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**UNITED STATES DISTRICT COURT  
DISTRICT OF ARIZONA**

DESIGNER SKIN, LLC, an Arizona	)	CASE NO.
limited liability company; SPLASH	)	
TANNING PRODUCTS, LLC, an	)	CV05-3699-PHX-JAT
Arizona limited liability company;	)	
BOUTIQUE TANNING PRODUCTS,	)	
LLC, an Arizona limited liability	)	
company,	)	
	)	
Plaintiffs,	)	
	)	
- vs. -	)	
	)	
S&L VITAMINS, INC. d/b/a BODY	)	
SOURCE d/b/a THESUPPLENET.COM,	)	
a New York corporation; and LARRY	)	
SAGARIN, an unmarried individual,	)	
	)	
Defendants.	)	
	)	

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**MEMORANDUM OF LAW OF DEFENDANTS / COUNTERCLAIM  
PLAINTIFFS IN SUPPORT OF THEIR MOTION FOR SUMMARY  
JUDGMENT PURSUANT TO FED. R. CIV. P. 56**

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## I. PRELIMINARY STATEMENT

Defendant S &L Vitamins, Inc. (“S&L”)<sup>1</sup> makes this Fed. R. Civ. P. 56 motion for summary judgment on plaintiff’s claims in this action, and for declaratory judgment on defendants’ counterclaims. S&L buys tanning lotion from retail tanning salons, in quantity – hence, at a favorable price. S&L then sells that merchandise on the Internet, truthfully describing it to consumers using the brand names and photographs of the bottles. Many consumers prefer good prices over the Internet to high prices in tanning salons. This is free enterprise. No law regulates or prohibits the purchase and sale of tanning lotion, on the Internet or elsewhere, regardless of quantity or where the seller purchased it. Nonetheless, S&L was forced to defend this lawsuit after Designer Skin, ignoring a previously-filed declaratory judgment action in New York (still pending), filed its baseless trademark, copyright and business tort claims in this Court.

Trademark law protects consumers by preventing customer confusion. Its purpose is not protecting manufacturers’ inflated price structures and distribution networks. Designer Skin’s claim that S&L has somehow misled consumers merely because S&L truthfully advertises on its website that it sells Designer Skin products is preposterous and supported by no evidence of actual or likelihood of confusion. Moreover, S&L’s activities are protected under the first sale and nominative fair use doctrines, which permit the sale and advertisement of a trademark-protected product, without regard to the trademark owner’s approval. Similarly, Designer Skin’s dilution claims for trademarks

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<sup>1</sup> Defendant Larry Sagarin is the corporate secretary of defendant S&L Vitamins, Inc., and plaintiffs assert the same claims against both. For convenience, both are referred to collectively here as “S&L Vitamins,” “S&L” or “defendants.”

that are not famous, as required under the law, are baseless.

Designer Skin also claims that S&L interfered with the contracts between Designer Skin and its distributors. Yet after more than two years of investigation and litigation, there is no proof that S&L ever purchased merchandise from a distributor; that S&L was even aware of specific distribution agreements with specific distributors as required by the law; or that S&L owned, controlled or otherwise connived with affiliated retailers to induce distributors to sell to S&L. No proof, in short, that S&L ever bought tanning lotion from any but retail locations – sometimes a lot, but always legitimately. Finally, Designer Skin claims that S&L infringed on its copyrights in some way merely by truthfully displaying to consumers accurate pictures of the products it was selling.

In March 2007, the Court ruled that defendants' motion to dismiss the plaintiff's complaint was premature. Now, more than two years after this complaint was filed, however, plaintiff still has been unable to produce any evidence to support any of its theories of liability. Plaintiff has no evidence that S&L caused any confusion, misrepresented itself in any way, infringed on any rights of Designer Skin, or interfered with any contract. Plaintiff has succeeded in forcing a smaller competitor to incur significant legal bills to defend itself, but has nothing else to show for this lawsuit.

### **STATEMENT OF FACTS**

All the facts set forth herein are based on the Affirmation of Larry Sagarin, filed in support of this motion. S&L Vitamins operates an Internet website that sells various products to consumers at discount prices. Among the products offered for sale are tanning products, including those manufactured by plaintiffs, which S&L Vitamins

obtains from various retailers. S&L Vitamins informs the public that it is offering this merchandise for sale, and transacts sales, through its website.

