

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

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DISNEY ENTERPRISES, INC., MARVEL	:	Civil Action No. 1:16 Civ. 02340
CHARACTERS, INC., LUCASFILM LTD. LLC	:	(GBD)
and LUCASFILM ENTERTAINMENT	:	
COMPANY LTD. LLC,	:	
	:	
Plaintiffs,	:	
	:	
- against -	:	
	:	
NICK SARELLI a/k/a Avi Lieberman, and	:	
CHARACTERS FOR HIRE, LLC,	:	
	:	
Defendants.	:	
	:	
----- X		

**MEMORANDUM OF LAW IN SUPPORT OF PLAINTIFFS’  
MOTION FOR PARTIAL SUMMARY JUDGMENT**

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Plaintiffs Disney Enterprises, Inc. (“Disney”), Marvel Characters, Inc. (“Marvel”), and Lucasfilm Ltd., LLC and Lucasfilm Entertainment Company Ltd, LLC (together “Lucasfilm”) respectfully submit this memorandum of law in support of their motion for partial summary judgment on liability and willfulness.

### PRELIMINARY STATEMENT

Plaintiffs are the creators and owners of some of the most popular and recognizable fictional characters in the world, including Darth Vader, Iron Man, and Elsa and Anna from the motion picture *Frozen*. Defendants Nick Sarelli and Characters for Hire, LLC (“CFH”) operate a “live costumed entertainment” business that provides unlicensed and poor quality appearances of and performances by Plaintiffs’ iconic characters for themed events, such as children’s parties. CFH’s knock-off business is built upon the infringement of Plaintiffs’ highly valuable intellectual property rights. CFH copies, displays, and mimics the trademark and copyright-protected images, names, likenesses, and personas of Plaintiffs’ characters, as well as Plaintiffs’ films, musical and other creative works, to advertise and provide unauthorized versions of these characters to the fans of Plaintiffs’ works. CFH receives significant revenue from its unauthorized services, all of which free ride on Plaintiffs’ goodwill and diminish the value of Plaintiffs’ intellectual property rights.

CFH’s unauthorized use of Plaintiffs’ characters and film names violates Plaintiffs’ trademark rights. CFH infringes Plaintiffs’ marks by (1) advertising and promoting its live costumed entertainment business (for example, trumpeting the availability of “*Frozen*”-themed party packages), and (2) providing its customers with live costumed actors who pass themselves off as Plaintiffs’ trademarked characters, and who mimic their personas, attributes, and famous story lines. All of these unauthorized uses have caused, and are likely to continue to cause,

confusion as to the origin, source, and/or sponsorship of CFH's unlicensed services.

CFH's trafficking in low-quality knock-offs of Plaintiffs' characters, images, and names also dilutes Plaintiffs' highly valuable marks under New York's anti-dilution statute. CFH blurs and tarnishes Plaintiffs' marks by using them to identify CFH's shoddy services that are inimical to Plaintiffs' reputation for high quality goods and services, and impeccable customer care. Indeed, the Better Business Bureau has given CFH an "F" rating, and Yelp is replete with customer complaints about CFH and its unsatisfactory services.

CFH's conduct also constitutes copyright infringement. Specifically, to promote its business, CFH reproduces and publicly displays unauthorized images and performances of Plaintiffs' copyrighted characters and musical works, including numerous promotional videos and images on the internet. CFH also infringes Plaintiffs' copyrighted characters in live form, by providing its customers with costumed actors who pretend to be Plaintiffs' iconic characters, and who mimic the famous personas, attributes, and story lines of such characters.

Defendants' infringing conduct has been willful. Defendants have long known of Plaintiffs' intellectual property rights. Yet, rather than taking steps to avoid further misuse of Plaintiffs' properties, they purposefully attempted to mask their misconduct, which evinces their consciousness of guilt. For example, Defendants referred to Plaintiffs' characters by transparently silly and fake names ("Big Hairy Guy" for Chewbacca, "Young Luke" for Luke Skywalker), but CFH's customers knew they would be provided with actors mimicking Plaintiffs' characters. Defendants went so far as to secretly re-write their customers' online reviews to hide that their own customers referred to *Plaintiffs'* characters by name when describing CFH's services. Defendants also disingenuously profess that any similarity as between Plaintiffs' iconic characters and CFH's copycat characters is coincidental. And,



Defendants continued their infringement after receiving Plaintiffs' pre-litigation written demands that they stop, and after promising Plaintiffs they would stop.

Finally, Defendant Nick Sarelli—who uses a fake name to shield his identity while operating CFH—is the sole owner and managing director of CFH. He is the moving, active, conscious force behind CFH's willfully infringing conduct, and has directly profited from CFH's infringing conduct. As a result, Sarelli is individually liable for CFH's acts of trademark and copyright infringement.

The undisputed facts demonstrate that this Court should grant partial summary judgment to Plaintiffs on liability and the issue of willfulness.

#### UNDISPUTED FACTS

##### Parties

Disney, Marvel, and Lucasfilm are among the world's leading producers of entertainment experiences, as well as related products and services. *See* Plaintiffs' Local Rule 56.1 Statement of Material Facts, dated October 13, 2017 ("SOF") ¶¶ 1-3.

Defendant CFH markets itself as the "largest premium entertainment company specializing in ... live costumed entertainment." SOF ¶ 11. Defendant Sarelli is the sole owner and managing director of CFH. SOF ¶ 15. Sarelli has identified himself as the person most knowledgeable about every aspect of CFH's business, including CFH's website and social media accounts; CFH's decisions to offer various costumed services; the characters CFH offers; customer complaints received by CFH; and CFH's use and/or reproduction of Plaintiffs' trademarks and copyrighted characters. SOF ¶ 16. Sarelli conducts CFH's business under his own name, as well as the fake name "Avi Lieberman." SOF ¶ 17.



**Plaintiffs' Intellectual Property Rights**

Plaintiffs have, over decades, created and developed scores of the world's most iconic fictional characters, films, soundtracks, and other works. These works are well-known, and have long been associated exclusively with Plaintiffs. SOF ¶¶ 1-10, 18-62.

