

Dentop Studios,

Appellant,

-against-

The Pilton Company,

Appellee.

Record

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UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DREAMVILLE

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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The Pilton Company, :

Plaintiff, : Docket No. 19 Civ. 1609 (UI)

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-against- : ORDER GRANTING IN PART : AND DENYING IN PART THE : MOTION TO DISMISS

Dentop Studios, :

Defendant. :

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:

This case comes before the Court on Dentop Studios’ (“Dentop”) Motion to Dismiss (Doc. No. 16) the Complaint brought by The Pilton Company (“Pilton”). Based on a review of the parties’ submissions and the relevant case law, the Court GRANTS IN PART and DENIES IN PART the Motion to Dismiss. The Court GRANTS the Motion and DISMISSES the claim for declaratory judgment for the copyright infringement claim without leave to amend. The Court also DENIES the Motion with respect to the claims for trademark infringement under the Lanham Act.

**STATEMENT OF FACTS**

Pilton is a large media company incorporated in 1920 in Dreamville. In 1923, it produced a five-minute animated short titled “Racecar Richard.” This black-and-white short features an animated raccoon driving around a racetrack and confronting troubles in doing so. Pilton claims that this raccoon, although changed in name and appearance, is the character now known as Ricky the Raccoon. Pilton claims that this character forms the mascot of their company and is recognized as one of the most famous cartoon characters of all time.

Since 1923, Pilton has continuously produced works featuring the animated raccoon. By 1926, the character had gone through several iterations including appearance and background updates as well as a name change from Racecar Richard to Ricky the Raccoon. Nevertheless, Pilton maintains that despite these changes, it is one and the same character. Pilton also maintains that people continuously associate the earliest appearance of Ricky with Pilton and that Pilton has taken steps which reinforce that association. For instance, in order to celebrate the 95th anniversary of Ricky in 2018, Pilton made the 1923 version of Ricky the figurehead of a marketing campaign that included extensive merchandising and playing the original short, alongside other classic films, in theaters. The introductory clip that plays at the start of all of Pilton’s films now prominently features a ten-second clip straight from “Racecar Richard.”

The copyright on the Racecar Richard short expired on January 1, 2019. Dentop took advantage of this expiration to help market its film, “Macko Saves the Aniverse,” centered around the adventures of the animated titular character, Macko. This marketing, beginning February 20, 2019, took the form of an animated short film which inserted Macko into the Racecar Richard film. Most of the short consists of the original Racecar Richard cartoon in its entirety, redrawn in a high-definition quality but otherwise keeping the same style and visual appearance. Dentop’s short primarily differs from the original in that, in the background of most scenes, Macko can be seen fighting Esquire Evil, another one of Dentop’s characters. At the end of the short, Macko interacts—for the first and only time—with the raccoon. Macko tells Ricky that he was “saving [Ricky’s] future.”

Dentop’s animated short was not included, and was never intended to be included, in the final film. Instead, the short animation was uploaded to YouTube where, at the time of the complaint, it had garnered over 10 million views. Dentop also cut this short into several shorter chunks between five seconds to one-minute long. These advertisements were broadcasted on a variety of platforms, including Facebook, Instagram, and broadcast television. Pilton alleges that these shorter advertisements have been viewed over 20 million times.

Pilton filed a complaint on March 3, 2019, alleging copyright infringement pursuant to 17 U.S.C. § 501(a), for the copyright it holds in the Ricky the Raccoon character. Specifically, Pilton claims that Dentop’s animation is an unauthorized copy and derivative work of the Ricky the Raccoon character.

Pilton also alleges trademark infringement, pursuant to 15 U.S.C. § 1114(a), of the trademark in the character as depicted in Racecar Richard (U.S. Registration No. 4,067,379, issued on July 14, 2013) as well as the modern depiction of Ricky the Raccoon (U.S. Registration No. 547,156, renewed on October 5, 2018), both of which have been registered for use in connection with films and animations. Pilton claims that Dentop’s advertisement is likely to cause confusion over sponsorship and lead people to believe that “Macko Saves the Aniverse” is sponsored by Pilton. Pilton seeks injunctive relief for both claims.

**LEGAL STANDARD**

A complaint by the plaintiff must contain a short and plain statement of the claim showing that they are entitled to relief. Fed. R. Civ. P. 8(a)(2). A Motion to Dismiss pursuant to Fed. R. Civ. P. 12(b)(6) should be granted when the allegations, accepted as true, are plausible and sufficient to raise the right of relief to a more than speculative level. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555–57 (2007).

**OPINION**

**I. The Copyright Claim Is Dismissed**

Taking the facts asserted by Pilton as true, the copyright claim fails as a matter of law. It is undisputed that the copyright of the original Racecar Richard animation expired on January 1, 2019. Pilton does not allege that any of Dentop’s activity before February 20, 2019 gave rise to copyright liability. Thus, Pilton does not rely on the now-expired copyright on the film itself, but on the copyright to Ricky the Raccoon character in general.

Pilton claims, and Dentop does not dispute, that Ricky the Raccoon is the same character that features in the original 1923 animation. Pilton’s claim is that because it owns the copyright on the character, recreating the original cartoon infringes on its character copyright.

Copyright certainly can exist in visual characters. *See Olson v. Nat'l Broad. Co.*, 855 F.2d 1446, 1452 (9th Cir. 1988) (“[C]opyright protection may be afforded to characters visually depicted in a television series or in a movie.”); *Hill v. Whalen & Martell, Inc.*, 220 F. 359 (S.D.N.Y. 1914) (recognizing a copyright in a character separate and apart from the copyright of the work in which the character appears).

