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5 **UNITED STATES DISTRICT COURT**  
6 **DISTRICT OF ARIZONA**

7 Designer Skin, LLC, an Arizona limited  
8 liability company; Splash Tanning Products,  
9 LLC, an Arizona limited liability company;  
Boutique Tanning Products, LLC, an Arizona  
10 limited liability company,

11 Plaintiffs,

12 vs.

13 S&L Vitamins, Inc. d/b/a Body Source d/b/a  
thesupplenet.com, a New York corporation;  
14 and Larry Sagarin, an unmarried individual,

15 Defendants.

16 S&L Vitamins, Inc. d/b/a Body Source d/b/a  
thesupplenet.com, a New York corporation,

17 Counterclaim Plaintiff,

18 vs.

19 Designer Skin, LLC, an Arizona limited  
20 liability company; Splash Tanning Products,  
21 LLC, an Arizona limited liability company;  
Boutique Tanning Products, LLC, an Arizona  
22 limited liability company,

23 Counterclaim Defendants.

Case No.: CV05-3699-PHX-JAT

**DEFENDANT AND  
COUNTERCLAIMANT S&L  
VITAMINS, INC. PROPOSED  
FINDINGS OF FACT AND  
CONCLUSIONS OF LAW**

24 Defendant and counterclaimant S&L Vitamins, Inc. d/b/a Body Source d/b/a  
25 thesupplenet.com, a New York corporation (“S&L”) and Defendant Larry Sagarin individually  
26 respectfully submit these proposed findings of fact and conclusions of law following the trial before

1 the Court and an advisory jury on the merits held on July 15, 16, and 17, 2008.

2 **I. PROPOSED FINDINGS OF FACT**

3 **Background**

4 1. Plaintiff Designer Skin, LLC and the other plaintiffs (collectively, “Designer Skin”)  
5 are manufacturers of certain indoor tanning products. *See* Doc. # 76 at 1.

6 2. Designer Skin distributes its products through independent distributors. *See id.*

7 3. The relationship between Designer Skin and its distributors is governed by the terms  
8 of a distributorship agreement, which limits the distributors’ ability to resell Designer Skin’s  
9 products. *See id.*

10 4. S&L is an internet reseller. *See id.* at 2. It purchases Designer Skin products in bulk  
11 and then resells it on its websites at a discounted price. *See id.*

12 5. S&L began selling Designer Skin products on its websites beginning in 2004. *See id.*

13 6. S&L purchases Designer Skin products directly from tanning salons and does not  
14 purchase these products from Designer Skin distributors. *See* Doc #76 at 2.

15 7. On its websites, S&L displays thumbnail images of Designer Skin’s products for sale  
16 and identifies those products by using Designer Skin’s trademarks. *See id.*

17 **The Civil Action**

18 8. On November 14, 2005 Designer Skin filed this action claiming common-law  
19 trademark infringement, state statutory trademark infringement under Arizona law, federal  
20 trademark infringement under the Lanham Act, trademark dilution, copyright infringement,  
21 intentional interference with contractual relations, and unfair competition. *See id.*

22 9. On April 5, 2007 S&L filed counterclaims for unfair competition and for declaratory  
23 judgments of noninfringement of trademark and noninterference with contract. *See id.*

24 10. On May 19, 2007 the Court issued an Order granting in part and denying in part  
25 Designer Skin’s Motion for Summary Judgment. *See id.* at 19.  
26

1           11.     The Court's findings of fact and conclusions of law set forth in the Court's Order of  
2 May 20, 2008 are incorporated herein.

3           12.     As set forth in the Court's Order of May 20, 2008, summary judgment was granted to  
4 Defendants on all of Designer Skin's claims in this case except for (1) copyright infringement as to  
5 the "electronic renderings" created by Designer Skin as alleged in the Complaint and defined by the  
6 Court in that Order and (2) unfair competition under Arizona law, which remained the only two  
7 claims to be determined at trial. *See id.* at 20.

8           13.     The Court granted summary judgment to S&L Vitamins on its counterclaims for  
9 declaratory judgment of noninfringement of trademark and noninterference with contract. *See id.*

10          14.     The copyright infringement alleged in the Complaint all began long before the  
11 registration of the any relevant copyright by Designer Skin.

12          15.     At trial, following the close of plaintiffs' evidence the Court granted Defendants'  
13 motion pursuant to Fed. R. Civ. P. 50 to dismiss Designer Skin's claim for statutory damages on the  
14 ground that Section 412 the Copyright Act does not provide for such damages for infringement that  
15 began prior to the date of registration of a copyright, which motion was unopposed. *See Excerpted*  
16 *Transcript of Proceedings re: Oral Argument re Rule 50 Motion held on 7/16/08 before Judge James*  
17 *A Teilborg at 18-19, 34 ("Excerpted Oral Argument re Rule 50 Motion"); Doc #98.*

18          16.     Upon Defendants' motion at that time, the Court also ordered that portion of the  
19 testimony of Beth Romero, Designer Skin's chief executive officer, that was proffered as relating to  
20 damages be stricken, on the grounds that her testimony was of the nature that would have simply  
21 invited rank speculation on the part of the finder of fact, was bereft of any connection, as a matter of  
22 relevance, to the claims against Defendants being tried. *Id.* at 12, 12-19.

23          17.     There was no evidence of the economic value or cost of creating a single one of its  
24 electronic renderings at trial.

25          18.     Designer Skin did not present evidence of an economic connection between any  
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1 expenditure made by it in connection with the preparation of its electronic renderings and the sale by  
2 S&L of genuine Designer Skin merchandise utilizing such images.

3 19. At trial, Designer Skin established, by the testimony of Mike Shawl, a graphic artist  
4 in its employ, that the electronic renderings of Designer Skin's merchandise constitute an ideal  
5 graphic presentation of Plaintiffs' products, and that Designer Skin's purpose in creating and  
6 utilizing such works is to increase sales.

7 20. The evidence at trial, including the testimony of Designer Skin's witness Mike Shawl,  
8 established that the only way Defendants could have gained access to the electronic renderings for  
9 purposes of copying them was via the Designer Skin website.

10 21. Plaintiffs did not place a copy of the website alleged to have been accessed by  
11 Defendants, and in which they claimed copyright as a whole, into evidence.

12 22. Plaintiffs did enter into evidence images of certain electronic renderings, testified to  
13 by Mike Shawl as constituting some of Plaintiffs' electronic renderings found on Designer Skin  
14 website at the time Defendants were alleged to have copied them. There was no corroborating  
15 documentary or other evidence of his recollection as to these dates.

16 23. At trial, Designer Skin's chief executive officer admitted that the merchandise sold by  
17 S&L was genuine and had been supplied to the market voluntarily by Designer Skin at a price  
18 acceptable to Designer Skin.

19 24. At trial, Designer Skin's chief executive officer, Beth Romero, admitted that it made  
20 a profit on the sale of its merchandise, which is the same merchandise subsequently purchased and  
21 sold on the Internet by S&L.