Plaintiffs own the following trademark and copyright registrations that are relevant to this motion for summary judgment. SOF ¶¶ 18-62.<sup>1</sup>

Character	Trademark Reg. No. (Word)	Trademark Reg. No. (Image)	Copyright Registration No.
<b><i>Disney</i></b>			
<b>Mickey Mouse; Minnie Mouse</b>		4,475,448 (Mickey Mouse); 2,704,887 (Mickey Mouse); 1,857,626 (Mickey Mouse); 4,475,447 (Minnie Mouse). SOF ¶¶ 19-22.	VA 58-937 (model sheet (Mickey Mouse)); VA 124-730 (character guide depicting images and personas (Mickey Mouse and Minnie Mouse)); VA 58-938 (model sheet (Minnie Mouse)), renewed GP 80-191. SOF ¶¶ 42-45.
<b><i>Frozen; Elsa and Anna</i></b>	4,816,352; 4,756,535; 4,646,044 (stylized versions). SOF ¶¶ 23-25.		PA 1-871-077 (motion picture); VA 1-884-608 (style guide depicting images and persona). SOF ¶¶ 46-47.
<b><i>Marvel</i></b>			
<b>Avengers</b>	2,940,211. SOF ¶ 27.		VA 1-639-102, VA 1-659-545 (style guides depicting images and personas). SOF ¶¶ 49-50.
<b>Captain America</b>	4,009,737. SOF ¶ 28.	879,980. SOF ¶ 29.	TX 4-935-634 (comic book); VA 1-951-043; VA 1-800-941 (style guides depicting images and persona); VA 1-639-102, VA 1-659-545 (style guides depicting images and persona). SOF ¶¶ 49-53.
<b>Hulk</b>	1,242,914. SOF ¶ 30.	891,591. SOF ¶ 31.	TX 4-892-334, TX 4-589-871 (comic books); VA 1-951-043, VA 1-800-941 (style guides depicting images and persona); VA 1-639-102, VA 1-659-545 (style guides depicting images and persona). SOF ¶¶ 49-50, 52-53, 55-56.
<b>Iron Man</b>		893,770. SOF ¶ 32.	VA 1-951-043, VA 1-800-941 (style guides depicting images and persona); VA 1-659-545,

<sup>1</sup> Plaintiffs also own additional federally registered marks, as well as common law trademark rights in all of their federally registered marks and other marks at issue in this case. However, with respect to their trademark claims, Plaintiffs seek summary judgment with respect to only the federally registered marks identified above.

Character	Trademark Reg. No. (Word)	Trademark Reg. No. (Image)	Copyright Registration No.
			VA 1-949-227 (style guides depicting images and persona). SOF ¶¶ 49-50, 53-54.
<b><i>Lucasfilm</i></b>			
<b>Star Wars</b>	2,598,203; 2,573,978. SOF ¶¶ 34-35.	3,503,765 (stylized version), SOF ¶ 36.	PA 72-282, PA 172-810 (motion pictures); VA 1-969-644, VA 1-875-024, VA 1-910-796 (style guides (2013-2015)). SOF ¶¶ 58-62.
<b>Stormtrooper</b>		3,646,332; 3,646,804 (mask). SOF ¶¶ 37-38.	VA 1-969-644, VA 1-910-796 (style guides depicting images and persona); PA 72-282, PA 172-810 (motion pictures). SOF ¶¶ 58-59, 61-62.
<b>Darth Vader</b>	2,454,915. SOF ¶ 39.	3,646,330. SOF ¶ 40.	VA 1-875-024, VA 1-910-796 (style guides depicting images and persona); PA 72-282, PA 172-810 (motion pictures). SOF ¶¶ 58-61.
<b>Darth Maul</b>			VA 1-875-024 (style guide depicting images and persona). SOF ¶ 60.
<b>Chewbacca</b>			PA 72-282, PA 172-810 (motion pictures); VA 1-969-644, VA 1-875-024, VA 1-910-796 (style guides (2013-2015)). SOF ¶¶ 58-62.
<b>Luke Skywalker; Princess Leia; Han Solo; Obi- Wan Kenobi; Yoda</b>			VA 1-910-796 (style guide depicting images and personas); PA 72-282, PA 172-810 (motion pictures). SOF ¶¶ 58-59, 61.

To protect the integrity, image, and reputation of Plaintiffs' iconic characters and their source, Plaintiffs operate a strictly controlled licensing program, and carefully select only the most qualified parties to use and exploit their distinctive characters, copyrights, and trademarks on and in connection with appropriate products and services. SOF ¶ 4.

**Defendants' Willful Trademark and Copyright Infringement**

CFH provides customers with costumed actors who appear and perform at themed events, such as children's parties and corporate gatherings. SOF ¶¶ 12, 63-210. CFH has repeatedly copied and used the images, likenesses, personas, and names of Plaintiffs' characters to promote and provide themed entertainment services featuring unauthorized versions of these iconic characters. SOF ¶¶ 13, 63-210. CFH earns significant revenue from these unauthorized services, all of which trade off the substantial goodwill Plaintiffs have developed in these well-



pages; and on Yelp—that reproduce, publicly display, and publicly perform knockoffs of Plaintiffs’ iconic fictional characters. SOF ¶¶ 64-100. Such knockoff costumed characters also appear as the headliners at CFH’s themed events. SOF ¶¶ 101-211.

As set forth below, CFH has misused Plaintiffs’ trademarks and copyrights as follows:<sup>2</sup>