However, it is also true that copyrights expire. *See* 17 U.S.C. § 302 (setting the duration of copyrights as the life of the author plus seventy years or, for works-made-for-hire, ninety-five years). To say that the copyright on a character retroactively lengthens the life of copyright in all works featuring said character would be absurd. Such a claim finds no support in the copyright statute and any support would likely be unconstitutional. *See* U.S. Const. art. I, § 8, cl.8 (granting Congress the power to grant copyrights, but only ones that last for a limited time).

Courts have delineated a clear rule: the character copyright protects only those aspects of the character, including plot and characterization, that appear in works held under living copyright. *See, e.g.*, *Silverman v. CBS, Inc*., 870 F.2d 40, 49 (2d Cir. 1989) (“[C]opyrights in derivative works secure protection only for the incremental additions of originality contributed by the authors of the derivative works.”)

Because Pilton does not, and could not plausibly, allege that Dentop’s advertisement uses any of Pilton’s copyrighted material outside of the original Racecar Richard short, the copyright claim fails as a matter of law and the Motion to Dismiss is GRANTED with regard to the copyright claim.

**II. The Trademark Claim Is Not Dismissed**

Pilton claims that the inclusion of Ricky the Raccoon in Dentop’s advertisement is likely to cause confusion as to sponsorship. Dentop argues in its Motion to Dismiss that Pilton’s claim is precluded by *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003). Dentop further argues that *Dastar* held trademark liability can only attach to physical products and that, accordingly, reuse of film footage never violates the Lanham Act.

Dentop misreads *Dastar*. In that case, the Supreme Court merely held that authorship did not fall under “origin” within the meaning of the Lanham Act. *Id.* at 37. But Pilton is not alleging confusion over origin, it is alleging confusion over sponsorship, a distinct trademark claim. *See* Lanham Act § 43(a), 15 U.S.C. § 1125(a) (distinguishing between confusion over “origin” and “sponsorship”).

Because *Dastar* is inapplicable in the instant case, the Motion to Dismiss is DENIED with regard to the trademark claim.

/s/ Ubbe Iwerrks \_\_\_

Hon. Ubbe Iwerrks

United States District Judge

United States District Court

for the District of Dreamville

Dated: July 12, 2019

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DREAMVILLE

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The Pilton Company, :

Plaintiff, : Docket No. 19 Civ. 1609 (UI)

:

-against- : ORDER GRANTING PLAINTIFF’S : MOTION FOR SUMMARY : JUDGMENT AND DENYING

Dentop Studios, : DEFENDANT’S CROSS-MOTION

Defendant. : FOR SUMMARY JUDGMENT

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:

Before this Court is a Motion and a Cross-Motion for Summary Judgment. Upon consideration of the parties’ filings, the arguments presented at the motions hearing, and for the reasons stated herein, Dentop Studios’ (“Dentop”) Cross-Motion for Summary Judgment is DENIED and The Pilton Company’s (“Pilton”) Motion for Summary Judgment is GRANTED.

**STATEMENT OF FACTS**

Pilton and Dentop are media companies incorporated in Dreamville that produce a wide range of media products, including film and television. They differ, however, in size and age. Pilton, incorporated in 1920, produced twenty-three feature films in 2018 and made over $63.4 billion in revenue. Dentop, on the other hand, was incorporated in 2009 and only produced two feature films in 2018 with $300 million in revenue.

Over the past century, Pilton has carefully built a reputation as a family-friendly media creator. This reputation has been invariably tied to its internationally recognized mascot, Ricky the Raccoon. This character, first debuted in the 1923 short, “Racecar Richard,” and has not only been featured in ninety-three shows and films but has also been the focus of Pilton’s merchandising campaign that produces over a hundred million dollars of annual revenue. Pilton attaches Ricky the Raccoon to almost all their products. For instance, as of 2018, Pilton plays a short thirty-second clip at the start of every film it produces. The clip begins with ten seconds straight from Racecar Richard and then goes through various iterations of Ricky over the years, ending with a screen with “Pilton” written in large letters underneath which is the phrase “95 years of magic.” Pilton updated this clip last year, on the anniversary of Racecar Richard, to say “96 years of magic.”

Dentop now invokes this reputation for themselves. In order to advertise its upcoming film, “Macko Saves the Aniverse,” Dentop produced an animated short film that used footage from the original Racecar Richard film. Dentop redrew the 1923 animation and inserted its own characters into almost every background shot. Dentop’s full advertisement was seen over thirty-five million times, and truncated versions were viewed at least twenty-seven million additional times.

Pilton filed suit under the Copyright Act and the Lanham Act. This court dismissed the copyright claim but allowed the trademark claim to continue. Pilton’s trademark claim was originally for both the 1923, “Racecar Richard,” depiction (U.S. Registration No. 4,067,379, issued on July 14, 2013) and the more modern depiction of the character (U.S. Registration No. 547,156, renewed on October 5, 2018). However, Pilton has since voluntarily dropped the trademark claim revolving around the more recent depiction of the character. Pilton alleges that Dentop’s use of the character is likely to cause confusion over sponsorship.

**LEGAL STANDARD**

Courts may grant summary judgment when there is no genuine dispute of material fact and the movant is entitled to judgment as a matter of law, where material facts are only those “facts that might affect the outcome of the suit under the governing law.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). On a motion for summary judgment, the district court’s “function is not . . . to weigh the evidence and determine the truth of the matter but to determine whether there is a genuine issue for trial.” *Id.* at 249.