On or about February 26, 2004, plaintiffs' counsel sent correspondence to S&L threatening legal action for trademark infringement and tortious interference with contractual relationships. Three days later, S&L responded substantively to plaintiffs' letter, defending S&L's business practices and rebutting the trademark infringement claim. There was no further correspondence.

Some twenty months later, however, on or about October 25, 2005, plaintiffs resumed their threatening correspondence to S&L. Based upon that letter, which promised legal action, S&L filed a complaint for declaratory judgment in the Eastern District of New York, hoping to establish its legal rights to sell and advertise its own property once and for all. That proceeding is currently in limbo. Plaintiffs then filed a mirror-image action in this Court. Plaintiffs essentially complain, though they have no proof, that consumers, contrary to all the information on S&L's website and all their experience with online retailing, are likely to believe that S&L is affiliated with plaintiffs.

Plaintiffs further claim that S&L Vitamins' legal sale of these products amounts to interference with plaintiffs' distribution agreements. Plaintiffs actually seek to protect their own system under which they sell only to distributors who agree to sell only to tanning salons, who in turn agree to keep prices artificially high. Plaintiffs threaten or file litigation against any person who sells its products at a competitive price, regardless of how properly it was obtained, asserting meritless intellectual property and contractual claims meant to cow smaller competitors into capitulation. The result is the maintenance

of monopoly-like profits for plaintiffs and their distributors alike.

Plaintiffs' problem, however, is that – exactly as economic theory predicts – the retailers have a strong incentive to depart from a scheme that benefits them only marginally (since they could sell more tanning lotion if it were fairly priced) and sell to so-called “unauthorized” retailers who in turn make the product available to consumers at market prices.<sup>2</sup> To plaintiffs' dismay, there is no legal reason these tanning salons may

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<sup>2</sup> As Professor Eric Goldman has written regarding a summary judgment decision on virtually identical claims against S&L against another tanning lotion company, Australian Gold in New York (see S&L Vitamins, Inc. v. Australian Gold, Inc., --- F.Supp.2d ---, 2007 WL 2932778 (E.D.N.Y. 2007)):

If it wasn't so painful for all involved, I would enjoy watching the legal contortions of companies whose outdated business models are being destroyed by the Internet. Typically, these companies go into a litigation frenzy to suppress Internet-mediated activity that is good for consumers and bad for profit-maximization. Most of these lawsuits can't and don't fix the architectural problems of the business model, so at best they are a futile last stand.

I don't know much about the products of Australian Gold . . . but the Internet appears to be ripping apart their business model. Australian Gold distributes its various tanning products exclusively through tanning salons, and they try to keep these products from leaking out of that channel so that they can support very high salon prices (according to the S&L case, Internet prices are 50% of salon prices). But with ridiculous overpricing like this, it's inevitable that products will leak out of the chain and consumers will get the exact same products for less dough. But this is bad for profits, which has led to the courthouse. . . .

Goldman, Eric, “Yet Another NY Court Says Keyword Ads & Metatags Aren't TM Use in Commerce—S&L Vitamins v. Australian Gold,” *Technology and Marketing Law Blog*, [http://blog.ericgoldman.org/archives/2007/10/yet\\_another\\_ny.htm](http://blog.ericgoldman.org/archives/2007/10/yet_another_ny.htm), October 8, 2007. This phenomenon has been recognized by other commentators as well. The former intellectual property counsel of a major trademark-based business, Harley Davidson, also commenting on the Australian Gold case, observed:

Almost every case involving the sale of unauthorized but genuine goods is a case where a brand owner is asking the courts to become an enforcer for the brand owner - against the brand owner's own customers!!...

not do this, for unlike the “authorized” distributors, they are under no contractual obligation to limit their sales and would be fools to do so.

Thus, plaintiffs must claim, regardless of the facts, that the merchandise sold by S&L was purchased from their distributors, giving rise to a supposed interference with plaintiffs claim S&L did business. Yet to this date there is no any factual basis for the claim that S&L knew of any of plaintiffs’ alleged contracts with any distributors. In contrast, S&L’s legal purchase of products from retailers could not possibly constitute interference with contract because plaintiffs have not claimed the existence of any contracts between these retailers and plaintiffs. And, consistent with legal authority, the use of trademarks to identify accurately the various products that it sells is, under well-established precedent, not infringement.