22 25. Designer Skin presented the testimony of only two witnesses, Mike Shawl and Beth  
23 Romero, its own employees, at trial.

24 26. Designer Skin did not call defendant Larry Sagarin, or any representative, employee  
25 or officer of defendant S&L, to the stand or otherwise place any testimony by any defendant or its  
26

1 representative in the trial record.

2 27. Designer Skin presented no proof to counter the inference or negate the possibility  
3 based on the foregoing that the activities of S&L resulted in, and continue to result in, increased  
4 sales of Designer Skin products and additional profit.

5 28. Designer Skin proved no damages or harm of any kind whatsoever at trial.

6 29. Designer Skin did not identify a single distributor at trial.

7 30. Designer Skin offered no proof at trial that any distributor had ever executed a  
8 distribution agreement.

9 31. Designer Skin offered no proof at trial that any of its distributors had complained of  
10 the activities of S&L.

11 32. Designer Skin offered no proof at trial that any of its distributors had been harmed by  
12 the activities of S&L.

13 33. Designer Skin offered no proof at trial of lost, foregone or reduced licensing fees,  
14 royalties or other income or revenue attributable to the copyrighted works alleged to have been  
15 infringed, or that it had ever licensed, collected royalties or enjoyed income or revenue by exploiting  
16 those works. See *id.* at 34-36.

17 34. At trial, Designer Skin offered no expert testimony to establish a basis for a claim of  
18 damages, including lost profits or “brand equity,” of any sort.

19 35. Designer Skin established no evidentiary basis to connect any expenditure it made to  
20 any of its copyrighted works as opposed generalized expenses incurred in connection with product  
21 development, marketing and distribution. See *id.*

22 36. Designer Skin established no evidentiary basis at trial by which a fact finder could  
23 determine which revenues of S&L or expenditures by Designer Skin may be attributable to copyright  
24 infringement, as opposed to sales of merchandise that utilizes copyright-protected label art. See *id.*

25 37. At trial, Designer Skin’s chief executive officer Beth Romero admitted that Designer  
26

1 Skin seeks to end discount sales of its products on the Internet.

2 38. Designer Skin proved no pattern of infringement of Designer Skin's registered  
3 copyrights by S&L at trial.

4 39. Designer Skin did not prove at trial that S&L can be expected to continue to infringe  
5 any of Designer Skin's new copyrighted material.

6 40. Designer Skin proved no actual damages at trial. See *id.* at 34.

7 41. Regarding their claim of unfair competition, Defendants present no testimony or other  
8 evidence regarding confusion, actual or likelihood; no testimony regarding their allegations of false  
9 association between Defendants and their products; no testimony regarding what actual effect may  
10 possibly have arisen from the juxtaposition of Defendants' company logo with images of Plaintiffs'  
11 bottles and the sale of those bottles .

12 42. At the close of the Plaintiffs' evidence, the Court granted Defendants' motion  
13 pursuant to Fed. R. Civ. P. 50 dismissing Designer Skin's claim for actual damages. See *id.*; Doc  
14 #98.

15 43. Furthermore, the Court granted Defendants' motion pursuant to Fed. R. Civ. P. 50  
16 following the close of plaintiffs' evidence dismissing Designer Skin's unfair competition claim as a  
17 matter of law. See Excerpted Oral Argument re Rule 50 Motion at 36-38; Doc #98.

18 44. Plaintiffs also offered no proof that defendant Larry Sagarin was a corporate officer  
19 of defendant S&L, had the ability to supervise its activity, had a financial interest in the activities of  
20 S&L, or that he personally participated in those activities.

21 45. The Court therefore granted Defendants' motion pursuant to Fed. R. Civ. P. 50  
22 following the close of plaintiffs' evidence to dismiss defendant Larry Sagarin as a Defendant as a  
23 matter of law. See Doc #98.

24 46. After the Court's Rule 50 oral order the only remaining issue for trial concerned  
25 whether S&L had infringed Designer Skin's copyrights in its electronic renderings and, if so,  
26

1 whether an injunction would issue. *See* Excerpted Oral Argument re Rule 50 Motion at 38; Doc #98.

2 47. Defendants put on no evidence and retired following the Court's Rule 50 rulings, and  
3 counsel shortly thereafter gave their summations, after which the Court's charge to the advisory jury  
4 followed.

5 **The Copyrights at Issue**

6 48. The parties stipulated to Designer Skin's ownership of registered copyrights for its  
7 "dimensional artwork," i.e., the label art, used on its products. *See* Final Pretrial Order ¶1(g).

8 49. Because registration of a copyright claim is a jurisdictional predicate for maintaining  
9 an action for infringement under 17 U.S.C. §411(a), the only infringement claim before the Court  
10 was the claim for infringement of Designer Skin's electronic renderings and not, as originally pled,  
11 Designer Skin's infringement claims pertaining to the written descriptions of its products that appear  
12 in its various marketing products, including its website. *See* Doc. # 76 at 11-12.

13 50. No copyright registration for Designer Skins' electronic renderings themselves, or  
14 other documentation that would tend to prove such registration, were entered into evidence at trial.

15 51. The parties stipulated to the fact that "Designer Skin has also copyrighted its web site  
16 and product menu." *See* Pretrial Order ¶ 1(g).

17 52. After the close of evidence and the Court's charge, the advisory jury retired and, upon  
18 reaching a verdict, returned an advisory verdict of copyright infringement (Count Six of the  
19 Complaint) by Defendant S&L of Plaintiffs' copyrights in the electronic renderings created by  
20 Plaintiffs, as defined and limited by the Court's Order dated May 20, 2008, of Designer Skin's  
21 products styled Ultimate Love Junkie, Secret Rapture, Revival, Sheer Wisdom, Ray of Light,  
22 Vanishing Act, Designer Skin Intrigue, Tao, Designer Skin Mood, Designer Skin Worship, Worship  
23 Me, Designer Skin Goddess, Halo, Designer Skin Spellbound, Designer Skin Speed of Light,  
24 Designer Skin Shine, Designer Skin Saving Face, Amazing Face, Addicted to Love, Designer Skin  
25 Drama Queen, Enamor, Flare, Undercover Angel, Designer Skin Bombshell, Designer Skin Believe,

1 Splash Get Down Brown, Ritual, Shrine, Dolce, Whisper, Veritas, Boutique Bronze Camouflage,  
2 Bohemia, Bronze Bondage, Smolder, Siren, Angel, Gold Digger, Ego Maniac, Triple Play, Splash  
3 Hustle and Bipolar. See Doc #107.

4 53. The advisory jury's verdict also found no copyright infringement (Count Six of the  
5 Complaint) by Defendant S&L of Plaintiffs' copyrights in the electronic renderings as defined and  
6 limited by this Court's Order dated May 20, 2008 created by Plaintiffs of Plaintiffs' products styled  
7 The Big O, Pure Intentions, Freedom, Choc-o-holic, Daddy-O, Floozy, Fortune, Boutique Bloom,  
8 Secret Stash, Try Me, Faker and Shameless. See *id.*

9 **II. PROPOSED FINDINGS OF LAW**

10 **Dismissal of Defendant Larry Sagarin**

11 1. "The test for finding a corporate officer jointly and severally liable with his  
12 corporation for copyright infringement is whether the officer has the right and ability  
13 to supervise the infringing activity and also has a direct financial interest in such  
14 activities."