The moving party bears the initial responsibility to show an absence of evidence of any genuine issue of material fact*. Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). If the moving party meets its initial burden of demonstrating that summary judgment is proper, “the nonmoving party must come forward with specific facts showing there is a genuine issue for trial” in order to survive summary judgment. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986) (internal quotation marks omitted) (citations omitted).

Where the nonmoving party has the burden of proof at trial, the moving party can carry its initial burden by “submit[ting] affirmative evidence that negates an essential element of the nonmoving party’s claim . . . [or by] demonstrat[ing] . . . that the nonmoving party’s evidence is insufficient to establish an essential element of the nonmoving party’s claim.” *Celotex Corp.*, 477 U.S. at 331. The burden then shifts to the nonmoving party to identify specific facts showing genuine issues which must be resolved at trial. *Id*. at 324. To show there are genuine issues means that the evidence is such that a reasonable jury could render a verdict in the moving party’s favor. *Anderson*, 477 U.S. at 252. “The evidence of the nonmovant is to be believed, and all justifiable inferences are to be drawn in his favor.” *Id.* at 255.

**OPINION**

**I. The Ricky the Raccoon Mark Is Valid and Enforceable Against Dentop**

Dentop’s argument is not that there is no likelihood of confusion—indeed, during the motions hearing they conceded that this case would satisfy the likelihood of confusion test under current circuit law—but that: (1) the trademark is invalid, and (2) *Dastar* created a safe harbor against trademark liability for reproduction of works in the public domain. *See Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003). Because these arguments find no support in case law or statute, we DENY Dentop’s Cross-Motion for Summary Judgment.

**A. The Ricky the Raccoon Mark Survived the Underlying Work Entering the Public Domain.**

Dentop’s first contention is that when Racecar Richard entered the public domain, the related trademark necessarily expired as well. Its principle support lies in *Dastar*. It is true that the Supreme Court interpreted the Lanham Act to protect copyright’s public domain and in dicta warned against trademark law becoming a “species of mutant copyright law.” *Dastar Corp.*, 539 U.S. at 34. However, *Dastar* does not support Dentop’s radical suggestion that trademark protection cannot exist on public domain material. At most, *Dastar* suggests that protecting copyright’s public domain should guide interpretation of the Lanham Act. *Id.* (“Thus, in construing the Lanham Act, we have been ‘careful to caution against misuse or over-extension’ of trademark and related protections into areas traditionally occupied by patent or copyright.” (quoting *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001))). No plausible interpretation of the Lanham Act could support the mark expiring.

We begin our analysis by noting that nowhere in the Lanham Act is copyright law mentioned and nowhere in the Copyright Act is trademark law mentioned. 15 U.S.C. § 1051 *et seq.*; 17 U.S.C. §§ 101–810. This is unsurprising, as trademark and copyright are distinct forms of protection. *See Warner Bros. Ent. v. X One X Prods.*, 840 F.3d 971, 982 (8th Cir. 2016) (saying “[c]opyright law and trademark law are distinct from each other” and warning against conflating the two); *Univ. of Ala. Bd. of Trustees v. New Life Art, Inc.*, 683 F.3d 1266, 1280 (11th Cir. 2012) (holding that owning a copyright on an image does not provide a defense against trademark liability from using that image).

While the mark at issue here has not yet been declared incontestable, we find it significant that the validity of incontestable trademarks can only be challenged on very specific grounds, none of which include an underlying work entering the public domain. *See* 15 U.S.C. § 1065 (allowing for a trademark to be cancelled only on the grounds of genericization, abandonment, functionality and fraud). Under the canon of *expressio unius*, a statute expressly listing certain categories suggests that the list is exhaustive. *See Jennings v. Rodriguez*, 138 S. Ct. 830, 844 (2018) (explaining the cannon of *expressio unius*). A trademark can be declared incontestable within five years and copyright lasts for at least seventy years. 15 U.S.C. § 1065; 17 U.S.C. § 302. It would be unusual for Congress to allow a trademark holder to estop this invalidity argument decades before it could first be raised.

In addition to the statute, case law also suggests that the trademark survives the expiration of any underlying copyright. The Southern District of New York held that the expiration of copyright on certain Peter Rabbit books and their associated illustrations did not prevent the once-holder of those copyrights from continuing to assert trademark protection on the illustrations. *See Frederick Warne & Co. v. Book Sales Inc.*, 481 F. Supp. 1191, 1194, 1197 (S.D.N.Y. 1979) (“[D]anger of misrepresentation as to the source of copied public domain material may establish a claim for unfair competition.”)

Due to the length of copyright, few courts have directly addressed this issue. However, many courts have dealt with a similar overlap between patents and trademarks. Because copyright law and trademark law both trace their public domain policy to the same clause in the Constitution, cases examining the public domain concerns of patent versus trademark law can be thought of as at least highly persuasive for the present question. *See* U.S. Const. art. I, § 8, cl.8 (mandating that both copyright and patents last for “limited [t]imes”).

A survey of the patent-trademark cases finds almost universal agreement that the expiration of a patent has no effect on any related trademarks. *See, e.g.*, *In re Mogen David Wine Corp.*, 328 F.2d 925, 928–30 (C.C.P.A. 1964) (“The termination of either [a trademark or a patent] has no legal effect on the continuance of the other.”); *Sunbeam Prod., Inc. v. W. Bend Co.*, 123 F.3d 246, 255–56 (5th Cir. 1997) (finding that an expired patent on certain features did not prevent those features from being protected by the Lanham Act).

