

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

STUART FRANKEL,

Plaintiff,

-against-

LYONS PARTNERSHIP L.P.,

Defendant.

06 Civ. 6413 (LLS) (MHD)

**MEMORANDUM OF LAW  
IN SUPPORT OF DEFENDANT'S  
MOTION TO DISMISS**

**PRELIMINARY STATEMENT**

Defendant Lyons Partnership, L.P. (“Lyons”) respectfully submits this memorandum of law, along with the accompanying declaration of Thomas R. Greenwood, in support of Lyons’ motion to dismiss the complaint of plaintiff Stuart Frankel (“Frankel”) pursuant to Rule 12(b)(1) of the Federal Rules of Civil Procedure. (A true and correct copy of the Frankel’s complaint dated August 23, 2006 (the “Complaint”), is attached to the Greenwood Declaration (“Greenwood Decl.”) as Exhibit A.) For the reasons set forth below, and particularly in light of the clear and unequivocal covenant not to sue set forth in the Greenwood Declaration, Frankel has no reasonable apprehension that he will be sued for infringement by Lyons based upon the content of Frankel’s website. As a result, there is no actual case or controversy for this Court to decide, and so this Court lacks subject matter jurisdiction over Frankel’s Complaint. Accordingly, Lyons’ motion to dismiss should be granted, and the Complaint should be dismissed.

## FACTUAL BACKGROUND

Lyons is a Texas limited partnership that owns or controls many valuable copyrights, trademarks and service marks related to the well-known fictional children's character Barney the purple dinosaur ("Barney"). Greenwood Decl. ¶4. Plaintiff Stuart Frankel maintains a personal website available at <http://www.dustyfeet.com>. Compl. ¶¶2, 6. Frankel's website includes a web page, located at <http://www.dustyfeet.com/evil/enemy.html>, which includes two images of Barney. Compl. ¶9, Exh. 1. The first of these images is of Barney as he appears on the television program "Barney & Friends." Compl. ¶9. The second image on Frankel's website is also of Barney, but this image has been defaced with violent, satanic symbols -- a pentagram and the number "666" have been placed across his chest, large black horns, red eyes, and sharp teeth have been added to his head, and blood is shown dripping from his right hand. Compl. ¶9, Exh. 1

In February 2002, counsel for Lyons twice wrote to the e-mail address associated with Frankel's website. The e-mails demanded that the unauthorized copyrighted images be removed from the site and that written assurances to that effect be provided by a date certain. Compl. Exh. 2, 3. The e-mails also stated that if no response was received by the specified date, then Lyons would take additional measures to have the images removed. Id. However, no other measures were, in fact, ever taken. The response dates set forth in those e-mails passed, and the images of Barney remained on Frankel's website.

For roughly three and a half years, Lyons took no further action with regard to Frankel's website. Then, once in October 2005 and once in June 2006, counsel for Lyons

again wrote regarding the site. Both letters demanded that the copyrighted images be removed and that written assurances to that effect be provided by a date certain. Compl. Exhs. 5, 7. Each stated that if no response was received by the specified date, Lyons would be forced to take other measures to have the content removed. Id. As before, however, no other measures were, in fact, ever taken. The response dates set forth in the letters passed, and the images remained on Frankel's website, where they remain today.

For some two and a half months following the June 2006 letter, there was no communication between the parties. Then, on August 23, 2006, Frankel commenced this declaratory judgment action, citing his "reasonable apprehension that he will be sued by Lyons if he does not comply with Lyons' demands." Compl. ¶28 The Complaint cites the Declaratory Judgment Act, 28 U.S.C. § 2201 (1994) and Rule 57 of the Federal Rules of Civil Procedure in seeking a judicial declaration that Frankel, through his website, is not liable for infringing any copyright, trademark or service mark interest owned or controlled by Lyons. See Compl., Prayer for Relief, at p. 6.

**THERE IS NO ACTUAL CASE OR CONTROVERSY BETWEEN  
THE PARTIES AND THEREFORE THIS COURT LACKS  
SUBJECT MATTER JURISDICTION**

The Declaratory Judgment Act limits the issuance of declaratory judgments to cases of “actual controversy.” 28 U.S.C. § 2201(a) (1994). “If no actual case or controversy exists between the parties regarding the subject on which [the] declaratory judgment is sought, the court lacks subject matter jurisdiction.” Gillette Co. v. Optiva Corp., No. 99 CV 402, 2000 WL 307389, at \*3 (S.D.N.Y. Mar. 23, 2000) (Preska, J). “[A]n actual controversy must be extant at all stages of review, not merely at the time the complaint is filed.” Amana Refrigeration, Inc. v. Quadlux, Inc., 172 F.3d 852, 855 (Fed. Cir. 1999), quoting, Preiser v. Newkirk, 422 U.S. 395, 401, 95 S. Ct. 2330, 2334 (1975). Regardless of whether there once existed an actual case or controversy between Lyons and Frankel, the accompanying declaration of Thomas R. Greenwood, the Associate General Counsel and Senior Vice-President, Legal and Business Affairs for Lyons’ parent company, HIT Entertainment, Inc., makes clear that there is none. Greenwood Decl. ¶1, 2, 5. Because there is no longer even a remote possibility that Lyons will sue Frankel for infringement based upon Frankel’s website, this Court lacks subject matter over Frankel’s Complaint.

