Proskauer

newsletter


Jan – Feb 2010

**in this issue**



Edited by **Robert E. Freeman**

Welcome to *Three Point Shot*, a newsletter brought to you by the Sports Law Group at Proskauer. With this newsletter, we hope to both inform and entertain you by highlighting three sports law-related items and providing you with links to related materials. We hope you enjoy this and future issues. Any feedback, thoughts or comments you may have are both encouraged and welcome.

## Toy Manufacturer Attempts to 'Slip 'n Slide' from Paying Judgment

As the song goes, "sometimes the nearer your destination, the more you're slip-slidin' away." That's how toy manufacturer Wham-O, Inc. ("Wham-O") must be feeling these days as it continues to try to collect on a judgment against a rival toy manufacturer that was found to infringe Wham-O's popular backyard water slides.

In October 2007, Wham-O hydroplaned to a $6 million verdict in SLB Toys USA, Inc. ("SLB") v. Wham-O. The jury there found that SLB engaged in willful trademark infringement, willful trademark dilution and willful false advertising in connection with SLB's unauthorized use of Wham-O's registered trademark of the color yellow for water slides (the "Yellow Mark"). (Trademarking a color -- now that is slick!) Shortly after the jury verdict, the court entered judgment along with a permanent injunction barring SLB, and those acting in concert with it, from using the Yellow Mark on the sliding surface of water slides or related packaging or advertising. The court also soaked SLB with Wham-O's $2 million legal bill, deeming the case "exceptional" because SLB's conduct was "willful and deliberate."

Unfortunately for Wham-O, SLB did not open the payment spigot, choosing instead to continue to litigate the case on various grounds. Meanwhile, another manufacturer of rival water slides emerged – Manley Toys, Ltd. ("Manley Toys") of Hong Kong – which, at least to Wham-O, appeared markedly similar to its old rival.

In February 2008, Wham-O brought suit against Manley Toys, alleging that it was part of an elaborate scheme to continue SLB in a new corporate form, to evade the payment of the judgment and legal fees from Wham-O's victory against SLB, and to continue the unauthorized use of the Yellow Mark. Wham-O's complaint suggests that Brian Dubinsky ("Dubinsky"), the former president of SLB, along with other former SLB employees, formed Manley Toys to replace SLB's operations and to continue the same infringing conduct. In its case against Manley Toys, Wham-O sought payment of the judgment against SLB through legal theories of lien, alter ego and successor liability, and also brought new claims of Lanham Act violations against Manley Toys for its continued use of Wham-O's Yellow Mark. Manley Toys responded with a wave of counterclaims against Wham-O for trademark infringement, as well as defamation for Wham-O's statements to potential customers concerning infringement by Manley Toys.

To date, Wham-O's efforts to get Manley Toys to pay SLB's judgment and the related attorney's fees have been unsuccessful. In July 2008, the court in the Manley Toys case dismissed Wham-O's claims due to lack of subject matter or supplemental jurisdiction. The court held it did not have subject matter jurisdiction because there was not complete diversity among the parties and because the claim for enforcement of the judgment was not a federal question. Further, the court declined to exercise supplemental jurisdiction because the claim that Manley Toys was liable for the judgment in the SLB case was not related to Wham-O's Lanham Act claims against Manley Toys. Finally, the court held that judicial economy would not be served by hearing the judgment claim, because Wham-O was already conducting post-judgment discovery in the SLB case.

In June 2009, as Wham-O approached the 2-year mark since its jury verdict in the SLB case, Manley Toys (and Dubinsky) sought to soak Wham-O with a motion to disqualify Wham-O's counsel for allegedly using documents listed on the privilege log to craft discovery requests. The court, recognizing the harsh remedy of disqualification and its adverse affect, denied the motion and held that Wham-O's counsel did not commit an ethical breach.

In his latest attempt to toy with Wham-O, Dubinsky sought sanctions for Wham-O's refusal to provide an estimation of its damages for the Lanham Act claims against Manley Toys, which Dubinsky argues is unnecessarily holding up the case. In a joint stipulation filed on December 2, 2009, Dubinsky has sought to compel Wham-O to provide damages information and denies that Wham-O's estimation of damages should be dependent upon Dubinsky's (or any other defendant's) document production. Wham-O contends that Dubinsky (and the other defendants) prefer to burden the court with a parade of discovery motions, instead of engaging in mutual phased discovery and that it cannot assess the full amount of damages until Dubinsky and the other defendants produce sales figures to reveal the extent of the alleged infringement.

On January 12, 2010, the court deferred ruling on Dubinsky's December 2, 2009 motion, instead requiring the parties to jointly file a statement of agreement as to a comprehensive discovery plan along with separate proposals for the resolution of any areas of disagreement. As of this writing. trial is scheduled to begin in June. Meanwhile, Wham-O's efforts to collect the judgment from the SLB case continue. However, rumors that Wham-O will be bringing out a new backyard game called "Wham-A-Lawsuit" (in colors of black and blue) appear to be greatly exaggerated.

## Just a Drop of Gas Left in Antitrust Suit against NASCAR!

Can sports companies freely steer their biggest events to any location they desire or might antitrust laws mandate a different determination as to where such events are held? For nearly five years, the former owners of the Kentucky Speedway have put the pedal to the metal on this issue in their pursuit of an antitrust claim against NASCAR and the International Speedway Corp. (ISC), which owns speedways at which NASCAR events are held. Recently, however, the claims of the former Kentucky Speedway owners crashed and burned when the U.S. Court of Appeal for the Sixth Circuit made a sharp turn away from their allegations and rejected their appeal from a lower court dismissal of their claims.

