  
17 independently of anything Viacom might do. Combined with the  
18 court's finding, above, that Plaintiff has not alleged that Viacom  
19 has taken any affirmative steps to induce JHS to infringe, the  
20 court finds that Plaintiff has not alleged facts sufficient to  
21 state a claim for Viacom's contributory infringement.

#### 22 **B. Vicarious Liability**

23 "Vicarious liability for trademark infringement requires a  
24 finding that the defendant and the infringer have an apparent or  
25 actual partnership, have authority to bind one another in  
26 transactions with third parties or exercise joint ownership or  
27 control over the infringing product." Perfect 10, 494 F.3d at 807.  
28 In support of this claim, Plaintiff has alleged that Viacom and JHS

1 exercise joint control based on the license agreement, which at  
2 minimum gives Viacom control over the licensed property, the  
3 licensed territory, and the licensed channels of distribution.  
4 (Opp. at 8; see redacted 2012 License Agreement, Bates Decl., Exh.  
5 A.). Plaintiff asserts that the full license agreements and  
6 additional discovery will reveal more factual bases for JHS and  
7 Viacom's joint control.

8 The court finds that the alleged control given to Viacom by  
9 the license agreement does not rise to the level of control  
10 necessary to give Viacom joint control or ownership sufficient to  
11 make Viacom vicariously liable for JHS's alleged infringement. As  
12 discussed above, Viacom can influence the allegedly infringing  
13 product by blocking its sale or by removing its mark from the  
14 product, but this does not give Viacom "the right or ability to  
15 control the actual infringing activity at issue in this case,"  
16 namely, the production and sale of instruments that infringe.  
17 Viacom's type of control is only indirect.<sup>3</sup>

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18  
19 <sup>3</sup> Viacom's control is arguably more direct than in Perfect 10.  
20 There, the Ninth Circuit held that "Defendants cannot take away the  
21 software the offending websites use to copy, alter, and distribute  
22 the infringing images, cannot remove those websites from the  
23 Internet, and cannot themselves block the distribution of those  
24 images over the Internet. Defendants can refuse to process credit  
25 card payments for those images, but while this refusal would reduce  
26 the number of those sales, that reduction is the result of indirect  
27 economic pressure rather than an affirmative exercise of  
28 contractual rights." 494 F.3d at 805. Here, Plaintiff's ability  
to stop the sale of licensed products is arguably "an affirmative  
exercise of contractual rights," since it such ability is an  
exercise of rights described in a contract. However, as discussed  
above, those rights are required by trademark law for a valid  
license agreement, so they are distinguishable from affirmative  
rights granted by contract. Additionally, here there is no  
indication that such rights have any function in this contract  
beyond the purposes of establishing a valid license agreement.  
Thus, Viacom's ability to control JHS's products remains indirect,  
(continued...)

1 Plaintiff asserts that "the extent to which Defendant Viacom  
2 exercises control over JHS pursuant to the Redacted July 2012  
3 Viacom License Agreement is not fully known, as Defendant Viacom  
4 redacted a lion's share of the language from the Redacted July 2012  
5 Viacom License Agreement. Furthermore, from the various copyright  
6 notices on Defendants' own infringing product, it appears that the  
7 Defendants began their relationship circa 2007 (five years prior to  
8 the July 2012 Viacom License Agreement)." (Opp. at 6.) Plaintiff  
9 thus argues that the complete license agreements from 2007 to 2012<sup>4</sup>  
10 and other discovery will reveal "MORE evidence of Defendant  
11 Viacom's misconduct in this case." (Opp. at 6-7.) However,  
12 Plaintiff has not alleged any facts that, taken as true, would  
13 constitute control sufficient to make Viacom vicariously liable;  
14 the control required by a license agreement is not sufficient.  
15 Because the license agreement and licensing relationship are the  
16 sole basis for Plaintiff's allegations against Viacom, the court  
17 finds that Plaintiff has failed to state a claim for vicarious  
18 infringement.

19 ///

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24 <sup>3</sup>(...continued)  
25 despite the contract.

26 <sup>4</sup> Plaintiff's FAC includes seven pages of the redacted license  
27 agreement between Viacom and JHS for the year 2012. In its reply  
28 brief, Viacom attached a more complete version of the 2012 and 2007  
license agreements. Plaintiff's objection to the new evidence is  
SUSTAINED. The court declines to consider documents provided in a  
reply brief to which Plaintiff did not have previous access.

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**B. Use in Commerce**

Because the court has found that Plaintiff has failed to state a claim for Viacom's secondary liability, it need not reach the issue of whether Plaintiff has stated a claim for use of the mark in U.S. commerce.

**IV. Conclusion**

For the reasons stated above, Viacom's Motion to Dismiss is GRANTED with prejudice.  
IT IS SO ORDERED.

Dated: May 17, 2013



DEAN D. PREGERSON  
United States District Judge