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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91179064
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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

STEPHEN SLESINGER, INC.,

Opposer,

v.

DISNEY ENTERPRISES, INC.,

Applicant.

Opposition No.	<b>91179064</b>
	91182358
	91183644
	91186026
	91187261
	91188860
	91191230
	91192691
	91194551
	<b>91196019</b>
Cancellation No.	92046853

**REPLY BRIEF IN SUPPORT OF MOTION TO DISMISS**

**I. INTRODUCTION**

The district court actually and necessarily decided that SSI's grant of rights to Disney was an assignment, and that Disney was (and is) entitled to register Winnie the Pooh-related trademarks. SSI's continued insistence to the contrary is disingenuous.

In fact, SSI directly injected those issues into the district court proceeding by (a) alleging in its counterclaims that Disney was a mere licensee and (b) seeking a declaration from the district court "ordering the United States Patent and Trademark Office to correct the title of any [Disney-owned] trademark registrations to Slesinger." (Exh. A (Fourth Amended Answer and Counterclaim) ¶ 137.) The parties explicitly and extensively briefed the issue of ownership in their summary judgment papers—Disney arguing that SSI's grant was an assignment, entitling Disney to register trademarks in its own name, and SSI vigorously opposing, arguing it was a license. The district court had no choice but to confront the issue, and found that "under the

clear terms of the parties' agreements, SSI transferred all of its rights in the Pooh works to Disney, and may not now claim infringement of any retained rights." (Exh. E (Order Granting Mot. for Summary Judgment) at 8:6-8.) SSI opted not to appeal the district court's ruling.

The district court's ruling on this essential point was explicitly recognized by the Honorable Fern M. Smith (Ret.), serving as a Special Master in the district court proceeding. Judge Smith confirmed that the district court's dismissal of the trademark claim was "because Slesinger *did not own any of the rights at issue.*" (Exh. F (Special Master's Report & Recommendation) at 19:19-22 (emphasis added).).

Because the district court actually and necessarily determined that SSI assigned to Disney all of its ownership interests in the Winnie the Pooh trademarks, SSI is collaterally estopped from challenging the district court's ruling in this or any other forum, and the consolidated proceedings should therefore be dismissed. SSI's distorted retelling of documented events cannot be given credence.

## **II. THE DOCTRINE OF COLLATERAL ESTOPPEL PRECLUDES SSI FROM RELITIGATING THE ISSUE OF OWNERSHIP OF THE POOH MARKS.**

The doctrine of collateral estoppel was developed to prevent parties from litigating issues "over and over again." *Mother's Restaurant, Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 1569 (Fed. Cir. 1983). The doctrine is vital on many levels to a functioning judicial system. It "relieve[s] the parties of the cost and vexation of multiple lawsuits, conserve[s] judicial resources, and, by preventing inconsistent decisions, encourage[s] reliance on adjudication." *Allen v. McCurry*, 449 U.S. 90, 94 (1980).

Collateral estoppel is no less important before this Board. It is well-settled that the TTAB must give a court's determination of an issue preclusive effect where: (a) there is an identity of issues; (b) the issue was "raised, litigated and actually adjudged" in the prior action;

(c) the determination of the issue was “necessary and essential” to the prior judgment; and (d) the party against whom estoppel is being asserted was fully represented in the prior action. *Larami Corp. v. Talk To Me Programs, Inc.*, 36 U.S.P.Q.2d 1840 (Trademark Trial & App. Bd. Mar. 14, 1995).

SSI does not dispute that it was fully represented in the prior action. Indeed, the record reflects that multiple, sophisticated law firms appeared on its behalf in the district court proceeding. Nor does SSI dispute that the same issues presented now—whether SSI’s grant of rights to Disney was an assignment or license, and whether Disney had a right to register the Pooh-related trademarks in its own name—were also raised and litigated in the district court case. Instead, SSI argues in its opposition brief that these issues were not actually or necessarily decided by the district court. But even a cursory review of the record, including SSI’s own pleadings and papers, reveals this position to be utterly meritless.

**A. The District Court *Actually* Ruled That SSI’s Grant to Disney Was An Assignment.**

As Judge Smith recognized, the district court’s ruling is directly at odds with SSI’s continued assertion of rights. Beyond the ruling itself, however, the facts and circumstances leading up the district court’s dismissal of SSI’s claims indisputably confirm that the court recognized and ruled that SSI’s grant of rights to Disney was an assignment.

As an initial matter, in the district court action SSI claimed that Disney infringed its trademark rights by exceeding the scope of the grant in the 1983 Agreement between the parties. (Exh. A ¶¶ 126-136.) In order to assess that claim, the district court had to evaluate the granting instrument. Disney asserted in its successful summary judgment motion that the 1983 Agreement was a complete assignment of rights, and therefore Disney could not have exceeded the scope of its grant. (Exh. B (Motion for Summary Judgment) at 2-9; Exh. D (Reply in

Support of Motion for Summary Judgment) at 2-16.) SSI argued the 1983 Agreement was a license. (Exh. C (Opposition to Motion for Summary Judgment) at 4-16.) This alone put the nature and scope of SSI's grant to Disney squarely at issue. *See KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 602 (9th Cir. 2005) ("Before infringement can be shown, the trademark holder must demonstrate that it owns a valid mark, and thus a protectable interest.").

But SSI went much further. SSI explicitly put the question of assignment-versus-license before the court by alleging: "As a licensee of certain of Slesinger's Trademark Rights, Disney's use of these rights inures to the benefit of Slesinger. Accordingly, any registrations improperly obtained by Disney regarding the Slesinger Trademark Rights belong to Slesinger." (Exh. A ¶137.) Based on these allegations, SSI sought affirmative relief from the district court: "Slesinger therefore seeks a declaration from this Court ordering the United States Patent and Trademark Office to correct the title of any such trademark registrations to Slesinger. [¶] WHEREFORE, Slesinger prays for relief as set further herein." (*Id.*) Both the allegations and request for relief constitute a second and independent trademark infringement claim theory whose outcome was expressly dependent on the court determining whether the 1983 Agreement was an assignment or license.

Hence, the parties directly addressed the assignment-versus-license question in their summary judgment briefs. In a section titled "**The 1983 Agreement Was an Assignment, Not a License**," Disney argued in its moving papers that the plain language of the agreement makes its nature clear: "SSI's characterization of the 1983 Agreement as a license is directly refuted by paragraphs 7 and 8 [of the 1983 Agreement], which 'assign' all the Pooh Rights to Disney." (Exh. B at 5:22-6:1.) In both paragraph 7 and paragraph 8, the 1983 Agreement states that SSI

“assigns, grants, and sets over” its rights to Disney, and never once mentions the work “license.” (Exh. I (1983 Agreement between SSI and Disney) ¶¶ 7-8.) Disney further reasoned that “the 1983 Agreement manifests an assignment by every criterion that courts employ to distinguish assignments and licenses,” and followed with a bullet list demonstrating how each criterion points towards the grant being an assignment. (Exh. B at 6:6-27.) Disney also observed that “the 1983 Agreement contains none of the provisions traditional to the trademark *license* SSI claims the parties intended”—provisions like quality control, definition of retained rights, and prohibition of the grantee assigning its rights. (*Id.* at 7:1–13 (emphasis in original).)<sup>1</sup>

In opposing summary judgment, SSI did *not* argue that the district court need not address the question of assignment-versus-license, as it now claims. Instead, in sections titled “**DISNEY CANNOT REGISTER TRADEMARKS**” and “**The Evidentiary Record Establishes Disney Received Only A License, Not An Assignment**,” SSI devoted five complete pages to defending both the position that Disney is merely a “licensee,” and its request that the court instruct the United States Patent and Trademark Office (“PTO”) to change the owner of record of all Disney-filed trademarks to SSI. (Exh. C at 11:21–16:6.) SSI presented its own interpretation of the 1983 Agreement and based on that interpretation and the course of conduct between the parties, argued that the 1983 Agreement is best construed as a license. (*Id.*)

In a section titled “**THE 1983 AGREEMENT WAS AN ASSIGNMENT, NOT A LICENSE**,” Disney responded to each of SSI’s arguments about the language of the 1983 Agreement and course of conduct between the parties. (Exh. D at 12:16–16:2.) For example, SSI claimed that the 1983 Agreement cannot be an assignment because it does not spell out that

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<sup>1</sup> Disney also reiterated elsewhere in its papers that the 1983 Agreement was an assignment. (*See, e.g.*, Exh. B at 2:20, 2:17–19 (“SSI has no ownership interest in the Pooh Rights”; “By the plain language of the parties’ agreements, SSI ‘assigns’ to Disney ownership of all of SSI’s intellectual property rights to the Winnie the Pooh works and characters.”).)

Disney has the right to register trademarks in its own name. (Exh. C at 12:21–22.) However, as Disney explained, “the right to register trademarks transfers *automatically* with the intellectual property interests from which it arises, and does not need to be expressly identified. *ICEE Distribs. v. J&J Snack Foods Corp.*, 325 F.3d 586, 593 (5th Cir. 2003) (“explaining that trademark assignee ‘steps into the shoes of the assignor’ and ‘acquires . . . all the rights and priorities of the assignor.’)” (Exh. D at 13:25–14:1 (emphasis in original).) SSI now asks this Board to consider the same false position by arguing in its opposition brief, “On their face, neither [the 1961 Agreement nor the 1983 Agreement] assigns Opposer’s trademark ownership rights to Applicant.” (SSI’s Opp. to Mot. to Dismiss at 13.)

Disney also highlighted the importance of SSI’s longstanding silence, a point that was emphasized in the district court’s ruling on ownership:

SSI’s failure to object to Disney’s long history of registration of trademarks in its own name underscores that SSI knew exactly what it had done in 1983: assign all of its rights to Disney. Between 1983 and 2006, when SSI first asserted an ownership interest, Disney registered 15 trademarks relating to the Pooh works in the United States alone. Under the Lanham Act, this provided SSI “constructive notice of [Disney’s] claim of ownership. 15 U.S.C. § 1072; *see also Dep’t of Parks and Rec. for State of Cal. v. Bazaar Del Mundo Inc.*, 448 F.3d 1118, 1131 (9th Cir. 2006). . . . It is telling that the first time SSI objected to any of Disney’s trademark registrations was one month after the dismissal of its state court case.

(Exh. D at 15:18–16:2 (citations omitted).)

In concluding that SSI had assigned all of its rights, the district court reviewed the language of the key agreements, repeatedly quoting and paraphrasing the pivotal “assigns, grants

and sets over” passage. (Exh. E at 4:5–5:12.) The court noted that “nowhere in its motion papers does SSI identify precisely what rights it believes it retained. Nor can any such rights be discovered by reading the contracts.” (*Id.* at 6:26–7:2.) Then, picking up on Disney’s argument regarding course of conduct, the court ruled:

Although SSI now claims copyright and trademark rights in the works, no evidence has been offered that SSI ever attempted to perfect or register any such rights, prior to the filing of these counterclaims. Disney, on the other hand, registered at least 15 trademarks on the Pooh works in the United States, between 1983 and 2006. . . . SSI never objected to those registrations until 2006, when the state action for breach of the royalty agreement was dismissed, and these counterclaims were filed. [¶] *The Court is satisfied that under the clear terms of the parties’ agreements, SSI transferred all of its rights in the Pooh works to Disney, and may not now claim infringement of any retained rights.*

(*Id.* at 7:21–8:8 (emphasis added).) Based on that determination, the court dismissed SSI’s Trademark Infringement claim, among others. (*Id.* at 8:8–11.)<sup>2</sup>

SSI now argues that because the district court did not use the word “assignment” in describing the 1983 Agreement, the court’s ruling cannot preclude SSI from advancing its “mere license” argument again before the Board. That is specious. Because SSI contended that it retained ownership of the Pooh-related marks, SSI explicitly requested affirmative relief from the district court in the form of a declaration instructing the PTO to change the title of any

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<sup>2</sup> Note that SSI had already agreed to stay the TTAB proceedings in favor of the district court proceeding. Then, SSI filed a notice of appeal of the district court’s judgment, which was still pending when Disney filed its Motion to Dismiss the consolidated proceedings before this Board. SSI’s principal position in opposing Disney’s Motion had been that the pendency of SSI’s appeal requires the TTAB not to give the district court’s judgment preclusive effect. SSI was wrong but, in any event, it has since voluntarily dismissed its appeal. (Exh. G (Stipulation to Voluntary Dismissal of Appeal); Exh. H (Order Dismissing Appeal).)



Disney-filed trademark registrations to SSI. If the court had wanted to reserve judgment on the question of ownership and trademark registration rights, while dismissing the remainder of SSI's Trademark Infringement claim, it would have done so.<sup>3</sup> Instead, the court dismissed the entire claim, making clear that it had determined SSI's grant to be an assignment of all rights.

SSI is also wrong in arguing that the language of the district court's ruling is ambiguous. (SSI's Opp. to Mot. to Dismiss at 8.). The district court's findings—that through the 1983 Agreement “SSI transferred *all* of its rights” and “*retained no rights* which Disney could infringe”—are consistent only with a determination that SSI's grant to Disney was an assignment. *See Artoc Bank & Trust, Ltd. v. Apex Oil Co.*, 975 F.2d 1365, 1369 (8th Cir. 1992) (“An assignment has traditionally been defined in the law of contracts as a transfer by the assignor of *all rights* in the property assigned to the assignee.” (emphasis added)). Even without using the term “assignment,” where a party divests itself of “*all right*, interest, and control in the property,” an assignment will be enforced. *In re Computer Engineering Associates, Inc.*, 337 F.3d 38, 46 (1st Cir. 2003) (citations and footnotes omitted; emphasis added).<sup>4</sup>

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<sup>3</sup> District courts are empowered to grant summary adjudication on “all or any part” of a claim, including individual liability theories. Fed. Code Civ. Proc. 56(a) & (d); *see also Optimum Technologies, Inc. v. Henkel Consumer Adhesives, Inc.*, 496 F.3d 1231, 1239, 1247 (11th Cir. 2007) (affirming grant of partial summary judgment on one of two theories advanced for trademark infringement claim); *Jones v. City and County of San Francisco*, 976 F. Supp. 896, 904 (N.D. Cal. 1997) (“It is beyond cavil that the Court may properly resolve some legal claims by summary adjudication prior to a trial of the remaining claims.”). Were the court disinclined to grant partial summary judgment, it could have also denied Disney's summary judgment motion as to the entire Trademark Infringement claim.

<sup>4</sup> SSI claims the words “grant” and “transfer” are consistent with both assignments and licenses. (Opp. at 11.) This argument and SSI's supporting authorities are irrelevant. Disney does not dispute that the words “grant” and “transfer” can be used generically to indicate a conveyance of rights, as they were in two cases cited by SSI (*Pantone, Inv. v. Esselte Letraset, Ltd.*, 878 F.2d 601, 602 (2d Cir. 1989) and *Basic Fun, Inc. v. X-Concepts, LLC*, 157 F. Supp. 2d 449, 455 (E.D. Pa. 2001)). Neither of those cases addressed the legal implication of a party “transferring all of its rights” and “retaining no rights that could be infringed.” That is what the district court determined to be the legal effect of the 1983 Agreement, and that finding is consistent only with an assignment. *Artoc Bank & Trust, Ltd.*, 975 F.2d at 1369; *In re Computer Engineering Associates, Inc.*, 337 F.3d at 46.

Judge Smith's recent ruling only further emphasizes the fallacy of SSI's position. In recommending that SSI be ordered to reimburse Disney for attorneys' fees incurred in defending against SSI's trademark and copyright infringement counterclaims, Judge Smith found it "perplexing" that SSI continues to assert an ownership interest in the Pooh works because the district court "undeniably considered the parties' claims on the merits . . . and dismissed Slesinger's copyright and trademark claims because Slesinger *did not own any of the rights at issue.*" (Exh. F at 19:19–22 (emphasis added).)

SSI argues that Judge Smith's statements fail to apprehend the distinction SSI now seeks to draw between *whether* and *how* it granted all of its rights. (SSI's Opp. to Mot. to Dismiss at 10–11.) There is no basis for this assertion. SSI had its chance to argue, and did vigorously argue, that Disney was a mere licensee with no rights to register trademarks in its own name. SSI's position was rejected in a court ruling that is now final. SSI's attempt to convince the Board to accept the exact opposition conclusion is wholly unwarranted.<sup>5</sup>

**B. The District Court *Necessarily* Ruled That SSI's Grant to Disney Was An Assignment.**

For the same reasons as discussed above, the district court's assignment finding was necessary to its decision. SSI's Trademark Infringement claim put the meaning and effect of the 1983 Agreement squarely before the district court. SSI alleged uses beyond the scope of the grant. SSI also specifically alleged that Disney was a mere licensee with no rights to register trademarks in its own name, and sought a declaration from the district court instructing the PTO to change the title of all Disney-filed trademarks. The question of assignment-versus-license was therefore not "collateral" to the district court's judgment, nor was it incidentally decided.

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<sup>5</sup> It is worth observing that in dismissing SSI's copyright and trademark claims, the district court commented that "SSI's conduct demonstrates a blatant effort to salvage its state court lawsuit against Disney by [taking an] entirely inapposite and inconsistent posture in this case." (Exh. E at 10:20-22.)



## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and complete copy of the foregoing Reply Brief in Support of Motion to Dismiss has been served upon counsel for Opposer by mailing said copy via Federal Express mail on this October 4, 2010, to the following address:

Andrew D. Skale, Esq.  
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\_\_\_\_\_/Shabnam Malek/  
Shabnam Malek

# **EXHIBIT A**

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**STEPHEN SLESINGER, INC.**

**[PROPOSED]**

7  
 8  
 9 **UNITED STATES DISTRICT COURT**

10 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**

11 **CLARE MILNE, an individual,**  
 12 **by and through MICHAEL**  
**JOSEPH COYNE, her Receiver,**  
**and DISNEY ENTERPRISES,**  
**INC.**

13 **Plaintiffs,**

14 **v.**

15 **STEPHEN SLESINGER, INC.**

16 **Defendant.**

17 \_\_\_\_\_  
 18 **STEPHEN SLESINGER, INC.,**  
**Counter-Claimant,**

19 **v.**

20 **DISNEY ENTERPRISES, INC.;**  
 21 **THE WALT DISNEY**  
 22 **COMPANY; and WALT**  
**DISNEY PRODUCTIONS**

23 **Counter-Defendants.**

) Case No. CV-02-08508 FMC (PLAx)

) **DEFENDANT AND COUNTER-**  
 ) **CLAIMANT STEPHEN SLESINGER,**  
 ) **INC.'S FOURTH AMENDED ANSWER**  
 ) **AND COUNTERCLAIMS**

- ) 1. INFRINGEMENT OF RIGHTS UNDER THE UNITED STATES COPYRIGHT ACT
- ) 2. TRADEMARK INFRINGEMENT
- ) 3. TRADE DRESS INFRINGEMENT
- ) 4. BREACH OF CONTRACT
- ) 5. BREACH OF IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING
- ) 6. FRAUD
- ) 7. DECLARATORY RELIEF RE THE 1983 AGREEMENT
- ) 8. DECLARATORY RELIEF RE INVALIDITY OF HUNT TERMINATION NOTICE
- ) 9. DECLARATORY RELIEF RE INVALIDITY OF THE REVERSION AGREEMENT
- ) 10. INJUNCTIVE RELIEF
- ) 11. DECLARATORY RELIEF RE LIMITED SCOPE OF HUNT TERMINATION NOTICE
- ) 12. VIOLATION OF CALIFORNIA BUSINESS AND PROFESSION CODE §17200 *et seq.* AND UNFAIR COMPETITION

**JURY TRIAL DEMANDED**

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1 Defendant Stephen Slesinger, Inc., by its attorneys, answers the First  
2 Amended Complaint as follows:

3 1-3. Defendant admits that plaintiffs purport to assert that this Court has  
4 subject matter, personal jurisdiction and venue as alleged in paragraphs 1, 2, and 3  
5 but otherwise denies the allegations contained in these paragraphs.

