

LEXSEE 2004 US DIST LEXIS 23015

PANNONIA FARMS, INC., Plaintiff, - v - USA CABLE, Defendant.

03 Civ. 7841 (NRB)

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

2004 U.S. Dist. LEXIS 23015; 72 U.S.P.Q.2D (BNA) 1090

June 7, 2004, Decided

June 8, 2004, Filed

SUBSEQUENT HISTORY: As Amended, June 10, 2004. Reconsideration denied by Pannonia Farms, Inc. v. USA Cable, 2004 U.S. Dist. LEXIS 15737 (S.D.N.Y., Aug. 9, 2004)

Related proceeding at Pannonia Farms, Inc. v. Re/Max Int'l, Inc., 2005 U.S. Dist. LEXIS 5011 (D.D.C., Mar. 21, 2005)

Affirmed in part and appeal dismissed in part by Pannonia Farms, Inc. v. United States Cable, 2005 U.S. App. LEXIS 22324 (2d Cir. N.Y., Oct. 17, 2005)

PRIOR HISTORY: Plunket v. Estate of Conan Doyle, 2001 U.S. Dist. LEXIS 2001 (S.D.N.Y., Feb. 22, 2001)

DISPOSITION: [*1] Defendant's motion for summary judgment granted, and plaintiff's cross-motion for summary judgment denied. Defendant's motion for sanctions granted, with attorney's fees.

COUNSEL: For Plaintiff: John P. DeMaio, Esq., New York, NY; Bernard C. Dietz, Esq., Washington, DC.

For Defendant: Philip R. Hoffman, Esq., Pryor Cashman Sherman & Flynn LLP, New York, NY.

JUDGES: NAOMI REICE BUCHWALD, UNITED STATES DISTRICT JUDGE.

OPINION BY: NAOMI REICE BUCHWALD

OPINION:

MEMORANDUM and ORDER

**NAOMI REICE BUCHWALD
UNITED STATES DISTRICT JUDGE**

This action is one of several recent suits regarding intellectual property rights in the writings of Sir Arthur

Conan Doyle. n1 Pannonia Farms, Inc. ("plaintiff" or "Pannonia"), the self-described exclusive owner of all copyrights and related rights in the writings of Sir Arthur Conan Doyle within the United States, brought the present action against defendant USA Cable ("defendant" or "USA") n2 alleging copyright infringement, trademark infringement, trademark dilution and unfair competition. The controversy here concerns the broadcast by defendant, through its USA Network cable television [*2] station, of a two-hour motion picture entitled "Case of Evil" which featured the Sherlock Holmes and Dr. Watson characters created by Sir Doyle. In so doing, plaintiff claims, defendant infringed upon and otherwise misused plaintiff's propriety rights in the Holmes and Watson characters.

n1 See Plunket v. Doyle, 2001 U.S. Dist. LEXIS 2001, No. 99 Civ. 11006 (KMW), 2001 WL 175252 (S.D.N.Y. Feb. 22, 2001); Pannonia Farms, Inc. and Actual Solutions (UK), Ltd. v. Sherlock Holmes, Ltd. and Geronimo Productions, Inc., 03 CV 198 (E.D. Va.) (complaint filed Feb. 14, 2003); Pannonia Farms, Inc. v. Re/Max Int'l, Inc. and Jon Lellenberg, 01 CV 1697 (D.D.C.) (complaint filed Aug. 6, 2001).

n2 According to defendant, the plaintiff has erroneously denominated USA as "USA Cable". Defendant states its name as Universal Television Networks. See Memorandum of Law in Support of Defendant's Motion for Summary Judgment, at 1.

The similarity between defendant's Movie and the characters created by Sir Doyle appears beyond cavil. [*3] However, in dispute, and at stake, are larger interests in the intellectual property rights to Sir Doyle's

work. In this regard, defendant has moved for summary judgment against plaintiff's complaint, asserting that: (1) plaintiff does not own copyrights to the supposedly infringed works; (2) even if plaintiff could raise a credible issue as to its copyright ownership, it does not have a viable infringement claim because the Holmes and Watson characters are in the public domain and there is no allegation that any protectible, non-public domain elements of the works at issue have in any way been copied. Defendant also seeks reasonable attorney's fees and sanctions pursuant to Fed. R. Civ. P. 11 based on, inter alia, the complaint's lack of a factual and legal basis. Plaintiff has cross-moved for summary judgment on the entirety of its complaint.

For the reasons stated below, defendant's motion for summary judgment is granted, and plaintiff's cross-motion for summary judgment is denied. Additionally, defendant's applications for reasonable attorney's fees pursuant to 17 U.S.C. § 505 and Rule 11 sanctions are granted.

BACKGROUND n3

n3 The following factual background is derived from: the plaintiff's complaint ("Compl."); Defendant's Statement of Material Facts Pursuant to Local Rule 56.1 ("Def. Statement"); Plaintiff's Statement in Opposition to Defendant's Statement of Material Facts Pursuant to Local Rule 56.1 ("Pl. Statement"), which includes both responses to the Def. Statement, and its own affirmative statement of material facts; Defendant's Response to Plaintiff's Statement of Material Facts Pursuant to Local Rule 56.1; the Affidavit in Support of Defendant's Motion for Summary Judgment of Philip R. Hoffman ("Hoffman Aff. I"); and the Affidavit in Opposition to Plaintiff's Cross-Motion for Summary Judgment and in Further Support of Defendants' [sic] Motion for Summary Judgment of Philip R. Hoffman ("Hoffman Aff. II"). Any other sources as well as relevant factual disputes between the parties are noted.