### **LEGAL ARGUMENT**

#### **I. S&L IS ENTITLED TO SUMMARY JUDGMENT ON PLAINTIFF’S CLAIMS FOR TRADEMARK INFRINGEMENT, TRADEMARK DILUTION, AND UNFAIR COMPETITION.**

##### **A. Summary Judgment Standard**

Summary adjudication is appropriate when “the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is

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If the Internet retailer is successful then SOMEBODY is ordering more tanning lotion from Australian Gold. So what does Australian Gold do? Dig deeply into the ordering patterns of its distributors to find anomalies? Or book the orders. That is, until retailer and distributors who are not part of the informal distribution channel start to complain.

Troll, Dick, “Australia by way of Indianapolis—as I keep saying: the Internet changes everything,” *The Trademark Troll*, <http://trademarktroll.blogspot.com/2007/10/australia-by-way-of-indianapolis-as-i.html>, October 10, 2007.

no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.” Fed. R. Civ. P. 56(c). The rule is meant to dispose of factually unsupported claims or defenses. Celotex Corp. v. Catrett, 477 U.S. 317 (1986). In considering a motion for summary judgment, a court must examine all the evidence in the light most favorable to the non-moving party, United States v. Diebold, Inc., 369 U.S. 654 (1962), but the moving party may discharge its burden of showing that no genuine issue of material fact exists by demonstrating that “there is an absence of evidence to support the non-moving party’s case.” Celotex, 477 U.S. at 325. This shifts the burden to the non-moving party to “set forth specific facts showing that there is a genuine issue for trial.” Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 256 (1986). The evidence presented by the parties must be admissible. Fed. R. Civ. P. 56(e). Conclusory, speculative testimony in affidavits and moving papers does not raise genuine issues of fact and defeat a summary judgment motion. See, Falls Riverway Realty, Inc. v. City of Niagara Falls, 754 F.2d 49, 57 (2d Cir. 1985). Summary judgment is appropriate if the evidence favoring the non-moving party is merely colorable or is not significantly probative. See Hill v. White, 190 F.3d 427, 431 (6th Cir. 1999). All these tests militate in favor of a grant of summary judgment here, as demonstrated below.

**B. S&L Vitamin’s sale of the Products is protected by the first sale doctrine.**

It is an application of hornbook law that S&L’s sale of Designer Skin’s products was wholly lawful according to the first sale exhaustion principle. As the Court wrote in its March 19, 2007 Order, at 4:

Under the first sale doctrine, “the right of a producer to control distribution

of its trademarked product does not extend beyond the first sale of the product. Resale by the first purchaser of the original article under the producer's trademark is neither trademark infringement nor unfair competition." Sebastian Intl' Inc., v. Longs Drug Stores Corp., 53 F.3d 1073, 1074 (9<sup>th</sup> Cir.), cert denied, 516 U.S. 914 (1995).

March 19 Order at 4. The Court ruled, however, that at the pleading stage, it could not dismiss Designer Skin's claims because Designer Skin had made other allegations that, construed in the light most favorable to Designer Skin, could entitle them to relief, although it found the legal sustainability of these allegations to be a "close question." Id. at 6. Designer Skin has failed to prove any of those allegations, and cannot do so at trial.

**C. None of S&L's actions suggests sponsorship, endorsement, or affiliation with Designer Skin.**

Apparently aware that the first sale doctrine allows S&L to sell the Products and the nominative fair use doctrine allows S&L to truthfully advertise that it sells the Products, Designer Skin claims that S&L was somehow misleading customers into thinking it was "associated" with Designer Skin in violation of the Lanham Act. The Court's March 19 Order reserved decision as to whether defendants' alleged acts could negate S&L's first sale defense because of its concern of proof that these alleged acts could cause consumers to be misled, the essence of a trademark claim being consumer confusion. But discovery having closed, there simply is no evidence of confusion, either actual or likely. Plaintiffs have disclosed no expert and evidently have no expert report or survey to even suggest likelihood of confusion.