6 4. Defendant denies having sufficient knowledge or information to form  
7 a belief as to the allegations contained in paragraph 4 and therefore denies the  
8 same.

9 5. Defendant denies having sufficient knowledge or information to form  
10 a belief as to the allegations contained in paragraph 5 and therefore denies the  
11 same.

12 6. Defendant denies the allegations contained in paragraph 6 to the  
13 extent these imply that plaintiff Disney owns the Winnie-the-Pooh character, and  
14 further denies having sufficient knowledge or information to form a belief as to  
15 the remaining allegations of paragraph 6 and therefore denies the same.

16 7. Defendant denies the allegations contained in paragraph 7 except  
17 admits it is a New York Corporation with its principal place of business in Tampa,  
18 Florida, that much of its revenues are derived from payments made to it by  
19 Disney-related entities pursuant to an agreement dated April 1, 1983, in which it  
20 licensed to Walt Disney Productions certain rights it obtained from the trustees of  
21 Pooh Properties Trust, also on April 1, 1983 (the "1983 Agreement").

22 8. Because the allegations contained in paragraph 8 are conclusions of  
23 law that require neither an admission nor a denial, defendant respectfully refers the  
24 Court to the statute and authorities interpreting the same for the meaning thereof.

25 9. Because the allegations contained in paragraph 9 are conclusions of  
26 law that require neither an admission nor a denial, defendant respectfully refers the  
27 Court to the statute and authorities interpreting the same for the meaning thereof.

28



1           10. Defendant denies the allegations contained in paragraph 10 but admits  
2 that plaintiffs characterize their action as set forth therein.

3           11. Defendant denies having sufficient knowledge or information to form  
4 a belief as to the allegations contained in the first sentence of paragraph 11 and  
5 therefore denies the same, and denies the remaining allegations contained in  
6 paragraph 11.

7           12. Defendant admits the allegations contained in paragraph 12.

8           13. Defendant denies having sufficient knowledge or information to form  
9 a belief as to the allegations contained in paragraph 13 and therefore denies the  
10 same.

11           14. Defendant denies the allegations contained in paragraph 14 except  
12 admits that in January 1930 A. A. Milne and defendant's predecessor, Stephen  
13 Slesinger, entered into a Memorandum of Agreement (the "1930 Grant"), which  
14 memorandum speaks for itself, and defendant respectfully refers the Court thereto  
15 for the contents thereof and further admits the allegation contained in the last  
16 sentence of paragraph 14.

17           15. Defendant denies having sufficient knowledge or information to form  
18 a belief as to the allegations contained in paragraph 15 and therefore denies the  
19 same.

20           16. Defendant admits that it entered into an agreement in 1961 with Walt  
21 Disney Productions (the "1961 Slesinger Disney Agreement") and further admits  
22 that Walt Disney Productions entered into an agreement in 1961 with the  
23 executors of the Milne estate and with Daphne Milne in her individual capacity,  
24 which agreements speak for themselves, and defendant respectfully refers the  
25 Court to the contents thereof and otherwise denies the allegations contained in  
26 paragraph 16.

27           17. Defendant denies the allegations contained in paragraph 17 except  
28 admits that in 1983 it entered into a new agreement with Walt Disney Productions,

1 Slesinger, Christopher Milne - plaintiff Clare Milne's father - and the Pooh  
2 Properties Trust in which, inter alia, the 1930 Grant by A. A. Milne to defendant's  
3 predecessor, and all amendments thereto, were revoked and a new grant of rights  
4 was made to defendant and further admits that in 1983 Walt Disney Productions  
5 and the Pooh Properties Trustees entered into an agreement.

6 18. Defendant denies having sufficient knowledge or information to form  
7 a belief as to the allegations of paragraph 18 and therefore denies the same except  
8 asserts that the Termination Notices purportedly served by plaintiff Clare Milne  
9 and Harriet Jessie Minette Hunt (the "Termination Notices") speak for themselves,  
10 and respectfully refers the Court thereto for the contents thereof.

11 19. Defendant denies having sufficient knowledge or information to form  
12 a belief as to the allegations contained in paragraph 19 and therefore denies the  
13 same.

14 20. Defendant incorporates herein by reference all of the allegations and  
15 averments contained in paragraphs 1 through 19 of this Answer.

16 21. Defendant denies having sufficient knowledge or information to form  
17 a belief as to the allegations contained in paragraph 21 and therefore denies the  
18 same.

19 22. Defendant denies the allegations contained in paragraph 22.

20 23. Defendant admits the allegations contained in paragraph 23.

21 24. Defendant denies the allegations contained in paragraph 24 except  
22 admits that Milne alleges that Milne seeks a declaration that the Milne  
23 Termination Notice is valid.

24 25. Defendant incorporates herein by reference all of the allegations and  
25 averments contained in paragraphs 1 through 24 of this Answer.

26 26. Defendant denies having sufficient knowledge or information to form  
27 a belief as to the allegations contained in paragraph 26 and therefore denies the  
28 same.

1 27. Defendant admits the allegations contained in paragraph 27.

2 28. Defendant denies the allegations contained in paragraph 28 except  
3 admits that Disney alleges that it seeks a declaration that the Hunt Termination  
4 Notice is valid.

5 **AFFIRMATIVE DEFENSES**

6 **FIRST COMPLETE AFFIRMATIVE DEFENSE**

7 29. Plaintiffs' First Amended Complaint fails to state a claim upon which  
8 relief may be granted.

9 **SECOND COMPLETE AFFIRMATIVE DEFENSE**

10 30. Plaintiffs' claims fail because the agreement or agreements they claim  
11 will be terminated by the Termination Notices were lawfully revoked in 1983 and  
12 are no longer subject to termination.

13 **THIRD COMPLETE AFFIRMATIVE DEFENSE**

14 31. Plaintiffs' claims with respect to the agreements and events that took  
15 place in 1983 are barred by the doctrines of laches, waiver, and/or estoppel.

16 **FOURTH COMPLETE AFFIRMATIVE DEFENSE**

17 32. Plaintiffs' claims based upon the alleged validity and effectiveness of  
18 the Termination Notices served by Milne and Hunt on or about November 4, 2002  
19 are legally untenable because: (1) such Termination Notices fail to comply with  
20 the requirements of the United States Copyright Act as to identification of the  
21 grants purportedly terminated and of the works allegedly covered by such  
22 Termination Notices; and/or (2) Slesinger's rights at issue are not encompassed by  
23 the grants purportedly identified in such Termination Notices but are included in  
24 other agreements or were otherwise obtained by Slesinger, including but not  
25 limited to, by virtue of agreements, consents, or by operation of law.

1 **FIFTH COMPLETE AFFIRMATIVE DEFENSE**

2 33. Plaintiffs' claims should be dismissed because plaintiffs have failed to  
3 join the Pooh Properties Trust and the Walt Disney Company, which are necessary  
4 and/or indispensable parties hereto pursuant to Fed. R. Civ. P. 19.

5 **SIXTH COMPLETE AND/OR**  
6 **PARTIAL AFFIRMATIVE DEFENSE**

7 34. Plaintiffs' claims with respect to the validity and effectiveness of the  
8 Termination Notices served by Milne and Hunt on or about November 4, 2002, are  
9 barred by the doctrines of laches, waiver, and/or estoppel.

10 **SEVENTH COMPLETE AND/OR**  
11 **PARTIAL AFFIRMATIVE DEFENSE**

12 35. Any termination by Milne and/or Hunt pursuant to section 304(d) of  
13 the United States Copyright Act of the 1930 Grant or the 1983 Agreement could,  
14 inter alia, only affect rights under United States copyright granted thereunder.  
15 Such termination could not have any effect on Slesinger's rights to continue to  
16 utilize derivative works prepared pursuant to rights granted to Slesinger in the  
17 1930 Grant or thereafter, or to continue to exercise rights and/or receive royalties  
18 not arising under the United States Copyright Act, including but not limited to  
19 those arising under federal, state, and/or foreign trademark and unfair competition  
20 laws or under foreign copyright laws.

21 **EIGHTH COMPLETE AFFIRMATIVE DEFENSE**

22 36. Plaintiffs' claims are barred by the doctrine of unclean hands.

23 **NINTH COMPLETE AFFIRMATIVE DEFENSE**

24 37. Plaintiffs' claims are barred by the statute of limitations including but  
25 not limited to, Cal. Civ. Code. §§ 337 - 1, 3, 338(d), 339 -1, 3, and 343.

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**TENTH COMPLETE AND/OR  
PARTIAL AFFIRMATIVE DEFENSE**

38. Plaintiffs' claims are premature, as there is no substantial controversy of sufficient immediacy to warrant judicial determination.

**ELEVENTH COMPLETE AND/OR  
PARTIAL AFFIRMATIVE DEFENSE**

39. Plaintiffs' claims fail because of one of the following:

(a) The actions of Plaintiff Disney and the Walt Disney Company (hereinafter, collectively, "Disney") in connection with the Termination Notices and Disney having announced that it no longer intends to pay Slesinger royalties effective November 4, 2004, represent a repudiation and anticipatory breach of the 1983 Agreement giving Slesinger the right to terminate all future rights of plaintiff Disney thereunder and to recapture and exploit such rights;

(b) Even if the Court deems the Termination Notices to be effective, plaintiff Disney, and/or any other related entity would remain legally and equitably obligated to pay to Slesinger the royalties provided for under the 1983 Agreement;

(c) Disney violated its fiduciary and/or other obligations to Slesinger in inducing attorney Michael Joseph Coyne ("Coyne"), purportedly acting on Milne's behalf, and Hunt to serve the Termination Notices and in entering into its surreptitious agreements with Coyne and Hunt, to appropriate to itself, without payments to Slesinger, the very rights Slesinger obtained from the Pooh Properties Trust, which Disney had agreed to exploit and for which it agreed to pay royalties;

(d) By reason of Disney's fraudulent and inequitable conduct, even if the Termination Notices were deemed effective, any such terminated rights which Disney acquires for itself, and the proceeds thereof, would be held by Disney in actual or constructive trust for the benefit of Slesinger;

1 (e) Hunt has no right to exercise any right of termination under 17 U.S.C.  
2 § § 304(c) or (d) of the United States Copyright Act, but even if they were held to  
3 have such a right, Disney's inducing Coyne, purportedly acting on Milne's behalf,  
4 and Hunt to bring about such a termination would be a tortious interference with  
5 Slesinger's rights under contract;

6 (f) Hunt has no right to exercise any right of termination under 17 U.S.C.  
7 § § 304(c) or (d) of the United States Copyright Act, because the illustrations in  
8 question were works made-for-hire;

9 (g) Hunt has no right to exercise any right of termination under 17 U.S.C.  
10 § § 304(c) or (d) of the United States Copyright Act, because Hunt agreed to the  
11 1983 Agreement, either directly or through an agent, and therefore cannot now  
12 claim that a revocation and regrant is not operative;

13 (h) Under Cal. Evid. Code § 622, plaintiffs are prohibited from  
14 contradicting, inter alia, those recitals in the 1983 Agreement providing that the  
15 1930 Grant was revoked and a new grant made; and

16 (i) Under Cal. Civ. Code § 3521, plaintiffs cannot accept the benefits of  
17 the transaction provided to them by the 1983 Agreement (e.g., the rights), without  
18 bearing the burden of that transaction (e.g., the royalty obligations).

19 **TWELFTH COMPLETE AND/OR**  
20 **PARTIAL AFFIRMATIVE DEFENSE**

21 40. Plaintiffs fail to state a claim because the 1930 Grant that plaintiffs  
22 allege will be terminated by the Termination Notices was not principally a grant of  
23 any rights under copyright and thus is not eligible for termination under Section  
24 304 of the United States Copyright Act.

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**THIRTEENTH COMPLETE AND/OR  
PARTIAL AFFIRMATIVE DEFENSE**

41. Because the various paragraphs of plaintiffs' First Amended Complaint do not comply with FED. R. Civ. P. 8(a) and (e), Slesinger is not required to separately admit or deny each averment contained therein.

FOR THESE REASONS, Slesinger prays that the Court dismiss all of plaintiffs' claims and find for Slesinger on all counts, that Slesinger be awarded its costs, including reasonable attorneys' fees under Section 505 of the United States Copyright Act, and prays for such other and further relief as this Court deems just and proper.

1 COUNTERCLAIMS

2 I. INTRODUCTION

3 1. Winnie-the-Pooh is instantly recognized throughout the world by his  
4 rounded-yellow body and red shirt. Every year, he becomes more and more  
5 popular through the selling of toys, clothing, novelties, and other products,  
6 services, and commercial uses. Currently, it is estimated that Winnie-the-Pooh  
7 brings in billions of dollars in annual income.

8 2. The initial belief that Winnie-the-Pooh and his friends, as Milne's  
9 literary characters, could be successfully developed into distinctive and colorful  
10 graphic characters and personalities, marketed internationally as characters outside  
11 of books, belongs to a single man, Stephen Slesinger.

12 3. In 1930, Stephen Slesinger obtained, *inter alia*, rights to Winnie-the-  
13 Pooh in the United States and Canada from the author, A.A. Milne. At the time he  
14 transferred these rights, A.A. Milne represented that the rights "are absolutely and  
15 exclusively owned by him, free and clear of any rights or claims of rights of any  
16 other person."

17 4. After Stephen Slesinger transferred these rights to Defendant and  
18 Third-Party Plaintiff Stephen Slesinger, Inc. ("Slesinger"), he transformed Winnie-  
19 the-Pooh and his friends from a series of black and white drawings into the  
20 colorized bear and his friends, all well-known and loved throughout the world.  
21 With vision and determination, Slesinger used marketing and character  
22 development skills and developed Winnie-the-Pooh and his friends into successful  
23 merchandising properties, in many product lines and services, and protecting these  
24 product lines and services through intellectual property rights and contract rights  
25 (the "Pooh Brand"). The Pooh Brand includes products or services that employ or  
26 use (or are taken from or based upon) characters, materials, or titles developed by  
27 A.A. Milne or Slesinger, or by authority of A.A. Milne or Slesinger.



1           5.     Following Slesinger's successful efforts, in 1961 Disney entered into  
2 agreements with Slesinger, A.A. Milne's widow, and A.A. Milne's estate to  
3 obtain, among other rights, the right to market this successful brand. In 1983, the  
4 parties revoked the 1930 Agreement and the 1961 Agreement and entered into a  
5 new agreement.

6           6.     Rather than dealing fairly and honestly with Slesinger since executing  
7 the 1983 Agreement, Disney has intentionally and continuously failed to properly  
8 accumulate, calculate, and pay royalties to Slesinger, failed to report on gross  
9 receipts without deduction, intentionally and continuously failed to report royalties  
10 in a timely manner, engaged in unauthorized uses of Slesinger's intellectual  
11 property, tried to interfere with Slesinger's rights to receive royalties and to make  
12 false claims about its role in creating the Winnie-the-Pooh characters known  
13 today.

14           7.     This lawsuit seeks a determination of the appropriate rights owned by  
15 the respective parties and to recover substantial damages for the wrongs of Disney  
16 and its co-conspirators, including, but not limited to, copyright, trademark, and  
17 trade dress infringement.

18     **II.     JURISDICTION AND VENUE**

19           8.     The Court has subject matter jurisdiction over this action pursuant to  
20 28 U.S.C. §§ 1331 and 1338. This Court also has original jurisdiction pursuant to  
21 28 U.S.C. §1332(a), as this controversy exceeds the value of \$75,000 and is  
22 between citizens of different states. The Court has supplemental jurisdiction over  
23 Slesinger's state law claims pursuant to 28 U.S.C. §1367.

24           9.     Venue is proper in this District pursuant to 28 U.S.C. §§1391(b),  
25 1391(c), and 1400(a). The Disney Counter-Defendants are headquartered and/or  
26 perform business in this District. A substantial part of the events, acts, omissions,  
27 and transactions complained of herein occurred in this District.

1 **III. THE PARTIES**

2 10. Counter-Claimant Stephen Slesinger, Inc. (“Slesinger”) is a New  
3 York corporation with its principal place of business in the Florida. Among other  
4 activities, Slesinger is in the business of licensing rights in fictional characters.

5 11. Counter-Defendant Disney Enterprises, Inc. is a Delaware corporation  
6 with its principal place of business in Burbank, California.

7 12. On information and belief, Counter-Defendant Walt Disney  
8 Productions changed its name in 1986 and is now called Disney Enterprises, Inc.

9 13. Counter-Defendant The Walt Disney Company is a Delaware  
10 corporation with its principal place of business in Burbank, California.

11 14. On information and belief, The Walt Disney Company owns 100% of  
12 the stock and/or is the alter ego of Disney Enterprises, Inc. Hereinafter, Counter-  
13 Defendants The Walt Disney Company, Walt Disney Productions, and Disney  
14 Enterprises, Inc. will be referred to collectively as “Disney.”

15 15. In its complaint in this action, Disney claims that it has the right to  
16 enforce the Termination Notice served on Slesinger in November of 2002 by  
17 Third Party Defendant Minette Hunt (the “Hunt Termination Notice”). The Hunt  
18 Termination Notice was filed with the United States Copyright Office by Hunt’s  
19 agents, who were located in California.

20 16. Third Party Defendant Harriet Jessie Minette Hunt (“Hunt”) is a  
21 resident and citizen of the United Kingdom and purports to be the sole living  
22 grandchild of Ernest H. Shepard (“Shepard”). Shepard created certain black-and-  
23 white illustrations of Winnie-the-Pooh and his friends.

24 17. At all relevant times, each Counter-Defendant was and is the agent of  
25 each of the remaining Counter-Defendants, and in doing the acts alleged herein,  
26 was acting within the course and scope of such agency. Each Counter-Defendant  
27 ratified and/or authorized the wrongful acts of each of the other Counter-  
28 Defendants.

1 **IV. FACTUAL BACKGROUND**

2 **A. THE POOH FAMILY OF CHARACTERS ARE BORN**

3 18. In 1921, A.A. Milne (“Milne”) gave his son, Christopher Robin  
4 Milne, a bear for Christopher’s first birthday. His son and the bear later became  
5 the inspiration for Milne’s writings about the character, Winnie-the-Pooh.