[*4]

A. The Present Action

Sir Arthur Conan Doyle is the author of approximately sixty stories in which the characters Sherlock Holmes and his compatriot, Dr. John H. Watson, appear. These stories initially appeared in magazines and serial publications from the 1880s to 1930. See Hoffman Aff. at P21; Compl., at P6. Only nine of these sixty stories (the "Nine Stories") continue to enjoy copyright protection in the United States. See Compl., at P7. The remain-

der of Doyle's writings reside in the public domain in the United States. See Def. Statement at P6; Pl. Statement at P6. n4

n4 Sir Doyle's first work featuring Holmes and Watson is *A Study in Scarlet*, a novel published in 1887. The (protected) *Nine Stories* are amongst the last of Sir Doyle's works in the Holmes/Watson series: *The Adventure of the Mazarin Stone* (1921); *The Adventure of the Creeping Man* (1923); *The Adventure of the Sussex Vampire* (1924); *The Adventure of the Three Garridebs* (1924); *The Adventure of the Illustrious Client* (1924); *The Adventure of the Retired Colourman* (1926); *The Adventure of the Lion's Mane* (1926); *The Adventure of the Blanched Soldier* (1926); and *The Adventure of the Three Gables* (1926).

[*5]

According to plaintiff, Pannonia was effectively conveyed all rights to Doyle's works on August 2, 1986, including the copyrights therein. See Compl., at P13. n5 Plaintiff does not venture to enumerate or define these rights. Pannonia, incorporated in New York state, claims to be exclusive owner of all copyrights and related rights in the writings of Sir Doyle. See Compl., at P4. Pannonia's Chairperson/CEO is Andrea Plunket. n6 See Hoffman Aff. II, Ex. E.

n5 See Plaintiff's Ex. 7. The Court notes that plaintiff's exhibits were not accompanied by or submitted through an affidavit.

n6 Andrea Plunket was formerly known as Andrea Reynolds. Because she is identified in some official documents relevant to the pending motions as Andrea Plunket, and in others as Andrea Reynolds, either name will be used, as appropriate, to refer to this individual.

Defendant USA owns a basic cable network known as the USA Network (the "Network"). On October 25, 2002, the Network broadcast a television movie entitled [*6] "*Case of Evil*" (the "Movie"), written by Piers Ashworth and featuring the fictional characters Sherlock Holmes and Dr. John H. Watson, see Hoffman Aff. I at P10, both of whom were created by Sir Arthur Conan Doyle in 1887. See Hoffman Aff. I, Ex. 12. Holmes, the Movie's main character, is portrayed at the age of twenty-eight, and "has yet to become London's most legendary detective." Hoffman Aff. I at P11. In the Movie, Holmes first meets Dr. Watson. Together, the two solve

a case. *Id.* The Movie credits acknowledge that the film is "based upon characters created by Sir Arthur Conan Doyle." *Id.*

The day before the Movie was to premiere, plaintiff's attorney, Bernard C. Dietz, wrote to USA's General Counsel, Richard Lynn, stating: "It is my understanding that [the Movie] includes characters for which [Pannonia] owns the rights. The telecast of [the Movie], absent a license from my client, will be an act of copyright infringement, trademark infringement and trademark dilution." *Hoffman Aff. I* at P12. The Network broadcast the Movie the next day. *Id.*, at P14. On November 5, 2002, Dietz again wrote Lynn, concluding that the Movie uses characters from the Sherlock [*7] Holmes stories. The characters, Dietz stated, were protected in the United States by both copyright and trademark," and Pannonia was prepared to work out a license agreement. *Id.*, at P15. Having heard no response from USA to the November 5, 2002, letter, Dietz wrote Lynn on March 24, 2003, declaring Pannonia's intention to "pursue the available remedies." *Id.*, at P16.

Dietz and USA traded letters over the next few months debating the merits of Pannonia's allegations and the possibility of a settlement. *Hoffman Aff. I* at P17-9. On June 24, 2003, after the deadline on a settlement proposed by Dietz lapsed, Dietz wrote Lynn withdrawing the offer and stating that he anticipated filing suit by the end of July of 2003. *Id.*, at P19.

This action was commenced on October 3, 2003, claiming the use of Holmes and Watson in the Movie "was an infringement of the exclusive rights granted to the copyright owner", *Compl.* at P16, "an infringement of [plaintiff's] common law trademarks", *Compl.* at P20, and a "violation of the Lanham Act." *Compl.* at P24.

B. Plaintiff's Chain of Title

In its complaint, plaintiff recites a chain of title that culminates in plaintiff's ownership [*8] of rights in Sir Doyle's works. The chain is as follows:

1. On February 16, 1972, the heirs of Sir Arthur Conan Doyle conveyed the copyrights and all related rights in the works of Sir Doyle to Baskervilles Investments, Ltd.;
2. On August 25, 1976, Baskervilles Investments, Ltd. conveyed the its rights to Sheldon Reynolds; n7
3. On August 3, 1977, Sheldon Reynolds conveyed his rights to Andre Milos; n8

4. On May 3, 1985, Andre Milos conveyed his rights to Etelka Lady Duncan nee Von Vangel ("Lady Duncan"); n9

5. On May 6, 1985, Lady Duncan conveyed her rights to Star Container Establishment Vaduz Lichtenstein ("Star");

6. On August 2, 1986, Star conveyed its rights to the plaintiff, Pannonia.

See *Compl.*, PP9-13.

n7 Sheldon Reynolds is Andrea Plunket's former husband. See Plaintiff's Ex. 8, at P1.

n8 Andre Milos is Andrea Plunket's late father. See Affidavit of Andrea Plunket of February 10, 2004.

n9 Etelka Lady Duncan is Andrea Plunket's mother. See Affidavit of Andrea Plunket of February 10, 2004.

[*9]

C. Settlement of Prior Litigation and the Contradicted "Sixth Step"

Prior litigation casts significant doubt on Pannonia's claim to ownership rights in Sir Doyle's work. Specifically, the so-called "sixth step" of Pannonia's recited chain is contradicted by an extant "so ordered" settlement stipulation.