Given that neither the plain language of the Lanham Act nor the relevant case law supports Dentop’s position, we hold that Pilton’s trademark on the 1923 depiction of Ricky the Raccoon (U.S. Registration No. 4,067,379) is valid.

**B. Dentop’s Advertisement Can Trigger Trademark Liability Under *Dastar*.**

Dentop argues that even if the trademark is valid, *Dastar* created a safe harbor against trademark liability for reproductions of works in the public domain. It relies on both language from *Dastar* itself as well as circuit court cases which have applied *Dastar*. We find that although *Dastar* does create a safe harbor, it is limited to exact or nearly exact reproductions. Because Dentop has made extensive edits to the footage, we find that they fall outside the domain of the safe harbor and may be liable for trademark infringement.

In *Dastar*, the Supreme Court affirmed that the expiration of copyright creates a public right to copy. *Dastar Corp.*, 539 U.S. at 33 (“The right to copy, and to copy without attribution, once a copyright has expired, like ‘the right to make [an article whose patent has expired]—including the right to make it in precisely the shape it carried when patented—passes to the public.’” (quoting *Sears, Roebuck & Co. v. Stiffel Co.,* 376 U.S. 225, 230 (1964) (alteration in original))). The Court’s decision was partly compelled by a fear that allowing the plaintiff to assert a trademark right on the public domain material would unduly limit this right to copy. *See Dastar Corp.*, 539 U.S. at 34 (finding that allowing trademark liability would risk creating a “species of mutant copyright”).

It is unclear that the Supreme Court intended to create a safe harbor with its decision. Not only is that rule mentioned nowhere in the decision, creating a safe harbor raises complicated questions. For instance, does this now mean that visual characters created specifically for use as a mascot have a shelf life? What about fanciful logos which may incidentally receive copyright protection? Nevertheless, circuit courts addressing this issue have interpreted *Dastar* as creating a safe harbor for reproductions of public domain material. *See, e.g.*, *Slep-Tone Entm’t Corp. v. Wired for Sound Karaoke & DJ Servs.*, *LLC*, 845 F.3d 1246, 1250 (9th Cir. 2017) (holding that courts should not allow trademark claims which are “more accurately conceived of as attacking unauthorized copying”); *Warner Bros. Ent. v. X One X Prods.*, 840 F.3d 971, 980 (8th Cir. 2016) (finding that *Dastar* bars trademark claims which are actually “disguised copyright claims”). While these decisions are not binding on this court, we find them highly persuasive and hold that *Dastar* does create a limited safe harbor.

However, finding that a safe harbor exists does not resolve this case, as the safe harbor must be applied. *Dastar* only protects *copying* public domain material, not heavily altering the work in any manner desired. *See* *Am. Soc’y for Testing & Materials v. Public.Resource.Org, Inc.*, 896 F.3d 437, 455 (D.C. Cir. 2018) (concluding that *Dastar* could only preclude trademark liability for reproducing identical copies of a public domain work). This is because, at least where confusion over sponsorship is alleged, the injury stems not from general lack of attribution but from harm to the reputation of the mark’s owner. *See Id.* at 455 (calling distribution of “meaningfully inferior versions” of a work “a cognizable injury under the Lanham Act”). Distinguishing between the creation of copies and the creation of derivative works also finds support in the Copyright Act, which itself separates out the two rights. *See* 17 U.S.C. § 106 (giving an exclusive right to copy and an exclusive right to create a derivative work).

Dentop exceeded the bounds of the safe harbor with the many alterations they performed. Had Dentop merely reanimated the cartoon to increase the resolution, the trademark claim might have been barred. But inserting their own characters into the background of most shots and having one of their characters directly interact with Ricky the Raccoon goes beyond mere reproduction and into the realm of trademark liability.

For the reasons set out above, we DENY Dentop’s Cross-Motion for Summary Judgment.

**II. Dentop Infringed on Pilton’s Trademark as a Matter of Law**

Because Pilton has a valid trademark in the 1923 depiction of Ricky the Raccoon and because *Dastar* did not create a special exemption for Dentop’s actions, this case presents textbook trademark infringement and Pilton’s Motion for Summary Judgment is GRANTED.

Under 15 U.S.C. § 1114, trademark infringement can be found when a trademark is used in a way that is likely to cause confusion as to sponsorship. *See Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153, 161 (2d Cir. 2016) (explaining that 15 U.S.C. § 1114 protects the holder of a registered trademark from confusion over sponsorship).

There are a variety of factors to be assessed in determining if there is likelihood of confusion over sponsorship. *See Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 478 (5th Cir. 2008) (listing these factors). Of particular importance in this case is the overwhelming strength of the Ricky the Raccoon mark, even in its 1923 appearance. *Id.* (including “the strength of the mark” as an important factor in assessing the likelihood of confusion). Even without Dentop’s concession that there is confusion over sponsorship according to this circuit’s law, this court would find confusion over sponsorship as a matter of law.

What occurred in this case is textbook trademark infringement. Dentop used Pilton’s mark—a mark that Pilton invested in over the better part of a century—in a way that could confuse customers into believing Pilton sponsored Dentop’s films.

Pilton carefully cultivated its reputation over the decades and has expanded considerable resources in associating itself with quality, family-friendly films. This court makes no judgment as to if associating “Macko Saves the Aniverse” would harm this reputation. Under the Lanham Act, it is up to Pilton to make that judgment, and in this case, they have.