6 19. In 1923, Milne wrote a poem about Christopher Robin entitled  
7 “Vespers.” He told his wife, Daphne, that she could keep the money she received  
8 from the sale of the “Vespers” poem. With the assistance of Tess Slesinger, Mrs.  
9 Milne sold the poem to *Vanity Fair* magazine, where it was first published. The  
10 “Vespers” poem became popular.

11 20. From 1924 to 1928, Milne published numerous poems and stories,  
12 including the following four book-length collections about the adventures of  
13 Winnie-the-Pooh, Christopher Robin, and their friends: *When We Were Very*  
14 *Young; Winnie-the-Pooh; Now We Are Six; and The House at Pooh Corner* (the  
15 “Pooh Books”). These works and further works or versions which employ, use,  
16 are taken from, or based in whole or in part upon any of the characters, names,  
17 materials, titles, scenes, symbols, dramatizations, songs, performances, or similar  
18 matters which employ, use, or are taken from or based upon the several works or  
19 any part thereof are hereinafter defined as the “Pooh Elements.” In these  
20 adventures, Winnie-the-Pooh was joined by his friends, Christopher Robin,  
21 Eeyore, Piglet, Kanga, Tigger, Owl, Rabbit, and other characters (including, but  
22 not limited to, Roo, Heffalump, Woozles, Rabbit and Relations) (the “Pooh Family  
23 of Characters”).

24 21. In the 1920s, the Pooh Elements were published with derivative  
25 decorations created by several well-known illustrators.

26 22. Some derivative decorations in the Pooh Books were created by  
27 Shepard. Shepard’s derivative decorations showed the Pooh Family of Characters  
28 in black-and-white drawings.

1           23.    The Pooh Elements became popular in England and in the United  
2 States. In the United States, early books were registered by Dutton Publishing in  
3 the United States Copyright office and proper notice was provided by Dutton as  
4 copyright registrant.

5           24.    As of 1929, the Pooh Family of Characters were known only in  
6 Milne's black and white text and had not been developed outside of books and  
7 magazines.

8           **B.    BACKGROUND ON STEPHEN SLESINGER**

9           25.    Stephen Slesinger was a successful publisher, producer, illustrator,  
10 and writer. As of the 1930s, he was the United States' most successful  
11 representative of authors (including Edgar Rice Burroughs, Rex Beach, Will  
12 James, Hendrik Wilhelm Von Loon) and newspaper syndicate comics (Bell  
13 Syndicate, NEA Service, Publishers Syndicate, United Features). From the 1930s  
14 to the 1950s, Stephen Slesinger controlled some of the most popular character  
15 rights, including, without limitation: Tarzan, Buck Rodgers, Red Ryder, Alley  
16 Oop, King of the Royal Mounted, and Og.

17           26.    In the 1930s, Stephen Slesinger was a pioneer in developing  
18 comprehensive "character merchandising" plans, which included: artwork, product  
19 design, franchising, product promotion, public relations, and advertising  
20 coordination.

21           27.    Throughout the 1930s, 1940s, and 1950s, Stephen Slesinger also was  
22 a media innovator (creating Telecomics films, a new film medium that featured  
23 synoptic versions of popular children's books and comic attractions), president of  
24 a motion picture production company (Telepictures, Inc., formed with the family  
25 of Zane Grey), a film producer (including television credits), a journalist, and an  
26 artist.

1           **C.    INITIAL AGREEMENTS BETWEEN MILNE AND**  
2                                   **SLESINGER**

3           28.    In 1930, Stephen Slesinger crossed the Atlantic by boat from New  
4    York to England to sign the contract with Milne because of his belief that Milne's  
5    characters could be developed into a distinctive Pooh Brand, far beyond the black  
6    and white pages of Milne's text, thereby increasing their popularity and value.

7           29.    On **January 6, 1930**, Milne and Stephen Slesinger entered into a  
8    written agreement (the "1930 Agreement") which, *inter alia*, granted Stephen  
9    Slesinger "the sole and exclusive right, license and privilege" to use, develop, and  
10   market the Pooh Family of Characters, the Pooh Elements, and any and all future  
11   works dealing with the Pooh Family of Characters "in the United States of  
12   America, its insular possessions, the Dominion of Canada and Nova Scotia."

13           30.    In the 1930 Agreement, Milne represented and warranted that the  
14   rights granted to Stephen Slesinger "are absolutely and exclusively owned by him,  
15   free and clear of any rights or claims of rights of any other person."

16           31.    The rights granted in the 1930 Agreement by Milne to Stephen  
17   Slesinger included, but were not limited to, the following:

- 18           a.    The "sole and exclusive right, license and privilege to use... the  
19                   name of the Author, the title of the said works, and the  
20                   characters therein, the drawings and illustrations in the said  
21                   several works and the right to have made other and further  
22                   drawings and illustrations portraying or reflecting actions of  
23                   the said several characters... including the right to use the same  
24                   in and for the purpose of advertising publicity and otherwise,  
25                   except as is herein specifically stated to the contrary";
- 26           b.    The right to "sell or cause to be sold, as aforesaid, in interstate  
27                   and/or foreign commerce, some of the fabrics, things or  
28                   materials";

1 c. The “exclusive privilege of reproducing and/or using the rights,  
2 privileges and licenses hereinbefore granted in any or every  
3 material form as aforesaid, including the rights to grant and  
4 license others...”; and

5 d. The right to be protected “from all claims which may be made  
6 upon or taken against [Slesinger] on the ground that the said  
7 illustrations and/or characters are the copyright or the property  
8 of any other party....”

9 32. The 1930 Agreement provided that merchandise subject to trademark  
10 rights was to be protected “under the Trademark Act of the United States of  
11 America.” Drawings or illustrations were to be protected by the proper copyright  
12 notice or design patent.

13 33. Soon after Milne and Stephen Slesinger signed 1930 Agreement,  
14 Stephen Slesinger assigned his interest in the 1930s Grant to Slesinger.

15 34. Over time, the 1930 Agreement was amended by other writings (the  
16 1930 Agreement, as amended, is referred to herein as the “1930s Grant”).

17 35. The 1930 Agreement was amended on **June 20, 1932** (the “1932  
18 Amendment”). Through the 1932 Amendment, Milne and Slesinger anticipated  
19 future uses of the Pooh Brand, including every type of technology in the future.  
20 By the 1932 Amendment, Milne granted Slesinger “any and all rights and/or uses,  
21 present and/or future, of radio reproduction, representation, broadcasting and/or  
22 the like, as they exist or may exist under the laws of the United States of America,  
23 its insular possessions, the Dominion of Canada and Nova Scotia...the sole and  
24 exclusive rights for and the use thereof within the above-mentioned territorial and  
25 geographical divisions and subdivisions and not elsewhere, to any and all use or  
26 uses of the books referred to in the [1930 Agreement] and the various song books  
27 or works published or to be published or issued, based on or adapted from them or  
28 upon the literary works to be written in the future dealing with the characters

1 contained in those books, including readings, recitations, songs, dramatizations  
2 and other performing rights over on or in connection with the radio, or any  
3 adaptation or variation or extension thereof, or other mechanical sound, word,  
4 and/or picture representation (or any combination thereof) such as any  
5 broadcasting or representational device, wire, television, or other mechanical  
6 instrument or devices or of any such future similar or allied devices.”

7 **D. STEPHEN SLESINGER POPULARIZES POOH**

8 36. At the time the 1930 Agreement was signed, the idea of creating a  
9 licensing market for branded character merchandise was in its infancy. Licensing  
10 is the business of granting rights to advertise, reproduce, and use a person or  
11 character’s name and likeness in connection with another’s business, product or  
12 service in a manner that enhances that business, product, or service. Consideration  
13 for granting these rights is usually in the form of participation in the revenues that  
14 result from the enhancement.

15 37. In a typical licensing transaction, the royalty base is the sales price of  
16 an item, thing or service (such as food, merchandise, or entertainment) which is  
17 “themed” with the name or likeness that has been licensed. Where a contract is  
18 based on gross sales, the royalty percentage is usually lower, but no deductions are  
19 permitted to be made by the licensor.

20 38. Stephen Slesinger was a pioneer in licensing and character  
21 development, through marketing characters and increasing their popularity and  
22 value. He transformed characters described in a book or magazine into graphic  
23 and pictorial distinctive personalities, reproduced with thousands of impressions  
24 in all of the then-existing media. He created new drawings, expanded and  
25 dramatized stories, and made recordings with music and songs.

26 39. Slesinger developed the Pooh Brand by giving the Pooh Family of  
27 Characters a distinctive richness and dimension outside of the Pooh Elements. For  
28 35 years, Slesinger engaged in a pioneering character development and

1 merchandising campaign with a wide variety of toys, games, apparel, story and  
2 song recordings (with actors Jimmy Stewart and Gene Kelly), radio performances,  
3 and marionette performances that brought the Pooh Family of Characters to life.  
4 Slesinger transformed Milne's black and white books into colorful "American"  
5 characters in children's theater, radio, film, and character branded merchandise.

6 40. As of **June 1931**, after Slesinger had been marketing the Pooh for 18  
7 months, *Playthings Magazine* reported that the Pooh Family of Characters  
8 generated \$50,000,000 in revenue. In 1938, seven years later, *Playthings*  
9 *Magazine* reported that Mickey Mouse reported \$38,000,000 in revenue.

10 41. Stephen Slesinger took out design patents for some of his work.  
11 Examples of Slesinger's design patents are attached hereto as **Exhibit 1** and  
12 incorporated herein by this reference.

13 42. Stephen Slesinger began using images and names of the Pooh Family  
14 of Characters in connection with numerous items for which he took out  
15 trademarks. Examples of these trademarks are attached hereto as **Exhibit 2** and  
16 incorporated herein by this reference.

17 43. Slesinger's licensees included prominent toy, food, garments and  
18 accessories, manufacturers, and radio and television networks. Slesinger paid a  
19 significant portion of the monies to Milne. The Pooh Family of Characters and the  
20 Pooh Brand, as modified and developed by Slesinger, were distinctive and  
21 instantly recognizable by children and adults as the Pooh Family of Characters.  
22 Examples of Slesinger's efforts to develop the Pooh Brand are attached hereto as  
23 **Exhibit 3** and incorporated herein by this reference.

24 **E. SHIRLEY SLESINGER LASSWELL CONTINUES TO**  
25 **DEVELOP THE POOH FAMILY OF CHARACTERS**

26 44. In **1953**, Stephen Slesinger passed away. Subsequently, his widow,  
27 Shirley Slesinger Laswell, took over as President of Slesinger. With her creative  
28 mind and business talents, Mrs. Slesinger worked to license the Pooh Brand to



1 coloring-book publishers, children's clothiers, and stuffed animal makers. Mrs.  
2 Slesinger created a new, fresh look. Her new artwork and ideas came from the  
3 perspective of a mom, and she developed the products she wanted herself.

4 45. Slesinger searched for the best manufacturers and the finest quality of  
5 products and services. In 1963, the New York Times described the Slesinger  
6 developed Pooh brand as "... not only a toy bear, but an industry..."

7 46. During the **late 1950s to early 1960s**, Slesinger's "Wonderful World  
8 of Winnie the Pooh" promotions appeared at major department stores across the  
9 country, including Bergdorf's, Saks, Filene's of Boston, Neiman Marcus, Marshall  
10 Fields, I. Magnin and FAO Schwartz. Even the children of President John F.  
11 Kennedy owned finely embroidered Pooh clothing, imported from Switzerland and  
12 licensed exclusively by Slesinger.

13 47. As a result of Slesinger's nationwide licensing efforts, it substantially  
14 increased the popularity of the Pooh Brand and its value to Milne and Slesinger.  
15 Slesinger's Winnie-the-Pooh, a rounded golden bear with a bright red shirt, and  
16 Slesinger's classical version with softer colors and distinctive designs, became  
17 immediately identifiable to the public. Slesinger had created a distinctive  
18 appearance for the Pooh Family of Characters which included their shape, color,  
19 and accessories.

20 **F. SLESINGER AND DISNEY: THE 1961 AGREEMENT**

21 48. In the **late 1950s or early 1960s**, Mrs. Slesinger was working on  
22 developing Slesinger's television rights in the Pooh Brand. In the course of these  
23 efforts, she met Walt Disney. Walt Disney represented to her that Disney could  
24 make the Pooh Family of Characters even more popular if Slesinger would grant  
25 Disney rights to them. Walt Disney promised Mrs. Slesinger that she would "never  
26 be sorry" if she entered into a contract with Disney. Walt Disney went to great  
27 lengths to convince Mrs. Slesinger that she could trust both himself and the entire  
28 Disney organization.

1           49.    Mrs. Slesinger trusted Walt Disney and in relied on his promises, in  
2 agreeing with enthusiasm when Walt Disney wanted to develop Slesinger's  
3 television rights.

4           50.    On **June 14, 1961**, Slesinger entered into a written agreement with  
5 Disney (the "1961 Disney Agreement"). In the 1961 Disney Agreement, Slesinger  
6 granted to Disney the right to exploit, and to license to others to exploit, certain  
7 rights in the Pooh Brand in specific media in the United States and Canada.

8           51.    In **1961**, Disney acquired from Slesinger certain of Slesinger's rights  
9 in a fully developed intellectual property and brand.

10          52.    In return for this grant of rights under the 1961 Disney Agreement,  
11 Disney specifically agreed to pay Slesinger royalties equal to 4% of gross receipts  
12 actually received by Disney, its affiliates, and others acting in its behalf from  
13 commercial exploitation of the Pooh Brand throughout the world.

14          53.    Simultaneously, Dorothy Daphne Milne, the widow of Milne, acting  
15 both individually and as co-executor of A.A. Milne's will (Milne had died in  
16 **1956**), and Spencer Curtis-Brown, as co-executor of A.A. Milne's will  
17 (collectively the "Milne Estate"), entered into an agreement with Disney to grant  
18 Disney certain rights (the "1961 Milne Agreement"). Disney agreed to pay the  
19 executors of the Milne Estate royalties equal to 2.5% of gross receipts actually  
20 received by Disney and others acting in its behalf from commercial exploitation of  
21 the Pooh Brand throughout the world.

22          54.    In the 1961 Milne Agreement, Dorothy Daphne Milne and the Milne  
23 Estate represented and warranted that: (a) Milne "is the sole author of the work;  
24 that said work is original with [Milne] in all respects, that no incident therein  
25 contained and no part thereof is taken from or based upon any other work of any  
26 kind, except works in the public domain, or in any way infringes upon the  
27 copyright or any other right of any individual, firm, person or corporation...."; and  
28

1 (b) the Milne Estate had the sole and exclusive right to dispose of each and every  
2 right granted or purported to be granted to Disney.

3 55. In entering into the 1961 Disney Agreement, Slesinger relied upon  
4 the representations and warranties of Dorothy Daphne Milne and the Milne Estate  
5 contained in the 1961 Milne Agreement.

6 56. By virtue of the 1961 Disney Agreement and the 1961 Milne  
7 Agreement, the Milne Estate received royalties based both on the rights granted by  
8 Dorothy Daphne Milne and the Milne Estate, and the rights granted by Slesinger  
9 to Disney. Likewise, Slesinger received royalties based both on the rights granted  
10 by Dorothy Daphne Milne and the Milne Estate, and on the rights granted to  
11 Slesinger to Disney. Because the rights granted by Slesinger to Disney were more  
12 valuable, Slesinger received 4% of the 6.5% royalty base and the Milne Estate  
13 received 2.5% of the 6.5% royalty base.

14 57. At Disney's request, Slesinger directed the Pooh Brand for several  
15 years after the 1961 Agreement was executed. At the same time, Slesinger  
16 provided materials and designs to assist Disney in the development of its motion  
17 picture version and its own marketing campaigns. Slesinger's efforts continued  
18 until **1966**, when Disney released its first movie based on the Pooh Family of  
19 Characters, "Winnie the Pooh and the Honey Tree." Disney continued to develop  
20 the Pooh Brand based on Slesinger's artwork, trademarks, and marketing efforts.

21 58. Pursuant to an assignment dated **May 25, 1972**, the rights of the  
22 Milne Estate in the Pooh Elements were transferred to the trustees of the Pooh  
23 Properties Trust, a trust organized under the laws of England and Wales. The  
24 Trustees of the Pooh Properties Trust shall be referred to hereinafter as the "Pooh  
25 Properties Trustees."  
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1           **G. UNDERPAYMENTS BY DISNEY ARE EXPOSED AND THE**  
2           **PARTIES ENTER INTO THE 1983 AGREEMENT**

3           59. In the **late 1970s and early 1980s**, Slesinger discovered issues  
4 concerning the 1961 Disney Agreement in various ways, including by failing to  
5 pay the appropriate share of royalties due Slesinger. Disney had expanded its  
6 business without implementing the necessary accounting controls needed to  
7 separately and accurately accumulate and report royalties owed to Slesinger and  
8 the Pooh Properties Trust. As a result, Disney had failed to report Disney's retail  
9 and wholesale sales and had allowed its licensees and foreign offices to  
10 commingle their accounting. This "lump sum" reporting practice made it  
11 impossible to determine the amount of revenue related to Pooh from the amount of  
12 revenue unrelated to Pooh.

13           60. Further, in contravention of the 1961 Disney Agreement, Disney and  
14 its licensees were failing to segregate revenues from products and services based  
15 on the Pooh Family of Characters from products and services based on other  
16 Disney characters, and under-allocating the share attributable to the Pooh Family  
17 of Characters on which Slesinger's share was based.

18           61. After Slesinger's discovery of Disney's breaches of contract,  
19 Slesinger and Disney entered into settlement negotiations.

20           62. In **1980**, Slesinger representatives met with a Disney Senior Vice  
21 President, Vincent H. Jefferds. Jefferds threatened that the copyright in Pooh was  
22 in the public domain. Jefferds also threatened that if Slesinger told the Milne  
23 Estate about Disney's royalty reporting failures, Jefferds would tell the Milne  
24 Estate that Slesinger was making trouble and encourage the Milne Estate to  
25 recapture the original 1930s Grant, using a recent provision of the 1976 Copyright  
26 Act. Lastly, Jefferds threatened that if Slesinger did not agree to modify the 1961  
27 Disney Agreement by reducing the royalty stream to 2.5% of 50% of retail and  
28 wholesale sales across the board on licensing, he would pull all Pooh products

1 from Disney theme parks. Jefferds said that Disney had a captive audience at the  
2 theme parks who would buy whatever he was selling there.

3 63. Over the next three years, Slesinger, the Pooh Properties Trustees,  
4 and Disney discussed the monies due and owed by Disney to the Milne Estate and  
5 Slesinger, as well as other issues between them. In the course of these  
6 discussions, the parties negotiated a general royalty of 7.5% for all of the items,  
7 things, and services commercially exploited. This 7.5% royalty was then split 5%  
8 to the Pooh properties Trust and 2.5% to Slesinger. From this 7.5% royalty base,  
9 Disney then negotiated discounts for specific items which Disney claimed bore  
10 higher costs that could not be deducted. Unless an item was specifically  
11 negotiated, there was to be no deduction on the 7.5% royalty base.