Designer Skin, grasping at straws, also claims that S&L copied unspecified pictures or descriptions of its products and thereby created confusion. The evidence,

however, is un rebutted that S&L arranged to take its own pictures of the Products for its website. (Designer Skin utilizes this factually deficient claim as both part of its copyright and trademark counterclaims.) But besides the inconvenient – for Designer Skin – fact that there is no proof of copying, there is simply no legal basis for suggesting that juxtaposing the name of a retailer that sells a product with an image of that product itself is an unlawful suggestion of “affiliation” that rises to the level of likelihood of confusion, the signal test for trademark infringement. If it were otherwise, every supermarket and department store circular would be a trademark infringement! This topic is discussed more fully in the argument regarding Designer Skin’s copyright claims, below.

**D. S&L’s use of Designer Skin s’ trademarks is protected by the nominative fair use doctrine**

The first sale doctrine and the lack of likelihood of confusion combine to make a compelling pair of bases for the Court to dismiss Designer Skin’s trademark and unfair competition counterclaims. The nominative fair use doctrine, which allows the use of a trademark to legitimately describe the trademark owner’s goods, provides another basis. In The New Kids on the Block v. News America Publishing Inc., 971 F.2d 302 (9<sup>th</sup> Cir. 1992), the Ninth Circuit adopted the following test for nominative use:

First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

Id. at 308 (footnote omitted). A commercial use may be a nominative use. Id. at 309.

This Court, finding that S&L had not adequately applied the nominative fair use

doctrine at the pleadings stage, declined to dismiss the complaint on that basis. But at this juncture there is no basis in the record to raise a fact issue as to a suggestion of sponsorship or endorsement. As to the first two New Kids prongs, there is little question that consumers seeking to purchase Designer Skin Products need to know them by name; nor is there any serious issue in this case about the quantum of the use, once the concept – that people sell brand name products by using the brand names, and frequently by showing pictures of those products as well – is acknowledged.

Designer Skin nonetheless may argue that S&L's use of Designer Skin trademarks in metatags (invisible code once used to affect search engine results) is an infringement. But S&L is entitled to advertise that it sells the Products. Highly instructive in the matter at bar is Playboy Enterprises, Inc. v. Welles, 279 F.3d 796 (9<sup>th</sup> Cir. 2002). There the defendant, a former *Playboy* magazine "Playmate of the Year," used the trademark PLAYMATE OF THE YEAR in metatags and online content. The Ninth Circuit observed, in language that is instructive here:

There is simply no descriptive substitute for the trademarks used in Welles' metatags. Precluding their use would have the unwanted effect of hindering the free flow of information on the Internet, something which is certainly not a goal of trademark law.

Welles, 279 F.3d at 804. Similarly, here consumers could not identify what S&L sells were it not allowed to identify them by name, and consumers would be worse off being deprived of this information. As in Welles, "identifying them by name" is synonymous with using them in advertising – truthfully conveying to consumers what is being sold.

**E. S&L is entitled to summary judgment on Designer Skin's claim for trademark dilution**

Defendant argues that plaintiff's use of its trademarks constitutes "dilution" under the Federal Trademark Dilution Act ("FTDA"). Trademark dilution occurs when a famous mark is used by a third party in such a way as to dilute the distinctive quality of the mark. Such a claim is simply inapplicable to the facts here, even if Designer Skin could prove that its marks were famous, of which it has not presented any evidence. The Ninth Circuit in Welles addressed the assertion that Welles's uses of its marks constituted dilution. In finding that Welles had engaged in nominative fair use, the Seventh Circuit explained that there could be no dilution because nominative fair use "by definition, do[es] not dilute trademarks." *Id.* at 805 (emphasis added). The court explained:

Uses that do not create an improper association between a mark and a new product but merely identify the trademark holder's products should be excepted from the reach of the anti-dilution statute. Such uses cause no harm . . . [W]e conclude that nominative uses are also excepted [from anti-dilution law]. A nominative use, by definition, refers to the trademark holder's product. It does not create an improper association in consumers' minds between a new product and the trademark holder's mark . . . So long as a use is nominative . . . trademark law is unavailing. *Id.* at 806. (emphasis supplied). "The sale of genuine, unadulterated product beyond the first sale to distributors and outside of the professional chain of distribution was and remains entirely legal." Matrix Essentials v. Quality King Distributors, Inc., --- F.Supp.2d ----, 2007 WL 4105397 (E.D.N.Y. 2007) at \*9. In sum, Designer Skin does not have, nor did it ever have, a legitimate, cognizable cause of action for trademark infringement or dilution. The law permitting S&L to sell the Products, and to advertise that it is doing so, is clear, unequivocal, settled, and well-known, and S&L's business is "beyond the reach of trademark law."