We also find that Pilton is entitled to an injunction. Pilton claims that Dentop’s films are of a generally inferior quality and often involve “crass humor and adult subjects.” Pilton argues that the association between the two companies would cause irreparable harm to Pilton’s reputation. Dentop disputes this characterization. We do not require fact-finding to resolve this issue. It is well understood that injunctions are the ordinary remedy for trademark infringement. *See Angel Flight of Ga., Inc. v. Angel Flight Am., Inc.*, 522 F.3d 1200, 1209 (11th Cir. 2008) (“[I]n ‘ordinary trademark infringement actions . . . complete injunctions against the infringing party are the order of the day.’” (quoting *SunAmerica Corp. v. Sun Life Assurance Co. of Can.*, 77 F.3d 1325, 1336 (11th Cir. 1996))); 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30:1 (2020) (explaining that the standard remedy for trademark infringement is a permanent injunction). Dentop has not presented any compelling reason why this case should be any different.

For the reasons set out above, Pilton’s Motion for Summary Judgment is GRANTED and Dentop is enjoined from distributing, in whole or in part, the advertisement with the infringing mark.

/s/ Ubbe Iwerrks \_\_\_\_

Hon. Ubbe Iwerrks

United States District Judge

United States District Court

for the District of Dreamville

Dated: November 19, 2019

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF DREAMVILLE

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:

The Pilton Company, :

Plaintiff, : Docket No. 19 Civ. 1609 (UI)

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-against- : NOTICE OF APPEAL

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Dentop Studios, :

Defendant. :

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NOTICE IS GIVEN that Dentop Studios, Defendant, appeals to the Court of Appeals for the Fourteenth Circuit the granting of Plaintiff’s Motion for Summary Judgment and the denial of Defendant’s Cross-Motion for Summary Judgment by the District Court for the District of Dreamville rendered on November 19, 2019, and entered on November 21, 2019.

/s/ Daria Soboleva

Daria Soboleva

Attorney for Defendant

109 Animation Street

Dream City, Dreamville 15007

CERTIFICATE OF SERVICE

I hereby certify that a copy hereof has been furnished to Andrew Parsons, attorney for Plaintiff, at 135 Queen Avenue, Dream City, DV 15008 by electronic service on December 4, 2019.

/s/ Andrew Parsons

Andrew Parsons

Attorney for Defendant

UNITED STATES COURT OF APPEALS

FOR THE FOURTEENTH CIRCUIT

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Dentop Studios, :

Appellant, : Docket No. 20-2309

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-against- : OPINION : :

The Pilton Company, :

Appellee. :

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_:

Before: HARRINGTON and SENANAYAKE, Circuit Judges, and WHITMER, Chief Judge.

HARRINGTON, J:

We are asked to decide two questions: (1) does the expiration of copyright on a work trigger the expiration of a trademark on a character originating in that work, and (2) does trademark liability extend to reproduction and alteration of public domain works? Appellant is Dentop Studios (“Dentop”), a media company who used a public domain work as the basis for a promotional short. Appellee, The Pilton Company (“Pilton”), claimed that this violated the trademark they own in the depiction of a character prominently featured in the public domain work.

Dentop argued that it was not liable for trademark infringement both because the asserted trademark was invalid and because using a public domain work cannot be the basis for a trademark violation. The District Court for the District of Dreamville disagreed with Dentop, granting Pilton summary judgment and a permanent injunction.

We disagree with the district court’s interpretation of the law. Our conclusion is compelled by case law and the United States Constitution. We find that the trademark at issue is unenforceable in the context of films and animation, and even if it were enforceable, we would still rule for Dentop as the claim here is clearly a disguised copyright claim and thus cannot be brought as a trademark claim. Accordingly, we VACATE the permanent injunction, REVERSE the district court’s grant of summary judgment to Pilton and REMAND for proceedings not inconsistent with this opinion.

**BACKGROUND**

**I. Factual Background**

In 1923, Pilton created and published the animated short “Racecar Richard.” This five-minute animation prominently featured Ricky the Raccoon who has since become world-famous. Following the success of the 1923 animation, Pilton quickly adopted Ricky as its company mascot, in both direct depictions and as a silhouette of Ricky’s distinctive head. While Ricky’s depiction has changed over the course of the century, both parties agree that the character featured in the 1923 film is Ricky.

Over the years, Pilton zealously guarded Ricky’s depiction, as was its right to do so. While Pilton was not shy about using Ricky in its own media nor about merchandising his appearance, the company worked to ensure depictions of Ricky were controlled by them directly or by those under strict licensing contracts. According to Pilton, and not disputed by Dentop, this strict control finds justification in the fact that the association between Ricky and Pilton is so strong that any negative connotations incurred against Ricky invariably incurs against Pilton.

Perhaps realizing that the copyright on the 1923 film was set to expire and spurred on by these protective instincts, Pilton set out to ensure that it could continue to maintain its monopoly on Ricky through trademark. To this end, Pilton ensured that there could be no doubt that the original depiction of Ricky had an overwhelming secondary meaning of representing Pilton. It plastered the original appearance of Ricky across films, television shows, advertisements, toys, shirts, theme park rides and, on one occasion, a blimp. By the date the copyright in Racecar Richard expired, January 1, 2019, Pilton had firmly established secondary meaning and had a registered trademark on the 1923 depiction of Ricky the Raccoon. U.S. Registration No. 4,067,379, issued on July 14, 2013.