15 *Coogan v. Avnet, Inc.*, 2005 U.S. Dist. LEXIS 25336 (D. Ariz. Oct. 24, 2005).

16 2. At trial, Plaintiffs presented no proof that Defendant Larry Sagarin was a corporate  
17 officer of Defendant S&L, or that he had the right or ability to supervise the  
18 infringing activity, or that he had a direct financial interest in such activities.

19 3. All Designer Skin's claims against defendant Larry Sagarin failed as a matter of law.

20 **Dismissal of Unfair Competition Claim**

21 4. In *AJF Eng'g, Inc. v. Wade*, 2007 U.S. Dist. LEXIS 19308 (D. Ariz. Mar. 15, 2007),  
22 decided last year in this District by Judge McNamee, the Court considered twinned  
23 allegations of copyright infringement and unfair competition under Arizona law,  
24 similar to those of Plaintiff here. Upon finding that the unfair competition claims did  
25 in fact arise from the same facts as the copyright claim, the Court dismissed the  
26



1 former under controlling Ninth Circuit precedent, writing that “under Ninth Circuit  
2 jurisprudence, to survive preemption, the state claim must protect rights that are  
3 qualitatively distinct from the rights of the Plaintiff falling under the Copyright Act .  
4 . . . The state claim must have an extra element which changes the nature of the  
5 action.”

6 5. The “extra element” presumably urged by Plaintiffs here is the claim that “by affixing  
7 its logo to Designer Skin’s images, S&L has created a false association of itself with  
8 Designer Skin which is actionable as unfair competition.”

9 6. Such a “false association” claim is nothing but an unfair competition claim sounding  
10 in trademark, as it must be: “This Circuit has consistently held that state common  
11 law claims of unfair competition . . . are ‘substantially congruent’ to claims made  
12 under the Lanham Act.” *Cleary v. News Corp.*, 30 F.3d 1255, 1262-1263 (9th Cir.  
13 Cal. 1994).

14 7. Basically this same theory was argued in connection with Plaintiffs’ trademark  
15 claims and at oral argument on the summary judgment motion, Plaintiffs conceded,  
16 as the Court believes they must, that the affixing of Defendants' logo on or near the  
17 Designer Skin marks did not create a likelihood of customer confusion.

18 8. If that is the case, neither can it can be argued that affixing of the logo on or near the  
19 images could create a likelihood of confusion either.

20 9. Alternatively, and now having heard the evidence and seen the evidence and seen the  
21 website presentations, the Court finds that the portrayal of Designer Skin's product  
22 images on the website next to the S & L logo cannot cause any confusion that  
23 somehow S & L is associated with Designer Skin or is a so-called authorized  
24 distributor.  
25

26 10. Such use of these logos and images is no different from if Plaintiffs’ product had

1           been sold on the Macy's or Nordstrom's website with Nordstrom's and Macy's logos  
2           sprinkled throughout. That would not be the basis for a claim of confusion. And  
3           obviously, retailers and Internet purveyors of products are doing this regularly and it  
4           cannot and should not be actionable.

5           11. For the foregoing reasons, Plaintiffs' claims for unfair competition fail as a matter of  
6           law.

7           **Copyrights Subject to Adjudication and Injunctive Relief**

8           12. Defendants raised the issue of the Court's subject matter jurisdiction over Plaintiffs'  
9           copyright claims shortly before the trial pursuant to Fed. R. Civ. P. 12(h)(3), which  
10          provides: "Whenever it appears by suggestion of the parties or otherwise that the  
11          court lacks jurisdiction of the subject matter, the court shall dismiss the action." *See*  
12          Doc. # 91.

13          13. Under the Copyright Act, no action for infringement of copyright "shall be instituted  
14          until preregistration or registration of the copyright claim has been made." 17 U.S.C.  
15          § 411. Thus registration of copyrights is a jurisdictional requirement for institution of  
16          an action for infringement. *See Perfect 10 Inc., v. Amazon.com, Inc.*, 508 F.3d 1146  
17          at 1154, n.1.(9<sup>th</sup> Cir. 2007)

18          14. The Complaint in this action was filed on November 14, 2005, and it is undisputed  
19          that the subject copyrights are dated effective June 30, 2006. *See* Doc. # 91, #93.  
20          Thus the Complaint was filed seven months prior to the registration of the  
21          copyrights.  
22

23          15. Plaintiffs did not seek to amend the Complaint at any time prior to submitting a  
24          response to Defendants' "suggestion" pursuant to the Court's order instructing that  
25          Plaintiffs file a response. *See* Doc. #92, #93.

26          16. Defendants urged dismissal of Plaintiffs' copyright claims, based in part on a recent

1 holding by the United States District Court for the Federal Circuit in a copyright  
2 case. That court held that deeming a Complaint amended and supplemented by  
3 virtue of a subsequent, post-pleading registration of copyrights is inappropriate.  
4 *Walton v. United States*, 80 Fed. Cl. 251, 264 (Fed. Cl. 2008); *accord, Wellness Publ.*  
5 *v. Barefoot*, 2008 U.S. Dist. LEXIS 1514, at \*32 (D.N.J. Jan. 8, 2008).

6 17. Defendants noted that while amendment is proper to accurately incorporate actual  
7 jurisdictional facts into a pleading, it should not be used to incorporate post-filing  
8 factual developments retroactively into a pleading *nunc pro tunc* to “create  
9 jurisdiction,” relying on *Newman-Green, Inc. v. Alfonzo-Larrain*, 490 U.S. 826, 831  
10 (1989) (“§1653 speaks of amending ‘allegations of jurisdiction,’ which suggests that  
11 it addresses only incorrect statements about jurisdiction that actually exists, and not  
12 defects in the jurisdictional facts themselves”) and *Harris v. Garner*, 216 F.3d 970,  
13 983-984 (11th Cir. 2000). Defendants insisted that Plaintiffs had ample opportunity  
14 to move for amendment of their Complaint between the registrations’ issuance in  
15 June of 2006 and the week of trial in July of 2008 but did not do so even through the  
16 process of preparing the joint proposed pretrial order. *See* Doc. # 91.