**F. S&L is entitled to summary judgment on Designer Skin's claim for unfair competition.**

Designer Skin's claim for unfair competition is based upon the alleged misuse of plaintiff's intellectual property rights. As discussed above, and as described below with respect to Designer Skin's copyright claims, plaintiff has produced no evidence of any misuse by S&L of any of plaintiff's intellectual property rights. Therefore, S&L is entitled to summary judgment on this count.

**II. S&L IS ENTITLED TO SUMMARY JUDGMENT ON PLAINTIFF'S CLAIMS FOR INTERFERENCE WITH CONTRACTUAL RELATIONS**

S&L did not interfere with any contractual relations and should be granted summary judgment on this claim. As the Court stated in its Order of March 19, 2007, the elements of such a claim in Arizona are (1) the existence of a valid contractual relationship or business expectancy, (2) the interferer's knowledge of the relationship (or expectancy), (3) the interferer's intentional interference inducing or causing breach (or termination of the relationship or expectancy), (4) resultant damages to the party whose relationship or expectancy has been damaged, and (5) the interferer's improper actions. Designer Skin simply cannot prove most, or arguably any, of those points, based on the record it has made in this case.

Designer Skin's claim is founded upon its highly controlled distribution system, whereby it sells only to authorized distributors, which contractually may not sell to Internet retailers. Designer Skin alleges conclusorily that S&L misrepresented itself to obtain Designer Skin products from some unidentified distributors, thereby causing these

unidentified distributors to breach their contracts with Designer Skin. There is one major flaw in this argument: S&L purchases its Designer Skin lotions only from tanning salons, and not from distributors, and there can be and is no evidence to the contrary. These retail salons are parties to any distributorship agreements, and hence the alleged existence of such distributor agreements is irrelevant to Designer Skin's claim; they simply were not breached by any party. And since S&L does not purchase its Designer Skin lotions from distributors, S&L has no need to misrepresent itself in order to purchase these lotions; it is another un rebutted fact that S&L has never done so.

Finally, even assuming, *arguendo*, that a contract was breached as a result of S&L Vitamin's actions, Designer Skin cannot prove that S&L **knew** such a contract existed, and hence its actions do not satisfy this second prong of the tortious interference cause of action. It is not sufficient to allege merely general knowledge of the alleged existence of a distribution agreement between a plaintiff and a third party to impose legal liability on a defendant for tortious interference. A case involving remarkably similar facts and applying the appropriate legal standard is John Paul Mitchell Systems v. Quality King Distributors, Inc. et al., 106 F.Supp.2d 462. (S.D.N.Y. 2000). There, as here, a manufacturer claimed that an "unauthorized" distributor of its salon products was interfering with its distribution contracts. Considering the same sort of generalized allegations set forth here that unspecified distribution contracts were breached due to the Designer Skin's inducement, the court rejected the claim, writing as follows, *id.* at 475:

[Plaintiff] will have a more difficult time proving that [defendant] knew that the only possible source of [the manufacturer's] product would be a distributor or salon violating its contract. Although [plaintiff] publicly states that it sells its

products only through salons, this creates no legal obligation on its part to do so. From [plaintiff's] perspective, [defendant] may say that it only sells its product to distributors contractually bound to sell only to salons, but may in fact sell to distributors who have not made this contractual **commitment**. . . . Although this Court is satisfied by [plaintiff]'s representations that [plaintiff] did require such contracts from all distributors during the life of the [distributor] contract . . . [defendant] did not have [knowledge of] such sworn representations.

