

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Playboy Enterprises, Inc.	:	
Plaintiff,	:	
	:	
v.	:	CIVIL ACTION
	:	NO. 96-CV-6961
Universal Tel-A-Talk, Inc.,	:	
Adult Discount Toys, and	:	
Stanley Huberman	:	
Defendants.	:	

MEMORANDUM OF DECISION

McGlynn, J. **June** , **1998**

Plaintiff Playboy Enterprises, Inc. ("PEI") brings this action for trademark infringement under the Lanham Act, 15 U.S.C. §§ 1051 - 1127, and Pennsylvania law. Before the court is PEI's motion to amend its complaint to include a count for trademark counterfeiting. Defendants Universal Tel-A-Talk, Inc., Adult Discount Toys, and Stanley Huberman ("the Universal defendants") oppose the motion. For the following reasons, plaintiff's motion is denied without prejudice to file a renewed motion within twenty (20) days hereof.

I. Background

Playboy Enterprises, Inc. is the publisher of the men's entertainment magazine "PLAYBOY." The three trademarks at issue here are registered by PEI with the United States Patent and Trademark Office for a variety of uses. Those trademarks are: (1) the word "PLAYBOY"; (2) the "Rabbit Head" design; and (3) the word "BUNNY." PEI alleges that the Universal defendants own and

operate an Internet website which utilized these trademarks to advertise a collection of "hard core" photographs.

PEI filed this lawsuit on October 2, 1996, alleging trademark infringement, false designation of origin, unfair competition and dilution under the Lanham Act, 15 U.S.C. §§ 1114 - 1125. The complaint also alleges common law trademark infringement and unfair competition, as well as dilution under Pennsylvania's anti-dilution law, 54 Pa. C.S.A. § 1124 et seq. On October 11, 1996, the court granted PEI's motion for a temporary restraining order enjoining defendants' use of PEI's trademarks. A month later, the court entered a preliminary injunction order on consent granting essentially the same relief. In May of 1997, PEI moved to amend the complaint to add a count for piercing the corporate veil of Universal Tel-A-Talk, Inc. The court denied that motion.¹ Now PEI seeks to amend the complaint to include a count for trademark counterfeiting under the Lanham Act, 15 U.S.C. § 1114.

II. Legal Standard

After a responsive pleading has been filed, a party may amend its complaint "only by leave of court or by written consent of the adverse party; and leave shall be freely given when justice so requires." Fed. R. Civ. P. 15(a). The grant of leave to amend the pleadings under Rule 15(a) is within the discretion

¹ See Order of May 19, 1997 (denying motion to amend where PEI's sole motivation was to obtain discovery of matter which the court previously determined was not discoverable).

of the trial court. Zenith Radio Corp. v. Hazeltine Research, Inc., 401 U.S. 321, 330 (1971).

In the Third Circuit, "prejudice to the non-moving party is the touchstone for denial of an amendment." Lorenz v. CSX Corp., 1 F.3d 1406, 1413 (3d Cir. 1993). To demonstrate prejudice, the non-movant must show that it is "unfairly disadvantaged or deprived of the opportunity to present facts or evidence which it would have offered had the . . . amendments been timely."

Bechtel v. Robinson, 886 F.2d 644, 652 (3d Cir. 1989) (quoting Heyl v. Patterson Int'l, 663 F.2d 419, 426 (3d Cir. 1981)).

Absent prejudice, "denial instead must be based on bad faith or dilatory motives, truly undue or unexplained delay, repeated failures to cure the deficiency by amendments previously allowed, or futility of the amendment." Lorenz, 1 F.3d at 1414.

III. Discussion

Defendants oppose PEI's motion to amend on grounds of prejudice, futility, and untimeliness.

A. Prejudice

The Universal defendants argue that they would be prejudiced by PEI's proposed counterfeiting claim because of the need to conduct further discovery and incur additional expense. While the need for further discovery may provide grounds for denial of a Rule 15(a) motion, see, e.g., Oy Tilgmann v. Sports Publishing Int'l, Inc., 110 F.R.D. 69, 70-71 (E.D. Pa. 1986), it "does not conclusively establish prejudice." Dole v. Arco Chemical Co.,

921 F.2d 484, 487 (3d Cir. 1991).² Where the proposed amendment relies upon the same facts already discovered and little additional discovery would be necessary, leave to amend is usually granted.³ Further, additional expense may justify denying leave to amend, although "[h]ow much additional expense . . . will result in a denial cannot be quantified but depends on the facts of the particular action." 6 Charles A. Wright & Arthur R. Miller, *Federal Practice and Procedure* § 1487 (1990).