17 18. In response, Defendants cited authority for the general proposition that a Court may  
18 authorize a Rule 15(a) amendment to cure any “technical deficiency,” which they  
19 argued characterized the situation here. *See Positive Black Talk Inc. v. Cash Money*  
20 *Records Inc.*, 394 F.3d 357 (5<sup>th</sup> Cir. 2004); *M.G.B. Homes, Inc. v. Ameron Homes,*  
21 *Inc.*, 903 F.2d 1486 (11<sup>th</sup> Cir. 1990); *Proven Methods Seminars, LLC v. American*  
22 *Grants & Affordable Housing Institute, LLC*, 519 F.Supp.2d 1057 (E.D. Cal. 2007);  
23 *Zito v. Steeplechase Films, Inc.*, 267 F.Supp.2d 1022 (N.D. Cal. 2003); *Demetriades*  
24 *v. Kaufmann*, 680 F.Supp. 658 (S.D.N.Y. 1988). *See* Doc. # 93

25 19. After considering the submissions and arguments of counsel, the Court declined to  
26

1 dismiss the Complaint pursuant to Fed. R. Civ. P. 12(h)(3), reasoning that the Ninth  
2 Circuit Court of Appeals, which has not ruled on this question as applied to the  
3 jurisdictional requirements of 17 U.S.C § 411, nonetheless would not approve of  
4 dismissal under these circumstances, even absent a timely, or even emergent, motion  
5 to amend by Plaintiffs and despite that statute's plain language. *See, e.g., Campbell*  
6 *v. Redding Med. Ctr.*, 421 F.3d 817, 824-825 (9th Cir. 2005) (in *qui tam* action,  
7 permitting "a placeholder complaint filed by a non-original source [to] divest the  
8 court of jurisdiction over a complaint appropriately filed by an original source  
9 [would] thwart[] the intent of Congress"). *But see, Snell v. Cleveland, Inc.*, 316 F.3d  
10 822, 828 (9th Cir. 2002) (primary purpose of courts' authority to grant leave to  
11 amend a complaint to cure defective allegations of jurisdiction is for correction of  
12 incorrect factual statements about extant jurisdiction), *citing Newman-Green, Inc.*

13 20. Based on the foregoing, the Court deemed the Complaint amended and supplemented  
14 for purposes of alleging registration of Designer Skin's copyrights and establishing  
15 subject matter jurisdiction under 17 U.S.C § 411.

16 21. This does not end the inquiry as to jurisdiction, however. It still must be determined  
17 whether all of Designer Skin's copyright claims are deemed incorporated into the  
18 amended and supplemented Complaint, or only some of them. In this regard the  
19 Court has the advantage, unlike when the issue was raised prior to trial, of  
20 consideration of the evidence stipulated to by the parties and the proofs established at  
21 trial.

22 22. It is undisputed that the "label art" copyrights set forth in the Complaint were  
23 properly registered. *See* Final Pretrial Order ¶1(g). This raises the question of  
24 whether the Court has jurisdiction over all copyrights claimed by Plaintiffs, including  
25 those not registered, as will be discussed further below. The Ninth Circuit has  
26

1 recently ruled that “[o]nce a court has jurisdiction over an action for copyright  
2 infringement under section 411, the court may grant injunctive relief to restrain  
3 infringement of any copyright, whether registered or unregistered.” *Perfect 10, Inc. v.*  
4 *Amazon.com, Inc.*, 508 F.3d 1146, 1154 (9th Cir. 2007).

5 23. Closer consideration suggests another result, however. In *Muchnick v. Thomson*  
6 *Corp. (In re: Literary Works in Elec. Databases Copyright Litig.)*, 509 F.3d 116, 123  
7 (2d Cir. 2007), the Second Circuit explained, in distinguishing the Ninth Circuit’s  
8 holding in *Perfect 10, Inc.*, that even where injunctive relief against infringement of  
9 an unregistered copyright is available, “that relief is properly limited to situations . . .  
10 where a defendant has engaged in a pattern of infringement of a plaintiffs registered  
11 copyrights and can be expected to continue to infringe new copyrighted material  
12 emanating in the future from the plaintiff. . . . That sort of prophylactic relief furthers  
13 the purposes of the Copyright Act generally and does not undermine the intended  
14 effect of section 411(a).”

15 24. The Second Circuit’s analysis is based on the facts in the two cases cited by the  
16 Ninth Circuit for support on this point, *Pacific & Southern Co. v. Duncan*, 744 F.2d  
17 1490, 1499 (11th Cir. 1984) (“this is a classic case, then, of a past infringement and a  
18 substantial likelihood of future infringements”) and *Olan Mills Inc. v. Linn Photo*  
19 *Co.*, 23 F.3d 1345, 1349 (8th Cir. 1994) (“Olan Mills presented evidence of Linn  
20 Photo’s past infringement and of the substantial likelihood of future infringement.  
21 Olan Mills further asserted that it had no adequate remedy at law”).

22 25. Unlike the systematic infringement shown in *Pacific & Southern Co.* and *Owen*  
23 *Mills*, and the massive and essentially automated infringements in *Perfect 10, Inc.* (“a  
24 copyright owner’s efforts to stop an Internet search engine from facilitating access to  
25 infringing images”), here Designer Skin has proved neither a pattern of infringement  
26

1 of Designer Skin's registered copyrights nor that S&L can be expected to continue to  
2 infringe any of Designer Skin's new copyrighted material.

3 26. For these reasons, the rule of *Perfect 10, Inc.* does not apply here, and the Court finds  
4 that it has jurisdiction only over those copyrights of Designer Skin set forth in the  
5 Complaint and which the Court as fact-finder has an adequate basis to determine as a  
6 factual matter have been registered.

7 27. As to which copyrights are included in this formulation, it is, again, undisputed that  
8 the "dimensional art," i.e., product label copyrights set forth in the Complaint were  
9 registered by Plaintiffs. *See* Final Pretrial Order ¶1(g).

10 28. In contrast, both in its Fed. R. Civ. P. 12(h)(3) submission and throughout the trial,  
11 Defendants have argued that because the trial record contains no certificate of  
12 copyright registration for the electronic renderings, the Court has no jurisdiction over  
13 Designer Skin's copyright claims based on infringement of such copyrights, as  
14 opposed to Plaintiffs' registrations for the "dimensional art," i.e., its product labels.

15 29. Plaintiffs, in contrast, have asserted the existence of the registration of copyright for  
16 their website repeatedly in filings with and representations to the Court and at trial.  
17 *See* Doc. #66 at 3, lines 10-11; Excerpted Oral Argument re Rule 50 Motion at 20, 8-  
18 20.

19 30. Indeed, Plaintiffs' counsel represented in correspondence to the Court that "Designer  
20 Skin's registration of its entire web site provides copyright protection to all of the  
21 unique and original features of the web site (of which some of the images at issue are  
22 a feature)."

23 31. Plaintiffs offered testimony at trial that the "Designer Skin website" was registered  
24 with the Copyright Office.

25 32. In fact, the parties' joint stipulation of facts in the Final Pretrial Order states,  
26

1 “Designer Skin has also copyrighted its web site and product menu.” Pretrial Order at  
2 ¶ 1(g).