12 64. In **April 1983**, Slesinger entered into an agreement with Walt Disney  
13 Productions, the Pooh Properties Trust, the Pooh Properties Trustees, and  
14 Christopher R. Milne (the "1983 Agreement"). The 1983 Agreement was drafted  
15 primarily by Peter Nolan, an attorney for Disney. A true and correct copy of the  
16 1983 Agreement is attached hereto as **Exhibit 4**. At that time, Disney settled the  
17 past disputes concerning money due and owed to Slesinger in a separate release,  
18 where Disney warranted that it has made complete disclosures to Slesinger.

19 65. As a material part of the 1983 Agreement, the Pooh Properties  
20 Trustees represented that the Pooh Properties Trust was "the owner of the  
21 copyrights to the Pooh Properties and the benefits of the [1930s Grant]."

22 66. As a material part of the 1983 Agreement, the Pooh Properties  
23 Trustees represented that, "[t]o the best of the knowledge of the Trustees, they are  
24 the only party that owns the rights granted" to Slesinger "pursuant to the now  
25 revoked agreement dated 6 January 1930, as amended from time to time" and "that  
26 they have the right to grant such rights."

27 67. As a material part of the 1983 Agreement, the Pooh Properties  
28 Trustees represented and warranted "that they are aware of no other party who

1 owns said rights and that they have not transferred said rights to any party other  
2 than Slesinger.”

3 68. In the 1983 Agreement provides, in part, as follows:

- 4 a. The 1930s Grant was revoked and a new grant of rights was  
5 made to Slesinger;
- 6 b. The 1961 Disney Agreement was revoked and a new grant of  
7 rights was made by Slesinger to Disney relating to the Pooh  
8 Elements;
- 9 c. Disney promised to pay and account properly and separately  
10 for royalties derived from exploitation of the Pooh Elements  
11 and the Pooh brand;
- 12 d. Christopher R. Milne acknowledged that the 1930s Grant to  
13 Slesinger could no longer be terminated by him; and
- 14 e. Slesinger agreed to decrease its share of the royalties from 4%  
15 to a range from 50% of 1.33% to 2.5%, in favor of the Milne  
16 family, based upon Disney’s promise that it would properly pay  
17 what was rightfully due Slesinger.

18 69. Thus, the 1983 Agreement consisted of two agreements: a grant to  
19 Slesinger and then a license from Slesinger to Disney.

20 70. Consistent with the royalty arrangement described above, Disney and  
21 the Pooh Properties Trustees entered into an amendment to the 1961 Milne  
22 Agreement, dated March 31, 1983 (the “1983 Trustees Amendment”), which  
23 increased the royalty percentage payable to the Pooh Properties Trustees by  
24 Disney from 2.5% to a range of 50% of 2.67% to 5%.

25 71. Under paragraph 10 of the 1983 Agreement, the basis for computing  
26 royalty amounts payable to Slesinger is the gross amounts actually received by  
27 Disney, an affiliated company, or any person or party in its behalf, from the  
28 manufacture, publication, sale, and/or other commercialization anywhere in the

1 world and/or from the lease or license to manufacture, publish, sell and/or  
2 otherwise commercially to exploit anywhere in the world on any and all items,  
3 things, or services “which employ or use or which are taken from or which are  
4 based upon any of the characters, material or titles of the work or any part thereof,  
5 and/or which employ or use or are taken from or based upon any of the characters,  
6 material or title(s) of any of Disney’s motion picture, television or other versions,  
7 adaptations or treatments of the work or any part thereof,” subject to specified  
8 exceptions.

9 72. A **March 20, 1984** letter from Michael Brown, a Trustee, to Slesinger  
10 confirms that the Trustees and Slesinger will always share anything from Disney  
11 according to a two-third/one-third split.

12 **H. DESPITE ITS PROMISES AND AGREEMENTS, DISNEY**  
13 **CONTINUES TO UNDERPAY SLESINGER AFTER THE 1983**  
14 **AGREEMENT**

15 73. Although it had been caught underpaying royalties on the Pooh  
16 Family of Characters and had promised to properly account for and pay royalties  
17 in the future, Disney almost immediately began cheating again and underpaying  
18 Slesinger.

19 74. Beginning in **1989**, inconsistencies in Disney’s royalty statements and  
20 representations arose when Disney stopped reporting previously reported items,  
21 things and services. Thereafter, Slesinger discovered that Disney had continued to  
22 permit commingling and under-reporting and was conducting business without the  
23 necessary accounting controls.

24 75. In **1991**, Slesinger filed suit in California state court against Disney  
25 (the “1991 State Court Action”). In **March, 2004**, the 1991 State Court Action  
26 was dismissed by court order. (The judgment dismissing the 1991 State Court  
27 Action is currently on appeal.)

28 76. There was no final adjudication of the merits in the 1991 State Court  
Action and the 1991 State Court Action does not preclude the claims herein stated.

1 77. Disney continued and is continuing its under-reporting of amounts  
2 owed to Slesinger.

3 **I. DISNEY IMPROPERLY USES THE COPYRIGHT ACT TO**  
4 **ATTEMPT TO CUT OFF SLESINGER'S RIGHTS**

5 78. Upon information and belief, Clare Milne is the sole grandchild of  
6 Milne. Upon further information and belief, Clare Milne is disabled since birth  
7 and her affairs are managed by an appointed receiver.

8 79. Upon information and belief, the receiver for Clare Milne for many  
9 years was Michael Brown ("Brown"). Upon information and belief, Michael  
10 Brown was succeeded in 2002 as Clare Milne's receiver by Michael Joseph Coyne  
11 ("Coyne"), a partner in Brown's law firm. The acts attributed to Clare Milne were  
12 performed by and through her then-appointed receiver, either Brown or Coyne.

13 80. By 1997, Disney had entered into negotiations with Michael Brown  
14 (who was then serving as Clare Milne's receiver, as well as Trustee and attorney  
15 for the Pooh Properties Trustees) to try to cut off Slesinger's rights in and to the  
16 Pooh Elements and to its royalty payments under the 1983 Agreement.

17 81. One result of these negotiations was a **March 6, 2001** Assignment of  
18 Copyright and Ancillary Rights in the Pooh Elements (the "2001 Buyout  
19 Agreement"). The parties to the Buyout Agreement included, but were not limited  
20 to, Disney, the Pooh Properties Trustees, Clare Milne, and Hunt.

21 82. The 2001 Buyout Agreement was produced by Disney in this Action  
22 as a confidential document, subject to the terms of a protective order. Slesinger is  
23 limited as to its public allegations concerning the 2001 Buyout Agreement.

24 83. By the 2001 Buyout Agreement, the Pooh Properties Trustees, Clare  
25 Milne, and Hunt, among others (collectively, the "Assignors") assigned to Disney  
26 all their intellectual property rights in the Pooh Elements and the sole and  
27 exclusive right to use, market, distribute, or otherwise exploit the Pooh Elements.  
28 The Assignors kept certain rights for themselves, including, but not limited to,



1 existing publishing arrangements and the benefit of all contracts not assigned to  
2 Disney (the “Reserved Rights”).

3 84. Yet Disney was not satisfied with getting these rights from the  
4 Assignors, and attempted to terminate its obligations to Slesinger. The 2001  
5 Buyout Agreement and its related transactions were part of a scheme by Disney to  
6 stop paying any royalties to Slesinger and to strip Slesinger of its rights, thereby  
7 gaining an advantage in the then-pending State Court Action.

8 85. The Sonny Bono Copyright Act only permits certain rights under the  
9 United States Copyright Act to be recaptured by certain qualified heirs. In  
10 connection with Disney’s termination scheme, Disney knew that these rights were  
11 not a material part of the rights granted by Slesinger to Disney under the 1983  
12 Agreement. Yet Disney sought to use the Sonny Bono Copyright Act to obtain all  
13 of Slesinger’s rights under the 1983 Agreement. Disney engaged in this scheme  
14 by manipulating Clare Milne and Hunt to seek to recapture rights from Slesinger  
15 and by seeking to terminate the 1983 Agreement as a matter of law.

16 86. In its **May 2002** Securities and Exchange Commission (“SEC”) 10-Q  
17 filing Disney admitted that, “if each of [Slesinger’s] claims were to be confirmed  
18 in a final judgment, damages as argued by the plaintiff could total as much as  
19 several hundred million dollars and adversely impact the value to [Disney] of any  
20 future exploitation of the licensed rights.” The May 2002 Form 10-Q disclosure  
21 resulted in a substantial decline in Disney’s stock price: almost 25% over the next  
22 three months.

23 87. Disney reiterated this admission in its 2002 SEC Form 10-K filing.  
24 Disney’s 2002 SEC Form 10-K filing also stated that there were ten class action  
25 lawsuits against Disney for failing to disclose “the pendency and potential  
26 implications of the [State Court Action] prior to [Disney’s] filing of its quarterly  
27 report on Form 10-Q in May 2002. The plaintiffs claim that this alleged  
28

1 nondisclosure constituted a fraud on the market that artificially inflated [Disney's]  
2 stock price.”

3 88. In order to improve its position with investors, Disney induced Clare  
4 Milne and Hunt to serve notices of termination (“Termination Notices”) allegedly  
5 pursuant to 17 U.S.C. § 304(d) and purportedly to terminate Slesinger’s rights  
6 under the United States Copyright Act in specific Pooh Books.

7 89. Disney induced Clare Milne and Hunt to serve the Termination  
8 Notices. Disney acted with the assistance of Brown, a Trustee of and legal  
9 counsel to the Pooh Properties Trust who was working as a dual agent paid by  
10 Disney.

11 90. On **November 1, 2002**, Clare Milne, through her Receiver, and Hunt  
12 entered into an agreement whereby Hunt authorized Clare Milne to enter into a  
13 reversion agreement with Disney, conveying to Disney the rights to be recaptured  
14 from Slesinger pursuant to the purported Termination Notices, and Clare Milne  
15 agreed to pay 15% of the net amount of any payments she receives from Disney  
16 pursuant to such reversion agreement.

17 91. On **November 4, 2002**, Clare Milne and Hunt, by and through their  
18 respective agent in California, each purported to serve a Termination Notice on  
19 Slesinger. These Termination Notices are invalid and are the subject of Disney’s  
20 affirmative claims in this Action.

21 92. In an agreement dated **November 4, 2002**, Disney, Clare Milne, by  
22 and through Coyne as her receiver, and Coyne in his individual capacity, entered  
23 into an agreement (the “Milne Reversion Agreement”) under which Clare Milne  
24 purported to grant Disney certain rights. A true and correct copy of the Milne  
25 Reversion Agreement is attached hereto as **Exhibit 5**.

26 93. In the Milne Reversion Agreement, Clare Milne purported to grant  
27 Disney rights allegedly terminated by the Milne Notice in the United States  
28 effective on **November 5, 2004** (the “Grantor Reverted Rights”). The Grantor

1 Reverted Rights are not defined anywhere in the Milne Reversion Agreement.

2 94. Clare Milne further purported to grant Disney certain Additional  
3 Rights. In contrast to the vague description of the Grantor Reverted Rights, the  
4 Additional Rights are described in great detail. Slesinger hereby directs the Court  
5 to the language of Paragraph 2.1.2 of the Milne Reversion Agreement (**Exhibit 5**).

6 95. The term “Additional Rights” does not describe rights that could be  
7 recaptured under the Sonny Bono Copyright Act. However, the term “Additional  
8 Rights” defines Slesinger’s rights because the Assignors had transferred all other  
9 rights to Disney under the 2001 Buyout Agreement. Given the ambiguity as to the  
10 scope of the “Additional Rights,” this Court should declare the transfer of these  
11 rights has not been effected and that Slesinger retains these Additional Rights.

12 96. Under the Reversion Agreement, Clare Milne was contractually  
13 obligated to take steps requested by Disney in connection with attempting to  
14 terminate Slesinger’s rights, as long as Disney paid her, indemnified her, and paid  
15 all of her costs in any litigation involving Slesinger. In executing and serving the  
16 Termination Notices, Clare Milne was acting solely at Disney’s behest.

17 97. On **November 4, 2002**, Hunt irrevocably assigned to Disney all  
18 rights in United States and its territories “that I may possess” on **November 5,**  
19 **2004** in and to the Pooh Elements (the “Hunt Assignment”). However, Hunt  
20 explicitly did not warrant or represent that she will possess any of the rights  
21 purportedly assigned as of **November 5, 2004**.

22 98. This Court has already held that the Milne Notice is invalid as a  
23 matter of law. The Ninth Circuit has affirmed the holding, and the U.S. Supreme  
24 Court in **June 2006** denied Milne’s writ of petition for certiorari.

25 **J. THE POOH BRAND IS CRITICAL TO DISNEY’S BUSINESS**

26 99. Winnie-the-Pooh is a significant piece of Disney’s business. The  
27 Pooh Family of Characters generate at least as much annual revenue for Disney’s  
28 Consumer Products Division as does Mickey Mouse. According to the Disney

1 web site, the Pooh Family of Characters are in every business segment of the  
2 company (Consumer Products, Parks & Resorts, Studio Entertainment, Media  
3 Networks, and Corporate). Studio Entertainment develops characters and stories  
4 via movies, television, and music, and distributes these products and services; the  
5 Parks & Resorts Group allows a direct interaction with the characters and stories  
6 through its function as a vacation destination; Consumer Products licenses  
7 intellectual property to various manufacturers and distributors of apparel, toys, and  
8 other goods, while also selling these items, things, and services through its own  
9 outlets; Media Networks uses television and radio network ownership for display  
10 of and advertising revenue based on the characters and stories; and Corporate  
11 manages these enterprises, strategic alliances, revenue shifting, and deferral of  
12 royalty bearing revenues, and the relationship with shareholders.

13 100. Stock market analysts have indicated that “Any positive  
14 announcements regarding the Winnie the Pooh litigation [with Slesinger]... will  
15 lead to an increase” in the overall valuation of Disney.

16 101. On **November 5, 2002**, the day after the service of the Termination  
17 Notices, Disney caused the media to report on the alleged effect of the  
18 Termination Notices on Slesinger’s rights. Disney falsely represented to the press  
19 that, based on the Termination Notices, the Slesingers were “out” with respect to  
20 Winnie-the-Pooh after **November 2004**.

21 102. The Disney executive team – Bob Iger, Tom Staggs, Peter Murphy,  
22 and Lou Meisinger – knew at the time that the above statement was false and  
23 misleading and that the Termination Notices were invalid, and, even if they were  
24 valid, they would not eradicate Slesinger’s full entitlement to continuing royalties.  
25 Disney’s press statements were intended to give Disney shareholders a false sense  
26 of security of Disney’s rights to use the Pooh Family of Characters and the Pooh  
27 Brand.

1 103. News regarding Winnie-the-Pooh dramatically affects Disney's stock  
2 price. The day after Disney's **November 5, 2004** press statements that falsely  
3 announced that the Slesingers "are out" after **November 2004**, Disney's stock  
4 price rose by \$1.02 from \$17.03 to \$18.05, or about 6%.

5 **K. DISNEY'S IMPROPER ROYALTY STATEMENTS**

6 104. Pursuant to its practices since 1983, Disney has paid Slesinger twice a  
7 year purportedly for monies owed under the 1983 Agreement. Yet, during the  
8 relevant time period of this Federal Action, Disney has failed to pay Slesinger  
9 pursuant to the terms of the 1983 Agreement.

10 105. For example, in **May of 2006**, Disney sent the royalty statement for  
11 the period ended **March 31, 2006** (the "March 31, 2006 Statement") The royalty  
12 paid by Disney to Slesinger based on the March 31, 2006 Statement was  
13 approximately 9% lower than the immediately prior period. This lower royalty  
14 payment occurred even though during the period ending **March 31, 2006**, Disney  
15 was heavily promoting Winnie-the-Pooh's 80<sup>th</sup> birthday celebration and opened a  
16 theme park in Hong Kong featuring Pooh products and services. Rather than  
17 decreasing, the income to Disney regarding the Pooh Brand has, in fact, been  
18 increasing, and Disney has knowingly failed to pay Slesinger its share thereof.

19 106. In Asia, with one of the fastest growing populations in the world, the  
20 Pooh Brand has become particularly popular. However, this popularity is not  
21 reflected on Disney's royalty statements to Slesinger. As will be established at  
22 trial, Disney continues to evade its obligations to pay Slesinger for the use of  
23 authorized rights and to misappropriate Slesinger's rights in the Pooh Elements in  
24 Asia as Disney has done historically throughout the rest of the world.

25  
26  
27 ///

28 ///

1 V. CLAIMS FOR RELIEF

2 FIRST CLAIM FOR RELIEF

3 INFRINGEMENT OF RIGHTS

4 UNDER THE UNITED STATES COPYRIGHT ACT

5 107. Slesinger incorporates by reference each of the paragraphs set forth  
6 above as though fully set forth hereunder.

7 108. Among other rights, Slesinger is a grantee of a copyright owner, Pooh  
8 Properties Trust, and its predecessors in title, for certain exclusive rights in and to  
9 the Pooh Elements in the United States of America and its insular possessions for  
10 and during the respective periods of copyright and of any copyright renewals.  
11 Slesinger can seek redress for infringement of its rights under the United States  
12 Copyright Act in and to the Pooh Elements.

13 109. The 1930s Grant, the 1983 Agreement, and the substantial work  
14 performed by Slesinger from 1930 through the mid-1960's established the scope of  
15 Slesinger's rights in the Pooh Family of Characters and the Pooh Brand.

16 110. Based on express representations and warranties of first Milne, then  
17 Dorothy Daphne Milne and the Milne Estate, and then the Pooh Properties Trust  
18 and the Trustees thereof, each of them, in chronological sequence, was the owner  
19 of the copyrights to the Pooh Elements and the benefits of the 1930s Grant.

20 111. Based on express representations and warranties of Milne, Dorothy  
21 Daphne Milne, the Milne Estate, the Pooh Properties Trust, and the Pooh  
22 Properties Trustees, each of them in chronological sequence was then the only  
23 party that owned rights granted to Slesinger and had the right to grant such rights.

24 112. Based on express representations and warranties of Milne, Dorothy  
25 Daphne Milne, the Milne Estate, the Pooh Properties Trust, and the Pooh  
26 Properties Trustees, each of them in chronological sequence was aware of no other  
27 party who owned said rights and had not transferred said rights to any party other  
28 than Slesinger.

1 113. At the time the Termination Notices were executed and served,  
2 Disney knew that, by and through their predecessors in interest, Clare Milne and  
3 Hunt had acknowledged Slesinger's rights as set forth in paragraphs 115 through  
4 117, above.

5 114. At the time the Termination Notices were executed and served,  
6 Disney knew that neither Clare Milne nor Hunt had a right to terminate.

7 115. At the time the Termination Notices were executed and served,  
8 Disney knew that Clare Milne and Hunt were committing acts that infringed on  
9 Slesinger's rights under the United States Copyright Act.

10 116. Though the 1983 Agreement involved the grants of many rights other  
11 than rights under the United States Copyright Act, Disney, Clare Milne (through  
12 her receiver, Coyne), and Hunt knowingly participated in an orchestrated plan to  
13 create the illusion that the 1983 Agreement could be terminated under the United  
14 States Copyright Act.