Character/Film	Advertising (Name)	Advertising (Image)	Knock Off Performance (Image and Persona)
<i>Disney</i>			
<b>Mickey Mouse; Minnie Mouse</b>	<ul style="list-style-type: none"> <li>• YouTube video title (¶ 65)</li> </ul>	<ul style="list-style-type: none"> <li>• CFH Website video (¶ 64);</li> <li>• YouTube video (¶ 65);</li> <li>• Facebook image (¶ 66)</li> </ul>	<ul style="list-style-type: none"> <li>• One wedding (¶ 101)</li> </ul>
<b>Elsa and Anna (Frozen)</b>	<ul style="list-style-type: none"> <li>• CFH Website advertising “Frozen Theme Parties” (¶ 65);</li> <li>• YouTube video titles (¶¶ 69, 72-74);</li> <li>• Facebook references (¶ 75);</li> <li>• Yelp testimonials (¶ 76)</li> </ul>	<ul style="list-style-type: none"> <li>• CFH Website videos (¶ 68);</li> <li>• YouTube videos (¶¶ 69-74);</li> <li>• Facebook images (¶ 75)</li> </ul>	<ul style="list-style-type: none"> <li>• One theatre opening (¶ 104);</li> <li>• Two corporate events (¶¶ 115, 117);</li> <li>• Twelve birthday parties (¶¶ 102, 103, 105-13, 116)</li> </ul>
<i>Marvel</i>			
<b>The Avengers</b>	<ul style="list-style-type: none"> <li>• CFH Website advertising “Avenging Team” themed parties and characters (¶¶ 77-79, 85);</li> <li>• YouTube Video titles (¶¶ 80, 82)</li> </ul>	<ul style="list-style-type: none"> <li>• CFH Website images (¶¶ 78-79);</li> <li>• YouTube videos (¶¶ 80-82)</li> </ul>	<ul style="list-style-type: none"> <li>• Four birthday parties (¶¶ 119, 124-26)</li> </ul>
<b>Two or more of the Avengers characters (Captain America; Hulk; and/or Iron Man)</b>	<ul style="list-style-type: none"> <li>• CFH Website advertising “Man of Iron” “Big Green Guy” and “The Solider” characters (¶ 78)</li> </ul>	<ul style="list-style-type: none"> <li>• CFH Website images (¶¶ 78-79);</li> <li>• YouTube videos (¶¶ 80-81);</li> <li>• Yelp, Instagram, and Facebook images (¶ 86)</li> </ul>	<ul style="list-style-type: none"> <li>• One end of school year party (¶ 118);</li> <li>• One corporate event (¶ 129);</li> <li>• Thirteen birthday parties (¶¶ 119, 124-26, 128, 131, 134-37, 140-41, 143)</li> </ul>
<b>Captain America only</b>	<ul style="list-style-type: none"> <li>• CFH Website advertising “Captain USA” events (¶ 84)</li> </ul>	<ul style="list-style-type: none"> <li>• CFH Website images (¶¶ 79, 84);</li> <li>• YouTube video (¶ 83)</li> </ul>	<ul style="list-style-type: none"> <li>• Five birthday parties (¶¶ 121, 123, 132, 139, 142);</li> <li>• One play date (¶ 127);</li> <li>• Two corporate events (¶¶ 122, 123)</li> </ul>
<b>Hulk only</b>	<ul style="list-style-type: none"> <li>• CFH Website advertising “Dr. Hulk Events” (¶ 85)</li> </ul>		<ul style="list-style-type: none"> <li>• Two birthday parties (¶¶ 120, 130);</li> <li>• Two corporate events (¶ 138)</li> </ul>

<sup>2</sup> All paragraph references in the following chart refer to paragraphs in Plaintiffs’ Statement of Material Facts (SOF).

Character/Film	Advertising (Name)	Advertising (Image)	Knock Off Performance (Image and Persona)
<i>Lucasfilm</i>			
Star Wars	<ul style="list-style-type: none"> <li>• CFH Website advertising “Star Battles” Events (¶ 87);</li> <li>• Video title posted on CFH Website (¶ 89);</li> <li>• YouTube video titles (¶¶ 90, 93-94);</li> <li>• Yelp testimonials (¶¶ 97-100)</li> </ul>		<ul style="list-style-type: none"> <li>• Five themed birthday parties (¶¶ 151-52, 154, 204, 206);</li> <li>• Two birthday parties with themed services (¶¶ 146, 163);</li> <li>• One corporate event with themed meet and greet (¶ 171)</li> </ul>
Two or more of Star Wars characters (Darth Vader; Luke Skywalker; Chewbacca; Stormtrooper; Darth Maul; Obi-Wan Kenobi; Han Solo; Yoda; and/or Princess Leia)	<ul style="list-style-type: none"> <li>• CFH Website advertising specific “Star Battles” characters (¶ 87);</li> <li>• YouTube video caption (¶ 93);</li> <li>• Yelp testimonials (¶¶ 97-98)</li> </ul>	<ul style="list-style-type: none"> <li>• CFH Website images (¶¶ 87- 89);</li> <li>• Video posted on CFH Website (¶ 89)</li> <li>• YouTube videos (¶¶ 90-91, 95);</li> <li>• Yelp and Facebook page images (¶ 96);</li> <li>• Image in correspondence with customers (¶ 211)</li> </ul>	<ul style="list-style-type: none"> <li>• Fifty one birthday parties (¶¶ 144, 146-47, 149-51, 155-56, 158, 160-65, 168-77, 179-86, 189-204, 208-09);</li> <li>• One wedding (¶ 157);</li> <li>• One corporate event (¶ 207);</li> <li>• One fundraiser (¶ 178)</li> </ul>
Stormtrooper only		<ul style="list-style-type: none"> <li>• Yelp and Facebook Images (¶ 96)</li> </ul>	
Darth Vader only	<ul style="list-style-type: none"> <li>• YouTube video title and caption (¶ 92)</li> </ul>		<ul style="list-style-type: none"> <li>• Three birthday parties (¶¶ 166-67, 210)</li> <li>• One photo shoot (¶ 188)</li> </ul>
Obi-Wan Kenobi only			<ul style="list-style-type: none"> <li>• Two birthday parties (¶¶ 154, 159)</li> </ul>
Chewbacca only			<ul style="list-style-type: none"> <li>• Two birthday parties (¶¶ 145, 153)</li> </ul>
Luke Skywalker only			<ul style="list-style-type: none"> <li>• Four birthday parties (¶¶ 148, 152, 187, 205)</li> </ul>

### *Defendants’ Willfulness and Bad Faith*

Defendants have long known of Plaintiffs’ intellectual property rights. Yet, rather than cease their infringing conduct, Defendants have taken bad faith (and ineffectual) steps to conceal their misconduct, all of which evince their consciousness of guilt. *See generally* SOF Part IV. Defendants also continued their infringing conduct after receiving Plaintiffs’ pre-litigation cease and desist letters, and after expressly promising to halt their infringements. SOF ¶¶ 212-16.



Sarelli even attempted to shield his identity and role in running CFH by using the fake name “Avi Lieberman” when conducting CFH’s business. SOF ¶ 17.

Similarly, CFH attempted to conceal its use of Plaintiffs’ characters by using fake names to refer to its knockoff characters. For example, prior to February 2014, CFH used the actual names of Plaintiffs’ trademark-protected characters when selling its unauthorized services. *See, e.g.*, SOF ¶ 180 (agreement for [REDACTED] birthday party featuring “[REDACTED]”). By February 2014, however, CFH had begun using slightly modified names for its copycat costumed characters and film references. *See, e.g.*, SOF ¶ 78; SOF ¶ 181 (agreement for [REDACTED] birthday party featuring “[REDACTED]”); SOF ¶ 185 (agreement for [REDACTED] birthday party featuring “[REDACTED]” characters).