3 33. To the extent this question bears on the Court’s subject matter jurisdiction over any  
4 of the claims herein, however, neither stipulation by the parties or any form of waiver  
5 are of any relevance. “When jurisdiction may not exist . . . the court must raise the  
6 issue even if the parties are willing to stipulate to federal jurisdiction.” *Harris v.*  
7 *Provident Life and Accident Ins. Co.*, 26 F.3d 930, 932 (9th Cir. 1994). Even where  
8 no party disputes a court's jurisdiction, “the court may still insist that the  
9 jurisdictional facts be established or the case be dismissed, and for that purpose the  
10 court may demand that the party alleging jurisdiction justify his allegations by a  
11 preponderance of evidence.” *McNutt v. General Motors Acceptance Corp.*, 298 U.S.  
12 178, 189 (1936).

13 34. Regarding copyright, “As with any federal statute, Congress controls if and when  
14 courts attain subject matter jurisdiction in a dispute. It is axiomatic that subject  
15 matter jurisdiction, which gives courts the power to adjudicate cases, cannot be  
16 waived. “Where a party attacks the factual basis for subject matter jurisdiction, the  
17 court does not presume the truthfulness of factual allegations in the complaint, but  
18 may consider evidence to resolve disputed jurisdictional facts. *La Resolana*  
19 *Architects v. Clay Realtors Angel Fire*, 416 F.3d 1195, 1198 (10th Cir. 2005)  
20 (citation omitted).

21  
22 35. The term “copyrighted” in the stipulated facts itself sheds no light on whether a  
23 copyright was registered, because the Copyright Act does not require registration for  
24 a work to be protected by copyright, i.e., “copyrighted.” *See* 17 U.S.C. § 408. Even  
25 courts use the term “copyrighted” to refer to unregistered works. *See, e.g.,*  
26 *Denenberg v. Berman*, 2002 U.S. Dist. LEXIS 20490 (D. Neb. 2002) (“infringement

1 of unregistered copyrighted photographs”); *Rene Perez & Assocs. v. Almeida*, 1996  
2 U.S. Dist. LEXIS 15143 (S.D. Fla. 1996) (“defendant had videotaped plaintiffs  
3 copyrighted news programs . . . Upon learning of defendant's activities, plaintiff  
4 obtained the tape, registered its copyright, and brought this action”); *United States  
5 Media Corp. v. Edde Entertainment, Inc.*, 1998 U.S. Dist. LEXIS 10985 (S.D.N.Y.  
6 1998) (“Edde would routinely purchase and sell copyrighted films if the copyrights  
7 were unregistered”).

8 36. The use of the phrase “has also copyrighted” in the Final Pretrial Order is also  
9 considered by the Court, as fact-finder, in light of its use at the tail-end of a  
10 paragraph in the Final Pretrial Order explicitly listing other Designer Skin copyright  
11 registrations – i.e., the label art – stipulated to by the parties, which unlike the  
12 “website” copyright registration claimed by Designer Skin are designated by their  
13 respective titles and registration certificate numbers.

14 37. In fact, Plaintiffs’ Statement of Undisputed Facts submitted as part of their motion  
15 for summary judgment does not claim registration of the copyright for their website,  
16 either in the section headed “DESIGNER SKIN’S INTELLECTUAL PROPERTY”  
17 or elsewhere. *See* Doc. #53. Neither does the affidavit of its chief executive officer  
18 submitted as part of that motion, Beth Romero. *See* Doc. #53-3.

19 38. No “website copyright” was put before the advisory jury, as the form of verdict  
20 indicates. *See* Doc. # 107.

21 39. Contrasted with the comprehensive documentation and description of all Designer  
22 Skin’s other relevant copyrights, the lack of previous references to such a copyright  
23 in written submissions to the Court on Designer Skin’s motion for summary  
24 judgment, and Plaintiffs’ choice of the phrase “was copyrighted” in the Final Pretrial  
25 Order, the Court finds that any testimony regarding registration of such copyright is  
26



1 entitled to little weight. *See, e.g., Derminer v. Kramer*, 386 F. Supp. 2d 905, 911  
2 (E.D. Mich. 2005); *Denenberg v. Berman*, 2002 U.S. Dist. LEXIS 20490, at \*\*10-11  
3 (D. Neb. 2002); *Miller v. CP Chems.*, 808 F. Supp. 1238, 1241-1242 (D.S.C. 1992).

4 40. For these reasons, while the Court has no basis to suggest that Plaintiffs'  
5 representations of and testimony regarding the existence of a registration for the  
6 Designer Skin website are false, Designer Skin has not met its burden of establishing,  
7 by a preponderance of the evidence, the jurisdictional fact that copyright in the  
8 Designer Skin website is registered. *See, McNutt*, 298 U.S. at 189 (“the court may  
9 demand that the party alleging jurisdiction justify his allegations by a preponderance  
10 of evidence”).

11 41. As a result, any copyright for the Designer Skin website is not of record in this  
12 matter and the Court’s ruling deeming the Complaint amended and supplemented to  
13 incorporate copyright registrations of Designer Skin cannot and does not include  
14 incorporation of any “website” registration into the Complaint as amended.

15 42. Besides any jurisdictional issue, the absence from the record of any copyright  
16 registration documentation for a copyright claimed in an entire website of undefined  
17 date makes it impossible for any fact finder to determine the content of the copyright  
18 claimed to have been infringed.

19 43. Indeed, Doc. #93, the letter in which Plaintiffs’ counsel asserts registration of the  
20 Designer Skin website contains an acknowledgment of the vagueness of that claim,  
21 referring obliquely to “some of the images” on the website in stating “Designer  
22 Skin’s registration of its entire web site provides copyright protection to all of the  
23 unique and original features of the web site (of which some of the images at issue are  
24 a feature).” Even at this juncture, Plaintiffs could not or would not specify the  
25 precise nature of what was contained in “Designer Skin’s registration of its entire  
26

web site.”

1  
2 44. Because of this vagueness, Plaintiffs’ claims based on copyright in the Designer Skin  
3 website are comparable to those presented by the court in *Allen v. The Ghoulish*  
4 *Gallery*, 2008 U.S. Dist. LEXIS 12238, at \*\*20-23 (S.D. Cal. Feb. 19, 2008), which  
5 was also a claim for copyright based on the alleged infringement of copyright in a  
6 website. In contrast to Plaintiffs here, the plaintiff in *Allen* did have a registration  
7 certificate, but little more, as the decision explains:

8           Apparently the only discovery Plaintiff produced relevant to his copyright  
9 was a copy of the registration certificate that listed the name of the website  
10 and the nature of the work as "audiovisual material." He never produced  
11 any evidence of what he actually copyrighted. . . . [T]he Court afforded  
12 him every opportunity to present evidence, any evidence, of what, exactly,  
13 constituted his copyrighted work. . . .

14           Plaintiff continued with his copyright claim despite never identifying or  
15 producing any evidence of an actual copyright in discovery, and only  
16 producing minimal evidence of it at trial. The evidence he did produce was  
17 unavailing and did not raise a debatable issue of law or fact.

18  
19 45. Here too Plaintiffs’ proofs regarding any aspect of their copyright in the electronic  
20 renderings was minimal and rough at best, and failed to place before the finder of  
21 fact adequate evidence of what exactly was the subject of any copyright in those  
22 renderings, even if the Court had jurisdiction to adjudicate any rights in what appear  
23 on the record to be unregistered copyrights.