In February 2019, Dentop undeterred by this trademark, decided to use the now-public domain work for its own creative purposes. Dentop created an animated short, also five minutes long, to promote its film “Macko Saves the Aniverse.” The short consists primarily of Racecar Richard, reanimated to fit today’s high-definition demands, reproduced in its entirety. Dentop also inserted two of its own characters, Macko and Esquire Evil, fighting each other in the background. Esquire Evil is presumably trying to harm Ricky in order to destabilize the “Aniverse,” the central plotline in Dentop’s film. Macko is trying to foil her plot and protect Ricky. The only time Macko and Ricky interact is at the very end of the film where Macko briefly explains to Ricky why he was present. The short then ends with a screen advertising Dentop’s film.

Dentop released this animation on February 20, 2019, and it quickly gathered millions of views. The full promotional animation, published on the internet-video platform YouTube, had received 35 million views before the district court enjoined Dentop. Dentop also used shorter clips to form the basis of advertisements which garnered 27 million views. In issuing its permanent injunction, the district court enjoined Dentop from distributing its animated short in any form.

**II. Procedural History**

Pilton filed a complaint against Dentop on March 3, 2019, in the District of Dreamville. It initially alleged both copyright and trademark infringement. The copyright claim, filed pursuant to 17 U.S.C. § 501(a), alleged that Dentop infringed the copyright Pilton owned in the character of Ricky the Raccoon generally. This claim was dismissed by the District Court for the District of Dreamville on the grounds that while the expiration of the 1923 copyright did not extinguish Pilton’s copyright in Ricky, the passage of the original short into the public domain diminished Pilton’s copyright in Ricky such that it no longer covered any aspect of the character found in Racecar Richard. Pilton does not dispute this decision.

Pilton’s trademark claim was filed under 15 U.S.C. § 1114(a). Specifically, it claimed that Dentop’s animation caused confusion over sponsorship and that it would lead consumers to mistakenly believe that Pilton somehow sponsored or approved of “Macko Saves the Universe.” Pilton originally alleged that two distinct trademarks were infringed: the trademark in Ricky as he was depicted in 1923 (U.S. Registration No. 4,067,379), as well as the modern depiction of Ricky the Raccoon (U.S. Registration No. 547,156, renewed on October 5, 2018). Both of these trademarks were registered for uses related to films and animations. For reasons that are unclear from the record, Pilton amended its complaint to drop the claim that the trademark on the modern depiction of Ricky had been infringed.

During a ruling on a motion and a cross-motion for summary judgment, the district court rejected Dentop’s argument that Pilton’s trademark was unenforceable. The district court also rejected Dentop’s argument that Pilton’s trademark claim amounted to nothing more than a disguised copyright and was thus improper under *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003). The court then found that Dentop had infringed Pilton’s trademark as a matter of law. Dentop appealed the district court’s decision with regards to the enforceability of the trademark and the applicability of *Dastar*. We now REVERSE.

**STANDARD OF REVIEW**

This Court reviews grants of summary judgment *de novo*. Summary judgment is appropriate when “there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a). In ruling on a motion for summary judgment, “[t]he evidence of the nonmovant is to be believed, and all justifiable inferences are to be drawn in his favor.” *Anderson v. Liberty Lobby, Inc*., 477 U.S. 242, 255 (1986).

**DISCUSSION**

After a survey of both the relevant case law and the text of the constitution, we hold that Pilton’s asserted trademark is unenforceable, at least within the context of creative works. We also conclude that Pilton’s trademark claim was a disguised copyright claim and, under *Dastar*, Dentop is therefore not liable for trademark infringement.

**I. Pilton’s Trademark is Unenforceable**

We hold that the trademark on the 1923 depiction of Ricky the Raccoon is unenforceable against creative works. Because the trademark is registered only for uses relating to films and animations, we hold that the registered trademark is invalid generally, as any attempt to leverage the trademark would invariably be against creative works.

Our conclusion rests on three bases: (1) the text and meaning of the Constitution, (2) cases involving patents and trademarks, and (3) the Supreme Court’s ruling in *Dastar*. When taken together, these sources demand that trademark law cannot act to extend the life of a copyright and that the Lanham Act must have an implicit exception to enforceability when a trademark would improperly extend the life of a copyright.

To begin, the text of the Constitution plainly empowers Congress to regulate copyrights. U.S. Const. art. I § 8, cl. 8 (“[Congress shall have the power to] promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”) Yet this grant of power carries an explicit restriction: the copyrights must only last for a “limited” time. *Id.* This embodies the policy of carefully balancing the need to incentivize creation against minimizing the steep costs imposed by monopolies. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989) (“The Patent Clause itself reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition.”) To this end, “the rights of a patentee or a copyright holder are part of a ‘carefully crafted bargain’ under which, once the patent or copyright monopoly has expired, the public may use the invention or work at will and without attribution.” *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 33–34 (2003) (quoting *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150–51 (1989)). To prevent a work from being used after it enters the public domain by invoking trademark protection violates this bargain.

While stating, without more, that trademark and copyright are separate forms of protection and thus are unrelated to each other appears to be a simple manner of resolving any conflict, this case shows why the two regimes are not hermetically sealed from each other–as the assertion of trademarks can frustrate the policies of copyright. Pilton is attempting to use its trademark to continue monopolizing what should be the public’s by right due to the copyright expiring.