CFH’s efforts to mask their infringing activities, however, were ineffectual at best, and purposefully so. CFH’s fake names fooled no one, as they obviously referred (and were intended to refer) to Plaintiffs’ iconic characters and films. *Compare, e.g.*, SOF ¶ 151 ([REDACTED] [REDACTED]) *with, e.g.*, SOF ¶¶ 87, 186 (“Star Battle” and “Young Luke”). And, in any event, CFH at times reverted to using Plaintiffs’ characters’ real names. *See, e.g.*, SOF ¶ 204 (agreement for [REDACTED] birthday party featuring “[REDACTED]”). CFH’s customers also consistently used the real names of Plaintiffs’ characters and films and not CFH’s slightly altered names, demonstrating that they knew exactly which of Plaintiffs’ characters CFH was knocking off. *See, e.g.*, SOF ¶¶ 229, 235, 238, 239. And yet, Defendants tried to publicly conceal this fact, too, secretly rewriting the reviews that CFH’s customers had posted online to remove all references

to real names and titles of Plaintiffs’ iconic characters and films, and to replace the references with CFH’s fake names. Specifically, Defendants have admitted to changing at least the following names and titles in their customers’ reviews: “Luke/Darth experience” to “Star Battle,” “Star Wars storyline” to “Star Battles story line,” “Darth Vader” to “Dark Lord,” “Star Wars” to “Star Battle(s),” “Darth Maul” to “Mauler,” “Princess Leia” to “the Princess,” and “Chewbacca” to “Big Hairy Guy.” *See, e.g.*, SOF ¶¶ 223-28.

CFH has also adopted supposed disclaimers that, far from preventing confusion, further evince Defendants’ knowledge of Plaintiffs’ rights. *See, e.g.*, SOF ¶ 221. For example, Defendants included a supposed disclaimer [REDACTED]  
[REDACTED]  
[REDACTED]’ *See, e.g.*, SOF ¶ 134 (event agreement for ‘[REDACTED]’). Similarly, Sarelli told [REDACTED]  
[REDACTED]’ SOF ¶ 222. Despite Defendants’ awareness of the illicit nature of their business and apparent reluctance to identify Plaintiffs’ iconic characters by name, Defendants continued to offer their infringing live costumed entertainment services featuring knockoffs of Plaintiffs’ well-known characters. *See, e.g.*, SOF ¶ 209 (event agreement for [REDACTED] birthday party featuring “[REDACTED]” characters).

Later, and even as of the date of this filing, CFH began using an even more implausible disclaimer, professing that any similarity between its characters and Plaintiffs’ iconic characters is merely a “coincidence.” *See, e.g.*, SOF ¶ 220-21. This new fine print states that CFH’s “costumed characters are generic/inspired and are not affiliated, licensed or associated with any copyright or trademark” and “[a]ny resemblance to nationally known copyrighted characters is



strictly coincidental.” SOF ¶¶ 220-21 (capitals omitted); *see also* SOF ¶ 204 (agreement for [REDACTED]’ birthday party featuring “[REDACTED]”).<sup>3</sup> Defendants’ reference to “nationally known copyrighted characters” further demonstrate their knowledge of Plaintiffs’ intellectual property rights.

After Plaintiffs discovered CFH’s misconduct in 2015, Plaintiffs’ counsel sent Sarelli (who was using the fake name “Avi Lieberman”) two cease and desist letters, which put him and CFH on notice that they were blatantly infringing Plaintiffs’ trademarks and copyrights. SOF ¶¶ 212-13. In response to Plaintiffs’ first cease and desist letter, Sarelli, pretending to be “Avi Lieberman,” advised Plaintiffs’ counsel that Defendants “ha[d] removed all images from our web site pertaining to your client. It was not our intention to disregard the intellectual property rights of your client and we meant no harm in doing so.” SOF ¶ 214. Despite these assurances, CFH, at Sarelli’s direction, continues to infringe Plaintiffs’ intellectual property to this day. SOF ¶¶ 215-16.

### **CFH’s Poor Reputation**

CFH is known as an unprofessional company that provides shoddy services. The Better Business Bureau gave CFH its lowest rating—an “F”—based on consumer complaints filed with the organization. SOF ¶ 231. CFH also has at least 17 “not currently recommended” reviews on its Yelp page, which state that CFH is a “joke” made up of “not professional workers”; its actors fail to show up for scheduled events; it refuses to refund money; and the individuals who appear

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<sup>3</sup> Defendants’ so-called “disclaimers” do not shield them from liability. Among other reasons, copyright infringement is a strict liability offense, and thus, “[e]ven an innocent infringer is liable for infringement.” *Fitzgerald Pub. Co. v. Baylor Pub. Co.*, 807 F.2d 1110, 1113 (2d Cir. 1986). Thus, CFH’s effort to portray its copying of Plaintiffs’ characters as a “coincidence” does not absolve it of liability. It is similarly meaningless that Sarelli refrained from using the exact names of Plaintiffs’ characters in his correspondence with customers, because it is not a character’s name, but its image or persona that enjoys copyright protection. *See, e.g.*, 37 C.F.R. § 202.1(a) (“words and short phrases such as names” are not subject to copyright).

at events are often rude, unprofessional, and unprepared to perform. *See, e.g.*, SOF ¶¶ 232-39. CFH, through Sarelli operating under the fake name “Avi Lieberman,” has responded to many of these complaints in public forums, with harassing comments that ridicule its customers. *See, e.g.*, SOF ¶ 234 (claiming customer drove CFH “insane”); ¶ 236 (calling woman a “wacko psychopath”); ¶ 236 (claiming that customer was trying to con CFH and that other unnamed vendors said she looked like a “basket case”).

Simply stated, CFH’s reputation is fundamentally at odds with Plaintiffs’ stellar reputation for excellent quality and customer service. As noted business publications have reported for decades: “The fact is that Disney’s customer service is the gold standard for every business—because their management understands that if you don’t treat your paying patrons as you should, you’re going in the wrong direction.” SOF ¶ 6.

#### ARGUMENT

Summary judgment is properly awarded where the “movant shows that there is no genuine dispute as to any material fact.” Fed. R. Civ. P. 56(a); *see Vermont Teddy Bear Co. v. 1-800 Beargram Co.*, 373 F.3d 241, 244 (2d Cir. 2004). Although this Court is to view the facts in the light most favorable to the non-moving party, “[t]he mere existence of *some* alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no *genuine* issue of *material* fact.” *MSF Holding, Ltd. v. Fiduciary Tr. Co. Int’l*, 435 F. Supp. 2d 285, 292 (S.D.N.Y. 2006), *aff’d*, 235 Fed. App’x. 827 (2d Cir. 2007) (citation omitted) (emphasis is original). A fact is not material if it would not affect the outcome of the suit under governing law, and an issue of fact is not genuine if the evidence is not sufficient to allow a reasonable jury to return a verdict for the nonmoving party. *See McCarthy v. Dun & Bradstreet Corp.*, 482 F.3d 184, 202 (2d Cir. 2007).