15 117. By executing and serving the Termination Notices, Disney, Clare  
16 Milne (through her receiver, Coyne), and Hunt participated in a scheme intended  
17 to destroy Slesinger's rights in and to the Pooh Elements and to receive benefits at  
18 Slesinger's expense.

19 118. Disney has committed additional acts of copyright infringement. The  
20 1983 Agreement conveys to Disney only those rights which are specifically set  
21 forth therein. Slesinger retained all rights not expressly included in the rights  
22 granted to Disney in the 1983 Agreement.

23 119. Disney's uses of Slesinger's rights under the United States Copyright  
24 Act may not exceed the scope of the grant provided by the 1983 Agreement.

25 120. Disney has been exploiting the Pooh Family of Characters and the  
26 Pooh Brand in mediums to which it did not receive rights under the 1983  
27 Agreement. As a result, Disney has been infringing Slesinger's rights under the  
28 United States Copyright Act.

1 121. Disney's uses of Slesinger's rights under the United States Copyright  
2 Act beyond the express grants of the 1983 Agreement constitutes infringement of  
3 Slesinger's rights under the United States Copyright Act.

4 122. As a direct and proximate result of Disney's copyright infringement,  
5 Slesinger has been damaged within the meaning of 17 U.S.C. § 504(b) in an  
6 amount according to proof.

7 123. Slesinger has been damaged in an amount according to proof or in the  
8 statutory amount.

9 124. As a further proximate result of the infringement, Slesinger is  
10 informed and believes that Disney has been unjustly enriched as a result of the  
11 infringement of Slesinger's rights under the United States Copyright Act. The  
12 amount of this unjust enrichment cannot presently be ascertained, but will be  
13 proven at trial.

14 WHEREFORE, Slesinger prays for relief as set forth herein.

15 **SECOND CLAIM FOR RELIEF**

16 **TRADEMARK INFRINGEMENT**

17 125. Slesinger incorporates by reference each of the paragraphs set forth  
18 above as though fully set forth hereunder.

19 126. Among other rights, Slesinger is an owner of rights in and to the Pooh  
20 trademarks in the United States of America and its insular possessions (the  
21 "Slesinger Trademark Rights"). The 1930s Grant, the 1983 Agreement, and the  
22 substantial work performed by Slesinger from 1930 through the mid-1960's  
23 established both that Slesinger has the right to secure trademarks for the Pooh  
24 Family of Characters and the respective fabrics, things and materials sold and the  
25 scope of Slesinger's Trademark Rights in the Pooh Family of Characters and the  
26 Pooh Brand.

27 127. Pursuant to the 1930s Grant, Slesinger received rights to the Pooh  
28 Elements, including the title, characters, drawings and illustrations therein.



1 128. Slesinger has valid protectable trademarks in “Winnie the Pooh,”  
2 “Pooh,” and “Christopher Robin” and has used these trademarks since the 1930s.

3 129. Slesinger can enforce any infringement of trademark rights in and to  
4 the Pooh Elements, including the title, characters, drawings and illustrations  
5 therein.

6 130. The 1983 Agreement established the scope of Disney’s grant to use  
7 Slesinger’s Trademark Rights. All use by Disney has been pursuant to a license.  
8 Slesinger licensed trademark rights to Disney because it knew of Disney’s  
9 reputation and ability to ensure quality products and services. Slesinger relied on  
10 Disney’s expertise in quality control.

11 131. By virtue of the 1983 Agreement, Disney implicitly acknowledged  
12 that Slesinger had trademark rights and that Disney wanted to license those rights.

13 132. Disney has been exploiting the Pooh Family of Characters in  
14 mediums to which it did not receive rights under the 1983 Agreement. Disney has  
15 been diluting Slesinger’s Trademark Rights without permission and in violation of  
16 its Trademark Rights. These mediums include, but are not limited to: Internet use,  
17 wireless use, advertising uses, credit cards, ringtones on mobile phones, greeting  
18 cards, computer graphics, Internet computer games, computer screen savers,  
19 computer wallpapers, character meals, convention services (such as the “Tigger  
20 Award”), magazines, multi-media kits, and other products and services.

21 133. Disney’s unauthorized use in the last four years has created confusion  
22 in the marketplace about the source of the marks.

23 134. Disney has violated Section 43(a) of the Lanham Act, 15 U.S.C. §  
24 1125, and the common law.

25 135. Disney’s intentional and willful unauthorized uses of Slesinger’s  
26 Trademark Rights in connection with the sale, offering for sale, or distribution of  
27 goods, entitles Slesinger to treble profits or damages, whichever is greater,  
28

1 together with reasonable attorney's fees and prejudgment interest, according to  
2 proof at the time of trial.

3 136. Disney's actions have been willful and malicious.

4 137. As a licensee of certain of Slesinger's Trademark Rights, Disney's  
5 use of these rights inures to the benefit of Slesinger. Accordingly, any  
6 registrations improperly obtained by Disney regarding the Slesinger Trademark  
7 Rights belong to Slesinger. Slesinger therefore seeks a declaration from this Court  
8 ordering the United States Patent and Trademark Office to correct the title of any  
9 such trademark registrations to Slesinger.

10 WHEREFORE, Slesinger prays for relief as set forth herein.

11 **THIRD CLAIM FOR RELIEF**

12 **TRADE DRESS INFRINGEMENT**

13 138. Slesinger incorporates by reference each of the paragraphs set forth  
14 above as though fully set forth hereunder.

15 139. A product or service's "trade dress" is its total image and overall  
16 appearance; it includes a variety of elements in which a product is packaged or  
17 service is presented, such as size, shape, color, color combinations, texture, or  
18 graphics; the displays attending products or services; and even the decor or  
19 environment in which a product or service is provided. Trade dress includes the  
20 distinctive colors, packaging, or design of a product or service that promotes the  
21 product or service and distinguishes it from other products or services in the  
22 marketplace.

23 140. Slesinger created a distinct trade dress for the Pooh Brand, including  
24 the size, shape and color of the Pooh Family of Characters so that the bear, donkey  
25 pig, tiger, kangaroo, tiger, owl and rabbit that form the Pooh Family of Characters  
26 are instantly recognizable and identifiable as the Pooh Family of Characters. The  
27 Slesinger trade dress in the Pooh Brand possess inherent distinctiveness and/or has  
28 obtained secondary meaning, particularly through the use of "Classic Pooh."

1 141. Further, Slesinger's trade dress for its classic children campaigns  
2 involve distinctive colors, packaging, and design of the Pooh Family of Characters  
3 and scenes which are used to promote Pooh products, services and displays. The  
4 concepts for department store displays, Pooh corners, the use of certain types of  
5 props, and the overall color of the displays, packaging, and designs, with  
6 simplified light lines, pastel tones, signature pastel tones of yellow for Pooh and  
7 the slightly faded softer treatment to the characters which Slesinger used to  
8 promote and sell products and services in the marketplace and to promote items  
9 are immediately distinguishable from other products in the marketplace. Even the  
10 decor and environment Slesinger developed and Disney later adopted, in which  
11 Disney's licensed products and services are part of the trade dress created by  
12 Slesinger during the 35 years prior to the first Disney Pooh movie.

13 142. Disney's unauthorized use and misuse of the Pooh Family of  
14 Characters and its recent introduction of a new female character into the Pooh  
15 Family of Characters has led to confusion and will continue to lead to further  
16 confusion about Slesinger's trade dress. Disney's actions are a violation of  
17 Slesinger's trade dress rights. The confusion is compounded by Disney's false  
18 statements to the public that it is the company responsible for Winnie-the-Pooh's  
19 shape and red shirt. In fact, it was Slesinger, not Disney, that created the distinct  
20 look of Winnie-the-Pooh's shape and his red shirt.

21 143. Over the last four years, as a result of Disney's unauthorized use of  
22 Slesinger's trade dress in the Pooh Family of Characters, Slesinger has been  
23 damaged in an amount to be proven at trial.

24 WHEREFORE, Slesinger prays for relief as set forth herein.

25 **FOURTH CLAIM FOR RELIEF**

26 **BREACH OF CONTRACT**

27 144. Slesinger incorporates by reference each of the paragraphs set forth  
28 above as though fully set forth hereunder.

1 145. By way of this Fourth Claim for Relief, Slesinger is not asserting any  
2 claims which it is estopped from bringing due to the 1991 State Court Action.

3 146. Pursuant to the 1983 Agreement, Slesinger has performed all  
4 conditions, covenants and promises required on its part to be performed in  
5 accordance with the terms and conditions of the 1983 Agreement.

6 147. During the relevant time, Disney has committed material breaches of  
7 the 1983 Agreement by failing to properly accumulate, calculate and pay royalties  
8 based upon gross amounts actually received by Disney, an affiliated company, or  
9 by any person or party in its behalf.

10 148. Pursuant to paragraphs 10(a) and 10(b)(3), Disney is required to  
11 report transactions on each sale by Disney, an affiliated company, or by any  
12 person or party in its behalf. Further, Disney is required to calculate the royalty by  
13 multiplying the actual sales price (or actual gross amounts) times the 2.5% royalty  
14 without deduction, or times the applicable discounted royalty percentage in  
15 paragraph 10(b)(3)(ii), (iii), (iv), and (v).

16 149. Pursuant to paragraph 10(b)(3)(v), the applicable royalty percentage  
17 is 1.33% of 50% of the actual retail sales prices for certain sales by Disney and its  
18 affiliates. This discount, which Disney specifically negotiated, was designed to  
19 permit Disney to take 50% only for the purpose of offsetting the wholesale sale.

20 150. Disney negotiated the discounted royalty percentage because Disney  
21 acknowledged that no deductions were permitted to be taken from the gross.  
22 Because the 1983 Agreement required Disney to report 100% of the actual gross  
23 amount, Disney wanted to pay a discounted royalty percentage.

24 151. For example, if an article is sold at wholesale for \$10 by a Disney  
25 entity or authorized party to a Disney retailer, who then sells that same article at  
26 retail for \$20, there are two royalty bearing revenue streams. As explained in  
27 1983 by Disney representatives, wholesale sales always occur before the retail  
28 sales and approximate 50% of retail sale prices. The Disney representatives said

1 that if Disney paid Slesinger a royalty on the \$10 wholesale sale and then a royalty  
2 on the \$20 retail sale, Disney would be paying a royalty based on \$30 for an item  
3 which only sold at retail for \$20. As a result, Slesinger agreed that Disney would  
4 be permitted a 50% allowance for these specific retail sales.

5 152. Disney is deducting more than 50% from the retail sales and is not  
6 reporting all of the wholesale sales which precede the retail sale.

7 153. Pursuant to paragraph 12 of the 1983 Agreement, Disney is failing to  
8 report transactions to Slesinger within the six month reporting period. Each semi-  
9 annual royalty statement must show “the amounts which become payable during  
10 the preceding half [year] and showing how said amounts were computed.” Disney  
11 is failing to timely report the transaction, by shifting the transaction into various  
12 financings and other costs (e.g., irrevocable advances and guarantees).

13 154. Pursuant to paragraph 3 of a side letter signed by Disney executive,  
14 Vince Jefferds, and delivered in **April, 1983** (the “April 1983 Side Letter”),  
15 Disney agreed to continue selling at retail and to notify Slesinger and the Pooh  
16 Properties Trustees if Disney intended to cease such retail sales (and thereafter  
17 renegotiate). Within the past three years, Disney has ceased retail sales without  
18 notification and without good faith renegotiation, all in contravention of the April  
19 1983 Side Letter.

20 155. Slesinger is informed and believes that Disney is calculating and  
21 reporting royalties, in whole or in part, not in accordance with the 1983  
22 Agreement but pursuant to the terms of the Milne Reversion Agreement. The  
23 Milne Reversion Agreement contains language that narrows and limits Disney’s  
24 royalty obligation under the 1983 Agreement. For example, the Milne Reversion  
25 Agreement uses the words “gross received, retained and irrevocably earned”; the  
26 1983 Agreement uses the words “gross received.”

27 156. To avoid proper royalties to Slesinger, Disney has engaged in revenue  
28 stream shifting and other financial dealings, including, but not limited to:

- a. Exchanges of values in strategic alliances and not reporting or paying royalties on such exchanges;
- b. Exchanges of values to Disney “partners” who are “in behalf of” parties (e.g., Oriental Land Company for Tokyo Disney, and the Hong Kong Government for Hong Kong Disney);
- c. Converting revenues or anticipated revenues from Pooh Family of Characters to loan guarantees;
- d. Inter-Disney corporate relations; and
- e. Has structured its accounting practices not to retain records with sufficient detail based on accumulated and actual gross revenues generated by Disney, Disney affiliates, and global authorized parties.

157. Disney has also attempted to terminate the 1983 Agreement by negotiating and entering into agreements with Clare Milne (through her receiver) and Hunt resulting in the execution and service of the Termination Notices. Further, Disney used the execution and service by Clare Milne (through her receiver) and Hunt of the Termination Notices to try to counter the negative effect on the public markets for Disney securities as a result of rulings in the 1991 State Court Action that were materially adverse to Disney.

158. As a result of Disney’s material breaches, Slesinger has been damaged. Because of Disney’s actions, Slesinger does not know the exact amount of damage, but will prove the amount at trial after discovery.

WHEREFORE, Slesinger prays for relief as set forth herein.

**FIFTH CLAIM FOR RELIEF**  
**BREACH OF THE IMPLIED COVENANT**  
**OF GOOD FAITH AND FAIR DEALING**

159. Slesinger incorporates by reference each of the paragraphs set forth above as though fully set forth hereunder.

1 160. By way of this Fifth Claim for Relief, Slesinger is not asserting any  
2 claims which it is estopped from bringing due to the 1991 State Court Action.

3 161. Implied in the 1983 Agreement was a covenant by Disney that Disney  
4 would act in good faith and deal fairly with Slesinger and would do nothing to  
5 deprive Slesinger of the benefits of the 1983 Agreement.

6 162. Slesinger has performed all conditions, covenants and promises  
7 required on its part to be performed in accordance with the terms and conditions of  
8 the 1983 Agreement.

9 163. Disney has breached the implied covenant of good faith and fair  
10 dealing in the 1983 Agreement by failing to pay the proper royalties to Slesinger  
11 and additional acts in breach.

12 164. Contrary to the implied covenant of good faith and fair dealing,  
13 Disney has been and continues to try to dilute Slesinger's intellectual property  
14 rights and destroy its rights under the 1983 Agreement.

15 165. Despite its attempts to terminate the 1983 Agreement, Disney knew  
16 the 1983 Agreement was not subject to termination under the United States  
17 Copyright Act. Even though the 1983 Agreement involved the grants of rights  
18 other than rights under copyright, Disney orchestrated a plan to create the  
19 appearance that the 1983 Agreement could be terminated under the United States  
20 Copyright Act.

21 166. By inducing Clare Milne, by and through Coyne as her Receiver, and  
22 Hunt to serve the Termination Notices, Disney undertook a scheme intended to  
23 destroy Slesinger's rights (a) in and to the Pooh Brand, and (b) to receive royalties.  
24 Disney paid substantial funds under the 2001 Buyout Agreement and, under an  
25 indemnification provision of the Milne Reversion Agreement, has paid attorney's  
26 fees for Clare Milne and Hunt in this Action.

27 167. Further, Disney has used the funds otherwise payable to Slesinger to  
28 leverage its other business segments. For example, instead of paying funds owing

1 to Slesinger, Disney has commingled and converted the equivalent sums and used  
2 them to finance its Asian expansion and to reduce its debt. Because the royalty  
3 payable to Slesinger is based on all commercial exploitation (with minor  
4 exceptions), and because Disney conducts its business internationally, the  
5 consideration on which the royalty is based is dispersed among multiple revenue  
6 streams, multiple business segments, and multiple sub-licensees.

7 168. Finally, Disney has committed material breaches of the implied  
8 covenant of good faith and fair dealing in the 1983 Agreement by acquiring the  
9 Milne and Hunt interests in order to create the appearance to Disney shareholders  
10 that Disney could terminate Slesinger's rights in the 1983 Agreement.

11 169. Disney breached the implied covenant of good faith and fair dealing  
12 contained in the 1983 Agreement.

13 170. As a result of Disney's breach, Slesinger has been damaged. Because  
14 of Disney's actions, Slesinger does not know the exact amount of damage, but will  
15 prove the amount at trial after discovery.

16 WHEREFORE, Slesinger prays for relief as set forth herein.

17 **SIXTH CLAIM FOR RELIEF**

18 **FRAUD**

19 171. Slesinger incorporates by reference each of the paragraphs set forth  
20 above as though fully set forth hereunder.

21 172. By way of this Sixth Claim for Relief, Slesinger is not asserting any  
22 claims which it is estopped from bringing due to the 1991 State Court Action.

23 173. Since the signing of the 1983 Agreement, Disney has engaged in  
24 fraudulent conduct. Disney knows that the royalty statements it has provided to  
25 Slesinger are false. When Disney presents the royalty statements to Slesinger,  
26 Disney is making an implied statement that all gross revenues from the  
27 commercialization of the Pooh Elements were properly reported and paid by  
28 Disney, its affiliates, and in behalf of parties.



1 174. Disney has provided Slesinger with knowingly false statements with  
2 the intention that Slesinger rely on them. Slesinger has relied on the royalty  
3 statements to its detriment because it realistically has no way to independent verify  
4 the amounts stated in the statements.

5 175. Disney made representations regarding the accuracy and truthfulness  
6 of the royalty statements with the intent to deprive Slesinger of royalties and in  
7 conscious disregard of Slesinger' rights.

8 176. Though Slesinger has expended substantial effort to discover the  
9 truth, it has encountered great difficulties because of Disney's refusal to cooperate  
10 with audits and to provide complete information regarding accounting issues.   
11 Discovery by Slesinger also has been affected by Disney's historical destruction of  
12 records and Disney's inadequate accounting systems .

13 177. The aforementioned acts were done maliciously, oppressively, and  
14 with intent to defraud, and Slesinger is entitled to punitive and exemplary damages  
15 in an amount to be shown according to proof at the time of trial.

16 WHEREFORE, Slesinger prays for relief as set forth herein.

17 **SEVENTH CLAIM FOR RELIEF**

18 **DECLARATORY RELIEF AS TO THE 1983 AGREEMENT**

19 178. Slesinger incorporates by reference each of the paragraphs set forth  
20 above as though fully set forth hereunder.

21 179. A justiciable controversy exists between Slesinger and Disney with  
22 respect to the parties respective rights and obligations under the 1983 Agreement  
23 as a result of Disney's material breaches of the 1983 Agreement.

24 180. As a result, Slesinger seeks a declaration as follows:

25 a. The grant of rights to Disney contained in the 1983 Agreement  
26 is terminated and without legal effect.

