



# Publications

## CASES OF INTEREST

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

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**United Fabrics International, Inc. v. C&J Wear, Inc.**, USCA Ninth Circuit, January 26, 2011

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

- The Ninth Circuit reverses the district court's *sua sponte* dismissal of plaintiff's copyright infringement claim, explaining that the defendants failed to rebut the presumption of plaintiff's valid copyright because the defendants did not provide any evidence denying or disputing the facts in the copyright certificate.

United Fabrics International sued defendants C&J Wear, Inc., Lucky Kim International, Inc. and Macy's, Inc. for infringing its copyright in a collection of fabric designs. According to United, it purchased a fabric design from an Italian design house, Contromoda, through an agent, Sergio Giacomel. United then modified the purchased design and registered it as part of Ethnic Collection X. United alleged that the defendants sold fabric and garments that infringed its copyright in the Ethnic Collection X.

At the summary judgment stage, the district court dismissed the case *sua sponte*, concluding that United lacked standing to pursue its copyright claims. The district court ruled that United failed to establish an element that is crucial to all copyright infringement actions: ownership of a valid copyright. The district court held that the evidence of the transfer of the source artwork from Contromoda to United was insufficient to establish ownership of the underlying design and, for that reason, dismissed the action. The district court stated that "United has not clearly established the chain of title giving it rights in the source artwork and, in turn, the subject matter that was derived from it. United therefore lacks standing." The district court also held that United's copyright registration was invalid because United failed to publish its fabric designs concurrently, a requirement of a published single-work copyright that consists of a collection of works.

United appealed and the U.S. Court of Appeals for the Ninth Circuit reversed and remanded.

Section 410(c) of the Copyright Act provides that a copyright registration is "prima facie evidence of the validity of the copyright and the facts stated in the certificate." According to the court, defendants have the burden of rebutting the facts set forth in the copyright certificate. To rebut the presumption of validity, an infringement defendant "must simply offer some evidence or proof to dispute or deny the plaintiff's prima facie case of infringement." *Lamps Plus, Inc. v. Seattle Lighting Fixture Co.*, 345 F.3d 1140 (9th Cir. 2003), quoting *Entm't Research Grp., Inc. v. Genesis Creative Grp., Inc.*, 122 F.3d 1211 (9th Cir. 1997).



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On appeal, the defendants argued that United's copyright is invalid because United did not produce any evidence that the person who assigned the design was a "duly authorized agent." According to the Ninth Circuit, defendants skipped a step, as nowhere did they set forth facts rebutting the presumption of validity to which United's copyright was entitled. "As the copyright claimant, United is presumed to own a valid copyright, and the facts stated therein, including the chain of title in the source artwork, are entitled to the presumption of truth."

The court held that the defendants had the burden of rebutting the facts set forth in the copyright certificate by providing some evidence or proof. According to the court, the defendants failed to provide any evidence or proof, other than arguing that United failed to prove chain of title. The court held that by failing to point to any evidence indicating that the copyright was invalid, the defendants failed to rebut the presumption. The court stated that the district court's ruling suffers from the same defect. Furthermore, even if such evidence were contained in the record, the court held that it is not the court's place to search the record to find it.

The court also held that the presumption-of-validity analysis applies to the defendants' argument that United's design was not deposited with the U.S. Copyright Office. The defendants contended that United bore the burden of proving that it complied with the Copyright Act in order to have standing to sue or seek damages or attorney's fees. However, the court said "[a]gain, Macy's skips a step. It needs first to rebut the presumption of copyright validity with 'some evidence or proof to dispute or deny the plaintiff's prima facie case of infringement,' before it can shift the burden. Because Macy's did not offer such proof, its insufficient-deposit argument must fail, at least at this juncture of the litigation." (citations omitted)

The district court also dismissed United's action because United failed to register its collection of fabric designs in a single copyright. When one registers a collection of works in a single copyright, it can be registered either as a "published" or an "unpublished" collection. 37 C.F.R. § 202.3(b)(4). A necessary element of a published-collection copyright is that the collection is sold, distributed or offered for sale concurrently. *Id.*; 17 U.S.C. § 101. For an unpublished collection, there is no such requirement. See 37 C.F.R. § 202.3(b)(4)(i)(B).

United contended that it registered its collection of fabric designs as an unpublished collection of works. The definition of this type of copyright registration is:

[T]he following shall be considered a single work:

. . .