On April 21, 1990, Sheldon Reynolds and Andrea Reynolds, acting as representative of and substitute defendant for Andre Milos, entered into a global settlement of various New York state court actions contesting the rights to Sir Doyle's works. The parties stipulated to the following:

WHEREAS, the undersigned together with said ETELKA LADY DUNCAN, PETER MILOS, and STAR CONTAINER ESTABLISHMENT desire to effectuate a full and final settlement of all the aforesaid matters (and of all other issues in the above-captioned litigation) simultaneously with a full and final settlement of all other issues involved in the

litigation by SHELDON REYNOLDS in the within Court against PANNONIA FARMS INC., CAROLINE FROTTIER McCARTHY and ANDREA REYNOLDS (under New York County Index No. 14364/84) and by SHELDON REYNOLDS against ANDREA REYNOLDS (under New York Co. Index No. 75424/86) and [*10] by PANNONIA FARMS INC. against SHELDON REYNOLDS (in the Justice Court, Town of Rockland, incorrectly identified in the caption thereof as "Roscoe")

Sheldon Reynolds v. Andrea Reynolds and Andre Milos, No. 20135/86 (Baer, J.) (N.Y. Sup. Ct.), Stipulation of Settlement, at pg. 3 (hereinafter the "Settlement").

As part of the Settlement, the parties detailed a chain of title in the rights to Sir Doyle's work that varies from the chain recounted in the plaintiff's complaint:

1. On August 25, 1976, Baskervilles Investments Ltd., conveyed its rights in Sir Doyle's works to Sheldon Reynolds;
2. Sheldon Reynolds thereafter assigned his rights to Andre Milos;
3. Andre Milos thereafter assigned his rights to Lady Duncan;
4. Lady Duncan thereafter assigned her rights to Star.

Critically, the Settlement states that after Lady Duncan's conveyance to Star, "no enforceable assignment by any of the foregoing names mentioned in this paragraph was made thereafter." Settlement, at P2.

The Settlement apportioned half of the title ownership in Sir Doyle's works to Star, and half to Sheldon Reynolds. See Settlement, at P15. Andrea Reynolds signed the Settlement [*11] both as defendant Andrea Reynolds and as defendant in the place and stead of the deceased Andre Milos. See Settlement, at pg. 17. The Honorable Harold Baer, then Justice of the Supreme Court of the State of New York, so ordered the Settlement on June 14, 1990.

D. The Dismissal of *Plunket v. Estate of Dame Jean Doyle, et al.*

On November 2, 1999, Andrea Plunket initiated an action against the estate and executors of Dame Jean

Conan Doyle, the daughter of Sir Arthur Conan Doyle, wherein she claimed to be the exclusive manager and licensor in the literary rights in the works of Sir Doyle. See *Plunket v. Estate of Dame Jean Doyle, et al.*, 2001 U.S. Dist. LEXIS 2001, 99 Civ. 11006 (KMW), 2001 WL 175252 (S.D.N.Y. Feb. 22, 2001). Plunket sued for copyright infringement, unfair competition, and a declaratory judgment that an attempt to terminate a grant of rights in Sir Doyle's works to Andre Milos was ineffective. 2001 U.S. Dist. LEXIS 2001, [WL] at *1. Finding that Plunket had failed to allege that she was either the owner or exclusive licensee of the copyrights at issue, the Honorable Kimba Wood dismissed Plunket's complaint without prejudice. Additionally, Judge Wood cited to 17 U.S.C. § 501 [*12] (b), which states that "the court may require the joinder . . . of any person having or claiming an interest in the copyright." Because Plunket's action touched on the underlying ownership of the rights in Sir Doyle's works, Judge Wood ordered that plaintiff, if she chose to file an amended complaint, was to join those parties whose rights could be affected by a declaratory judgment regarding ownership. 2001 U.S. Dist. LEXIS 2001, [WL] at *5-7. Plaintiff never filed an amended complaint, but instead voluntarily withdrew the action pursuant to Fed. R. Civ. P. 41. n10 See *Plunket v. Estate of Dame Jean Conan Doyle, et al.*, 99 Civ. 11006 (KMW), Order of Aug. 27, 2001, at 2.

n10 Plunket subsequently sued the law firm that brought the action on her behalf for malpractice. See *Plunket v. William Hart and Proskauer Rose LLP*, Index No. 1852/02 (Sup. Ct. N.Y.) (verified complaint filed June 28, 2002).

DISCUSSION

I. Summary Judgment Standard

Summary judgment is properly granted "if the pleadings, depositions, answers [*13] to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). The Federal Rules of Civil Procedure mandate the entry of summary judgment "against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex Corp. v. Catrett*, 477 U.S. 317, 322, 91 L. Ed. 2d 265, 106 S. Ct. 2548 (1986). In reviewing the record, we must assess "the evidence in the light most favorable to the party opposing the motion, and resolve ambiguities and draw reasonable inferences against the moving party." *Frito-Lay, Inc. v. LTV*

Steel Co. (In re Chateaugay Corp.), 10 F.3d 944, 957 (2d Cir. 1993).

In order to defeat a motion for summary judgment, the non-moving party must affirmatively set forth facts showing that there is a genuine issue for trial. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986). An issue is "genuine . . . if the evidence is such that a reasonable jury could return [*14] a verdict for the nonmoving party." *Id.* at 248 (internal quotation marks omitted). Where, as here, both parties seek summary judgment, the Court must "evaluate each party's motion on its own merits, taking care in each instance to draw all reasonable inferences against the party whose motion is under consideration." *Schwabenbauer v. Board of Ed.*, 667 F.2d 305, 314 (2d Cir. 1981).

II. Ownership of the Rights in Question

Plaintiff does not have standing to sue for copyright infringement under the Copyright Act. The Act states that "the legal or beneficial owner of an exclusive right under a copyright is entitled . . . to institute an action for any infringement of that particular right committed while he or she is the owner of it." 17 U.S.C. § 501(b). The Second Circuit Court of Appeals has interpreted this provision to mean that only "(1) owners of copyrights and (2) persons who have been granted exclusive licences by owners of copyrights" can bring suit for copyright infringement. *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.*, 697 F.2d 27, 32 (2d Cir. 1982); *Plunket v. Doyle*, 2001 U.S. Dist. LEXIS 2001, No. 99 Civ. 11006 (KMW), 2001 WL 175252, [*15] at *5 (S.D.N.Y. Feb. 22, 2001).