The engines on this one started back in 2005 when the former owners alleged, in U.S. District Court of Eastern Kentucky, that NASCAR violated sections of the Sherman Antitrust Act by awarding the NASCAR Sprint Cup Series only to tracks owned by the ISC. Furthermore, the former owners claimed that, due to the alleged collusion between NASCAR and ISC, barriers to entry were formed that prevented them from buying other racetracks that already hosted the Sprint Cup. Given that the Sprint Cup is the major leagues of stock car racing, the lost profits from such alleged anticompetitive behavior were purported to have cost Kentucky Speedway in excess of $200 million.

The district court dismissed the former owners' case after concluding the racing series did not constitute a relevant market and that no such market could be defined for purposes of federal antitrust law. Additionally, the case was dismissed because the court felt there was insufficient evidence to prove an illegal conspiracy in restraint of trade by NASCAR and ISC to monopolize the hosting and sanctioning markets, and since the expert testimony provided was not adequately supported to be admissible.

In agreement, the appellate court pulled-up alongside the lower court and labeled Kentucky Speedway a jilted distributor, holding that since Kentucky Speedway was not " "hampered in its efforts to bid for an independent track . . . antitrust law does not require that sellers of independent tracks make good business decisions." Although it might seem like the appellate court waved the checkered flag on the former track owners' claims, they still have one path potentially open to them: they can seek a rehearing en banc before a panel of judges or, failing that, pursue a further appeal to the U.S. Supreme Court.

Oddly enough, if the suit is finally dropped, NASCAR might consider parking a Sprint Cup date at the Kentucky Speedway. NASCAR has told the current owners of the Speedway that it will consider doing so only when all lawsuits are resolved. Although this would please both local fans of the sport and the current owners of the track, the former owner plaintiffs are hardly incentivized by this possibility. Therefore, it should come as no surprise that at least one of the former owners is eager to fuel up for another lap, and has declared that the current decision "conflicts with established antitrust law." But there's another race to be won on this issue, as the owners are now suing each other over the right to continue the antitrust litigation against NASCAR.

Whether the former track owners tire of their pursuit of these antitrust claims is still to be determined, but one thing is for sure, their multiple year battle with NASCAR will make for a sizable chapter of their "auto" biographies.

## Federal Circuit Says "USC You Later" to The University of South Carolina's Trademark Application for Interlocking "SC" Logo

On January 19, the United States Court of Appeals for the Federal Circuit affirmed the U.S. Trademark Trial and Appeal Board's ("TTAB") refusal to register The University of South Carolina's ("South Carolina") interlocking "SC" logo in connection with apparel. The Federal Circuit agreed with the TTAB that there was a likelihood of confusion between South Carolina's logo and the "SC" interlocking logo used by the University of Southern California ("Southern California") that had previously been registered in connection with apparel and other products. See Univ. of South Carolina v. Univ. of Southern California, No. 2009-1064, 2010 U.S. App. LEXIS 1001 (Fed. Cir. Jan. 19, 2010) (nonprecedential opinion).

The Federal Circuit employed the multifactor "likelihood of confusion" inquiry that is common in trademark infringement cases. With respect to the first two factors – similarity of marks and similarity of goods – South Carolina did not dispute that the parties' marks were legally identical and would appear on the same classes of goods. *See id.* at *5.

Regarding the third factor – whether the parties' products are sold in the same trade channels – the Federal Circuit agreed with the TTAB that this factor weighed in favor of a likelihood of confusion, due to Southern California's registration covering "university authorized" trade channels, which the TTAB broadly interpreted to encompass "any trade channels which are or could be authorized" by Southern California. *See id.* at *7-8.

The next "likelihood of confusion" factor that South Carolina challenged was "conditions of purchase." South Carolina argued that the TTAB had concluded incorrectly that new fans and casual fans, as well as consumers purchasing the parties' goods as gifts, were susceptible to confusion due to the inexpensive nature of the goods. In this respect, the Federal Circuit agreed with South Carolina and held that the TTAB's conclusion was based on speculation and not supported by substantial evidence. However, the Federal Circuit also held that this was harmless error, and that "even if the Board erred in its finding that certain consumers were unsophisticated, this error would not require reversal" due to the other factors supporting a likelihood of confusion. *See id.* at *9-10.

South Carolina also challenged the TTAB's conclusion that the length of time during which the parties had used concurrently their marks without evidence of actual confusion weighed only slightly in South Carolina's favor. The Federal Circuit agreed with the TTAB that this factor should be accorded little weight due to the schools being on opposite sides of the country and in different athletic conferences, and thus "there had not been any significant opportunity for actual confusion to have occurred." *See id.* at *11.

The Federal Circuit also affirmed the TTAB's grant of summary judgment against South Carolina in connection with South Carolina's counterclaim to cancel Southern California's trademark registrations, finding that South Carolina could not show a genuine issue for trial regarding whether the "SC" initials "point uniquely" to the State of South Carolina. *Id.* at *16-17. The court noted the evidence showing that "SC" refers to many entities, including at least sixteen other universities and colleges. Accordingly, South Carolina could not show a genuine issue on whether the initials uniquely point to the State.

Trojan fans rejoice! The decision leaves USC as the sole rightsholder to the interlocking "SC" and its use in connection with apparel, sends the University of South Carolina branding experts back to the drawing board, and creates a collector's item for those who possess Gamecocks apparel with the interlocking South Carolina "SC."

For more than 45 years, Proskauer has represented sports leagues and sports teams in all aspects of their operations.

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