## I. THE UNDISPUTED MATERIAL FACTS DEMONSTRATE TRADEMARK INFRINGEMENT

Plaintiffs move for summary judgment on their claims for infringement of their federally-registered marks, as identified in this motion, under Section 32 of the Lanham Act, 15 U.S.C. § 1114 (Count II).<sup>4</sup> Section 32 prohibits “any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.” 15 U.S.C. § 1114.

Plaintiffs are entitled to summary judgment on their Lanham Act claim because: (1) Plaintiffs own valid marks that are entitled to protection; and (2) CFH’s unauthorized use of those marks is likely to cause consumer confusion as to the origin, source and/or sponsorship of CFH’s unlicensed services. *See, e.g., Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 454 F.3d 108, 115 (2d Cir. 2006).

### A. Plaintiffs Own Valid Marks That Are Entitled to Protection

As set forth above, Plaintiffs own valid, federally-registered trademarks in numerous characters’ names and images, and in their franchise titles, the following of which are relevant to this motion:

**Disney**: Mickey Mouse (image); Minnie Mouse (image); and Frozen (stylized word). *See* SOF ¶¶ 18-25.

**Marvel**: Avengers (word); Captain America (word and image); Hulk (word and image); and Iron Man (image). *See* SOF ¶¶ 26-32.

**Lucasfilm**: Star Wars (word and stylized word); Stormtrooper (images); and Darth Vader (word and image). *See* SOF ¶¶ 33-40.

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<sup>4</sup> Plaintiffs have asserted additional claims in this case for infringement of unregistered marks under 15 U.S.C. § 1125 (Count III); common law unfair competition (Count IV); and common law trademark infringement (Count V). Plaintiffs’ motion does not seek summary judgment on these claims.

Plaintiffs' certificates of registration for these marks are "prima facie evidence that the mark[s] [are] registered and valid (*i.e.*, protect[a]ble)," that Plaintiffs "own[] the mark[s]," and that Plaintiffs "ha[ve] the exclusive right to use the mark[s] in commerce." *Christian Louboutin S.A. v. Yves Saint Laurent Am. Holdings, Inc.*, 696 F.3d 206, 216 n.10 (2d Cir. 2012).<sup>5</sup>

**B. CFH's Unauthorized Use of Plaintiffs' Marks Creates A Likelihood Of Confusion**

The Lanham Act seeks to "regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in ... commerce." 15 U.S.C. § 1127. Specifically, the statute "protects the rights of the first user of a trademark, particularly where that mark is a strong one." *Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 742 (2d Cir. 1998). This is achieved "by barring a later user from employing a confusingly similar mark, likely to deceive purchasers as to the origin of the later user's product, and one that would exploit the reputation of the first user." *Id.* (citation omitted).

District courts in the Second Circuit use "the *Polaroid* factors" to assess whether a likelihood of confusion exists between two marks.<sup>6</sup> *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). Where there is a "clear[] likelihood of confusion," the Court "need not consider in great depth the individual ... factors." *E.g., Cartier a Div. Of Richemont N. Am., Inc. v. Aaron Faber, Inc.*, 396 F. Supp. 2d 356, 359 (S.D.N.Y. 2005).

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<sup>5</sup> To rebut this presumption, a defendant must come forward with affirmative evidence that shows, by a preponderance of the evidence, that a registered mark is ineligible for protection. *See id.* Because Defendants have produced *no* evidence during discovery that bears upon, much less challenges, the validity of Plaintiffs' marks, Defendants cannot belatedly proffer any such purported evidence now. *See, e.g., Briese Lichttechnik Vertriebs GmbH v. Langton*, No. 09 Civ. 9790 (LTS) (MHD), 2011 WL 280815, at \*11 (S.D.N.Y. Jan. 10, 2011).

<sup>6</sup> The *Polaroid* factors are: (1) the strength of a plaintiff's mark; (2) the degree of similarity between the plaintiff's and defendant's marks; (3) the proximity of the products; (4) the likelihood that the plaintiff could "bridge the gap" by entering the defendant's market; (5) any actual confusion; (6) bad faith on the part of the defendant; (7) the quality of the defendant's product; and (8) the sophistication of the buyers. *Polaroid*, 287 F.2d at 495.



Here, the likelihood of confusion between Plaintiffs' protected characters and names, and CFH's unauthorized services, is plainly evident. Indeed, courts have consistently held that the public is likely to be confused when a defendant supplies unauthorized live costumed performances of well-known fictional characters to the consuming public. *See, e.g., Lyons P'ship, L.P. v. D&L Amusement & Entm't, Inc.*, 702 F. Supp. 2d 104, 113-16 (E.D.N.Y. 2010) (granting preliminary injunction barring unauthorized use of nationally known Barney and Bob the Builder characters, which had been recognized for "their excellence and been tremendously successful"); *Brown v. It's Entm't, Inc.*, 34 F. Supp. 2d 854, 859 (E.D.N.Y. 1999) (finding a "clear likelihood of confusion as to the source of the product" in the case of defendant's use of the "renown[ed]" Arthur character); *cf. Am. Broad. Co. Merch., Inc. v. Button World Mfg., Inc.*, 151 U.S.P.Q. 361 (N.Y. Sup. Ct. 1966) (enjoining sale of buttons bearing a picture of a green hornet and the legend "Official Member Super Hero Hornet Society" because it created the misimpression of sponsorship by the plaintiffs' "Green Hornet" shows). That is precisely what CFH has done here.

Moreover, even though not required (*e.g., Cartier*, 396 F. Supp. 2d at 359), the application of each of the *Polaroid* factors demonstrates a strong likelihood of confusion, as to which there is no issue of fact:

**Strength of Plaintiffs' Marks:** Plaintiffs' fictional characters are some of the most recognizable marks in the world of entertainment. *See* SOF ¶¶ 1-10.

**Similarity of the Marks:** CFH advertises and supplies costumed characters that are either identical or virtually identical to Plaintiffs' characters in image, costume, name, and/or total "look and feel" (*see, e.g., Coach Leatherware Co. v. AnnTaylor, Inc.*, 933 F.2d 162, 170 (2d Cir. 1991) (comparing total look and feel in likelihood of confusion analysis)). *See generally* SOF Part III (detailing infringing uses).

**Proximity:** Plaintiffs present their trademark-protected fictional characters to the consuming public, including in live form at Plaintiffs' themed amusement parks. *See, e.g.,* SOF ¶ 10. CFH engages in the exact same business—providing live costumed character entertainment services. *See* SOF ¶¶ 11, 12, 101-210.