Pannonia claims ownership of the remaining copyrights in Sir Doyle's works on the basis of an alleged assignment of these rights from Star dated August 2, 1996. However, the terms of a fourteen year old so ordered settlement agreement entered in the New York's Supreme Court undermines that contention. Star's purported 1986 assignment to Pannonia was plainly extinguished by the 1990 Settlement, which divides ownership between Star and Sheldon Reynolds, leaving Pannonia with no ownership interest. Moreover, the Settlement recited that after Lady Duncan transferred her rights to Star, "no enforceable assignment by any of the foregoing names mentioned in this paragraph was made thereafter." Settlement, at P2.

Plaintiff seeks to evade the consequences of the Settlement by arguing that (1) there was a mistake of fact regarding Pannonia's ownership interest in Sir Doyle's works at the time of the Settlement and (2) that Pannonia was not itself a party to the Settlement.

According to plaintiff, no living person knew of Star's 1986 conveyance of rights to Pannonia when the 1990 Settlement was executed. In this regard, plaintiff has submitted an affidavit from [*16] Lady Duncan which states:

In August of 1986 without consultation Andre Milos as director of STAR CONTAINER . . . with single signatory power transferred and set over to PANNONIA . . . the reminder n11 [sic] of the Sir Arthur Conan Doyle Literary Estate[.] This only came to our attention after his death in the late 1990's [sic] when I was about to move and went through some of his records which were stored in my house in Sao Paulo.

Plaintiff's Ex. 8, at P15.

n11 We assume Lady Duncan meant to say "remainder".

This affidavit, while attesting to Lady Duncan's knowledge, does not attest to that of Pannonia's or Amanda Plunket. The absence of such an affidavit is curious to say the least. Moreover, the Settlement declared that "no enforceable assignment" was rendered after the assignment to Star. Settlement, at P2 (emphasis added). The underlined qualification suggests one or both of the following: (1) at least one party to the Settlement was aware of a post-Star conveyance and as such purposefully [*17] included nullifying language in the Settlement, and/or (2) ignorance of a post-Star conveyance is irrelevant to the Settlement's construction because the parties contemplated the possibility that a conveyance about which they were unaware may have occurred.

Plaintiff also maintains that Pannonia was not a party to the Settlement and thus it never waived any rights it held in Sir Doyle's works. On its face, the Settlement indicates otherwise. The Settlement resolved two lawsuits directly involving Pannonia. n12 While Pannonia *qua* Pannonia did not execute the challenged Settlement, it was twice sworn to by Pannonia's chief executive, Amanda Plunket (once in an evidently individual capacity, and once on behalf of her deceased father). At the very least, Pannonia's officer assented to the terms of the Settlement, including the stipulations of fact and preliminary recitations that name and/or implicate her corporation, Pannonia.

n12 These two suits - one by Sheldon Reynolds against Pannonia and one by Pannonia against Sheldon Reynolds - were fully and finally settled through the Settlement. See Settlement, at pg. 3. Plaintiff fails to acknowledge that, and let alone explain why, Pannonia is itself named in the Settlement as one of the many parties using the Settlement to discontinue its disputes over the rights to Sir Doyle's works if Pannonia was not a party thereto.

[*18]

The foregoing recital raises more questions than answers. n13 However, one conclusion may readily be reached: This action, brought against a stranger to the Settlement, and without joinder of the parties to the Settlement, is not the forum for Pannonia to avoid the Settlement's consequences. n14

n13 For example, did Amanda Plunket, or any proper representative of Pannonia, know of the putative 1986 assignment of rights, and if not, does that matter? Is it too late to seek relief from a New York state court order once fourteen years have elapsed from the date of the order and at least five years have elapsed from the date of discovery of a supposed mistake of fact in that order? Was Pannonia bound to the Settlement by an agent acting on Pannonia's behalf, such as its president, Amanda Plunket?

n14 Relying on 17 U.S.C. § 205(d), plaintiff attempts to foreclose the defendant's use of the 1990 Settlement as a bar to the present action. This subsection provides that "as between two conflicting transfers, the one executed first prevails if it is recorded in the manner required to give constructive notice undersubsection (c), within one month of its execution in the United States or within two months after its execution outside the United States, or at any time before recordation of the later transfer." Plaintiff argues that because the 1986 conveyance of rights to Pannonia was recorded (on August 27, 2001), but the 1990 Settlement was not, then the former prevails. Plaintiff misapprehends the nature of the Settlement. The Settlement was not a "transfer" that was to be recorded. Rather, it was an agreement by all parties thereto that no enforceable assignment of rights occurred following Lady Duncan's transfer to Star. The Settlement effectively negated the four year old assignment to Pannonia. Plaintiff's recordation of an unenforceable conveyance is, in context, evidence of its persistent

refusal to abide by the Settlement, not of its ownership over the copyrights in Sir Doyle's works.

Similarly, citing to *Imperial Residential Design v. The Palms Developmental Corp., et al*, 70 F.3d 96 (11th Cir. 1995), plaintiff argues that defendant should not be permitted to challenge the legal effect of an assignment between two parties as a defense to an infringement claim. Plaintiff again misunderstands defendant's present challenge. Plaintiff has an affirmative obligation to establish its ownership over the copyrights at issue. Under 17 U.S.C. § 204(a), "a transfer of a copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent." The Imperial case cited by plaintiff merely holds that "where there is no dispute between the copyright owner and the transferee about the status of the copyright, it would be unusual and unwarranted to permit a third-party infringer to invoke section 204(a) to avoid suit for copyright infringement." *Id.*, at 99. Defendant is not contesting plaintiff's claim of ownership because of a failure to comply with § 204(a).