As in any federal case, an action brought pursuant to the Declaratory Judgment Act, must present a case or controversy within the meaning of Article III of the United States Constitution. Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 240, 57 S. Ct. 461, 463 (1937). See also Windsurfing Int’l. Inc. v. AMF Inc., 828 F.2d 755, 757 (Fed. Cir. 1987). In a declaratory judgment action involving intellectual property rights, the existence of a case or controversy has been found to depend, in relevant part, on whether

the party seeking the declaratory judgment has a “reasonable apprehension” that it will face an infringement suit from the defendant. Super Sack Mfg. Corp. v. Chase Packaging Corp., 57 F.3d 1054, 1058 (Fed. Cir. 1995), cert. denied, 516 U.S. 1093, 116 S. Ct. 815 (1996).

Although the Complaint cites Frankel’s “reasonable apprehension that he will be sued by Lyons if he does not comply with Lyons’ demands” (Compl. ¶28), the covenant not to sue contained in the accompanying Greenwood Declaration makes that allegation untenable. Greenwood Decl. ¶5. The law is clear that a promise by a declaratory defendant not to sue on any of the intellectual property rights at issue “totally removes any current or future apprehension’ by the declaratory plaintiff, thereby ‘eliminat[ing] any actual case or controversy.’” Evans Medical Ltd. American Cyanamid Co., 980 F. Supp. 132, 136 (S.D.N.Y. 1997) (Conner, J.), quoting, Super Sack, 57 F.3d at 1056.

In the present case, Lyons is unequivocally on record as stating under penalty of perjury that:

Lyons hereby unconditionally and irrevocably covenants, promises and agrees not to sue or otherwise make any claim directly or indirectly against Stuart Frankel, the plaintiff in the captioned lawsuit, for infringing any copyright, trademark and/or service mark interests owned or controlled by Lyons based on the content of Frankel’s website as it existed at any time prior to and including August 23, 2006, and as it is described in detail in the Complaint.

Greenwood Decl. ¶5. The case law is clear that this promise by Lyons removes whatever justiciable controversy may have ever existed between the parties, and thereby divests this Court of jurisdiction over the subject matter of this action. A case decided by the Federal Circuit Court of Appeals a few years after Super Sack, Amana Refrigeration, Inc. v. Quadlux, Inc., 172 F.3d 852, 855 (Fed. Cir. 1999), makes this point clearly. In that

case, Amana had sued Quadlux seeking declaratory judgments of patent invalidity and non-infringement. 172 F.3d at 855. In response, Quadlux moved to dismiss and filed a declaration by a corporate officer covenanting not to assert any claim against Amana arising out of the patents at issue. *Id.* The district court granted Quadlux's motion to dismiss. 172 F.3d at 854, 855. In affirming the district court's decision, the Federal Circuit held that:

Although an actual controversy may have existed before Quadlux filed its covenant not to assert a patent infringement claim against Amana, it is not necessary for us to address that issue. “[A]n actual controversy must be extant at all stages of review, not merely at the time the complaint is filed,” *Preiser v. Newkirk*, 422 U.S. 395, 401, 95 S. Ct. 2330, 45 L. Ed.2d 272 (1975) (citation omitted), and it is clear that no controversy survives the Quadlux covenant. We have held that a covenant not to sue for any infringing acts involving products “made, sold, or used” on or before the filing date is sufficient to divest a trial court of jurisdiction over a declaratory judgment action. See *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1060, 35 U.S.P.Q.2d 1139, 1144 (Fed. Cir. 1995). Similarly, Quadlux’s promise not to assert any infringement claim against Amana under the patent as it presently reads ... removed any reasonable apprehension that Amana will face an infringement suit based on its activities before the filing date.

172 F.3d at 855 (emphasis added).

Courts have also applied these principles in the context of declaratory judgment actions involving copyright claims. For example, in *Prudent Publ’g Co. v. Myron Mfg. Corp.*, 722 F. Supp. 17 (S.D.N.Y. 1989) (Sweet, J.), Prudent initially had sued Myron alleging four counts of copyright infringement, relating to four separate greeting card designs. 722 F. Supp. at 20. After Prudent amended its complaint to eliminate two of those claims (based on two of those designs, known as the Tree and White Birches designs), Myron filed numerous counterclaims, including counterclaims for declaratory judgments of non-infringement with respect to the two claims that Prudent had dropped

from its amended complaint. 722 F. Supp. at 20. Prudent then moved to dismiss Myron's counterclaims, and provided the court with an affidavit that stated:

Prudent "covenants and agrees, in perpetuity not to bring any litigation or make any claim against Myron for copyright infringement in regard to the two designs known as 'Old Fashioned Christmas' and 'Winter Landscape' based on the copyrights of Prudent subsisting in its Bringing Home the Tree greeting card design, ... and Prudent's White Birches design."