**Bridging the Gap:** Since CFH has injected itself into (one line of) Plaintiffs' business, there is no gap to bridge. See SOF ¶¶ 10-12.

**Actual Confusion:** Online reviews that CFH surreptitiously edited show that its costumers referred to its copycat characters by using Plaintiffs' names for such characters, and not CFH's purposefully transparent alternatives. See SOF ¶¶ 223-30.

**Bad Faith:** CFH has attempted to elude liability by claiming, unbelievably, that any similarity between CFH's characters and Plaintiffs' is coincidental (*e.g.*, SOF ¶¶ 220-21); adopting slightly altered character names that nevertheless remain recognizable as Plaintiffs' world famous characters (*e.g.*, SOF ¶¶ 137-43, 181-203); and secretly removing Plaintiffs' characters' names from CFH's own customers' online reviews (SOF ¶¶ 223-28). Pretending to be "Avi Lieberman," Sarelli falsely represented to Plaintiffs that CFH would cease its infringement after receiving Plaintiffs' first demand letter (SOF ¶¶ 214-16). Bad faith can also be inferred since CFH had knowledge of Plaintiffs' marks and nevertheless deliberately copied them, and continues to do so today (*id.*). *U.S. Polo Ass'n, Inc. v. PRL USA Holdings, Inc.*, 800 F. Supp. 2d 515, 536 (S.D.N.Y. 2011), *aff'd*, 511 F. App'x. 81 (2d Cir. 2013).

**Inferior Quality of Defendants' Services:** The Better Business Bureau rates CFH an "F," and various customers have given CFH scathing online reviews. CFH's substandard operations present a serious risk of devaluing or tarnishing Plaintiffs' reputation for providing high quality goods and services. See SOF ¶¶ 231-39.

**Sophistication:** The target audience for CFH's costumed characters is often times unsophisticated children (*see generally* SOF Part III), who are likely to believe that they are being entertained by genuine Disney/Marvel/Lucasfilm characters. See *Lyons P'ship, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789 (4th Cir. 2001) (finding children's confusion regarding knock off Barney highly probative); *Warner Bros., Inc. v. Gay Toys, Inc.*, 658 F.2d 76, 79 (2d Cir. 1981) (relying on survey showing that eight out of ten children respond immediately to the "Dixie Racer" as the "General Lee" or as "The Dukes of Hazzard Car"); *Nabisco, Inc. v. PF Brands, Inc.*, 50 F. Supp. 2d 188, 206 (S.D.N.Y.), *aff'd*, 191 F.3d 208 (2d Cir. 1999) (children are correct measure, where children drive the purchasing decision).

Accordingly, the undisputed material facts establish trademark infringement.

## II. THE UNDISPUTED MATERIAL FACTS DEMONSTRATE THAT CFH HAS DILUTED PLAINTIFFS' MARKS

New York's anti-dilution statute provides that:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

N.Y. Gen. Bus. Law § 360-*l* (formerly § 360-d).

To establish a claim under New York’s anti-dilution statute, a plaintiff must demonstrate “(1) that it possesses a strong mark, one which has a distinctive quality or has acquired a secondary meaning,” and “(2) a likelihood of dilution by either blurring or tarnishment.” *Gucci Am., Inc. v. Guess?, Inc.*, 868 F. Supp. 2d 207, 241 (S.D.N.Y. 2012); *Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 966 (2d Cir. 1996). The first requirement, as demonstrated above, has been met. As for the second, and as set forth below, a defendant who traffics in inferior knock-offs both blurs and tarnishes a plaintiff’s mark. *See GTFM, Inc. v. Solid Clothing, Inc.*, 215 F. Supp. 2d 273 (S.D.N.Y. 2002).

**A. CFH Has Engaged In Dilution By Blurring**

Blurring occurs “where the defendant uses or modifies the plaintiff’s trademark to identify the defendant’s goods and services, raising the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff’s product.” *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir. 1994) (emphasis omitted). To determine the likelihood of blurring, courts consider six factors: “(i) the similarity of the marks; (ii) the similarity of the products covered; (iii) the sophistication of the consumers; (iv) the existence of predatory intent; (v) the renown of the senior mark; and (vi) the renown of the junior mark.” *New York Stock Exch., Inc. v. New York, New York Hotel, LLC*, 293 F.3d 550, 558 (2d Cir. 2002).

These factors are met by the undisputed facts set forth above. First, CFH replicates Plaintiffs’ character and character name trademarks, and therefore uses identical marks on identical products. *See generally* SOF Part III. In addition, CFH’s target customers are unsophisticated children (*see generally* SOF Part III.B (events predominantly for children’s birthday parties)); Plaintiffs have shown CFH’s predatory intent, by way of their intentional and



purposeful efforts to trade off Plaintiffs' goodwill (SOF ¶¶ 212-30); Plaintiffs' marks are iconic (SOF ¶¶ 1-10); and CFH has little, if any, renown (SOF ¶¶ 231-39). Accordingly, CFH's unauthorized use of Plaintiffs' characters, and character and franchise names has "dimin[ished] the capacity of [plaintiffs'] mark [ ] to serve as a unique identifier of its products and services." *GTFM*, 215 F. Supp. 2d at 302 (finding blurring where defendant sold knock-offs of plaintiff's branded apparel).

### **B. CFH Has Engaged In Dilution By Tarnishment**

Tarnishment occurs when a trademark "is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context, with the result that the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods .... The mark may also be tarnished if it loses its ability to serve as a wholesome identifier of plaintiff's products." *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 507 (2d Cir. 1996) (internal quotations omitted). "The sine qua non of tarnishment is a finding that plaintiff's mark will suffer negative associations through defendant's use." *Id.*

The Ninth Circuit's ruling in *Academy of Motion Picture Arts & Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446 (9th Cir. 1991), which was endorsed by the Second Circuit in *Deere*, 41 F.3d at 43 n.7, demonstrates how CFH has tarnished Plaintiffs' marks. The defendant in that case made award statuettes called "Star Awards" that copied the look of the plaintiff's famous OSCAR statuette. The Ninth Circuit held that defendant's use tarnished plaintiffs' mark under California's anti-dilution statute:

The Oscar's value lies in its distinctive design, which stands as a well-recognized symbol of excellence in film. The Star Award, which is strikingly similar in appearance and was originally marketed as an award which resembles an "internationally acclaimed award," dilutes the Oscar's distinctive value.