[*19]

Thus, as a matter of law, we cannot find that Pannonia owns the copyrights, trademarks and related rights in the works of Sir Doyle. Pannonia thus lacks standing to bring this suit. n15 Defendant's motion for summary judgment is granted, and plaintiff's cross-motion for summary judgment is obviously denied.

n15 The purported trademarks at issue are not registered. To prevail on the merits of an unregistered trademark infringement claim, a party must show that "it has a valid trademark entitled to protection and that the defendant's use of it is likely to cause confusion." *Genesee Brewing Co., Inc. v. Stroh Brewing Co.*, 124 F.3d 137, 142 (2d Cir. 1997). For reasons that follow from the resolution of plaintiff's claim of ownership over copyrights in Sir Doyle's works, plaintiff does not have any ownership or propriety interest in any protectible mark that it alleges defendant to have infringed. Thus plaintiff could not as a matter of law prevail on its trademark infringement claim.

V. Attorney's [*20] Fees and Rule 11 Sanctions

In addition to seeking summary judgment, defendant has sought reasonable attorney's fees and costs pursuant to 17 U.S.C. § 505 and 15 U.S.C. § 1117. Additionally, defendant seeks an order, pursuant to Fed. R. of Civ. P. 11 imposing sanctions against plaintiff and its counsel for their filing of the complaint in this action.

A. Attorney's Fees.

Section 17 U.S.C. § 505 provides that:

In any civil action under [Title 17], the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

A defendant may be a "prevailing party" under this subsection. In assessing the propriety of awarding attorney's fees, this Court may examine several factors, including "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and [*21] deterrence." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19, 127 L. Ed. 2d 455, 114 S. Ct. 1023 (1994) (internal citations omitted).

The Second Circuit has held that "objective reasonableness is a factor that should be given substantial weight in determining whether an award of attorneys' fees is warranted." *Matthew Bender Co., Inc. v. West Pub. Co.*, 240 F.3d 116, 123 (2d Cir. 2001). District courts in this Circuit have awarded attorneys' fees based solely on the objective unreasonableness of the losing party's claim. See, e.g., *Williams v. Crichton*, 891 F. Supp. 120, 122 (S.D.N.Y. 1994).

It was objectively unreasonable for plaintiff to bring this action despite the existence of a court order signed by plaintiff's chief executive, Amanda Plunket, clearly granting others ownership over the copyrights in question, and in the absence of those parties whose rights could be disturbed if we were to address the merits of the copyright issues.

Plaintiff argues that the Settlement order was "ineffective." See Plaintiff's Opposition to Defendant's Motion for Summary Judgment ("Pl. Opp. Mem.") at 6. This ipse dixit collateral attack rings hollow given that plaintiff [*22] has not even filed a motion in state court to set aside the Settlement, nor did plaintiff even acknowledge the Settlement in its complaint. Instead, only when confronted with the Settlement in defendant's moving papers

did plaintiff begin to assert grounds to avoid the Settlement.

Thus, it was wholly unreasonable for plaintiff to have commenced this action with the expectation that on an ex parte basis this Court would revise a fourteen year old state court order. The unreasonableness of this position is especially glaring in light of Judge Wood's admonition in the earlier Plunket case: "Failure to join [potentially affected] parties would . . . risk the possibility of multiple lawsuits and inconsistent verdicts." *Plunket*, 2001 U.S. Dist. LEXIS 2001, 2001 WL 175252 at *6.

Moreover, even assuming that plaintiff had standing to assert a copyright claim, a review of the claim and its total lack of legal merit provides another example of this suit's objective unreasonableness.

Copyright protection extends to expressions of ideas contained in original works of authorship. See *Mazer v. Stein*, 347 U.S. 201, 217, 98 L. Ed. 630, 74 S. Ct. 460, 1954 Dec. Comm'r Pat. 308 (1954). This protection "arises when a work is created and [*23] gives the author certain exclusive rights for a limited period of time." *Harvey Cartoons v. Columbia Pictures Indus., Inc.*, 645 F. Supp. 1564, 1569 (S.D.N.Y. 1986). Generally, only original elements of a work may be secured by copyright. *Id.*, at 1569 (emphasis added). A copyright for work derived in any part from a prior or underlying work does not alone protect the underlying work. *Id.*, at 1569-70. That is because "a derivative copyright is a good copyright only with regard to the original embellishments and additions it has made in the underlying work." *Filmvideo Releasing Corp. v. Hastings*, 668 F.2d 91, 92 (2d Cir. 1981). n16 Without copyright protection, "even original creations are in the public domain and may be freely copied." *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905 (2d Cir. 1980). "If the underlying work is in the public domain, a copyright in the derivative work does not render the underlying work protectible." 1 *Nimmer on Copyright* § 3.04[A] at 3-20.14 (2003). The same principle governs characters appearing in a series of works:

Subsequent works in a series (or sequels) [*24] are in as sense derivative works while the characters which appear throughout the series are a part of the underlying work upon which the later works are based. Just as the copyright in a derivative work will not protect public domain portions of an underlying work as incorporated in the derivative work, so copyright in a particular work in a series will not protect the character as contained in such series if the work in the series in

which the character first appeared has entered the public domain.

Id., at § 2.12 at 2-177.

n16 Under 17 U.S.C. § 101, a "derivative work" is defined as:

[A] work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation, or any other form in which a work may be recast, transformed or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a 'derivative work'.

[*25]

Both parties here agree that only a fraction of Sir Doyle's Sherlock Holmes stories remain subject to copyright protection, and thus the balance - over fifty works - are in the public domain. Defendant argues it was well within its rights to feature Holmes and Watson in the Movie because these characters appear in a significant number of Sir Doyle's public domain works. Moreover, defendants contend, plaintiff has not alleged that defendant's particular depiction of Holmes and Watson is drawn from any original elements of the copyrighted Nine Stories that plaintiff claims ownership over, such as storyline or dialogue.