24 46. For the foregoing reasons, the only copyright registrations of record, and the only  
25 ones regarding which Plaintiffs may be entitled to any relief, are those for Designer  
26 Skin’s “dimensional artwork,” i.e., the label art, used on its products. See Doc #76 at

11.

1  
2 47. This leaves Plaintiffs with a conundrum. Even if Plaintiffs rights to the exclusive use  
3 of its electronic renderings of the label art are deemed to be included in their  
4 copyrights for the Designer Skin labels, this fact could not make Designer Skin's  
5 rights in the electronic renderings any stronger than its rights in the original labels  
6 themselves. Yet the Court determined, and Plaintiffs acknowledged, that S&L had a  
7 legal right to sell Designer Skin products with the Designer Skin label on it,  
8 including by use of depictions of that product and label on its websites. As the Court  
9 noted at trial, if S&L had simply photographed the product and used the photograph  
10 of the product in connection with its advertisement, that would not be actionable.  
11 *See Excerpted Oral Argument re Rule 50 Motion at 37.*

12 48. Considering the foregoing, the Court finds that Plaintiffs failed at trial to enunciate  
13 any logical basis on which the very same "label copyrights" that S&L had a legal  
14 right to photograph and use could be infringed by S&L by virtue of the latter's  
15 copying of the electronic renderings depicting the same copyrighted label art, when  
16 on the record before the Court those electronic renderings are not themselves  
17 protected by any independent copyright of Designer Skin.

18 49. Based on this reasoning, and Plaintiffs failure at trial to prove the subject matter of,  
19 or even the existence of any identifiable copyright in their website, the Court as fact-  
20 finder determines that, notwithstanding the jury's advisory verdict, S&L engaged in  
21 no infringement of copyrights of Designer Skin, either because there was no proof  
22 made at trial of independent copyright registrations protecting Plaintiffs' electronic  
23 renderings, or no competent proof of the actual content of those copyrights.

24 50. Alternatively, the Court finds that any such copyright in Plaintiff's electronic  
25 renderings that may have been proved by Plaintiffs by a preponderance of the  
26

1 evidence based on the images of such electronic renderings utilized during the  
2 testimony of Mike Shawl are not actionable by virtue of Plaintiffs' failure, as set  
3 forth above, to meet their separate burden of proving the jurisdictional fact of  
4 registration of the "website."

5 **Plaintiffs Have Failed to Establish An Entitlement to Injunctive Relief**

6 51. Neither a jury nor an advisory jury may authorize the entry of injunctive relief. "The  
7 decision to grant or deny permanent injunctive relief is an act of equitable discretion  
8 by the district court, reviewable on appeal for abuse of discretion." *eBay Inc. v.*  
9 *MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

10 52. Plaintiffs seeking an injunction, even upon a finding of infringement, have the  
11 burden of satisfying the traditional four-part test for an injunction. *See eBay*, 547  
12 U.S. at 391, citing *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311-313 (1982).

13 53. The mere fact of ownership of copyrights does not entitle a party to equitable relief  
14 for infringement. "[T]he existence of a right to exclude does not dictate the remedy  
15 for a violation of that right." *eBay*, 547 U.S. at 396 (Kennedy, J., concurring), cited  
16 by *MGM Studios, Inc. v. Grokster, Ltd.*, 518 F. Supp. 2d 1197, 1215 (C.D. Cal.  
17 2007).

18 54. To obtain an injunction, a plaintiff "must demonstrate: (1) that it has suffered an  
19 irreparable injury;<sup>1</sup> (2) that remedies available at law, such as monetary damages, are  
20 inadequate to compensate for that injury; (3) that, considering the balance of  
21 hardships between the plaintiff and defendant, a remedy in equity is warranted; and  
22

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23  
24 <sup>1</sup> Defendant S&L has not waived the "issue" of irreparable harm by failing to raise it at the time of its Rule 50  
25 motion, as Plaintiffs claim. *See* Doc # 115 at 9. Without conceding any aspect of this argument (in fact Defendants'  
26 motion was to dismiss the copyright claims entirely "based on the complete lack of damages evidence," not merely to  
dismiss the damages claims) there is no issue of waiver at this stage. All the cases cited by Plaintiffs concern waiver in  
the context of post-trial motions. A post-trial motion is made 10 days after the entry of a final judgment. Fed. R. Civ.  
50(b). No final judgment has been entered in this case. Rather, the instant submissions constitute legal argument  
concerning what final judgment, which as set forth above is left to the Court's sole discretion, should be.

1 (4) that the public interest would not be disserved by a permanent injunction." *eBay*  
2 *Inc.*, 547 U.S. at 388.

3 55. No presumption of irreparable harm, one of the four factors set forth in the previous  
4 paragraph, arises from a simple finding of liability in a copyright case. *See Hologic,*  
5 *Inc. v. SenoRx, Inc.*, 2008 U.S. Dist. LEXIS 36693, at \*45 n.10 (N.D. Cal. Apr. 25,  
6 2008), citing *MGM Studios*, 518 F. Supp. 2d at 1210-14.<sup>2</sup>

7 56. "Irreparable harm cannot be established solely on the fact of past infringement.  
8 Additionally, it must also be true that the mere likelihood of future infringement by a  
9 Defendant does not by itself allow for an inference of irreparable harm. As to the  
10 latter, future copyright infringement can always be redressed via damages, whether  
11 actual or statutory. *See* 17 U.S.C. § 504. "To the extent that future infringement is  
12 relevant to the analysis, the onus is on Plaintiffs to explain why future infringements  
13 ... would cause irreparable harm. It cannot be presumed." *MGM Studios*, 518 F.  
14 Supp. 2d at 1215.

15 57. Even assuming that Plaintiffs had overcome the hurdles detailed above regarding  
16 their infringement claim, Plaintiffs did not prove damages in any form, which by  
17 definition includes proof of the existence of a continuing, irreparable harm.

18 58. As the Court ruled at trial, there was throughout the trial a witting or unwitting  
19 conflation between the alleged lifting of the electronic image from Designer's  
20 website and pasting it on the S&L website. In fact all evidence relating to "damage"  
21 or "harm" has been directed at Plaintiffs' merchandise, not its copyrights.

22 59. Defendant elided the difference between the alleged copyright infringement in  
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25 <sup>2</sup> *Twentieth Century Fox Film Corp. v. Streeter*, 438 F. Supp.2d 1065, 1072 (D. Ariz. 2006), holding that  
26 irreparable injury is presumed in the District Court of Arizona, precedes both the Supreme Court's ruling in *eBay* and the  
Central District of California's decision in *MGM Studios*. Similarly, *Broadcast Music v. Blueberry Hill Family*  
*Restaurants*, 899 F. Supp. 474 (D. Nev. 1995) was also decided prior to *eBay*.