27 b. The effect of the termination of the grant of rights to Disney  
28 contained in the 1983 Agreement is as follows:

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- (i) All of Disney’s rights in and to the Pooh Elements are terminated.
- (ii) All of the rights described in the 1983 Agreement shall revert to Slesinger, including, but not limited to:
  - (a) The sole and exclusive United States and Canadian rights for radio, television and other broadcasting,
  - (b) The sole and exclusive United States and Canadian rights for merchandising,
  - (c) Recording rights,
  - (d) The sole and exclusive United States and Canadian rights for third-party licensing, and
  - (e) The sole and exclusive United States and Canadian rights for future sound, word, and picture technology rights.

c. The transfer of the Additional Rights described in the Milne Reversion Agreement has not been effected and that Slesinger retains these Additional Rights.

181. A judicial declaration is necessary and appropriate at this time in order that Slesinger may ascertain its rights and duties with respect to the 1983 Agreement.

WHEREFORE, Slesinger prays for relief as set forth herein.

**EIGHTH CLAIM FOR RELIEF**  
**DECLARATORY RELIEF RE INVALIDITY OF HUNT TERMINATION NOTICE**

182. Slesinger incorporates by reference each of the paragraphs set forth above as though fully set forth hereunder.

1 183. The Termination Notice allegedly served by Hunt on or about  
2 **November 4, 2002** is void and legally ineffective, and Slesinger seeks a  
3 declaration from the Court to that effect, because: (a) the Termination Notice has  
4 failed to comply with the requirements of the United States Copyright Act as to  
5 identification of the grants purportedly terminated and of the works allegedly  
6 covered by such Termination Notice; and/or because (b) Slesinger's rights at issue  
7 are not encompassed by the grants purportedly identified in such Termination  
8 Notice but are included in other agreements or were otherwise obtained by  
9 Slesinger, including but not limited to, by virtue of agreements, consents, or by  
10 operation of law; and/or (c) neither Clare Milne, Disney, nor Hunt has established  
11 that Ernest H. Shepard was an author of the works identified in the Termination  
12 Notice or possessed any rights under copyrights in such works.

13 WHEREFORE, Slesinger prays for relief as set forth herein.

14 **NINTH CLAIM FOR RELIEF**

15 **DECLARATORY RELIEF RE INVALIDITY OF**  
16 **THE REVERSION AGREEMENT**

17 184. Slesinger incorporates by reference each of the paragraphs set forth  
18 above as though fully set forth hereunder.

19 185. Slesinger has denied and continues to deny the validity of the Hunt  
20 Termination Notice.

21 186. The original grantee under the 1930s Grant was Stephen Slesinger  
22 and his successor, Slesinger. The only successor in title of Stephen Slesinger to  
23 the rights granted under the 1930s Grant was and is Slesinger.

24 187. Because Section 304(c)(6)(D) guarantees to the "original grantee" or  
25 its "successor in title" the exclusive right to enter into an agreement to make a  
26 further grant of rights terminated under Section 304 of the United States Copyright  
27 Act in the two-year period between service of the Termination Notices and their  
28 effective date, because Disney is neither the "original grantee" nor the "successor

1 in title,” and because the Reversion Agreement is a purported grant, as  
2 distinguished from an agreement to make a further grant, the Reversion Agreement  
3 is void *ab initio* and Slesinger seeks a declaration from the Court to that effect.

4 WHEREFORE, Slesinger prays for relief as set forth herein.

5 **TENTH CLAIM FOR RELIEF**

6 **INJUNCTIVE RELIEF**

7 188. Slesinger incorporates by reference each of the paragraphs set forth  
8 above as though fully set forth hereunder.

9 189. Disney has been engaged in a pattern of unfair competition, material  
10 breaches of the 1983 Agreement, and fraud, which has injured and continues to  
11 injure Slesinger.

12 190. Slesinger has no plain, adequate, speedy or complete remedy at law to  
13 address the wrongs alleged.

14 191. Slesinger will suffer great and irreparable harm if Disney’s wrongful,  
15 unlawful and unfair conduct continues, and only injunctive relief can prevent the  
16 same. If not so restrained, Disney’s wrongful conduct will continue, causing  
17 further irreparable injury to Slesinger.

18 192. Slesinger seeks an order enjoining and restraining Disney from  
19 engaging in unauthorized uses, distribution, or exploitation of the Pooh Family of  
20 Characters or the Pooh Elements outside the grant in the 1983 Agreement.

21 WHEREFORE, Slesinger prays for relief as set forth herein.

22 **ELEVENTH CLAIM FOR RELIEF**

23 **LIMITED SCOPE OF HUNT TERMINATION NOTICE**

24 193. Slesinger incorporates by reference each of the paragraphs set forth  
25 above as though fully set forth hereunder.

26 194. Disney seeks a declaration from this Court that, as a result of the Hunt  
27 Termination Notice, the 1983 Agreement between Slesinger and Disney

1 terminated as a matter of law on **November 4, 2004**, and Disney is not required to  
2 pay Slesinger royalties under the 1983 Agreement after that date.

3 195. If the Hunt Termination Notice were adjudged to be valid, any  
4 termination by Hunt pursuant to § 304(d) of the United States Copyright Act  
5 would not have any effect on the 1983 Agreement.

6 196. Moreover, if the Hunt Termination Notice were adjudged to be valid,  
7 Disney's royalty obligations to Slesinger under the 1983 Agreement, under legal  
8 and equitable principles, will remain in force notwithstanding the Hunt  
9 Termination Notice.

10 WHEREFORE, Slesinger prays for relief as set forth herein.

11 **TWELFTH CLAIM FOR RELIEF**

12 **VIOLATION OF CALIFORNIA BUSINESS**

13 **AND PROFESSION CODE § 17200 et seq.**

14 **AND UNFAIR COMPETITION**

15 197. Slesinger incorporates by reference each of the paragraphs set forth  
16 above as though fully set forth hereunder.

17 198. Disney induced Hunt and Coyne (purportedly acting on Milne's  
18 behalf) each to serve Termination Notices upon Slesinger and thereafter entered  
19 into the Reversion Agreements with Milne and Hunt.

20 199. These aforementioned actions were calculated by Disney to destroy  
21 Slesinger's rights and interest under the 1983 Agreement and thereby evade  
22 Disney's royalty obligations to Slesinger.

23 200. Whether or not the Hunt Termination Notice is invalid, Disney's  
24 actions constitute an unlawful and unfair business practice within the meaning of  
25 California Business and Profession Code § 17200 et seq.

26 201. Whether or not the Hunt Termination Notice is invalid, Disney's  
27 actions constitute unfair competition under the common law.

1           202. This Court should use its equitable powers to declare that the grant of  
2 rights to Disney contained in the 1983 Agreement is terminated and without legal  
3 effect. The effect of the termination of the grant of rights to Disney contained in  
4 the 1983 Agreement would be as follows:

5           a. All of Disney's rights in and to the Pooh Elements are  
6 terminated.

7           b. All of the rights described in the 1983 Agreement shall revert  
8 to Slesinger, including, but not limited to:

9                   (i) The sole and exclusive U.S. Canadian rights for radio,  
10                   television and other broadcasting,

11                   (ii) Merchandising rights,

12                   (iii) Recording rights, and

13                   (iv) Third-party licensing rights.

14           204. If this Court uses its equitable powers to declare that the grant of  
15 rights to Disney contained in the 1983 Agreement is terminated and without legal  
16 effect, then the effect of the termination of the grant of rights to Disney contained  
17 in the 1983 Agreement also would be as follows:

18           a. Restitution from Disney of Slesinger's interest in the Pooh  
19 Elements; and

20           b. A permanent injunction against Disney prohibiting Disney  
21 from exploiting the Pooh Elements if Disney does not compensate Slesinger and  
22 from taking any action that would destroy, injure, or otherwise impair Slesinger's  
23 rights and interest in the Pooh Elements.

24           WHEREFORE, Slesinger prays for relief as set forth herein.

25                                   **PRAYER FOR RELIEF**

26           Wherefore, Slesinger prays for relief as follows:

27           1. Compensatory and general damages in excess of **Two Billion**  
28 **Dollars**, the exact amount according to proof;

- 1           2.     Special damages according to proof;
- 2           3.     The profits of Disney that are attributable to Disney's acts of
- 3 infringement, and/or a reasonable royalty, according to proof;
- 4           4.     A declaratory judgment adjudging and declaring that:
- 5                 a.     The grant of rights to Disney contained in the 1983 Agreement
- 6 is terminated and without legal effect.
- 7                 b.     The effect of the termination of the grant of rights to Disney
- 8 contained in the 1983 Agreement is as follows:
- 9                         (i)     All of Disney's rights in and to the Pooh Elements are
- 10 terminated.
- 11                         (ii)    All of the rights described in the 1983 Agreement shall
- 12 revert to Slesinger, including, but not limited to:
- 13                                 (a)    The sole and exclusive United States and
- 14   Canadian rights for radio, television and other
- 15   broadcasting,
- 16                                 (b)    The sole and exclusive United States and
- 17   Canadian rights for merchandising,
- 18                                 (c)    Recording rights,
- 19                                 (d)    The sole and exclusive United States and
- 20   Canadian rights for third-party licensing, and
- 21                                 (e)    The sole and exclusive United States and
- 22   Canadian rights for future sound, word, and
- 23   picture technology rights.
- 24           c.     The transfer of the Additional Rights described in the Milne
- 25 Reversion Agreement has not been effected and that Slesinger retains these
- 26 Additional Rights.
- 27
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1           5.     A preliminary and permanent injunction enjoining and restraining  
2 Disney from engaging in any unauthorized uses, distribution, or exploitation of the  
3 Pooh Family of Characters or the Pooh Elements.

4           6.     Punitive damages due to Disney's fraudulent conduct.

5           7.     The imposition of a constructive trust on the amounts Disney has  
6 underpaid Slesinger according to Disney's obligations under the 1983 Agreement.

7           8.     The imposition of a constructive trust on Disney of the amounts owed  
8 Slesinger according to Disney's royalty obligations under the 1983 Agreement,  
9 which Disney used as leverage to benefit its various business segments and profit  
10 centers, both in the United States and in foreign countries.

11          9.     If the Hunt Termination Notice is adjudged valid, a declaration that  
12 any termination by Hunt pursuant to § 304(d) of the United States Copyright Act:

13           a.     could only affect rights under United States copyright granted  
14 thereunder as set forth in § 304 of the United States Copyright Act; and

15           b.     would not have any effect on Disney's royalty obligations to  
16 Slesinger under the 1983 Agreement and that such royalty obligations, under legal  
17 and equitable principles, will remain in force notwithstanding the Hunt  
18 Termination Notice.

19          10.    If the Hunt Termination Notice is adjudged to be valid, and the relief  
20 in paragraph 10, above, is not awarded, in the alternative, a declaration that any  
21 such terminated rights which Disney acquires for itself, and the proceeds thereof,  
22 must be held by Disney in actual or constructive trust for Slesinger's benefit.

23          11.    For violation of Section 17200 *et seq.* of the California Business and  
24 Profession Code:

25           a.     A declaration that the grant of rights to Disney contained in the  
26 1983 Agreement is terminated and without legal effect. The effect of the  
27 termination of the grant of rights to Disney contained in the 1983 Agreement  
28 would be as follows:



1 (i) All of Disney's rights in and to the Pooh Elements are  
2 terminated.

3 (ii) All of the rights described in the 1983 Agreement shall  
4 revert to Slesinger, including, but not limited to:

5 (a) The sole and exclusive United States and  
6 Canadian rights for radio, television and other  
7 broadcasting,

8 (b) The sole and exclusive United States and  
9 Canadian rights for merchandising,

10 (c) Recording rights,

11 (d) The sole and exclusive United States and  
12 Canadian rights for third-party licensing, and

13 (e) The sole and exclusive United States and  
14 Canadian rights for future sound, word, and  
15 picture technology rights.

16 b. If this Court uses its equitable powers to declare that the grant  
17 of rights to Disney contained in the 1983 Agreement is terminated and without  
18 legal effect, then the effect of the termination of the grant of rights to Disney  
19 contained in the 1983 Agreement also would be as follows:

20 (i) Restitution from Disney of Slesinger's interest in the  
21 Pooh Elements; and

22 (ii) A permanent injunction against Disney prohibiting  
23 Disney from exploiting the Pooh Elements if Disney does not compensate  
24 Slesinger and from taking any action that would destroy, injure, or otherwise  
25 impair Slesinger's rights and interest in the Pooh Elements.

26 12. Prejudgment interest at the legal rate.

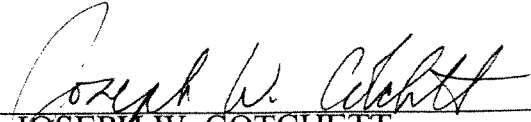
27 13. Reasonable attorneys' fees and costs, including attorneys' fees and  
28 costs under, *inter alia*, § 505 of the United States Copyright Act; and

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14. All such other and further relief as the Court deems just and proper.

Dated: October \_\_, 2006

**COTCHETT, PITRE, SIMON & McCARTHY**

By:   
JOSEPH W. COTCHETT  
*Attorneys for Defendant and  
Counterclaimant Stephen Slesinger, Inc.*


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**JURY DEMAND**

Plaintiff Stephen Slesinger, Inc. demands a jury trial on all issues so triable.

Dated: October 6, 2006

**COTCHETT, PITRE, SIMON & McCARTHY**

By:   
JOSEPH W. COTCHETT  
*Attorneys for Defendant and  
Counterclaimant Stephen Slesinger, Inc.*

# **EXHIBIT B**

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DISNEY COMPANY, AND WALT DISNEY  
9 PRODUCTIONS

10 UNITED STATES DISTRICT COURT  
11 CENTRAL DISTRICT OF CALIFORNIA

12 CLARE MILNE, an individual, by  
13 and through MICHAEL JOSEPH  
14 COYNE, her RECEIVER, and  
DISNEY ENTERPRISES, INC.

15 Plaintiffs,

16 v.

17 STEPHEN SLESINGER, INC.,

18 Defendant.

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20 STEPHEN SLESINGER, INC.,

21 Counter-Claimant,

22 v.

23 DISNEY ENTERPRISES, INC.;  
24 THE WALT DISNEY COMPANY;  
and WALT DISNEY  
25 PRODUCTIONS,

26 Counter-Defendants.  
27  
28

Case No. CV-02-08508 FMC (PLAx)

**DISNEY'S MOTION FOR  
SUMMARY JUDGMENT ON SSI'S  
COUNTERCLAIMS, OR IN THE  
ALTERNATIVE, FOR SUMMARY  
ADJUDICATION**

The Hon. Florence-Marie Cooper

Date: August 24, 2009  
Time: 10:00 a.m.  
Place: Courtroom 750

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1 **I. INTRODUCTION.**

2 For 13 years, SSI argued in state court that the parties' 1983 Agreement  
3 assigned to Disney all the merchandising and other rights to the Winnie the Pooh  
4 characters SSI had obtained from A.A. Milne and sought royalties based on that  
5 assertion. In 2004, SSI's misconduct in pursuing those claims resulted in the  
6 termination of its state court action. SSI then re-filed in this Court the same claims  
7 for royalties on Disney's uses of the Pooh characters—but also filed infringement  
8 claims on the antithetical premise that it had not authorized Disney to engage in  
9 those uses. The Court's May 19, 2009 Order dismissed with prejudice SSI's re-  
10 filed claims. That Order also invited Disney to renew the portion of its original  
11 summary judgment motion addressing SSI's infringement claims.

12 There are three independently sufficient reasons to grant summary judgment  
13 on those claims. First, the plain language of the 1983 Agreement, as underscored  
14 by SSI's conduct and admissions, establishes that SSI assigned to Disney whatever  
15 rights it received from Milne, and that there is no basis for a claim by SSI that  
16 Disney was not authorized to make full use of those rights. Second, the equitable  
17 doctrines of judicial estoppel and quasi estoppel require that SSI not be permitted to  
18 contradict in this Court its admissions in state court that it assigned to Disney all of  
19 the rights it obtained from Milne and authorized Disney's use of those rights.  
20 Third, SSI's infringement counterclaims are as irrevocably tainted by its  
21 misconduct in state court as were the contract and fraud counterclaims the Court  
22 recently dismissed. As a result, the collateral estoppel effect of the state court's  
23 findings also requires dismissal.

24 SSI's infringement claims are not just groundless; they are impossible. For  
25 nearly 50 years, SSI acknowledged that Disney was authorized—indeed,  
26 compelled—to zealously exploit the rights to the Pooh characters that SSI had  
27 received from Milne. It authorized Disney by signing two contracts, first in 1961  
28 and again in 1983, pursuant to which SSI transferred all of its rights in exchange for

1 royalty payments. It watched for decades as Disney transformed Pooh into a  
2 worldwide phenomenon while continuously accepting royalty payments from  
3 Disney—approximately \$130 million to date. SSI never before asserted that  
4 Disney was without authority to exploit rights to Pooh. To the contrary, before this  
5 action, SSI consistently and without exception maintained that the 1961 and 1983  
6 Agreements conveyed to Disney *all* of SSI's rights, authorized Disney to make use  
7 of those rights, and obligated Disney to pay royalties on all uses. It demanded  
8 royalty payments under the 1983 Agreement, asserting that it granted to Disney all  
9 of its rights, encompassing *every* actual and possible form of commercial  
10 exploitation by Disney, in *every* medium—an unequivocal and undeniable  
11 acknowledgment that those uses are authorized. No claim of infringement is  
12 possible in these circumstances.

13 **II. SSI'S INFRINGEMENT CLAIMS SHOULD BE DISMISSED.**

14 There are several reasons why SSI does not have standing to bring an  
15 infringement action. An infringement plaintiff must demonstrate its "ownership of  
16 the allegedly infringed material" at the time of the alleged infringement. *A&M*  
17 *Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 (9th Cir. 2001). By the plain  
18 language of the parties' agreements, SSI "assigns" to Disney ownership of all of  
19 SSI's intellectual property rights to the Winnie the Pooh works and characters  
20 ("Pooh Rights"). Thus, SSI has no ownership interest in the Pooh Rights. That fact  
21 alone requires dismissal of SSI's infringement claims.

22 Moreover, SSI's course of conduct under the 1961 and 1983 Agreements  
23 establishes beyond doubt that SSI authorized every use of the Pooh characters that  
24 it now labels infringement. But an infringement claim only lies if the allegedly  
25 infringing conduct was unauthorized—*i.e.*, the defendant's use of the intellectual  
26 property was without consent. *See* 15 U.S.C. § 1114(1) (Lanham Act trademark  
27 infringement claim requires that defendant's use be "without consent"); *Los*  
28 *Angeles News Serv. v. Tullo*, 973 F.2d 791, 800-01 (9th Cir. 1992) (copyright

1 infringement claim requires that defendant's use be "without [plaintiff's]  
2 consent."). That Disney was assigned all of the Pooh Rights and authorized to  
3 make full use of them is expressed in the parties' agreements and confirmed by  
4 SSI's binding and sworn statements in state court. Indeed, that was the governing  
5 premise of SSI's state court action for royalties on every Disney use of the Pooh  
6 characters.