In *Silverman v. CBS Inc.*, 870 F.2d 40 (2d Cir. 1989), a playwright, Silverman, sought a declaration ruling that the "Amos 'n' Andy" radio programs broadcast before March 1948 were in the public domain, thus enabling the free use of the programs' content, including the characters and plots. Id., at 43. The "Amos 'n' Andy" characters were created in 1928 as part of the tremendously popular radio program "The Amos 'n' Andy Show". The defendant, CBS, was assigned all rights from the program's creators in 1948. In 1981, Silverman had embarked [*26] on writing a musical based on and incorporating the "Amos 'n' Andy" characters. After CBS refused Silverman a license to the characters, he filed suit seeking the aforementioned declaration.

The district court determined that all pre-1948 scripts from *The Amos 'n' Andy Show* had fallen into the public domain because their copyrights, originally obtained by the show's creators, had never been renewed. Id., at 43. Scripts for the program authored after 1948, however, were protected by copyright. Id., at 44.

Modifying portions of the district court judgment, this Circuit's Court of Appeals stated that "a copyright affords protection only for original works of authorship and, consequently, copyrights in derivative works secure protection only from the incremental additions of originality contributed by the authors of the derivative works." Id., at 49. As such, the court found that "whatever rights [CBS] may have in the [post-1948] scripts and programs . . . provide protection only for the increments of expression beyond what is contained in the pre-1948 radio scripts, which are in the public domain." Id., at 49-50 [*27] (emphasis added). As a result, the court had "no doubt" that the Amos 'n' Andy characters "were sufficiently delineated in the pre-1948 radio scripts to have been placed in the public domain when the scripts entered the public domain." Id. (citing *Nichols v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir. 1930), cert. denied, 282 U.S. 902, 75 L. Ed. 795, 51 S. Ct. 216 (1931)). Thus, the loss of copyright protection for the pre-1948 scripts precluded copyright protection for those elements of the post-1948 works containing material from the earlier works. See *Tempo Music, Inc. v. Famous Music Corp.*, 838 F. Supp. 162, 171 (S.D.N.Y. 1993) (discussing *Silverman*). Indeed, *Silverman* was only foreclosed from using "any further delineation of the characters contained in the [post-1948 scripts]." *Silverman*, 870 F.2d at 50.

The holdings in *Silverman* are on point. Like the Amos 'n' Andy characters, the Holmes and Watson characters have been delineated in over fifty stories that no longer possess copyright protection. n17 Again, like *Silverman*, just as these many stories have passed into the public domain, so too have their delineated constituent [*28] elements, such as the Holmes and Watson characters that are the subject of this suit. Plaintiff contends that its copyright claim is "premised on its exclusive right to make derivative works." Pl. Opp. Mem. at 12. n18 While it is no doubt correct that a copyright owner controls the protected work's derivative creations, see 17 U.S.C. § 106(2), plaintiff's assertion only begs the question of what content is covered by the copyrights in the Nine Stories, and whether the Movie in any way derives from that content.

n17 The copyrights at issue cover nine of Doyle's final Sherlock Holmes stories. Certainly the Holmes and Watson characters were well-

developed in the fifty public domain works that preceded the Nine Stories.

n18 Plaintiff argues the same proposition elsewhere, stating that "since nine of the stories are still covered by copyright, the copyright owner has the exclusive right to make derivative uses of the copyright works." *Id.*, at 17.

Plaintiff itself largely answers [*29] this question in acknowledging that the Holmes and Watson characters are not themselves secured by any copyright, let alone one it owns. See Pl. Opp. Mem. at 12 ("The Plaintiff in this case is not arguing that the Sherlock Holmes characters, per se, are protected by copyright.") n19 Thus, at most, "only the increments of expression added by" the Nine Stories, either to these two characters or any aspect of Sir Doyle's stories that are in the public domain and underlie plaintiff's works, are protected. *Silverman*, 870 F.2d at 50. Storylines, dialogue, characters and character traits newly introduced by the Nine Stories are examples of added contributions susceptible to copyright protection. Plaintiff, however, does not claim infringement of any creative element particular exclusively and originally to the Nine Stories. Defendants's Movie therefore is not derived from any material that plaintiff's claimed copyrights could potentially encompass. Lacking an allegation of infringement upon plaintiff's own creative "embellishments and additions" to the Holmes and Watson characters, *Filmvideo Releasing Corp.*, 668 F.2d at 92, plaintiff could not have reasonably [*30] expected success on its copyright claim. n20

n19 See also *id.* at 13 ("The Plaintiff is not arguing that the Holmes and Watson characters as portrayed in the public domain stories are protected by copyright.")

n20 A final contention of plaintiff's is so plainly baseless, both legally and factually, that it may be dealt with briefly in the margin. Plaintiff asserts that "in a case where copyrighted characters appear in works that have gone into the public domain, the copyrighted characters can be used to the extent that they are developed in the public domain works. It does not follow that third parties are entitled to develop these characters in new ways. They can only be used in the manner in which they appear in the public domain." Pl. Opp. Mem. at 17. First, as plaintiff concedes in its brief, the characters at issue here are not copyrighted. See *id.* at 12. Second, where a work has gone into the public domain, it does in fact follow

that any individual is entitled to develop this work in new ways. This is because anyone may use material found in the public domain. See, e.g., *Silverman*, 870 F.2d at 50. Finally, when discussing the public domain, there are no "third parties" of which to speak because no one (save the public) can claim to be a "principal party" to public domain material.

[*31]

B. Rule 11 Sanctions.

Defendant has also moved for sanctions under Fed. R. Civ. P. 11. Under Fed. R. Civ. P. 11(b), pleadings, motions and other court papers presented to the court by an attorney are certified as, inter alia, "warranted by existing law or by nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law" as well as only including "allegations and other factual contentions [that] have evidentiary support or, if specifically identified, are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery." *Id.* Noncompliance with Rule 11(b) may result in sanctions upon the attorney "after notice and a reasonable opportunity to respond." Fed. R. Civ. P. 11(c). Rule 11(c)(1)(A) provides that "a motion for sanctions . . . shall be made separately from other motions or requests and shall describe the specified conduct alleged to violate subdivision (b) [of Rule 11]." Further, this subdivision specifies that the motion "shall be served as provided in Rule 5, but shall not be filed with or presented to the court unless, within 21 days after service of the motion (or [*32] such other period as the court may prescribe), the challenged paper . . . is not withdrawn or appropriately corrected."