To show prejudice, defendants must demonstrate that their ability to present their case would be seriously impaired if amendment were allowed. Dole v. Arco Chemical Co., 921 F.2d 484, 487 (3d Cir. 1991). Here, the Universal defendants have not described the extent to which PEI's requested amendment would require additional discovery, nor have they estimated the amount by which the new claim would increase their expenses. PEI's counterfeiting claim is factually identical to its trademark infringement claim. Consequently, defendants' vague allegations of further discovery and additional expense do not demonstrate sufficient prejudice to deny PEI's motion to amend. See Ceisler v. First Pennsylvania Corp., Civ. A. No. 89-9234, 1991 WL 83108,

² Citing Butcher & Singer v. Kellam, 105 F.R.D. 450, 452-53 (D. Del. 1984) (need for further discovery, absent explanation of burdens which this would impose, did not constitute prejudice sufficient to outweigh amendment).

³ See, e.g., Mid-Atlantic Equipment Corp. v. Cape Country Club, Inc., No. Civ. A. 97-287, 1997 WL 535156, at *4 (E.D. Pa. Aug. 8, 1997); Northeast Jet Ctr., Ltd. v. Lehigh-Northampton Airport Auth., CIV. A. 90-CV-1262, 1997 WL 230821, at * 4 (E.D. Pa. May 5, 1997).

at *3 (E.D. Pa. May 13, 1991) (granting motion to add class action party plaintiff despite moderately increased discovery costs for defendant).

B. Futility

"'Futility' means that the complaint, as amended, would fail to state a claim upon which relief can be granted. In assessing 'futility,' the district court applies the same standard of legal sufficiency as applies under Rule 12(b)(6)."⁴ In re Burlington Coat Factory Sec. Litig., 114 F.3d 1410, 1434 (3d Cir. 1997).

PEI's complaint already contains a count for federal trademark infringement under 15 U.S.C. § 1114(1). What PEI now seeks to add is a count for trademark counterfeiting under the same statutory section, 15 U.S.C. § 1114(1).

To state a claim for trademark counterfeiting, a plaintiff must allege: (1) defendants infringed a registered trademark in violation of § 1114(1)(a), and (2) intentionally used the trademark knowing it was a counterfeit as defined in § 1116(d)(1)(B).⁵ Babbit Elec. v. Dynascan Corp., 38 F.3d 1161,

⁴ That is, the court must accept as true the factual allegations in the amended complaint and all reasonable inferences that can be drawn from them, and refrain from granting a dismissal unless it is certain that no relief can be granted under any set of facts which could be proved. Fuentes v. South Hills Cardiology, 946 F.2d 196, 201 (3d Cir. 1991).

⁵ As it applies to this case, 15 U.S.C. § 1116(d)(1)(B) defines "counterfeit mark" as:

- (i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for

1181 (11th Cir. 1994); 15 U.S.C. § 1117(b).⁶

To prove trademark infringement under § 1114(1)(a), a plaintiff must show: (1) the mark is valid and legally protectable; (2) the mark is owned by the plaintiff; and (3) the defendant's use of the mark to identify goods or services is likely to create confusion concerning the origin of the goods or services. Fisons Horticulture, Inc. v. Vigoro Indus., Inc., 30 F.3d 466, 472 (3d Cir. 1994). Requirements one and two are met when a mark was federally registered and has become

sale, or distributed and that is in use, whether or not the person against whom relief is sought knew that such mark was so registered . . .

but such term does not include any mark or designation used on or in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in question authorized to sue the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

⁶ 15 U.S.C. § 1117(b) provides in pertinent part:

In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, which ever is greater, together with a reasonable attorney's fee, in the case of any violation of section 1114(1)(a) of this title . . . that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services.