7 A. **The Plain Language of the 1983 Agreement Establishes that SSI**  
8 **Assigned to Disney All of Its Interest in the Pooh Rights.**

9 "Summary judgment is appropriate when the contract terms are clear and  
10 unambiguous, even if the parties disagree as to their meaning." *United States v.*  
11 *King Features Entm't, Inc.*, 843 F.2d 394, 398 (9th Cir. 1988). The terms of the  
12 parties' 1983 Agreement are clear and unambiguous, and establish that whatever  
13 rights SSI obtained from Milne, it assigned to Disney. In 1930, A.A. Milne granted  
14 to Stephen Slesinger certain radio, television, and merchandising rights to the Pooh  
15 characters in the United States and Canada. After Slesinger's death, his company  
16 SSI assigned all of the Pooh Rights to Disney through a 1961 Agreement in return  
17 for a modest initial payment and a promise to make royalty payments. (Ex. 1.)<sup>1</sup>

18 Specifically, paragraph 4 of the 1961 Agreement "assigns, grants, and sets  
19 over unto" Disney the radio and television rights SSI obtained from Milne,  
20 including the right "to project, exhibit and broadcast visually and audibly . . . by  
21 any process now known or hereaf[ter] devised analogous thereto." (Ex. 1 ¶ 4.) In  
22 paragraph 5, SSI "assigns, grants, and sets over unto" Disney "all of the further  
23 rights in and to said 'work' which are set forth in Paragraph 3," subject to certain  
24 licenses with third parties (which are not at issue). (*Id.* ¶ 5.)<sup>2</sup>

25 \_\_\_\_\_  
26 <sup>1</sup> As instructed in the Court's May 19, 2009 Order, Disney has not re-  
27 submitted any exhibits submitted with its earlier Motion for Summary Disposition,  
and therefore refers to them by their original designation (unless otherwise  
specified).

28 <sup>2</sup> Throughout its litigation with Disney, SSI has advanced very broad royalty  
claims on the theory that the rights it transferred to Disney were all-encompassing.

1 That the 1961 Agreement assigned to Disney all of SSI's Pooh Rights is  
2 beyond dispute. The first recital in the parties' 1983 Agreement states that SSI  
3 "assigned those rights it had acquired from A.A. Milne to Disney by . . . the '1961  
4 Agreement.'" (Ex. 2 at 1.) As a matter of law, "facts recited in a written  
5 instrument are conclusively presumed to be true as between the parties." CAL.  
6 EVID. CODE § 622.<sup>3</sup> Additionally, SSI attested in a verified interrogatory response  
7 in state court that: "Slesinger . . . licens[ed] to Disney in 1961 *all of the rights,*  
8 *including all 'further rights' which Slesinger held,* including rights to future means  
9 of commercial exploitation which might become viable in the future." (Ex. 23 at  
10 5:28-6:3 (emphasis added).)

11 Nothing changed in 1983, when the parties revoked the 1961 Agreement and  
12 simultaneously entered into a re-transfer of all the same rights. As the Ninth  
13 Circuit explained, the 1983 Agreement "provided for the revocation of the 1930  
14 and 1961 agreements in favor of the new agreement, followed by the re-granting  
15 . . . of the rights" from Milne to SSI and then from SSI to Disney. *Milne ex rel.*  
16 *Coyne v. Stephen Slesinger, Inc.*, 430 F.3d 1036, 1040 (9th Cir. 2005). The parties  
17 ensured that the re-grant mirrored the 1961 Agreement by using the identical form  
18 and terminology.<sup>4</sup> For example, paragraph 7 of the 1983 Agreement—like

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19 Disney defended on the basis that SSI's rights were narrow, and that much of the  
20 total body of Pooh-related rights had come to Disney from Milne. The parties' past  
21 disagreement is immaterial, since SSI's contract claims have been dismissed with  
22 prejudice. On this Motion, what is relevant is that whatever the scope of SSI's  
23 rights, they were conveyed to Disney in their entirety.

24 <sup>3</sup> Federal Rule of Evidence 302 makes this presumption applicable in this  
25 action, and federal law is to the same effect. *See, e.g., City of Chicago v. Joseph*,  
26 95 F.2d 444, 446 (7th Cir. 1938) (recital in contract creates an estoppel); *Jackson v.*  
27 *Iris.com*, 524 F. Supp. 2d 742, 749 (E.D. Va. 2007).

28 <sup>4</sup> A side-by-side comparison of the key provisions of the 1961 and 1983  
Agreements readily demonstrates that no change was intended. For the Court's  
convenience, Exhibit A to the Declaration of Cassandra Seto is a chart displaying  
the operative sections of the two agreements. The parallel between these two  
agreements evidences that the parties intended both to have the same effect. *See 2*  
*RESTATEMENT OF CONTRACTS (SECOND) § 2.14(c) (1979)* ("Agreements and  
negotiations prior to or contemporaneous with the adoption of a writing are  
admissible in evidence to establish . . . the meaning of the writing, whether or not  
integrated.").

1 paragraph 4 of the 1961 Agreement—“*assigns, grants, and sets over* unto Disney  
2 the sole and exclusive right in the United States and Canada to project, exhibit and  
3 broadcast visually and audibly” by television, radio, “or by any process now  
4 known or hereafter devised analogous thereto.” (Ex. 2 ¶ 7 (emphasis added); Ex. 1  
5 ¶ 4.) Paragraph 8 of the 1983 Agreement—like paragraph 5 of the 1961  
6 Agreement—“*assigns, grants, and sets over* unto Disney *all of the further rights*”  
7 of SSI to the Pooh characters.<sup>5</sup> (Ex. 2 ¶ 8 (emphasis added); Ex. 1 ¶ 5.)<sup>6</sup>

8 Under the plain meaning rule, the word “all” in the 1983 Agreement means  
9 “all.” In *Yount v. Acuff-Rose-Opryland*, 103 F.3d 830, 836 (9th Cir. 1996), the  
10 Ninth Circuit considered an agreement by which songwriter Yount “assigned ‘all’  
11 of his rights, title, and interest in the song.” *Id.* The court held that “[t]hose terms,  
12 if read in their ‘ordinary and popular sense,’ would encompass *all* of Yount’s  
13 royalty rights.” *Id.* (original emphasis).

14 **B. The 1983 Agreement Was an Assignment, Not a License.**

15 In regard only to its trademark infringement claim, and notwithstanding the  
16 unambiguous meaning of “all further rights” and “assigns, grants, and sets over,”  
17 SSI makes the fallback argument that even if Disney was authorized to use Pooh  
18 trademarks under the 1983 Agreement, that authorization was through a mere  
19 license rather than an assignment of ownership, requiring the Court to order the  
20 United States Patent and Trademark Office to transfer ownership of all Pooh  
21 trademarks registered in Disney’s name to SSI. (Ex. 12 ¶ 137.) But SSI’s  
22 characterization of the 1983 Agreement as a license is directly refuted by

23  
24 <sup>5</sup> Paragraph 8 contains a typographical error. In referring to SSI’s “further  
25 rights,” it incorrectly references Paragraph 6 instead of Paragraph 5 as the location  
of those “further rights.” This error was corrected in an April 1, 1983 side letter.  
(Ex. 3.)

26 <sup>6</sup> Although not at issue, the 1961 Agreement authorized SSI to make short-  
27 term non-exclusive grants of certain rights to third parties. (See Ex. 1 ¶ 8 (“the  
28 seller may continue to enter into and to extend license agreements for periods of not  
more than two years, in the same manner as heretofore.”).) There is no parallel  
provision in the 1983 Agreement. (See Ex. 2.)

1 paragraphs 7 and 8, which “assign” all the Pooh Rights to Disney. (Ex. 2 ¶¶ 7-8.)  
2 Moreover, as “a transfer by the assignor of all rights in the property assigned to the  
3 assignee . . . [which] effects an absolute and irrevocable transfer of ownership,” the  
4 1983 Agreement constitutes an assignment for that reason as well. *Artoc Bank &*  
5 *Trust, Ltd. v. Apex Oil Co.*, 975 F.2d 1365, 1369 (8th Cir. 1992).

6 Indeed, the 1983 Agreement manifests an assignment by every criterion that  
7 courts employ to distinguish between assignments and licenses:

- 8 • The 1983 Agreement twice uses the term “assign.” (Ex. 2 ¶¶ 7-8.) The  
9 word “license” never appears.
- 10 • The 1983 Agreement has two transfers, first from Milne to SSI (Ex. 2 ¶  
11 4), and second from SSI to Disney. (*Id.* ¶¶ 7-8.) Both transfers use the  
12 same language. SSI nonetheless contends that while the transfer from  
13 Milne to SSI was an assignment, the exact same language did not result  
14 in an assignment from SSI to Disney. (Ex. 12 ¶ 69.) That is not  
15 remotely plausible.
- 16 • The 1983 Agreement replaced the 1961 Agreement. *See Milne*, 430 F.3d  
17 at 1040. In the 1983 Agreement, the parties refer to the 1961 Agreement  
18 as an assignment—“Slesinger assigned those rights it had acquired.”  
19 (Ex. 2 at 1.) There is nothing to suggest the parties intended to replace  
20 the assignment with a license. In fact, the 1961 Agreement refers to SSI  
21 as “seller” and Disney as “purchaser.” (Ex. 1 at 1 (emphasis added).)
- 22 • Paragraph 11 of the 1983 Agreement refers to SSI’s right to “reacquire”  
23 the rights granted to Disney. (Ex. 2 ¶ 11.) The language of reacquisition  
24 denotes an assignment, not a license. *See, e.g., Graham v. Comm’r*, 26  
25 T.C. 730, 735, 740 (T.C. 1956) (transfer of patent rights was an  
26 assignment even though contract provided for reversion of “ownership  
27 [in] the event of termination” before expiration).

28

1 Finally, the 1983 Agreement contains none of the provisions traditional to  
2 the trademark *license* SSI claims the parties intended. There is no provision for  
3 continuing quality control. See *Edwin K. Williams & Co. v. Edwin K. Williams &*  
4 *Co.-E.*, 377 F. Supp. 418, 424 (C.D. Cal. 1974). There is no provision defining  
5 what rights SSI retained or resolving potential conflicts that might arise between  
6 the parties' rights. See *ICEE Distribs., Inc. v. J&J Snack Foods Corp.*, 325 F.3d  
7 586, 598-99 (5th Cir. 2003). *Contra Multimin USA, Inc. v. Walco Int'l, Inc.*, 2007  
8 WL 1686511, at \*3 (N.D. Tex. Jun. 8, 2007). There is no provision prohibiting  
9 Disney from assigning its rights. See, e.g., 3 ROGER M. MILGRAM, MILGRAM ON  
10 LICENSING § 28.22 (2007) (to effectively restrict licensee's use of trademark,  
11 license agreement should contain no-assignment clause). There is no provision  
12 restricting the registration of trademarks by Disney. Cf. 3 J. THOMAS MCCARTHY,  
13 MCCARTHY ON TRADEMARKS § 18.64 (2008).

14 C. **SSI's Conduct and Binding Admissions for Nearly 50 Years**  
15 **Underscores the Plain Language of the 1983 Agreement and**  
16 **Dispositively Contradicts SSI's Current Position.**

17 At no point since 1961 did SSI ever contest or question Disney's exercise of  
18 rights that SSI now says Disney does not have. To the contrary, SSI has  
19 consistently sought to enforce the 1983 Agreement on a clear and singular basis—  
20 that SSI obtained a broad grant of rights from Milne and, in turn, granted those  
21 rights to Disney. It was only after SSI was foreclosed from succeeding on such a  
22 claim that it reversed course and pursued an impossibly inconsistent set of  
23 allegations—that it had not, after all, assigned to Disney those very same rights.  
24 (Ex. 12 ¶¶ 118, 120, 132.)

25 One of the most powerful canons of contract interpretation prevents SSI's  
26 attempt to rewrite its own history in this fashion. The "acts and conduct of the  
27 parties . . . is entitled to great weight . . . . The conduct of the parties . . . affords the  
28 most reliable evidence of the parties' intentions." *Employers Reins. Co. v. Super.*



1 *Ct.*, 161 Cal. App. 4th 906, 921 (2008) (internal citation omitted); *see also*  
2 *Universal Sales Corp. v. Cal. Press Mfg. Co.*, 20 Cal. 2d 751, 761-62 (1942).

3 **1. SSI Did Not Challenge Disney's Public Assertions of**  
4 **Ownership of the Pooh Trademarks and Copyrights.**

5 During the period between the execution of the 1983 Agreement and SSI's  
6 first assertion of an ownership interest in 2006, Disney registered at least 15  
7 trademarks based on the Pooh works in the United States. (Declaration of Steven  
8 A. Plotkin ¶ 3, Ex. A.) SSI was on constructive notice of Disney's claim of  
9 ownership to each such trademark: "Registration of a mark on the principal register  
10 provided by this chapter . . . shall be constructive notice of the registrant's claim of  
11 ownership thereof." 15 U.S.C. § 1072; *see also Dep't of Parks & Rec. for State of*  
12 *Cal. v. Bazaar Del Mundo Inc.*, 448 F.3d 1118, 1131 (9th Cir. 2006) ("under 15  
13 U.S.C. § 1072 registration serves as constructive notice of the registrant's claim to  
14 ownership"). SSI never objected to Disney's applications for trademark  
15 registrations until after its state court action had been dismissed. (Plotkin Decl. ¶  
16 4.) Then, in a transparent attempt to lend credence to the infringement claims it  
17 filed in this Court, one month later SSI initiated a trademark cancellation  
18 proceeding before the Patent and Trademark Office against all of Disney's Pooh  
19 trademark registrations—the first such challenge it had ever made. (Seto Decl. ¶ 3,  
20 Ex. B.)

21 Copyright registration also serves as constructive notice of a claim to  
22 ownership. *Johnson v. Jones*, 149 F.3d 494, 505 (6th Cir. 1998) ("Constructive  
23 notice of a valid copyright is presumed upon registration."). In 2004 alone, the year  
24 SSI's state action was dismissed, Disney registered copyrights in 45 works  
25 featuring the Pooh characters, and renewed copyright registrations for an additional  
26 14 such works, in the United States Copyright Office. (Seto Decl. ¶ 4, Exs. C, D.)  
27 However, despite engaging in "litigation misconduct run riot" against Disney,  
28 *Stephen Slesinger, Inc. v. Walt Disney Co.*, 155 Cal. App. 4th 736, 741 (2007), SSI

1 never filed a copyright infringement action regarding Disney's use of the Pooh  
2 Rights. Nor did SSI object to Disney's public assertions of its ownership rights in  
3 federal court infringement actions against third parties making unauthorized uses of  
4 the Pooh characters. In 2004 alone, Disney filed seven copyright and trademark  
5 infringement actions just in the Central District of California against defendants  
6 making unauthorized use of the Pooh characters. (Seto Decl. ¶ 5, Ex. E (judgments  
7 on four of those actions were obtained in 2005).)

8 SSI's acceptance without objection of Disney's continuous, public assertion  
9 of ownership of the Pooh Rights cannot be reconciled with SSI's new allegation—  
10 after its state court action had been dismissed—that Disney has for decades been  
11 engaged in notorious infringement. The reason SSI never objected is that it  
12 recognized that it transferred all of its rights to Disney. In fact, SSI's state court  
13 claims were grounded on SSI's acknowledgement of that fact, as it claimed  
14 royalties on every actual or possible use by Disney of the Pooh characters.

15 **2. SSI's Conduct—and Admissions—in State Court**  
16 **Foreclose Its Claims of Infringement Here.**

17 SSI's entire goal in state court was to maximize its royalties under the 1983  
18 Agreement. As a result, throughout that litigation SSI embraced the Agreement's  
19 explicit expression of a complete transfer of SSI's Pooh Rights to Disney,  
20 originally in 1961 and again in 1983. The "FACTS" section of SSI's state court  
21 complaint methodically traces the Pooh Rights' chain of title: (1) Milne executed a  
22 "written grant" to SSI in the 1930s (Ex. 6 ¶ 3); (2) SSI "granted to Disney" those  
23 rights in 1961 (*id.* ¶ 5); (3) by the 1983 Agreement, the parties "revoked" the 1930  
24 and 1961 agreements (*id.* ¶ 7); and (4) simultaneously, "the Milne Trust made a  
25 new 1983 grant of the Pooh Rights to Slesinger . . . and . . . Slesinger made a new  
26 grant of those rights to Disney." (*Id.* (emphasis added).)

27 In another state court pleading, SSI again confirmed that the wholesale  
28 transfer of Pooh Rights to Disney effected by the 1961 Agreement (as recounted in

1 the binding recital in the 1983 Agreement) recurred in 1983: “SSI entered into an  
2 agreement with Disney . . . which incorporated the material terms of the 1961  
3 Agreement between Slesinger and Disney, superseded that former agreement, and  
4 *perpetuated the relationship beyond 1983.*” (Ex. 21 at 5:2-7 (emphasis added).)  
5 SSI’s multiple acknowledgements that the 1961 and 1983 Agreements were an  
6 unbroken transfer of rights from Milne to SSI to Disney deserve substantial weight  
7 in the Court’s consideration of summary disposition. “Pleadings in a prior case  
8 may be used as *evidentiary admissions.*” *Williams v. Union Carbide Corp.*, 790  
9 F.2d 552, 556 (6th Cir. 1986) (emphasis added).

10 SSI made additional admissions in state court, including statements under  
11 oath, that utterly negate its last-minute infringement claims. While SSI now asserts  
12 that the 1983 Agreement reserved to it certain uses of the Pooh characters, in  
13 support of its state court claim for greater royalties, SSI took the opposite position,  
14 alleging it was entitled to royalties from Disney because it had “turned over its  
15 valuable rights to Disney . . . in exchange for a share of the receipts from  
16 exploitation of the Pooh Characters.” (Ex. 6 ¶ 8; Ex. 14 at 5:23-24 (“SSI regranted,  
17 licensed and assigned *all . . . acquired rights* to Disney.”) (emphasis added).) If, as  
18 SSI now contends, Disney’s uses were without permission, (Ex. 12 ¶¶ 118, 120,  
19 132), SSI would not have filed in 1991 a breach of contract action for non-payment  
20 of royalties, but rather the same infringement action it now wrongly pursues. SSI  
21 did not claim infringement before—and cannot now—because inherent in its state  
22 court contention that the 1983 Agreement required Disney to pay royalties on every  
23 use of the Pooh Rights is an inescapable acknowledgement that Disney was  
24 authorized to engage in those uses.

25 That the 1983 Agreement assigned to Disney every use of the Pooh Rights,  
26 and that SSI knew and admitted it, is demonstrated by the 100% match between the  
27 uses SSI now identifies as unauthorized and thus infringing and the uses it claimed  
28 in state court were royalty-bearing and thus authorized. Paragraph 132 of SSI’s

1 counterclaim lists 15 types of supposedly infringing uses (termed “mediums” by  
2 SSI), including such items as “Internet use,” “advertising uses,” and “Internet  
3 computer games.” (Ex. 12 ¶ 132.) In state court, SSI asserted a right to royalties  
4 for every one of those same “mediums” under the 1983 Agreement, thereby  
5 acknowledging Disney’s right to use every one under that Agreement.