Moreover, the Star Award is available to corporations, television stations, theater groups, and any member of the general public who desires to purchase one. If the Star Award looks cheap or shoddy, or is disseminated without regard to the ultimate recipient, the Oscar's distinctive quality as a coveted symbol of excellence, which cannot be purchased from the Academy at any price, is threatened.

*Id.* at 1447; *see also Deere*, 41 F.3d at 45 (finding dilution by tarnishment where defendant produced a television commercial for lawnmower tractor by using slightly altered version of plaintiff's famous Deere trademark from a proud, majestic deer, to one that was cowardly and afraid); *cf. Hormel Foods*, 73 F.3d at 507 (rejecting tarnishment claim because the "sine qua non of tarnishment is a finding that plaintiff's mark will suffer negative associations through defendant's use" and the district court had found that defendant's use of "Spa'am, a likeable, positive character, [would] not generate any negative associations" with plaintiff's SPAM mark).

Just as was the case with the Motion Picture Academy (944 F.2d at 1447), here, Plaintiffs' distinctive quality is a coveted symbol of excellence. In addition, CFH's customers necessarily associate CFH's shoddy costumed entertainment services with Plaintiffs, since CFH's customers deliberately hire CFH to perform live performances of Plaintiffs' iconic characters. SOF ¶¶ 223-30. CFH, however, has a reputation for shoddy services that is inimical to Plaintiffs' stellar reputation for customer care. *See* SOF ¶¶ 5, 6, 231-39. CFH's provision of its knock-off characters is thus likely to damage customers' positive associations with Plaintiffs' marks (and those of their children). *See, e.g., GTFM*, 215 F. Supp. 2d at 302 (finding tarnishment where defendant sold inferior quality knock-offs of plaintiff's branded apparel).

### **III. THE UNDISPUTED MATERIAL FACTS DEMONSTRATE THAT CFH HAS INFRINGED PLAINTIFFS' COPYRIGHTS**

The Copyright Act grants Plaintiffs the exclusive right "to reproduce the copyrighted work in copies or phonorecords" (17 U.S.C. § 106(1)), as well as "to display the copyrighted work publicly," where the work constitutes "literary, musical, dramatic, and choreographic

works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work” (17 U.S.C. § 106(5)). To prevail on their claims for copyright infringement, Plaintiffs must demonstrate that: (1) they own valid copyrights in the characters and musical works at issue; and (2) CFH has copied the works without permission. *Boisson v. Banian, Ltd.*, 273 F.3d 262, 267 (2d Cir. 2001).

#### **A. Plaintiffs Own Valid Copyrights In Their Characters and Works**

Courts in this Circuit protect fictional characters from infringement under the “distinct delineation” standard. Under this standard, “pictorial representations and verbal descriptions” of a character that “embody an arrangement of incidents and literary expressions original with the author” are “proper subjects of copyright and susceptible of infringement.” *Detective Comics, Inc. v. Bruns Publ'ns Inc.*, 111 F.2d 432, 433-34 (2d Cir. 1940).

Accordingly, courts in this Circuit have long held that comic strip, cartoon, television, and film characters are protectable under the Copyright Act beyond simply their two-dimensional appearance in the copyrighted works. Rather, such protection extends to the replication of characters’ appearances and personas in any form, including their physical qualities. *See Warner Bros. Inc. v. Am. Broad. Cos.*, 720 F.2d 231, 240 (2d Cir. 1983) (“there has been no doubt that copyright protection is available for characters portrayed in cartoons” and finding that Superman was protected); *Lyons P’ship*, 702 F. Supp. 2d at 113-15 (Bob the Builder); *Brown v Party Poopers, Inc.*, No. 00 CIV. 4799 (JSM), 2001 WL 1380536, at \*5 (S.D.N.Y. July 9, 2001) (Arthur); *Brown*, 34 F. Supp. 2d at 856-57 (Arthur); *Detective Comics*, 111 F.2d at 434 (protecting “feats of strength or powers performed by ‘Superman’” and his costume or appearance); *Fleischer Studios v. Freundlich, Inc.*, 73 F.2d 276 (2d Cir. 1934) (Betty Boop); *King Features Syndicate v. Fleischer*, 299 F. 533 (2d Cir. 1924) (Spark Plug); *Detective*

*Comics, Inc. v. Fox Publ'ns Inc.*, 46 F. Supp. 872 (S.D.N.Y. 1942) (Batman and Robin); *Hill v. Whalen & Martell, Inc.*, 220 F. 359 (S.D.N.Y. 1914) (Mutt and Jeff).

Courts outside this Circuit grant the same protection to characters, including over Plaintiffs' own fictional characters. *See, e.g., Gaiman v. McFarlane*, 360 F.3d 644, 660 (7th Cir. 2004) (when "a character []has a specific name and a specific appearance .... [n]o more is required for a character copyright"); *Walt Disney Co. v. Powell*, 897 F.2d 565, 566, 570 (D.C. Cir. 1990) (affirming "Disney's copyrights on the characters in suit—Mickey and Minnie [which are] distinct, viable works with separate economic value and copyright lives of their own"); *Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 755 (9th Cir. 1978) (Disney characters enjoy protection because they have "physical as well as conceptual qualities" and are "more likely to contain some unique elements of expression").

Here, the longstanding copyright protection for the personas and physical attributes of characters undoubtedly applies. Plaintiffs own numerous copyright registrations for each of the (1) fictional characters at issue, as well as (2) the motion pictures, television shows, and comic books in which those fictional characters are featured. These registration certificates are *prima facie* evidence of Plaintiffs' copyrights.<sup>7</sup>

#### **B. CFH Has Infringed Plaintiffs' Copyrights**

CFH has infringed Plaintiffs' copyrights in three distinct ways. As a copyright owner, Plaintiffs hold the exclusive rights to: (1) reproduce the copyrighted works in copies or

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<sup>7</sup> *See, e.g., Fonar Corp. v. Domenick*, 105 F.3d 99, 103 (2d Cir. 1977); *see also Warner Bros.*, 720 F.2d at 235 ("Plaintiffs own the copyrights in various works embodying the character Superman and have thereby acquired copyright protection for the character itself."); *Paramount Pictures Corp. v. Carol Pub. Grp.*, 11 F. Supp. 2d 329, 333 (S.D.N.Y. 1998), *aff'd sub nom., Paramount Pictures Corp. v. Carol Pub. Grp., Inc.*, 181 F.3d 83 (2d Cir. 1999) (registration for Star Trek film and television shows covered its characters); *Greenwich Film Prods., S.A. v. DRG Records, Inc.*, 833 F. Supp. 248, 252 (S.D.N.Y. 1993) (where owner is the same, registration of film include musical works contained in the film).

phonorecords (17 U.S.C. § 106(1)); (2) display the copyrighted works (including individual images of any motion pictures) publicly (*id.* § 106(5)); and (3) perform the copyrighted works publicly (*id.* § 106(4)). CFH has infringed each of these rights. First, CFH “reproduce[d]” Plaintiffs’ copyrighted characters when CFH uploaded still and video images of those characters onto the CFH website and other internet sites. *See id.* § 106(1); *EMI Christian Music Grp., Inc. v. MP3tunes, LLC*, 844 F.3d 79, 96 (2d Cir. 2016) (upholding jury verdict for infringement of reproduction rights in cover art where defendant’s software copied cover art for use on website); *see also supra* at pages 7-8 (chart of infringing uses).