1 connection with the image and the product distribution issues, and in the process  
2 proved no damage or harm attributable to copyright infringement. All the proffered  
3 evidence, in terms of how much money Designer Skin spent in its product  
4 development, its product image and its anti-diversion program, appeared above all to  
5 be directed at seeking out product distributors such Defendants, and had nothing to  
6 do with the protection of any copyrights against infringement *per se*.

7 60. Nor were Designer Skin's actions in any way consistent with what one would expect  
8 of a firm that owns valuable copyright assets and considers their value, as opposed to  
9 other aspects of their business, to be threatened.

10 61. For these reasons, Plaintiffs have not met the requirement of proving the existence of  
11 continuing, irreparable harm as is required before a court will issue an injunction.

12 62. Regarding the requirement that a Plaintiff demonstrate that only equity can provide  
13 "compensation" for a harm beyond money damages, discussion of compensation,  
14 whether at law or in equity, is a non-sequitur where there is no injury, as is the case  
15 here.

16 63. For this reason, Plaintiffs have not met the requirement that a Plaintiff demonstrate  
17 that only equity can provide "compensation" for some harm beyond money damages.

18 64. As to the balancing of hardships, Plaintiffs made no proof of any legally cognizable  
19 hardship that they are suffering or have suffered as a result of S&L's action.

20 65. In fact, a far more logical inference from the evidence is that, absent an injunction,  
21 S&L would generate additional sales revenue for Plaintiffs, constituting benefit, not  
22 harm.

23 66. This possible benefit to Designer Skin by S&L's activities would in fact be  
24 maximized because, according to Mike Shawl's testimony, the electronic renderings  
25  
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1 present the best possible graphic presentation of Plaintiffs' products, the purpose of  
2 which is to increase sales. This is true regardless of who is using them, including if  
3 S&L is using them. Such use, therefore, cannot constitute a continuing harm, or any  
4 harm at all.

5 67. In contrast, an injunction along the lines proposed by Plaintiffs would impose  
6 draconian restrictions on S&L's ability to conduct its business, forbidding use of any  
7 images of Designer Skin's products in frank contravention of this Court's previous  
8 rulings, which expressly permitted the sale by S&L of Designer Skin's products  
9 bearing Designer Skin's images (Excerpted Oral Argument re Rule 50 Motion at 36-  
10 37) and would make a sale of S&L's business well nigh impossible.

11 68. For these reasons the balance of hardships is in S&L's favor.

12 69. Plaintiffs' real purpose in bringing its claims was to shut down Defendants' lawful  
13 business selling Designer Skin products. Much to the chagrin of Designer Skin,  
14 however, S&L had a perfect right to sell Designer Skin products. *See* Excerpted Oral  
15 Argument re Rule 50 Motion at 37.

16 70. In fact, Designer Skin's chief executive officer admitted, on cross examination, that  
17 Designer Skin seeks to end discounted sales of their merchandise to willing buyers.  
18 Such an objective is not in the public interest.

19 71. Indeed, as a leading authority, and author of a major treatise, on copyright law  
20 recently wrote, "Copyright law has abandoned its reason for being: to encourage  
21 learning and the creation of new works. Instead, its principal functions now are to  
22 preserve existing failed business models, to suppress new business models and  
23 technologies, and to obtain, if possible, enormous windfall profits from activity that  
24 not only causes no harm, but which is beneficial to copyright owners." Patry,  
25 William, "End of the blog," Patry Copyright Blog (August 1, 2008) (found at  
26

1 <http://williampatry.blogspot.com/2008/08/end-of-blog.html>). Plaintiffs have not  
2 given this Court any reason why it should be part of that destructive process that is,  
3 in fact, contrary to the purposes of the Copyright Act.

4 72. Having failed to meet each of the four requirements a plaintiff must satisfy in order  
5 to merit the issuance of an injunction, the Court finds that no injunction shall issue in  
6 this matter.

7 **Plaintiffs' Copyright Claims Fail Under the First Sale Doctrine**

8 73. In its oral ruling on Defendants' Rule 50 motion, the Court raised, *sua sponte*, the  
9 possibility that the activities of S&L were privileged pursuant to the First Sale  
10 Doctrine, 17 U.S.C. § 109, which provides that "[T]he owner of a particular copy or  
11 phonorecord lawfully made under this title . . . is entitled, without the authority of  
12 the copyright owner, to sell or otherwise dispose of the possession of that copy or  
13 phonorecord."

14 74. The analogous trademark First Sale Doctrine was argued extensively by Defendants  
15 in earlier motions, but Defendants did not raise the issue of Section 109 as a defense  
16 to Designer Skin's copyright claims. This omission is not dispositive, however. "A  
17 court properly presented with an issue is not limited to the particular legal theories  
18 advanced by the parties, but retains the independent power to identify and apply the  
19 proper construction of governing law." *United States Nat'l Bank v. Independent Ins.*  
20 *Agents of Am.*, 508 U.S. 439 (1993). Indeed the Court may, at any time before final  
21 judgment, revisit any legal issue in a case wherever doing so is "consonant with  
22 equity." *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82, 91 (1922). We now  
23 consider this ground as an alternative basis for disposition of the copyright claims  
24 herein.  
25

26 75. Section 109(a) of the Copyright Act provides that "the owner of a particular copy . . .



1 lawfully made under this title, or any person authorized by such owner, is entitled,  
2 without the authority of the copyright owner, to sell or otherwise dispose of the  
3 possession of that copy... .”

4 76. As the Court noted at trial, under the First Sale Doctrine “once a sale is made the  
5 holder of the copyright cannot hold downstream consumers liable for infringement...  
6 .” *See* Excerpted Oral Argument re Rule 50 Motion at 37.

7 77. “The whole point of the first sale doctrine is that once the copyright owner places a  
8 copyrighted item in the stream of commerce by selling it, he has exhausted his  
9 exclusive statutory right to control its distribution.” *Quality King Distribs. v. L'Anza*  
10 *Research Int'l*, 523 U.S. 135, 152 (1998). The Doctrine “prevents the copyright  
11 owner from interfering with the disposition of particular copies after the copyright  
12 owner parts with title to them. The doctrine allows the new owner of a lawfully made  
13 copy to sell or dispose of that copy without the copyright owner's permission.” *Zenix*  
14 *Industrial USA, Inc. v. King HWA Industrial Co.*, No. 88-5760, 1990 U.S. App.  
15 LEXIS 21358, \*14 (9th Cir. Dec. 7, 1990).

16 78. It is undisputed that Defendant S&L lawfully obtained Designer Skin’s products by  
17 buying it from tanning salons. *See* Doc#76 at 17-19.

18 79. Furthermore, it must again be recalled that S&L had a legal right to sell Designer  
19 Skin products with the Designer Skin label on it, and that S&L had the right to  
20 photograph Designer Skin’s products and use the photograph of the product in  
21 connection with its advertisement. *See* Excerpted Oral Argument re Rule 50 Motion  
22 at 37.

23 80. As set forth above, the only copyright registrations entered into evidence were those  
24 for Designer Skin’s “dimensional artwork,” i.e., the label art, used on its products.  
25 *See* Doc #76 at 11.  
26

1 81. Here, because Defendant lawfully purchased Designer Skin's products that bear  
2 Designer Skin's labels – the subject of those copyrights – S&L's use of those  
3 copyrighted images is protected by the First Sale Doctrine.