(B) In the case of unpublished works: all copyrightable elements that are otherwise recognizable as self-contained works, and are combined in a single unpublished "collection." For these purposes, a combination of such elements shall be considered a "collection" if:

- (1) The elements are assembled in an orderly form;
- (2) The combined elements bear a single title identifying the collection as a whole;
- (3) The copyright claimant in all of the elements, and in the collection as a whole, is the same; and
- (4) All of the elements are by the same author, or, if they are by different authors, at least one of the authors has contributed copyrightable authorship to each element.

37 C.F.R. § 202.3(b)(4).

The court concluded that United registered a valid copyright in an unpublished collection of works because, at this stage, it appears that Ethnic Collection X meets the criteria set forth in § 202.3(b)(4).



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The court also rejected the defendants' argument that United's copyright is invalid because United failed to list the design as a derivative work. The court held that such errors, in the absence of fraud on the Copyright Office, are not cause for invalidation, and because the defendants did not show fraud on the Copyright Office, their argument on this issue fails.

**Kwan v. Schlein**, USCA Second Circuit, January 25, 2011

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- The Second Circuit affirms the district court's holding that where a claim of copyright infringement cannot be decided without adjudicating a dispute concerning plaintiff's ownership of the underlying copyright, and plaintiff's ownership claim was time-barred by the statute of limitations, the claim of copyright infringement is also time-barred.

Defendant Alan Schlein authored a book called *Find it Online*, which was published by defendant Business Resources Bureau, Inc. ("BRB"). In 1998, BRB hired plaintiff Shirley Kwan, a contract editor, to perform editing work on the book. Kwan initially agreed to perform one hundred hours of editing work for a fee and later agreed to provide certain additional editorial assistance to Schlein in exchange for a share of the book's royalties.

Prior to the book's publication BRB asked both Schlein and Kwan how each wanted to be billed on the cover. Schlein asked that Kwan be billed as an editor, but Kwan insisted that she be billed as co-author. After some debate, BRB decided to credit Kwan as an editor in the book's first and second editions, both released in 1999. BRB published a third edition of *Find it Online* in 2002, and a fourth edition followed in 2004. Prior to the third edition's release, BRB sent a letter to Kwan stating that she would not receive royalties for any edition of *Find it Online* after the second edition because the book had been completely re-written. Kwan did not respond.

In 2005, approximately one year after the release of the fourth edition, Kwan sued defendants for copyright infringement, arguing that she owned the copyright in the book. Shortly thereafter, Kwan also filed copyright registrations for *Find it Online*, identifying herself as the author. Defendants counterclaimed, arguing that Kwan's copyright registrations were invalid and that Kwan had no ownership interest in the book. Defendants also moved for summary judgment on their counterclaims and on Kwan's infringement claim. Although the trial court denied the motions with respect to defendants' counterclaims, the trial court granted summary judgment for the defendants on Kwan's infringement claim, reasoning that plaintiff's claim was time-barred under the Copyright Act's three-year statute of limitations because "the core issue [was] ownership," not infringement, and therefore the statute of limitations began to run "when the plaintiff first knew the defendant disputed ownership or used the material at issue."

The district court subsequently granted defendants' motion for an order permitting them to dismiss their counterclaims voluntarily, without prejudice to reinstatement, if Kwan were to prevail on appeal or commence a new action against defendants, finding that it would cause Kwan no legal prejudice.

The Second Circuit affirmed. The Copyright Act provides for a three-year statute of limitations on copyright claims. Although a copyright infringement claim may be brought within three years of any infringing act, an ownership claim must be brought within three years after a reasonably diligent plaintiff would have been put on inquiry as to the existence of a right.



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Although Kwan brought her infringement claim only a year after defendants published the fourth edition, the court found that Kwan could not maintain her claims because she could not prove the first element of her infringement action, to wit, that she owned a valid copyright. The court recognized that in many infringement cases the first element of an infringement claim – ownership – is not in dispute. However, in this case the underlying dispute involved who wrote *Find it Online* in the first place. Accordingly, the court concluded that “[w]here, as here, the ownership claim is time-barred, and ownership is the dispositive issue, any attendant infringement claims must fail.” Kwan could not establish her ownership interest in *Find it Online* because she did not bring an action to establish ownership within three years after BRB published the first edition billing Kwan as an editor. Because the underlying ownership claim was time-barred, the infringement claim was likewise time-barred.

The Second Circuit also affirmed the district court’s dismissal of defendants’ counterclaims without prejudice, agreeing that such dismissal resulted in no prejudice to plaintiff under the circumstances of this case.

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