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IP/ENTERTAINMENT LAW WEEKLY CASE UPDATE FOR MOTION PICTURE STUDIOS AND TELEVISION NETWORKS

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Fleischer Studios, Inc. v. A.V.E.L.A, Inc., USCA Ninth Circuit, August 19, 2011

 [Click here for a copy of the full decision.](#)

- Ninth Circuit withdraws previous opinion and enters new decision affirming district court's grant of summary judgment in favor of defendants on copyright and image trademark claims in "Betty Boop" cartoon character, and reversing grant of summary judgment on trademark claim in words "Betty Boop."

The Ninth Circuit withdrew its previous opinion in this copyright and trademark action brought by Fleischer Studios Inc., a company owned by the family of Max Fleischer, the late creator of cartoon character Betty Boop, against defendants over merchandise bearing the cartoon's image. The court substituted a new decision that affirmed the district court's grant of summary judgment in favor of defendants on the copyright claim, finding that plaintiff had failed to show an unbroken chain of title in the character copyright. The court also affirmed the grant of summary judgment in defendants' favor in the trademark claim for the cartoon image, finding that plaintiff had not offered timely evidence of federal registration and did not establish secondary meaning, but reversed and remanded the grant of summary judgment on the word mark claim, finding that plaintiff had submitted proof that it possessed registered trademarks in the words "Betty Boop," and that the evidence on the record was not sufficient to show that the defendants had not infringed that mark.

Max Fleischer created the Betty Boop character in the 1930s. At the time, Fleischer owned a company called Fleischer Studios that was distinct and unrelated to plaintiff Fleischer Studios. The company developed a number of cartoon films featuring Betty Boop and also licensed the Betty Boop image for use in toys, dolls and other merchandise. In 1941, the company sold the copyright to the Betty Boop films and the character to Paramount Pictures Inc., and dissolved five years later. Max Fleischer's family attempted to revive the Fleischer cartoon business in the early 1970s by incorporating a company with the same name and attempting to repurchase the intellectual property rights to the Betty Boop character. Based on its belief that it was the exclusive owner of the Betty Boop character copyright and trademark, Fleischer Studios licensed the Betty Boop character for use in toys, dolls and other merchandise. Defendants. A.V.E.L.A., Inc., Art-Nostalgia.com, Inc., X One X Movie Archive, Inc., and Leo Valencia (collectively, A.V.E.L.A.), also license Betty Boop merchandise, pursuant to a copyright based on vintage posters featuring the image of Betty Boop that A.V.E.L.A. restored.

Plaintiff Fleischer Studios asserted that it owned the exclusive copyrights to the Betty Boop character through a chain of title that included multiple transfers over the years and that defendants' products infringed on those copyrights. A.V.E.L.A. disputed the alleged chain of title, arguing that there was no admissible evidence to establish each link in the chain with the exception of the original transfer to Paramount. The district court agreed and held that Fleischer failed to satisfy its burden of proof regarding the unbroken chain of transfer of rights.



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On appeal, the Ninth Circuit also agreed that Fleischer Studios could not prove the transfer of the copyright in the Betty Boop character from Paramount to UM&M TV Corp., the company that succeeded it in plaintiff's alleged chain of title. The court noted that all of the copied works were created before 1978, and that the Copyright Act of 1909 (1909 Act) applied to the copyrights at issue, such that the lack of evidence that the original Fleischer Studios had filed a copyright registration for the Betty Boop character was irrelevant. The parties and the court also agreed that the Betty Boop character had become a copyrightable component separate from the original copyrighted films from Fleischer Studios. The issue was whether the agreement between Paramount, which held the copyrights in both the character and the films, and UM&M, the next entity in the alleged chain of title, transferred ownership of both the character copyright and the film copyrights. The court concluded that it did not. In fact, the agreement explicitly provided that the right to the Betty Boop character copyright was retained by Paramount, rather than transferred to UM&M.