(Emphasis added.) In other words, absent specific knowledge of specific distribution contracts that might be affected by its actual purchases of merchandise, there is no legal basis to place a duty on a business such as S&L to curtail its legitimate commercial activities merely to avoid the risk that it might, theoretically, impinge on some contractual relationship. Any other holding would paralyze commerce and embroil the courts in every conceivable business relationship.

Similarly, in Matrix Essentials, Inc. v. Cosmetic Gallery, Inc., 870 F. Supp. 1237 (D.N.J. 1994), another “salon-only” manufacturer sought to enforce its distribution policy against third parties by asserting tortious interference with contract. There, too, the defendants had purchased the products in question in “authorized” salons and then resold them. The court in Matrix Essentials also required particular knowledge of the anti-diversion provisions of the distribution contracts in order to show actionable knowledge on the part of the defendants, writing, “We do not equate general knowledge of the Matrix distribution scheme to knowledge of the existence or contents of the salon agreements.” *Id.* at 1247. Here, too, it cannot be shown that S&L had any knowledge of the purportedly applicable terms of the purportedly applicable contracts, or knowledge of who the parties to these contracts are. In sum, there is no genuine issue of material fact with respect to the first, second, fourth, or fifth elements of the plaintiff’s interference

with contractual relations claim, and S&L is entitled to summary judgment on this count.

### **III. S&L VITAMINS IS ENTITLED TO SUMMARY JUDGMENT ON PLAINTIFF'S COPYRIGHT CLAIMS.**

As a threshold matter, Designer Skin has failed to specify precisely what materials it claims copyright in, and precisely which materials were allegedly copied by S&L, meaning that S&L should be entitled to summary judgment on this claim. Assuming that it is possible to determine at least some of the materials to which Designer Skin's claim refers, however, S&L would still be entitled to summary judgment.

Designer Skin mentioned "photographs" in its complaint. The only photographs that S&L uses are photographs of the lotion products being sold, so one can infer that these are the photographs to which Designer Skin refers. There is simply no dispute of material fact on this point, however; S&L categorically denies using Designer Skin's product photographs, and Designer Skin has no basis for assertion to the contrary.

But Designer Skin also claims copyright ownership in "product labels," and it is possible that Designer Skin alleges that by taking photographs of its bottles, S&L is infringing on its copyright in these labels. As is obvious, however, Plaintiffs is in the tanning lotion business, not the artwork business; it makes money by selling the substances in the bottles, not pictures of the bottles. In short, this allegation is not truly about copyright; rather, it is yet another cynical attempt to use intellectual property law to stifle competition in the marketplace. The Copyright Act, 17 U.S.C. §113(c), dispenses with Designer Skin's claim straightforwardly (emphasis added):

In the case of a work lawfully reproduced in useful articles that have been offered for sale or other distribution to the public, **copyright does not include any right to**

**prevent the making, distribution, or display of pictures or photographs of such articles in connection with advertisements or commentaries related to the distribution or display of such articles, or in connection with news reports.**

Copyright is designed to give a monopoly to an author to protect creative expression, not to give a monopoly to companies selling goods and services. If a company could simply embed a copyrighted work in its packaging, it could prevent anyone it disapproved of from advertising those goods for sale, making a ban on advertising a ban on sales.

An excellent analysis of claims of this nature was recently published<sup>3</sup> in an online legal journal in article called “Company: Taking Pictures of Our Product Is Copyright Infringement,” in the *Consumer Law and Policy Blog*, published by Public Citizen, the consumer “watchdog” organization founded by Ralph Nader:

California resident Jamie Olson . . . decided to make some money selling salon hair care products online. To test the waters, she bought some shampoo made by a company called Aquage and put it up on eBay. Because consumers generally like to see what they are buying, the eBay listing includes a picture of the bottle that Olson took with her own camera.

The company was not pleased. Olson soon received an email from a private investigator hired by SalonQuest, the maker of Aquage, demanding that she stop selling the products. The reason: "You are displaying copyrighted Aquage containers in your advertisements," which, according to the private investigator, is a "violation of SalonQuest's legal rights under the federal Copyright Act." Olson was given five days to "immediately remove all Aquage products from your Ebay offerings" and "confirm for us in writing your agreement to permanently discontinue all sales of Aquage products over the Internet or through any other form of mail order." In other words, displaying a picture of the company's product, according to the company, infringes its copyright in the product's packaging.