"incontestable"⁷ under the Lanham Act, 15 U.S.C. §§ 1058 & 1065. If the mark is unregistered, or registered but not yet incontestable, validity hinges upon proof of secondary meaning, unless the mark is inherently distinctive. Id. The third requirement, likelihood of confusion, is proven "when the consumers viewing the mark would probably assume that the product or service it represents is associated with the source of a different product or service identified by a similar mark." Id. (internal quotations omitted).

The only material difference between these two standards is that to obtain treble or statutory damages for trademark counterfeiting, a plaintiff must prove the defendant intentionally used the plaintiff's trademark, knowing it was a counterfeit as defined in § 1116(d)(1)(B). See 15 U.S.C. § 1117(b) & (c).

PEI has already alleged the elements of a trademark infringement claim: (1) the marks were federally registered by PEI and incontestable (Am. Compl. ¶¶ 7-28); (2) even if they were not registered or incontestable, the "PLAYBOY" and "Rabbit Head" marks have acquired secondary meaning (Am. Compl. ¶¶ 15, 27); and (3) the Universal defendants used the marks with the intention of causing confusion, mistake or deception, Am. Compl. ¶¶ 40-54.

⁷ "A trademark becomes incontestable after the owner files affidavits stating that the mark has been registered, that it has been in continuous use for five consecutive years, and that there is no pending proceeding and there has been no adverse decision concerning the registrant's ownership or right to registration." Fisons Horticulture, 30 F.3d at 472 n.7.

PEI further alleges the Universal defendants "intentionally used Playboy's trademarks knowing they were counterfeit." Am. Compl. ¶ 82.

The Universal Defendants object that allowing PEI's amendment would be futile because: (1) PEI has no evidence that defendants ever used the "Rabbit Head" design; (2) PEI registered the word "BUNNY" only for use in "operating establishments which feature food, drink, and entertainment, in Class 100;" and (3) PEI has no evidence that defendants used the word "PLAYBOY" in the same context for which it is registered or for goods or services covered by the registration.

**1. Failure to Allege Infringement
of PEI's "Rabbit Head Design"**

First, the Universal defendants assert that PEI has no evidence that defendants ever used its "Rabbit Head" design. When applying the 12(b)(6) failure-to-state-a-claim standard, however, the court generally does not consider a party's evidence in support of its claim. See Oshiver v. Levin, Fishbein, Sedran & Berman, 38 F.3d 1380, 1384 n.2 (3d Cir. 1994) (in reviewing 12(b)(6) motion, court may only consider pleadings, matters of public record, orders, exhibits attached to complaint and items appearing in record of case). The court instead examines whether the alleged facts, taken as true, support the plaintiff's claim for relief. Fuentes v. South Hills Cardiology, 946 F.2d 196, 201 (3d Cir. 1991).

The flaw in PEI's amended complaint is that it does not

allege the Universal defendants ever unlawfully utilized PEI's rabbit head design. See Am. Compl. ¶¶ 40-54. The complaint does allege defendants' website contains a "link" to PEI's own website, "playboy.com" (Am. Compl. ¶ 51), which itself features the "Rabbit Head" design. See Am. Compl. Ex. G. But defendants' Internet link only utilizes the word "Playboy." See Am. Compl. Ex. G. As a result, the amended complaint does not allege facts which state a valid claim for trademark counterfeiting of PEI's "Rabbit Head" design, and its motion as to that mark is denied.

2. Registered Uses of PEI's "BUNNY" Mark & "Rabbit Head" Design

The Universal defendants next argue that PEI's amended complaint fails to state a valid claim for counterfeiting of the "BUNNY" mark because the mark's registration limits its use to "operating establishments which feature food, drink, and entertainment, in Class 100."

While defendants cite no authority for their position, the court presumes they rely on the statutory definitions of "counterfeit" and "counterfeit mark" contained in 15 U.S.C. §§ 1127 & 1116(d)(1)(B). The Lanham Act generally defines "counterfeit" as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. § 1127. However, for purposes of assessing treble or statutory damages for counterfeiting under § 15 U.S.C. § 1117(b) & (c), a "counterfeit mark" is "a counterfeit of a mark that is registered on the principal register in the United States Patent

and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew that such mark was so registered." 15 U.S.C. § 1116(d)(1)(B)(i) (emphasis added). Thus, a claim for trademark counterfeiting lies only against a defendant's counterfeit uses of a mark on the same goods or services as are covered by the plaintiff's registration of that mark.⁸ Id.