These same concerns are implicated when trademarks protect the same material as patents. While the district court felt that the cases dealing with the patent-trademark overlap suggested that trademark prevails in any conflict between copyright and trademark, we believe a better interpretation of the case law arrives at the opposite conclusion for two reasons. First, at least one patent-trademark case arrived at the conclusion that the public domain policies of patent law overrode trademark. *See Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1500 (10th Cir. 1995) (finding that a trademark could not be given to a significant inventive component of a patent). The Tenth Circuit explained that “the inability freely to [sic] copy significant features of patented products after the patents expire impinges seriously upon the patent system’s core goals,” and extending trademark protection to features claimed by a patent “undermines the principle that ideas in the public domain should stay there.” *Id.* at 1508.

Second, those cases which did find that trademark law did not impermissibly extend the life of patents generally did so with the understanding that the functionality doctrine adequately protected the public domain of patent law. *See* *Elmer v. ICC Fabricating, Inc.*, 67 F.3d 1571, 1580 (Fed. Cir. 1995) (explaining that functionality prevents trademarks from being “coextensive with, and in fact broader than” patent claims, and thus protects the public’s right to copy and use expired patents). However, the functionality doctrine does not protect copyrights to the same extent that it protects patents. This is because utilitarian functionality, which generally applies to the patent-trademark overlap, looks to see if a feature confers benefits in absolute terms while aesthetic functionality, which theoretically applies to the copyright-trademark overlap, looks to see if a feature confers benefits over other alternatives. *Compare* *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32 (2001) (holding that a feature has utilitarian functionality if the feature affects cost or quality) *with Qualitex Co. v. Jacobson Prod. Co.*, 514 U.S. 159, 165 (1995) (holding that a feature is aesthetically functional “if exclusive use of the feature would put competitors at a significant non-reputation-related disadvantage”).

Allowing trademarks to survive the expiration of underlying copyrights impermissibly undercuts the public domain of copyright set out in the Constitution. The patent-trademark cases suggest that this conflict should be resolved in favor of the public domain. *Dastar* confirms this suggestion and teaches us to interpret the Lanham Act to prevent trademark becoming “a species of mutant copyright law that limits the public’s federal right to copy and to use expired copyrights.” *Dastar*, 539 U.S. at 34 (2003) (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 165 (1989) (internal quotations omitted).

Accordingly, we interpret the Lanham Act to carry an implicit exception to trademarkability under which a visual character cannot receive trademark protection in areas relating to creative works after the copyright on the underlying work expires. Because Pilton’s trademark is only registered for use in connection with films and animation, we find the entire trademark categorically unenforceable and therefore invalid. We pass no judgment on the issue of if a similar trademark would be enforceable outside the context of creative works, such as packaging on a toy or reprinting on a shirt. However, we note that such reproductions of the image would likely trigger copyright liability and thus raise many of the same issues discussed above. *See Star Athletica, L.L.C. v. Varsity Brands, Inc.,* 137 S. Ct. 1002, 1016 (2017) (explaining when copyright protection can extend to so-called “useful articles” like clothing). If the 1923 copyright gave Pilton an exclusive right to use the image of Ricky on useful articles, it stands to reason that said rights also transferred to the public upon expiration of the copyright and that allowing Pilton to continue exercising trademark protection would implicate the same concerns we have just dealt with.

**II. Even if Valid, Pilton’s Trademark Could Not Be Asserted Against Dentop Under *Dastar***

While finding that Pilton’s trademark is invalid resolves this case, substantial questions still remain concerning when *Dastar* blocks a trademark claim arising from a valid trademark, questions which were briefed and argued by both parties before us. Further, as Dentop noted in their briefing, Pilton could theoretically sue Dentop for infringing on its other trademarks, such as the modern depiction of Ricky, which are not obviously invalid under the above holding.[[1]](#footnote-2) The need to answer these questions and give certainty to Dentop and similarly situated individuals makes it prudent to also decide this case on the alternative ground that Pilton’s trademark claim fails because it amounts to a disguised copyright claim.

The District Court for the District of Dreamville rejected Dentop’s argument that *Dastar* precludes Pilton’s trademark claim because the claim amounted to nothing more than a disguised copyright claim. We believe that the district court improperly focused attention on Dentop’s actions by asking if Dentop’s animated short and advertisements fell into a “safe harbor.” The better reading of *Dastar* instead focuses on Pilton’s claim, to see if the trademark claim is better understood as a copyright claim. We find that it is and hold that the trademark claim fails as a matter of law.

As the district court pointed out, the Supreme Court explained that when a copyright expires, the public receives a “right to copy, and to copy without attribution.” *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 33 (2003); *see Kellogg Co. v. Nat’l Biscuit Co.*, 305 U.S. 111, 119–20 (1938) (holding that because the form of shredded wheat had been protected by a design patent, and use of the patented machine would necessarily produce the cereal’s shape, “upon expiration of the patents the [trademarked] form, as well as the [trademarked] name, was dedicated to the public.”). The Court furthered warned against trademark law subsuming copyright law. *See Dastar*, 539 U.S. at 35 (explaining that trademark protection should not be read in a way that renders copyright provisions surplusage).