Second, CFH “display[ed] ... publicly” Plaintiffs’ copyrighted characters when CFH made still and video images of them available on its website and other internet sites for the public to view. *See* 17 U.S.C. § 106(5); *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1160 (9th Cir. 2007) (“[A] person displays a photographic image by using a computer to fill a computer screen with a copy of the photographic image fixed in the computer’s memory.”); *see also supra* at pages 7-8 (chart of infringing uses).

Third, CFH “perform[ed] ... publicly” Plaintiffs’ copyrighted characters, including their personas and story lines, when CFH sent live actors to perform as Plaintiffs’ characters at themed entertainment events and made videos and images of its live character performances available on its website and other internet sites for the public to view. *See* 17 U.S.C. § 106(4); *supra* Part III.A; *Capitol Records, LLC v. ReDigi Inc.*, 934 F. Supp. 2d 640, 652 (S.D.N.Y. 2013) (holding that audio streams from websites are public performances); *DC Comics Inc. v. Unlimited Monkey Bus., Inc.*, 598 F. Supp. 110 (N.D. Ga. 1984) (finding infringement where singing telegram business sent an actor in a “Super Stud” costume to perform skits that used phrases and plot elements from Superman); *Hill*, 220 F. at 359-60 (finding infringement in performance by “Nutt”

and “Giff” characters who were “costumed and made up” to look like Mutt and Jeff, used “direct quotations from the more striking catchwords” of these characters, and acted “in substantial harmony with the characters given them by the original artist”); *see also supra* at pages 7-8 (chart of infringing uses).

#### **IV. SARELLI IS INDIVIDUALLY LIABLE FOR CFH’S INFRINGING CONDUCT**

##### **A. Sarelli is Personally Liable For CFH’s Trademark Infringement**

“In the Second Circuit, it is well-established that under the Lanham Act, a corporate officer may be held personally liable for trademark infringement and unfair competition if the officer is a moving, active[,] conscious force [behind the defendant corporation’s] infringement.” *Innovation Ventures, LLC v. Ultimate One Distrib. Corp.*, 176 F. Supp. 3d 137, 155 (E.D.N.Y. 2016) (internal quotations omitted). “In determining individual liability under the Lanham Act, it is immaterial ... whether [the individual] knows that his acts will result in an infringement.” *Id.* Rather, a “corporate officer is considered a moving, active, conscious force behind a company’s infringement when the officer was either the sole shareholder and employee, and therefore must have approved of the infringing act, or a direct participant in the infringing activity.” *Id.* A showing that an officer “authorized and approved the acts of unfair competition which are the basis of [the] corporation’s liability ... is sufficient participation in the wrongful acts” to subject the officer to liability. *Id.* Sarelli is the sole owner and managing director of CFH, and he directly participated in CFH’s infringing acts. *See* SOF ¶¶ 15, 16. He is personally liable for CFH’s trademark infringement.

##### **B. Sarelli Is Vicariously Liable For CFH’s Copyright Infringement**

An individual defendant is vicariously liable for a corporate defendant’s copyright infringement if that individual profited from the corporation’s direct infringement while



declining to exercise a right to stop or limit it. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005). Sarelli is the sole owner and managing director of CFH. SOF ¶¶ 15-17. He runs its operations and has refused to halt its infringing conduct, which he endorses and directs. SOF ¶¶ 15-17, 214-16, 222. He is therefore vicariously liable for CFH's infringement. *Design Tex Grp., Inc. v. U.S. Vinyl Mfg. Corp.*, No. 04 CIV. 5002 (JSR), 2005 WL 2063819, at \*4 (S.D.N.Y. Aug. 24, 2005) (finding president and sole owner (with his wife) of small company vicariously liable for copyright infringement because it was "obvious" that he "had the ability to supervise the infringing activity").

#### V. DEFENDANTS ARE WILLFUL INFRINGERS

Plaintiffs also seek a determination that there is no issue of fact that Defendants' conduct was willful, for purposes of a later statutory damages or other award. While a determination of willfulness requires an assessment of a party's state of mind, it may be the subject of summary judgment where the evidence of willfulness is unassailable. *Agence France-Presse v. Morel*, 934 F. Supp. 2d 547, 570 (S.D.N.Y. 2013); *Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366, 1382 (2d Cir. 1993) (affirming finding of willfulness on summary judgment).

A copyright infringement is willful "if the defendant had knowledge that its actions constitute an infringement." *N.A.S. Import, Corp. v. Chenson Enters., Inc.*, 968 F.2d 250, 252 (2d Cir. 1992) (internal citations and quotations omitted). "This knowledge may be actual or constructive. In other words, it need not be proven directly but may be inferred from the defendant's conduct." *Id.* "[R]eckless disregard of the copyright holder's rights (rather than actual knowledge of infringement) suffices to" establish willfulness. *Id.* Relevant factors include whether the infringer (1) was on notice that the work was protected by copyright, (2) had received warnings of its infringement, and (3) continued its infringement after representing that it



would cease doing so. *Id.*; see also *Agence France*, 934 F. Supp. 2d at 570. The standards for a finding of willfulness for trademark infringement are the same. *Innovation Ventures*, 176 F. Supp. 3d at 164-65.

Defendants have long known that Plaintiffs owned valuable copyrights and trademarks, and that they were using Plaintiffs' intellectual property without authorization. SOF ¶¶ 212-230; see also, e.g. *supra* Part I.B (detailing evidence of bad faith). Defendants tried to mask their infringement, and falsely promised Plaintiffs that they would cease their infringing acts after Plaintiffs sent cease and desist letters to CFH. See SOF ¶¶ 212-30. Their deliberate and deceitful conduct makes them the embodiment of willful infringers.

### CONCLUSION

For all of the foregoing reasons, Plaintiffs' motion for partial summary judgment should be granted in all respects.

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