PEI's amended complaint includes copies of its registrations with the Principal Register of the "BUNNY" mark and "Rabbit Head" design. Am. Compl. Ex. C. The registration for the "BUNNY" mark indeed limits its use to "operating establishments which feature food, drink, and entertainment, in Class 100."⁹ Id. The amended complaint does not allege that the "BUNNY" mark is

⁸ McCarthy on Trademarks notes that the criminal definition of a "counterfeit mark" under 18 U.S.C. § 2320(d) "reaches only cases in which the counterfeit mark is used in connection with the same goods or services as those for which the mark is registered on the Principal Register and is in use." 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 25:14 (4th ed. 1997). The treatise then states, "[w]hile there are slight differences in the civil and criminal definitions of 'counterfeit,' they are identical in substance." Id. at § 25:15 (citing Senate-House Joint Explanatory Statement on Trademark Counterfeiting Legislation, 130 Cont. Rec. H12076, at 12078 (Oct. 10, 1984) ("For technical reasons, the two definitions of 'counterfeit mark' differ slightly in their terms, but they are identical in substance.")); see also Siegrun D. Kane, Trademark Law, A Practitioner's Guide 141 (1991) (noting that under § 1116(d)(1)(B)(i) "the 'counterfeit' mark must be used on the same goods or services as are covered by plaintiff's registration.").

⁹ Under the 12(b)(6) standard, the court may consider this registration document as an exhibit attached to the complaint. See Oshiver v. Levin, Fishbein, Sedran & Berman, 38 F.3d 1380, 1384 n.2 (3d Cir. 1994).

registered for other purposes. Furthermore, PEI has only claimed that defendants used the term "Bunny" on the navigational bar of their website's introductory page to direct a user to different levels of "hard core on-line services offered by Defendants." Am. Compl. ¶ 45. Similarly, the "Rabbit Head" design is registered "for use in connection with . . . a monthly magazine; billfolds, pocket secretaries and card cases; sunglasses; cuff links, tie tacks, earrings, necklaces, key chains, bracelets and pins; ties and men's and women's shirts; clothing articles, including hats, caps and t-shirts; and perfume." Am. Compl. ¶ 18 (registration nos. omitted); see also Am. Compl. Ex. C (copies of "Rabbit Head" design registration certificates). PEI has not alleged that the "Rabbit Head" is registered for other uses.

It therefore appears that PEI has failed to allege defendants counterfeited the "BUNNY" and "Rabbit Head" marks on the same goods or services covered by the marks' registrations. Because PEI has failed to state an actionable claim for counterfeiting of those marks, PEI's motion to amend must be denied as to the "BUNNY" mark, and alternatively denied as to the "Rabbit Head" design.

3. Goods & Services Covered by the "PLAYBOY" Mark's Registration

Defendants' third futility objection is that PEI has no evidence that defendants used the word "PLAYBOY" in the same context for which it is registered or for goods or services covered by the registration. As with PEI's "BUNNY" mark, a

counterfeiting claim concerning the "PLAYBOY" mark would be futile unless the Universal defendants' infringed PEI's registered uses for that mark.

PEI's amended complaint alleges that the "PLAYBOY" mark "has been registered with the United States Patent and Trademark Office for a wide variety of goods including but not limited to a monthly magazine; sunglasses; watches and clocks; clothing articles, including ties, t-shirts and visors; footwear; and cigarette lighters." Am. Compl. ¶ 11 (registration nos. omitted). The issue here is whether any of these uses bring defendants' alleged utilization of the "PLAYBOY" mark within the § 1116 definition of counterfeiting.

PEI registered the "PLAYBOY" mark in 1956 for a monthly magazine. Am. Compl. Ex. A. While "monthly magazine" and "Internet website" seem to be different uses at first glance, at least one court has found that printed material and Internet publications can, under certain circumstances, fall under the same registration category for purposes of trademark infringement.