In this matter, defendant's attorney sent plaintiff's attorneys a six-page letter six weeks after the complaint was filed, and five weeks before the instant motion was filed, setting forth precisely why under Rule 11 defendant believed the complaint should be withdrawn. See *Hoffman Aff. I*, Ex. 47. n21 Defendant maintained that the allegations and other factual contentions lacked evidentiary support; that the claims and other legal contentions were not supported by existing law or nonfrivolous argument; and that the action was filed to harass defendant. Defendant's support for these contentions was clear and thorough. *Id.* Plaintiff's attorney Barnard C. Dietz responded three days later, maintaining "there has been no violation of Rule 11," that "certain statements in [defendant's] letter are factually and legally inaccurate," and suggesting that defendant "do more thorough research before responding to the Complaint." *Id.*, Ex. 48.

n21 The complaint was filed on October 3, 2003. Defendant's attorney's letter regarding Rule 11 violations followed on November 14, 2003. Pursuant to this Chamber's Individual Rules of Practice, defendant's sought leave to file a motion for Rule 11 sanctions on December 2, 2003. The motion for Rule 11 sanctions was filed on December 18, 2003.

[*33]

In a letter dated December 2, 2003, defendant's attorney informed the Court that defendant believed the Complaint was filed in violation of Rule 11, and permission was sought for leave to request Rule 11 sanctions. n22 Defendant's letter to the Court indicated that it had advised plaintiff's counsel why defendant believed the complaint should be withdrawn.

n22 By a separate letter of the same date, defendant's attorney set forth the anticipated bases of its motion for summary judgment.

During an initial pre-trial conference held in this matter on December 4, 2003, defendant was granted leave to move for both summary judgment and Rule 11 sanctions. Plaintiff, in opposing the Rule 11 motion, maintains that "there is no basis whatever for Rule 11 sanctions" and that the complaint's "factual contentions are supported by the evidence and the law is clear." Pl. Opp. Mem. at 22.

For the same reasons defendant is accorded attorney's fees under 17 U.S.C. § 505, we agree that plaintiff's complaint [*34] violates Rule 11. We write further in anticipation of an argument that, although not asserted in opposition to the instant application, plaintiff's counsel might raise on appeal. Plaintiff may argue that Rule 11 sanctions are not properly awarded because the Rule 11 motion was not separately served from the summary judgment motion. We recognize that there is a body of case law that stands for the proposition that the procedural requirements of Rule 11 (i.e. the twenty-one day safe harbor notice and the separate motion requirement) must be strictly adhered to. Here, five weeks before this motion was filed, defendant served plaintiff with a detailed six page letter describing the deficiencies of the complaint under Rule 11. Plaintiff's counsel promptly responded rejecting the opportunity to withdraw or correct the complaint. Further, defendant's counsel requested permission from this Court to make a Rule 11 motion. Permission was granted by the Court at a conference at which the merits of the suit were discussed at length.

Under the circumstances of this case, we believe that the purposes of the twenty-one day safe harbor and separate motion requirement have been served. Moreover, we [*35] believe that an examination of the cases in which the award of Rule 11 sanctions has been reversed for failure to comply with the procedural safeguards demonstrates that the appellate courts were properly concerned with how the failure to abide by the requirements deprived the sanctioned party of the opportunity to withdraw or correct the offending paper. For example, in *Hedges v. Yonkers Racing Corp.*, 48 F.3d 1320 (2d Cir. 1995), the court stressed that "if [plaintiff] had received the benefit of the safe-harbor period, the record indicates that he would have 'withdrawn or appropriately corrected' his misstatements, thus avoiding sanctions altogether." *Id.*, 48 F.3d at 1328 (quoting Rule 11). Similarly, in *Barber v. Miller*, 146 F.3d 707 (9th Cir. 1998), the Rule 11 motion was served "after the complaint had been dismissed and did not give [plaintiff the] opportunity [to withdraw the offending pleading and thereby escape sanctions." *Id.*, 146 F.3d at 710 (emphasis in original). n23

n23 Cf. *Perpetual Secs., Inc. v. Tang*, 290 F.3d 132, 142 (2d Cir. 2002) (remanding for reconsideration, but explicitly not reversing, an award of Rule 11 sanctions where there was "no indication that [plaintiff] would have corrected or amended its frivolous arguments even had it been given the opportunity").

[*36]

Unlike in *Hedges* or *Barber*, here there is no indication that plaintiff intended to withdraw or repair its complaint. To the contrary, upon being noticed, defendant swiftly and forcefully disclaimed any Rule 11 violation, see *Hoffman Aff. Ex. 48*, and held fast to this position throughout this motion's briefing. See Pl. Opp. Mem. at 22 ("There is no basis whatever for Rule 11 sanctions"); Plaintiff's Sur-reply to Defendant's Reply to Plaintiff's Opposition to Defendant's Motion for Summary Judgment at P5 ("The Defendant's claim for . . . Rule 11 sanctions is without merit.")

In addition, we note that plaintiff, while vigorously opposing sanctions on the merits, has not objected to the imposition of Rule 11 sanctions because of an alleged non-compliance with Rule 11's procedural aspects. See *Rector v. Approved Fed. Savings Bank*, 265 F.3d 248, 253-54 (4th Cir. 2001) (holding that Rule 11's safe harbor provision is not jurisdictional and may be waived and therefore plaintiff's failure to object to defendant's procedural non-compliance with the Rule in the district court constituted a waiver of the objection).

Defendant has satisfied the procedural safeguards [*37] of Rule 11, and its motion is granted. Holding plaintiff's attorneys jointly liable with plaintiff for defendant's attorneys fees appropriately serves Rule 11(b)(2)'s deterrence objectives.