The court rejected Fleischer Studios' argument that the "doctrine of indivisibility" required a finding that the Paramount and UM&M did not intend to transfer only the copyrights in the films, because to do so would prevent UM&M from renewing its copyrights under the 1909 Act, and that, at most, Paramount retained a contractual right or license back to exploit the characters apart from the films. Under the 1909 Act, the doctrine of indivisibility does not deprive copyright holders of the right to transfer or retain the component parts of their copyrights. The court concluded that because Paramount did not transfer the copyright to the Betty Boop character to UM&M, the chain of title upon which Fleischer Studios relied was broken and plaintiff could not establish that it owned the copyrights in the Betty Boop character. The district court properly dismissed Fleischer's copyright-infringement claim.

The Ninth Circuit also affirmed the district court's determination that plaintiff did not submit timely evidence of a federally registered trademark in the Betty Boop image and that Fleischer Studios had no common-law trademark rights in that image. During summary judgment proceedings, after court-requested supplemental briefing on the trademark issue was closed and well after it first submitted summary judgment evidence, plaintiff attempted to submit new evidence and to advance a new theory of trademark infringement: that Fleischer Studios owned a federally registered trademark in the image of Betty Boop and that A.V.E.L.A. was infringing on plaintiff's statutory trademark rights. The circuit court found that the district court had not abused its discretion in refusing to consider the evidence that the company claimed established a registered trademark in the character's image.

To withstand summary judgment on its trademark claim without proof of a federal registration, Fleischer Studios must establish common-law trademark by showing that the Betty Boop mark had become identified with it by acquiring a secondary meaning. The basic element of secondary meaning is the recognition in the minds of buyers and potential buyers that products connected with the trademark come from or are associated with the same source. The appeals court found that only evidence on the record – the declaration of plaintiff's CEO in which he attested to Fleischer Studios' presence at trade shows, its numerous licensees and Betty Boop's increasing commercial success – was of such limited probative value that, standing alone, it was not sufficient to withstand summary judgment. The district court's grant of summary judgment in defendants' favor on the image mark claim was proper.

The Ninth Circuit reversed the district court's grant of summary judgment in defendants' favor on plaintiff's word mark claim, however. Unlike the image trademark, Fleischer Studios had submitted proof that it possessed registered trademarks in the



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words Betty Boop, but the district court had concluded that the "fractured" history of intellectual property rights in works featuring Betty Boop precluded Fleischer from proving its secondary meaning—one of the elements necessary to demonstrate the association of the mark with a single producer.

Noting that the "fractured history theory" had not been adopted by any circuit court and that the district court case from which it originated, *Universal City Studios, Inc. v. Nintendo Co.*, held that when a trademark is copyrighted and extensively used by many firms, there can be no secondary meaning in it and therefore no trademark rights, the Ninth Circuit reasoned that while the fractured ownership of a trademark may make it legally impossible for a trademark holder to prove secondary meaning, the facts in the record on summary judgment didn't establish, as a matter of law, that the theory applied. Fractured ownership alone is not conclusive evidence of a lack of secondary meaning – there must be something more. In *Universal*, that something more was the evidence of extensive use and licensing of similar images by other companies, the oddly defined trademark that was legally carved out from other images of the same character, the widespread confusion among potential licensees and licensors regarding from which entity marks should be licensed, and the other image of the same character that had acquired secondary meaning. All of these facts led the court to conclude that no secondary meaning could exist. Unlike the facts in *Universal*, the appeals court found that the facts in the record merely showed that more than one entity owned rights to use Betty Boop-related intellectual property. Without evidence of confusion in the marketplace regarding who owns the Betty Boop image, extensive use in merchandise of other Betty Boop images or other images of Betty Boop that have acquired secondary meaning, only the possibility existed that other copyright owners may be destroying the secondary meaning in the Betty Boop mark, and that *possibility* was not enough to rule in favor of A.V.E.L.A. on summary judgment.

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