In Jews for Jesus v. Brodsky, the plaintiff organization alleged that the defendant's use of the Internet domain names "jewsforjesus.org" and "jews-for-jesus.com" infringed its federally registered trademark, "Jews for Jesus." No. CIV. A. 98-274 (AJL), 1998 WL 111676, at *1 (D. N.J. March 6, 1998). The defendant asserted that even if the plaintiff owned the mark,

under Third Circuit case law¹⁰ it could only use the mark in connection with the kinds of materials designated in its federal registration. Id. at *13. Nevertheless, the district court found that federal registration of the "Jews for Jesus" mark for use in religious pamphlets protected electronic versions of those religious pamphlets which were published via the plaintiff's Internet site. Id. at *14. "The use of the Mark in connection with Plaintiff Organization Internet site is not an attempt by the Plaintiff to expand the scope of the registration, but rather is a natural extension of it in view of the new technology of the Internet." Id. The district court thus determined that "the category of goods the Plaintiff Organization seeks to protect is identical to those listed in the Registration, i.e., 'Religious Pamphlets.'" Id.

Without allegations that PEI's Internet website, "playboy.com," contains electronic versions of its "PLAYBOY" monthly magazine, there is no basis for finding that PEI has stated a valid claim for counterfeiting of the "PLAYBOY" mark. Its motion to amend is therefore denied as to that mark.

C. Untimeliness

¹⁰ In Natural Footwear Ltd. v. Hart, Schaffner & Marx, the Court of Appeals ruled that the impact of a federally registered trademark under the Lanham Act is limited "to only the specific terms of the registration." 760 F.2d 1383, 1396 (3d Cir. 1985), cert. denied, 474 U.S. 920 (1985). Thus, in the Third Circuit, the presumption of an exclusive right to use a registered mark "extends only so far as the goods or services noted in the registration certificate." Id. (quoting with approval Mushroom Makers, Inc. v. R.G. Barry Corp., 580 F.2d 44, 48 (2d Cir. 1978), cert. denied, 439 U.S. 1116 (1979)).

Lastly, the Universal defendants contend that "granting of Plaintiff's Motion would cause undue delay in the proceedings." Def. Br. at unnumbered p. 4. While the passage of time alone will not support denial of leave to amend, it is established that undue delay by a movant can justify denial of a Rule 15(a) motion. Foman v. Davis, 371 U.S. 178, 182 (1962). An amendment will not be allowed when the moving party is guilty of delay in requesting leave to amend and, as a result, the proposed amendment would have the effect of prejudicing another party to the action. See Furman Lumber, Inc. v. The Mountbatten Surety Co., Inc., Nos. CIV. A. 96-7906, CIV. A. 96-8168, CIV. A. 96-8352, 1997 WL 397496, at *4 (E.D. Pa. July 9, 1997) (citing 6 Charles A. Wright, Federal Practice and Procedure § 1488 (1990)).

At this stage, there is no reason to deny PEI's motion on grounds of untimeliness. The court's memorandum order of May 21, 1998 closes discovery on August, 14, 1998, more than two months from the date of this order. Trial is scheduled for October 5, 1998. PEI's amended complaint implicates few, if any, new facts, and defendants will have ample time to conduct what little further discovery is necessary as a result of PEI's amendment. Defendants' protest of "undue delay" is therefore insufficient to deny PEI's amendment on that basis.

IV. Conclusion

Plaintiff PEI's motion to amend the complaint to include a count for trademark counterfeiting is denied without prejudice to file a renewed motion within twenty (20) days hereof. **IN THE**

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Playboy Enterprises, Inc.	:	
Plaintiff,	:	
	:	
v.	:	CIVIL ACTION
	:	NO. 96-CV-6961
Universal Tel-A-Talk, Inc.,	:	
Adult Discount Toys, and	:	
Stanley Huberman	:	
Defendants.	:	

O R D E R

AND NOW, this day of June, 1998, upon consideration of plaintiff Playboy Enterprises, Inc.'s ("PEI") motion for leave to amend the complaint to include a count for trademark counterfeiting, and defendants Universal Tel-A-Talk, Inc., Adult Discount Toys, and Stanley Huberman's opposition thereto, it is hereby

ORDERED that PEI's motion is **DENIED** without prejudice to file a renewed motion within twenty (20) days hereof.

BY THE COURT:

JOSEPH L. McGLYNN, JR., J.