4 82. No copyright registration for the electronic renderings was entered into evidence at  
5 trial. But even if Plaintiffs rights to the exclusive use of its electronic renderings of  
6 the label art is deemed to be included in its copyrights for the Designer Skin labels,  
7 this fact could not make Designer Skin's rights in the electronic renderings any  
8 stronger than its rights in the original labels themselves. Therefore, S&L's lawful  
9 entitlement to utilize this material under the First Sale Doctrine also extends to the  
10 electronic renderings” because S&L lawfully obtained the right to utilize the  
11 copyrighted matter when it purchased Designer Skin's products. *See* 17 U.S.C. §  
12 109.

13 83. Further, given S&L's lawful obtainment of Designer Skin's products, Section 113(c)  
14 of the Copyright Act is further dispositive of the issue. Section 113(c) provides:

15 In the case of a work lawfully reproduced in useful articles that have been offered for sale or  
16 other distribution to the public, copyright does not include any right to prevent the making,  
17 distribution, or display of pictures or photographs of such articles in connection with advertisements  
18 or commentaries related to the distribution or display of such articles, or in connection with news  
19 reports.  
20

21 84. Finding that the First Sales Doctrine and other provisions of the Copyright Act serve  
22 as a complete bar to Plaintiffs' claims -- a determination which may be applied under  
23 the inherent powers of this Court -- this Court finds that no copyright infringements  
24 occurred, notwithstanding the jury's verdict to the contrary.

25 85. Accordingly, no remedy, including injunctive relief is appropriate.

26 **Defendants are the Prevailing Parties Under the Copyright Act**

1 86. Section 505 of the Copyright Act provides that the court may award “the prevailing  
2 party” reasonable attorneys’ fees as part of its costs. *See* 17 U.S.C. § 505.

3 87. Plaintiffs concede that they are not entitled to attorneys’ fees in this case under the  
4 Copyright Act. *See* Doc # 115 at 11.

5 88. Plaintiffs are not entitled to other costs in this case because they are not the  
6 prevailing parties.

7 89. Discretion to award attorney fees and costs in copyright infringement cases lies  
8 squarely in the discretion of the Court. *See Ory v. McDonald*, 141 Fed. Appx. 581,  
9 584 (9th Cir. 2005). “Under the Copyright Act, the prevailing party is one who  
10 succeeds on a significant issue in the litigation that achieves some of the benefits the  
11 party sought in bringing suit.” *See Florentine Art Studio v. Vedet K. Corp.*, 891 F.  
12 Supp. 532, 541 (C.D. Cal. 1995) (defendant deemed the “prevailing party” and was  
13 awarded attorneys’ fees despite having been found to infringe multiple copyrights  
14 and being assessed \$400 in statutory damages) citing *Warner Brothers, Inc. v. Dae*  
15 *Rim Trading, Inc.*, 877 F.2d 1120, 1126 (2d Cir. 1989).

16 90. Fees and costs are proper under the Act when either a successful prosecution or a  
17 successful defense of the action furthers the purposes of the Copyright Act. *See*  
18 *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 558 (9th Cir. 1996) (“[A] successful defense of  
19 a copyright infringement action may further the policies of the Copyright Act every  
20 bit as much as a successful prosecution of an infringement claim by the holder of a  
21 copyright” quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527, (1994)); *see also*  
22 *Eagle Services Corp. v. H2O Industrial Services, Inc., et al.*, No. 07-1997, 2008 U.S.  
23 App. LEXIS 14526, at \*\*11-12 (7th Cir. July 9, 2008) (noting that an award of  
24 attorneys’ fees in connection with the successful defense of a copyright claim is not  
25 limited to only those actions which thrust a copyrighted work into the public  
26

1 domain). Accordingly, prevailing Defendants as well as prevailing Plaintiffs are  
2 eligible for such an award, and the standards for evaluating whether an award is  
3 proper are the same regardless of which party prevails. *See Perfect 10, Inc. v. CCBill*  
4 *LLC*, 488 F.3d 1102, 1120 (9th Cir. 2007) citing *Fogerty*, 510 U.S. at 534.

5 91. Courts have deemed a defendant as “prevailing,” where despite suffering an adverse  
6 entry of judgment, a defendant is nevertheless able to withstand the attacks of an  
7 overzealous plaintiff. *See* 3 M. Nimmer & D. Nimmer, Copyright § 14.10[B] (2008)  
8 citing *Warner Bros., Inc. v. Dae Rim Trading, Inc.*, 677 F. Supp. 740, 745  
9 (S.D.N.Y.), *rev’d on other grounds* 877 F.2d 1120, 1126 (2d Cir. 1989). These  
10 rulings are to be distinguished from cases such as *Pure Grace, Inc. v. Furlong*, 2006  
11 U.S. Dist. LEXIS 88080 (D. Or. 2006), where the court granted costs to plaintiff as  
12 the prevailing party who received only injunctive relief. In *Pure Grace*, the court  
13 expressly held that the issuance of injunction in that case was “significant” in that it  
14 afforded plaintiff a substantial portion of the relief it sought.

15 92. By contrast, even under the most generous of assessments, the record in this case  
16 precludes a similar finding. Here, Defendants are the prevailing parties under the  
17 Copyright Act because they achieved substantially all the benefits they could have  
18 hoped to achieve in defending this suit. *See Florentine Art Studio*, 891 F. Supp. at  
19 541. All of Plaintiffs’ claims for damages, actual or otherwise were dismissed. *See*  
20 Excerpted Oral Argument re Rule 50 Motion at 12, 34-37.

21 93. Furthermore, all claims against defendant Sagarin have been dismissed. *See* Doc #98.  
22 There can be no cavil that defendant Sagarin himself is a “prevailing party” here,  
23 having defeated each and every claim brought against him by Designer Skin and  
24 having prevailed on two of three counterclaims brought by him against Designer  
25 Skin.  
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94. Furthermore, as set forth above the Court declines to enter an injunction against Defendant S&L, which, in any case, has suffered neither a judgment for damages nor attorneys' fees. Consequently, as a practical matter there is no greater outcome that Plaintiffs could have achieved.

95. By contrast, Defendants lost on substantially all of the claims it alleged throughout the course of this litigation, as set forth above.

96. In light of Plaintiffs' near complete defeat of all of its claims, under no plausible construction can it be viewed as "prevailing"; rather, by all rights Defendant Sagarin has "prevailed" on each of the claims brought against him; and this Court finds, upon consideration of the totality of the record and weighing its previous dispositions on the merits, its rulings herein on the merits, and the evidence at trial and arguments of counsel, that Defendant S&L is also a prevailing party as defined by 17 U.S.C. § 505.

DATED this 21<sup>st</sup> day of August, 2008,

Respectfully submitted,  
By: \_\_\_\_\_ /s/ \_\_\_\_\_

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