Companies commonly claim that showing a picture of a product taken off a company's website for the purpose of reselling the product is an infringement of the

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<sup>3</sup> This quote is not submitted as adjudicated, stipulated or authenticated fact, but merely to quote the article verbatim and demonstrate the context for the legal and commercial analysis that follows. It may be treated as a hypothetical.

company's copyright in the photograph. Google, for example, receives a lot of claims that pictures turned up by its Froogle shopping system infringe various copyrights, and Google adds the demand letters it receives to the database at Chilling Effects Clearinghouse. Many of these claims are not frivolous. Courts generally hold that a work need only be minimally creative to be copyrightable, and since most photographs involve at least some creative use of angles, lighting, and other compositional elements, they are generally protected. Only the most uninspired of product photographs would be too unoriginal for copyright protection.

To get around this problem, smart online sellers usually take their own pictures of the product and use those with their listings. This doesn't always work, however, because companies that think a photograph looks "too professional" will sometimes assume the picture was stolen. And other companies, like Aquage, claim to own a copyright in the underlying product, which would make any photograph of the product a copyright infringement.

Aquage's bottle appears to be a regular shampoo bottle, not particularly distinctive other than the name on the label. Utilitarian objects like a shampoo bottle generally cannot be copyrighted, nor can purely textual material on a label. Ets-Hokin v. Skyy Spirits, Inc., 225 F.3d 1068 (9th Cir. 2000). Even if the bottle were copyrightable, taking a picture of it for purposes of resale would likely be considered fair use under copyright law. Cf. Ty, Inc. v. Publications Int'l Ltd, 292 F.3d 512 (7th Cir. 2002).

Aquage also raises another claim commonly raised by companies trying to prevent online resale. It argues that it has contracts with its distributors limiting resale of products only to licensed vendors. Therefore, it claims that reselling its products is a breach of its contracts. But Olson never entered into a contract with Aquage. She just bought the shampoo at a store and is now trying to resell it. Aquage's contracts with its distributors doesn't give it the power to control the entire secondary market for its products.

Even if a claim like Aquage's is without legal merit, however, many small online sellers who receive a threat like this would rather cut their losses and back down than risk a lawsuit. It's usually not worth hiring a lawyer when you are only hoping to make a few bucks off the sale in the first place. With threats alone, companies are thus able to control the secondary market.

Found at <http://pubcit.typepad.com/clpblog/2006/10/post.html> on October 11, 2006. If this Court were to agree with Designer Skin that the use of photographs of its products, with or without the retailer's name juxtaposed in the photos, constituted or could, under

almost any set of facts, constitute copyright (or trademark) infringement, it would place an anti-competitive weapon in the hands of every copyright owner to unilaterally determine where, by whom, and at what price its products were to be sold. It can hardly be imagined that this was the intention of Congress in passing the Copyright Act.

**IV. S&L SHOULD BE GRANTED SUMMARY JUDGMENT ON ITS REQUEST FOR DECLARATORY JUDGMENT.**

As noted above, there are no disputed issues of material fact related to S&L's activities related to plaintiffs, and thus S&L is entitled to summary judgment on all of plaintiff's claims. And because these claims are essentially mirror images, amplifications and, in some cases, fanciful expansions of the claims regarding which the counterclaim seeks a declaratory judgment, this Court's ruling as to the complaint will necessarily amount to a ruling as to issues regarding which defendants seek declaratory judgment. In both cases, this Court should rule swiftly on these straightforward legal issues and permit the defendants to return to his lawful business which consists, in significant part, of enhancing plaintiff's profits by selling its merchandise over the Internet without any use of misrepresentation, infringement, subterfuge or in any way misleading consumers.

**CONCLUSION**

For all the reasons set forth above, this Court should grant summary judgment in favor of defendants on all counts of plaintiff's complaint, and summary judgment in favor of defendants on their counterclaims for declaratory judgment.

RESPECTFULLY SUBMITTED this 18<sup>th</sup> day of January, 2008,

s/ Ronald D. Coleman  
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Attorneys for Defendants – David Marc Nieporent on the brief