CONCLUSION

For the foregoing reasons, defendant's motion for summary judgment is granted, and plaintiff's cross-motion for summary judgment is denied. Additionally, defendant is granted attorney's fees pursuant to 17 U.S.C. § 505, and its motion for Rule 11 sanctions is granted.
n24

n24 Defendant requested oral argument on this motion. Plaintiff took the position that oral argument would be unnecessary and financially burdensome. Defendant has not been prejudiced by the lack of oral argument as its motions have been granted.

IT IS SO ORDERED.

DATED: New York, New York

June 7, 2004

NAOMI REICE BUCHWALD

UNITED STATES DISTRICT JUDGE



Analysis

As of: Feb 28, 2007

Pannonia Farms, Inc., Plaintiff-Appellant, v. USA Cable, Defendant-Appellee.

Docket No. 04-4705-cv

UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

426 F.3d 650; 2005 U.S. App. LEXIS 22324; Copy. L. Rep. (CCH) P29,075

**May 13, 2005, Argued
October 17, 2005, Decided**

SUBSEQUENT HISTORY: Costs and fees proceeding at, Sanctions allowed by Pannonia Farms, Inc. v. USA Cable, 2006 U.S. Dist. LEXIS 73519 (S.D.N.Y., Oct. 5, 2006)

PRIOR HISTORY: [**1] Plaintiff Pannonia Farms, Inc. appeals from an order dated June 10, 2004 of the United States District Court for the Southern District of New York (Buchwald, J.), granting defendant USA Cable's motion for summary judgment, denying Pannonia's cross-motion for summary judgment, and granting USA Cable's motion for attorney's fees and costs under 17 U.S.C. § 505 and Rule 11 sanctions. Pannonia also appeals the August 10, 2004 order of the district court denying its motion for reconsideration. Pannonia Farms, Inc. v. USA Cable, 2004 U.S. Dist. LEXIS 23015 (S.D.N.Y., June 7, 2004)

DISPOSITION: Affirmed, in part, and dismissed, in part.

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff filed a complaint alleging copyright and common law trademark infringement and dilution/unfair competition. Defendant moved for summary judgment, attorney's fees and costs under 17 U.S.C.S. § 505, and sanctions under Fed. R. Civ. P. 11. Plaintiff cross-moved for summary judgment. The United States District Court for the Southern District of New York granted defendant's motions and denied plaintiff's motion. Plaintiff appealed.

OVERVIEW: Plaintiff first argued that the district court improperly granted summary judgment in favor of defendant. The instant court held that the district court properly denied plaintiff's motion for summary judgment because plaintiff did not own intellectual property rights in the works of an author and therefore lacked standing to bring suit. Plaintiff's claim that it obtained ownership in the intellectual property rights of the author's work due to a purported transfer from a company was a right that, if it existed at all, was extinguished by a settlement agreement entered into pursuant to a state court decree. The instant court did not need to consider the arguments regarding application of Fed. R. Civ. P. 11 sanctions or defendant's request for attorney's fees and costs because the district court did not fix the amount of sanctions to be awarded. As such, the order was not final within the meaning of 28 U.S.C.S. § 1291 as to either the sanctions or the attorney's fees and costs.

OUTCOME: The district court's award of summary judgment was affirmed. The portion of the appeal dealing with the award of sanctions and attorney's fees and costs was dismissed for want of jurisdiction.

CORE TERMS: summary judgment, movie, reconsideration, intellectual property, chain of title, common law, broadcast, ownership, aired

LexisNexis(R) Headnotes

Civil Procedure > Summary Judgment > Appellate Review > Standards of Review

We turn now to consideration of whether the district court properly imposed Rule 11 sanctions and attorney's fees and costs under 17 U.S.C. § 505.

Rule 11 sanctions are a coercive mechanism, available to trial court judges, to enforce ethical standards upon attorneys appearing before them, while being careful not to rein in zealous advocacy. Although the imposition of sanctions is within the province of the district court, "any such decision [should be] made with restraint and discretion." Schlaifer Nance & Co., Inc. v. Estate of Warhol, 194 F.3d 323, 334 (2d Cir. 1999). [**6]

In this appeal, Pannonia seeks reversal of the award of Rule 11 sanctions against it and its attorney. Pannonia contends for the first time in its reply brief that the district court failed to afford it those procedural protections that must accompany Rule 11 sanctions. See Fed. R. Civ. P. 11(c)(1)(A). While the district court anticipated and addressed this issue to a certain extent, see Pannonia I, 2004 U.S. Dist. LEXIS 23015, 2004 WL 1276842, at *10-*11, the record does not establish clearly whether those procedural protections were in fact satisfied in this case. For example, the record is unclear as to whether the district court granted Pannonia a 21-day safe harbor in which to withdraw its suit prior to receiving sanctions, or whether defendant's letter warning of its intent to move

for sanctions (and on which Judge Buchwald relied in part in finding that due process had been satisfied) could adequately sustain a sanction on Bernard Dietz who had not yet been admitted pro hac vice as plaintiff's co-counsel.

However, we need not consider further this or any other argument regarding application of Rule 11 sanctions or defendant's request [**7] for attorney's fees and costs because the district court did not fix the amount of sanctions to be awarded. As such, the order is not final within the meaning of 28 U.S.C. § 1291 as to either the Rule 11 sanctions or the attorney's fees and costs. See Krumme v. WestPoint Stevens, Inc., 143 F.3d 71, 86 (2d Cir. 1998); Cooper v. Salomon Bros. Inc., 1 F.3d 82, 84-85 [*653] (2d Cir. 1993). Hence, the portion of the appeal related to defendant's requests for these awards should be dismissed for lack of appellate jurisdiction.

CONCLUSION

For the reasons explained above, we affirm the district court's award of summary judgment, but dismiss, for want of jurisdiction, that portion of the appeal dealing with the award of Rule 11 sanctions and attorney's fees and costs. If the issue of the Rule 11 sanctions is the subject of a future appeal, we direct the parties and the Clerk of the Court to refer such appeal to this panel.