722 F. Supp at 20-21.

After noting that "it is not enough that there may have once been a controversy at the time suit was commenced if subsequent events have put an end to that controversy," the court cited to Prudent's amended complaint and to its affidavit not to sue and found that "[t]here is therefore no controversy and no federal jurisdiction to decide a declaratory judgment counterclaim directed at those two counts." 722 F. Supp. at 22. In the present case, Lyons' promise not to sue uses much of the same operative language as used by Prudent. And unlike Prudent, Lyons had no complaint to amend, because it had never brought an infringement suit against Frankel in the first place.

Similarly, district courts in this district, and throughout the country, have readily applied the foregoing principles in cases involving patent infringement claims. In Gillette Co. v. Optiva Corp., No. 99 CV 402, 2000 WL 307389 (S.D.N.Y. Mar. 23, 2000) (Preska, J.), for example, the plaintiff sued the defendant seeking the declarations of patent invalidity and non-infringement. Id. at \*1. The defendant moved to dismiss pursuant to Fed. R. Civ. P. 12(b)(1), and in connection therewith a corporate officer "declared in a sworn affidavit under penalty of perjury that he is '...willing to unequivocally state that [the defendant] will not bring suit against [the plaintiff] for infringement'" of the patent rights at issue in plaintiff's declaratory judgment complaint.

Id. at \*3. The Court granted the defendant's motion to dismiss for lack of subject matter jurisdiction, Id. at \*7, finding that "the fear of suit must exist must exist at all stages of review, and with the declaration of [the defendant's] President and CEO that it will not sue, that fear no longer exists." Id. at \*6.

Likewise, in True Center Gate Leasing, Inc. v. Sonoran Gate, L.L.C., 402 F. Supp. 2d 1093 (D. Ariz. 2005), the plaintiff asserted claims seeking declarations of invalidity with respect to two patents. 402 F. Supp. 2d at 1095. Shortly before trial, one of the defendants, a company called K-Zell Metals, Inc. ("K-Zell"), covenanted not to sue the plaintiff for infringement of the patents at issue and moved the court to dismiss the plaintiff's declaratory judgment claims for lack of subject matter jurisdiction on that basis. Id. The court granted that motion and dismissed the claims, finding that "K-Zell's covenant not to sue clearly eliminate[d] any reasonable apprehension True Center might have had of an imminent infringement suit. As a result, the first requirement of justiciability is not satisfied and this Court lacks subject matter jurisdiction over True Center's declaratory judgment claims." 402 F. Supp. 2d at 1097.

District Courts throughout the United States have reached similar conclusions under similar circumstances. See, e.g., Sharper Image Corp. v. Honeywell Int'l, Inc., No. C 02-4860 CW, 04-0529 CW, 2005 WL 2176903, at \*2, \*3 (N.D. Cal. Aug. 31, 2005) (dismissing declaratory judgment counterclaims pursuant to Fed. R. Civ. P. 12(b)(1), finding no reasonable apprehension of suit in light of covenant not to sue); In re Columbia University Patent Litig., 343 F. Supp. 2d 35, 43 (D. Mass. 2004) (granting declaratory defendant's motion to dismiss, finding that movant's covenant not to sue "means that plaintiffs do not now have the required reasonable apprehension that they



will face an infringement suit and possibly be required to pay damages for any of their current activities.”); SL Waber, Inc. v. Am. Power Conversion Corp., 135 F. Supp. 2d 521, 523-24, 525 (D.N.J. 1999) (granting declaratory defendant’s motion to dismiss where movant “covenant[ed], promise[d] and agree[d] not to sue [the declaratory plaintiff] for any infringement ....”).

**CONCLUSION**

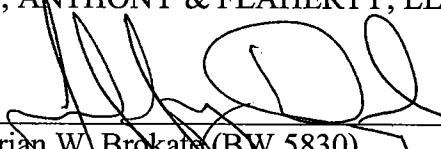
In light of the clear and unequivocal promise by Lyons not to sue Frankel for infringement contained in the Greenwood Declaration, and the wealth of cases in which similar such covenants have been held to divest courts of jurisdiction over declaratory judgment actions involving intellectual property rights, Lyons respectfully requests that this Court find that it lacks subject matter jurisdiction over Frankel’s Complaint and that it dismiss that Complaint in its entirety pursuant to Rule 12(b)(1) of the Federal Rules of Civil Procedure.

Dated: New York, New York  
September 29, 2006

Respectfully submitted,

GIBNEY, ANTHONY & FLAHERTY, LLP

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