Many circuit courts have interpreted this language in *Dastar* to mean that trademark protection should not act as a way for litigants to stealthily invoke dead copyrights. *See, e.g.*, *Slep-Tone Entm’t Corp. v. Wired for Sound Karaoke & DJ Servs., LLC*, 845 F.3d 1246, 1250 (9th Cir. 2017) (holding *Dastar* precludes trademark claims which are “more accurately conceived of as attacking unauthorized copying”); *Phoenix Entm’t Partners v. Rumsey*, 829 F.3d 817, 826 (7th Cir. 2016) (“[T]he law of trademark cannot be invoked to assert what in fact is really a claim of copyright infringement.”). We join our sister circuits and now hold that *Dastar* prohibits trademark claims which are more accurately described of as disguised copyright claims, at least where the copyright has expired.

So long as the only material the defendant takes from the plaintiff resides in the public domain, it does not matter if or how much a defendant alters the work. A court’s inquiry should instead focus on the nature of the plaintiff’s claim, and if the claimed injury is really a copyright injury. Here, while Pilton has alleged harm to its reputation, the true source of the supposed injury appears to be loss of control of its character, a quintessential copyright injury. We thus would find Pilton’s trademark claim invalid.

The very foundation of copyright is that control must only last for a limited time. Eventually, as here, a creator must allow their creations to pass from the gated pen of copyright to the open pastures of the public domain. The creator cannot re-shackle the freed work through the chains of trademark. And once a work enters the public domain, all must be free to use the creation as they please without the looming specter of trademark liability.

**CONLUSION**

For the foregoing reasons, we REVERSE the district court’s ruling on summary judgment, VACATE the permanent injunction and REMAND for proceedings not inconsistent with this opinion.

IT IS SO ORDERED.

/s/ SHarrington\_\_\_\_\_\_\_

Stephen Harrington, Judge

United States Court of Appeals

for the Fourteenth Circuit

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WHITMER, C.J., dissenting:

I disagree with the majority for many of the same reasons set out in the well written opinion of Judge Iwerrks in the preceding lower court decision. I would find Pilton’s trademark enforceable in general and in this case.

As Judge Iwerrks explained, trademark and copyright are two fundamentally different regulatory regimes. The majority recognized that the Supreme Court in *Dastar* only interpreted the Lanham Act in a way that avoided possible overlap with the Copyright Act. *See Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 35 (2003) (finding that an overlap between one interpretation of the Lanham Act and copyright is a reason to avoid that interpretation). The ruling in *Dastar* might be stretched so far as to create a sort of specific canon of statutory interpretation compelling that the Lanham Act be interpreted so as to help preserve copyright’s public domain. However, that would not allow the wholesale rewriting of the Lanham Act that the majority has engaged in. The majority points to no textual hook or any structural evidence for their interpretation. Instead, they insert whole cloth a radical new limitation on the life of a trademark. I would reject that interpretation and instead find that this trademark is valid.

I would also find the trademark infringed in this case. Even under the majority’s test to see if a trademark claim is blocked by *Dastar*, Pilton has clearly alleged that its reputation would be harmed. To the extent that Pilton’s true harm is undetermined at this point, I would at least remand for further fact finding if I were applying the majority’s test. However, I would reject the majority’s test in favor of Judge Iwerrks’ understanding that any safe harbor created by *Dastar* only extends to exact or near exact reproductions of the public domain work.

The majority concludes their opinion by extolling the virtues of the public domain. But it must also be remembered that trademark exists for a reason: namely, to encourage investment in brands and to help prevent fraud being committed on customers. J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 2:1 (5th ed. 2020). While it may be true that the public domain policy concerns are more important than the policy concerns of trademark, deciding which of the two prevail should ultimately be left to Congress.

This ruling will have far reaching consequences beyond this case. Ricky is but the first of numerous visual mascots who will enter the public domain. The many firms who represent themselves with visual characters will suddenly face the prospect that the icons they have used to represent themselves for nearly a century will be free for all to use regardless of any reputational harms. For this reason and the reasons set out above, I respectfully dissent.

/s/ Grant Whitmer  

Grant Whitmer, Judge

United States Court of Appeals

for the Fourteenth Circuit

Dated: April 2, 2020

UNITED STATES COURT OF APPEALS

FOR THE FOURTEENTH CIRCUIT

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:

Dentop Studios, :

Appellant, : Docket No. 20-2309

:

-against- : ORDER : :

The Pilton Company, :

Appellee. :

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PER CURIAM

This court issued an order reversing the summary judgment of the District Court for the District of Dreamville on April 2, 2020. A *sua sponte* request for a poll on whether to consider this case en banc in the first instance was made. A poll was conducted and the judges who are in regular active service voted for *en banc* consideration.

Accordingly, IT IS ORDERED THAT:

(1) The panel opinion of April 2, 2020, is vacated, and the appeal is reinstated.

(2) This case be heard *en banc sua sponte* under 28 U.S.C. § 46 and Federal Rule of Appellate Procedure 35(a). The court *en banc* shall consist of all circuit judges in regular active service who are not recused or disqualified.

(3) The parties are requested to file new briefs. The briefs should address the following questions:

(a) Can trademark protection subsist in visual characters in the public domain?

(b) If so, does that protection extend to reproductions of the work featuring the public domain visual character?

(4) This appeal will be heard *en banc* on the basis of the additional briefing ordered herein, and oral argument. An original and thirty copies of the new *en banc* briefs shall be filed, and two copies of each *en banc* brief shall be served on opposing counsel.

(5) Briefing should be strictly limited to the issue set forth above.

(6) Oral argument will be held at a time and date to be announced later.

Dated: March 3, 2020

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*End of Record*

1. To be clear, we do not mean to suggest, one way or the other, that the modern depiction of Ricky could maintain trademark protection under our current ruling. [↑](#footnote-ref-2)