6 SSI made that acknowledgement in state court in both pleadings and sworn  
7 interrogatory responses. SSI’s complaint alone had an exhaustive list, alleging that  
8 the “1983 Agreement requires Disney to pay Slesinger royalties” on: (1) “video  
9 cassettes, DVDs and other similar devices,” (2) “revenue of [Disney’s] licensees  
10 from exploitation of the Pooh Characters,” (3) “any and all ‘commercialization’ of  
11 the Pooh Characters, which includes any and all forms of commercial exploitation  
12 of such characters,” (4) “sale or other exploitation of computer software or similar  
13 products,” (5) “exploitation of Pooh Characters on the internet,” (6) “exploitation of  
14 items, things and services involving Pooh Characters, regardless of whether such  
15 exploitation employs some form of new technology,” and (7) “all sales of Pooh  
16 Merchandise by Disney or its affiliates.” (Ex. 6 ¶ 11.)

17 This list alone covers every infringing use identified in SSI’s counterclaims.  
18 For example, the first item SSI names in its counterclaims is “Internet use.” (Ex.  
19 12 ¶ 132.) But as noted above, SSI’s state court complaint identified the internet as  
20 a medium Disney was authorized to use and, it argued, should be royalty-bearing.  
21 Furthermore, in 1999 SSI’s president, Shirley Slesinger Lasswell—who executed  
22 the 1983 Agreement on SSI’s behalf—swore under oath in an interrogatory  
23 response that “SSI *granted Disney rights* which were necessary for Disney to  
24 exploit Winnie the Pooh through the use of the internet.” (Ex. 57 at 17:22-24  
25 (emphasis added).) In other interrogatory responses, SSI identified “internet uses”  
26 as a medium “Disney and its licensees are utilizing or have utilized” and for which  
27 SSI sought royalties. (See Seto Decl. ¶ 6, Ex. F at 13:23.)<sup>7</sup>

28 <sup>7</sup> Paragraph 132 also lists “advertising uses” as an infringing medium. (Ex.

1 SSI's sworn interrogatory responses bring every conceivable use of the Pooh  
2 characters into the ambit of authorized uses. Disney asked SSI to identify "all  
3 'uses' of the POOH CHARACTERS which YOU contend are royalty-generating  
4 pursuant to the 1983 Agreement." (Seto Decl. ¶ 6, Ex. F at 4:13-14.) SSI's  
5 response, again verified under oath by Ms. Lasswell, is encyclopedic. SSI first  
6 references the statement in paragraph 10(a) of the 1983 Agreement that "[i]n  
7 consideration of the grant [of rights to the Pooh characters]," Disney agrees to pay  
8 certain royalties. (*Id.* at 6:16-26; *see also* Ex. 2 ¶ 10(a).) SSI then asserts its claim  
9 to those royalties "in connection with any type of use of any or all of the Pooh  
10 Characters, now known or later discovered, from which Disney receives a benefit,  
11 both monetary and non-monetary, other than those uses which are explicitly  
12 excluded pursuant to the 1983 Agreement." (Seto Decl. ¶ 6, Ex. F at 6:22-26  
13 (original emphasis).) Finally, SSI provides eight densely-packed pages listing  
14 hundreds of individual uses within 23 general categories, starting with "[a]ll  
15 merchandise uses and consumer and trade products," and ending with "[a]ny other  
16 commercializations or commercial exploitations of the Pooh Characters." (*Id.* at  
17 7:6-14:11.)

18 That last category—"other . . . commercial exploitations"—has special  
19 import in light of SSI's argument in opposition to Disney's prior motion for  
20 summary disposition that the "further rights" referenced in paragraph 8 of the 1983  
21 Agreement are "more circumscribed than Disney claims." (Opp. to MSD at 26:18-  
22 21.) In the state court action, Disney served an interrogatory asking SSI to identify  
23 "the 'further rights'" Disney received "pursuant to paragraph 8 of the 1983  
24 Agreement." (Seto Decl. ¶ 6, Ex. F at 305:18-20.) SSI admitted under oath that the

25  
26 12 ¶ 132.) However, in support of its state court summary adjudication motion, SSI  
27 expressly recognized that it had authorized Disney to exploit advertising uses. SSI  
28 argued that it had obtained from Milne the rights to "advertise Winnie the Pooh . . .  
in all media. The 1983 Agreement . . . granted those rights to Disney." (Ex. 59 at  
8:16-21 (emphases added).)

1 reference to “further rights” in the Agreement was all-encompassing: “the grant of  
2 all ‘further rights’ in and to the Pooh Characters . . . is a *catch-all* designed to  
3 ensure that Slesinger was granting . . . all of the additional *commercial exploitation*  
4 *rights Slesinger acquired that are not specifically mentioned in the 1983*  
5 *Agreement.*” (*Id.* at 306:22-26 (emphases added).)

6 Finally, in another sworn response, SSI effectively acknowledged that every  
7 “medium” SSI now claims as infringing in its counterclaims (or may later claim in  
8 opposition to this Motion) is within the scope of Disney’s authorization to use the  
9 Pooh Rights: “Any use of the Pooh Characters for which Disney receives a benefit,  
10 monetary or non-monetary, is a commercial use.” (Seto Decl. ¶ 6, Ex. F at 164:25-  
11 26.) That statement, and SSI’s other sworn statements, are party-admissions under  
12 Federal Rule of Evidence Rule 801(d)(2) and may form the basis for a grant of  
13 summary judgment. *Ayuso-Figueroa v. Rivera-Gonzalez*, 456 F. Supp. 2d 309, 315  
14 (D.P.R. 2005). Moreover, as the Supreme Court long ago recognized, when “a  
15 pleading in an action at law is sworn to by the party, it is competent evidence  
16 against him in another suit as a solemn admission by him of the truth of the facts  
17 stated.” *Pope v. Allis*, 115 U.S. 363, 370 (1885).

18 **III. SSI IS ESTOPPED FROM REVERSING ITS POSITION**  
19 **CONCERNING DISNEY’S AUTHORITY TO USE THE POOH**  
20 **RIGHTS.**

21 The equitable doctrines of judicial estoppel and quasi estoppel provide  
22 separate and independent grounds to grant summary judgment in Disney’s favor.  
23 Under these doctrines, the Court has authority both to “protect against a litigant  
24 playing fast and loose with the courts,” and to dismiss a party’s claim whenever the  
25 “conscience of the court is repelled by [an] inconsistency.” *Hamilton v. State Farm*  
26 *Fire & Cas. Co.*, 270 F.3d 778, 782 (9th Cir. 2001) (internal citation omitted); *In re*  
27 *Guterl Special Steel Corp.*, 316 B.R. 843, 856 (Bankr. W.D. Pa. 2004) (internal  
28 citation omitted). Here, SSI’s total contradiction of its sworn positions during 13

1 years of state court litigation is not just an “inconsistency”—it is an intolerable  
2 reversal.

3       A.     **The Court Should Invoke Judicial Estoppel to Prevent SSI from**  
4             **Now Claiming Disney’s Uses Are Unauthorized.**

5       Throughout the state court action, SSI argued that Disney was authorized to  
6 make all conceivable uses of the Pooh Rights in order to obtain various litigation  
7 advantages: broad discovery rights and favorable rulings from the discovery  
8 referee and the court; substantive victories; and requiring Disney to endure  
9 prolonged and expensive litigation. In successfully defending against Disney’s  
10 summary adjudication motion, SSI told the state court that “Slesinger was granted  
11 all rights to any sound, word and/or picture representation” and that “Slesinger  
12 assigned these rights to Disney.” (Ex. 54 at 17:8-10.) SSI also filed a cross-  
13 motion for summary adjudication in which it again affirmed that it had “granted”  
14 rights to Disney. (Ex. 59 at 8:20-21.)<sup>8</sup>

15       Irrespective of any advantages obtained by SSI, in the Ninth Circuit judicial  
16 estoppel may be invoked by the Court “not only to prevent a party from gaining an  
17 advantage by taking inconsistent positions, but also because of general  
18 considerations of the orderly administration of justice and regard for the dignity of  
19 judicial proceedings, and to protect against a litigant playing fast and loose with the  
20 courts.” *Hamilton*, 270 F.3d at 782-83 (internal citation omitted). That is because  
21 “judicial estoppel forbids use of intentional self-contradiction as a means of  
22 obtaining unfair advantage.” *Id.* at 783 (internal citation omitted); *see also United*  
23

24       <sup>8</sup> Other examples abound of SSI’s successes based on its asserted grant of all  
25 its rights to Disney and its concomitant claim of expansive royalty obligations. *See,*  
26 *e.g.,* Ex. 56 (denying Disney’s Cross-Motion for Summary Judgment re:  
27 Videocassettes); Ex. 19 (granting SSI’s request that Disney make supplemental  
28 productions); Ex. 35 (granting SSI’s request that Disney respond to interrogatories);  
Ex. 68 (granting SSI’s Motion to Compel); Ex. 77 (granting in part SSI’s Motion to  
Compel); Ex. 83 (granting SSI’s Motion to Compel Privilege Log); Ex. 81  
(granting SSI’s motion regarding enumerated special interrogatories); Ex. 82  
(granting in part two motions to compel by SSI).

1 *States v. Ibrahim*, 522 F.3d 1003, 1009 (9th Cir. 2008) (“judicial estoppel ‘seeks to  
2 prevent the *deliberate* manipulation of the courts.’”) (emphasis added) (internal  
3 citation omitted).

4 SSI should be judicially estopped from contradicting its admissions in state  
5 court that it transferred all of its Pooh Rights to Disney and that all of Disney’s uses  
6 of those rights were authorized. SSI’s current infringement claims constitute the  
7 “intentional self-contradiction” the judicial estoppel doctrine forbids. *Hamilton*,  
8 270 F.3d at 783. Holding SSI to the position it pursued for 13 years of hotly-  
9 contested state court litigation is the only fair and just result. Judicial estoppel is  
10 properly invoked to protect the “orderly administration of justice and regard for the  
11 dignity of judicial proceedings.” *Id.* at 782. “Courts uniformly recognize that the  
12 purpose of the judicial estoppel doctrine is to protect the integrity of the judicial  
13 process by prohibiting parties from changing positions as circumstances warrant.”  
14 *Milton H. Greene Archives, Inc. v. CMG Worldwide, Inc.*, 568 F. Supp. 2d 1152,  
15 1160 (C.D. Cal. 2008).

16 Application of the doctrine is particularly appropriate because SSI seeks to  
17 repudiate positions taken in prior litigation. “Inconsistent positions in different  
18 suits are much harder to justify” than inconsistent positions within the same suit.  
19 *Astor Chauffeured Limousine Co. v. Runnfeldt Inv. Corp.*, 910 F.2d 1540, 1548 (7th  
20 Cir. 1990). That is because a party “envisaging a succession of suits in which a  
21 change in position would be advantageous would have an incentive to falsify the  
22 evidence in one of the cases, since it would be difficult otherwise to maintain  
23 inconsistent positions.” *Carnegie v. Household Int’l, Inc.*, 376 F.3d 656, 660 (7th  
24 Cir. 2004). “In other words, ‘the purpose of the doctrine . . . is to reduce fraud in  
25 the legal process by forcing a modicum of consistency on a repeating litigant.’” *Id.*  
26 (citations omitted).

27  
28



1           **B.    The Court Should Also Invoke the Doctrine of Quasi Estoppel**  
2           **to Prevent SSI from Claiming Disney's Uses Are Unauthorized.**

3           Disney has spent a half-century investing its creativity and resources in  
4 developing the Pooh characters into one of the best-recognized and most valuable  
5 **properties** in the world. Disney did so because it rightly believed that it had the  
6 contractual right to exploit the Pooh characters—first under its separate 1961  
7 Agreements with SSI and with Milne, and then under its 1983 Agreement with  
8 SSI—rights that SSI had never previously contested. SSI's multiple admissions in  
9 state court only reinforced Disney's reliance on the clear language of those  
10 Agreements. Thanks to Disney's efforts, SSI reaped financial rewards  
11 unimaginable in 1930 when Stephen Slesinger paid A.A. Milne \$1,000 for the right  
12 to merchandise the Pooh characters. SSI has received approximately \$130 million  
13 in royalties under the 1983 Agreement alone. (Plotkin Decl. ¶ 5, Ex. B.) It would  
14 be unconscionable if SSI were able to avoid the consequences of its "breathtaking  
15 . . . pattern of misconduct" in state court, *Slesinger*, 155 Cal. App. 4th at 773, by  
16 reversing its position in that court and here contending that Disney was never  
17 authorized to make all the uses of the Pooh Rights it did for decades.

18           Equity has a remedy. Where "it would be unconscionable to permit [a] party  
19 to maintain an inconsistent position from which it has already derived a benefit or  
20 in which it has acquiesced," the doctrine of quasi estoppel applies. *County Sch. Bd.*  
21 *of Henrico County, Va. v. RT*, 433 F. Supp. 2d 692, 705 (E.D. Va. 2006). This  
22 doctrine, which has long been recognized by the Supreme Court and other federal  
23 courts, "translates into the maxim that one cannot blow both hot and cold." *In re*  
24 *Guterl*, 316 B.R. at 856 (internal citation omitted). It may be invoked whenever the  
25 "conscience of the court is repelled by the inconsistency." *Id.* (internal citation  
26 omitted).

27           Quasi estoppel has particular application in circumstances, such as these,  
28 where a party "with full knowledge or notice of his rights . . . lie[s] by for a

1 considerable time, and knowingly permit[s] the other party to deal with the subject-  
2 matter under the belief that the transaction has been recognized.” *Ritter v. Ulman*,  
3 78 F. 222, 223-24 (4th Cir. 1897). It is a “longstanding maxim that ‘it would  
4 offend every principle of equity and good morals to permit a party to a transaction  
5 to enjoy its benefits and at the same time deny its terms and qualifications.’”  
6 *Henrico County*, 433 F. Supp. 2d at 706 (internal citations omitted). This is exactly  
7 what SSI should not be allowed to do with the 1983 Agreement.

8 **IV. BOTH THE COLLATERAL ESTOPPEL EFFECT OF THE STATE**  
9 **COURT FINDINGS OF MISCONDUCT AND THE NECESSITY TO**  
10 **PREVENT “FRAUD ON THE COURT” REQUIRE DISMISSAL.**

11 SSI’s infringement claims are directly affected by the Court’s recent ruling  
12 that the state court’s misconduct findings must “be given preclusive effect in this  
13 action under the doctrine of collateral estoppel.” (May 19, 2009 Order at 2:21-22.)  
14 SSI’s attempt to secure an unfair advantage in litigating over the parties’ rights  
15 under the 1983 Agreement is what led to the termination of its state court action.  
16 As the Special Master found, “the validity of [SSI’s infringement and unfair  
17 competition counterclaims] will depend in great part on SSI’s ownership status, or  
18 lack thereof, under the 1983 Agreement.” (Rep. & Recs. at 21:14-15.)

19 In this litigation, SSI concedes that its new infringement claims turn on its  
20 “ownership status, or lack thereof, under the 1983 Agreement.” For example, in  
21 opposing Disney’s earlier motion for summary disposition, one of SSI’s primary  
22 arguments was that ownership rights were *not* transferred by that Agreement.  
23 (MSD Opp. at 23:17-19, 30:1-7.) Neither the Court nor Disney will ever know  
24 what documents and information, still undisclosed, SSI may possess bearing on  
25 SSI’s ownership status. For that reason, the Court adopted the state appellate  
26 court’s conclusion that “No power the Court possesses can purge SSI’s knowledge.  
27 The full extent of SSI’s knowledge remains uncertain as does the potential impact  
28

1 of application of that knowledge to potential future litigation.” (May 19, 2009  
2 Order at 3:9-11.)

3 This action is that “future litigation.” That SSI “likely still possesses  
4 additional Disney material,” (Ex. 8 at 2), should be as acute a concern regarding the  
5 remaining claims as it was regarding those the Court already dismissed. In  
6 deciding to dismiss, the Court concluded that lesser sanctions would be inadequate  
7 to “protect counter-defendants.” (May 19, 2009 Order at 3:6-7.) Identical concerns  
8 accompany the prospect of allowing SSI to litigate its remaining counterclaims if  
9 this Motion is not granted. All evidence and argument submitted by SSI will be  
10 suspect. Yet because the greatest risk will come from the potential effects of  
11 knowledge that remains hidden, there will be no effective mechanism to ensure an  
12 untainted proceeding. Every motion will generate unanswerable questions about  
13 whether SSI’s presentation of evidence or argument regarding the 1983 Agreement  
14 benefited from its misconduct in state court. Every deposition will provoke  
15 unresolvable disputes about the legitimacy of documents produced and questions  
16 asked.

17 There is only one remedy, and the law is clear. As the Court ruled, collateral  
18 estoppel bars SSI from re-litigating “the findings of the state court regarding not  
19 only the misconduct of SSI,” but also the consequences of that misconduct. (May  
20 19, 2009 Order at 2:14-3:18 (quoting Rep. & Rec. at 14).) That is why in *Synanon*  
21 *Church v. United States*, 820 F.2d 421, 424, 427 (D.C. Cir. 1987), a district court  
22 action was dismissed based on the collateral estoppel effect of the plaintiff’s  
23 misconduct in a prior state case raising different claims, but touching on a common  
24 issue. *See also United Bus. Commc’ns, Inc v. Racal-Milgo, Inc.*, 591 F. Supp.  
25 1172, 1184-87 (D. Kan. 1984) (dismissing case based on collateral estoppel effect  
26 of plaintiff’s misconduct in earlier action).

27 Because SSI’s state and federal claims all derive from the same common  
28 denominator—the parties’ rights under the 1983 Agreement—dismissal is also

1 necessary to prevent a fraud on the court. "Once a litigant chooses to practice  
2 fraud, that misconduct infects his cause of action, in whatever guises it may  
3 subsequently appear." *Aoude v. Mobil Oil Corp.*, 892 F. 2d 1115, 1121 (1st Cir.  
4 1989). Dismissal for fraud on the court is especially appropriate when, as here, a  
5 litigant's prior "misconduct harms the integrity of the judicial process" by  
6 interfering with a subsequent court's ability to ensure a fair trial. *Dixon v. Comm'r*,  
7 316 F.3d 1041, 1046 (9th Cir. 2003); see *Aoude*, 892 F.2d at 1118-19; *Synanon*,  
8 820 F.2d at 424, 427.

9 SSI's attempt to ignore everything it said and did for decades and now claim  
10 not only an ownership interest in the Pooh Rights, but also that Disney's use of the  
11 Pooh characters was unauthorized, is precisely the type of assault on the judicial  
12 process that the Court has the authority to prevent. For example, because "[h]istory  
13 is not so glibly to be erased," the First Circuit relied on a party's misconduct in a  
14 prior action to affirm a dismissal for fraud on the court. *Aoude*, 892 F. 2d at 1118.<sup>9</sup>

15 **V. SSI'S CLAIM THAT DISNEY "ORCHESTRATED" A SCHEME TO**  
16 **TERMINATE ITS INTEREST IN THE POOH WORKS FAILS AS A**  
17 **MATTER OF LAW.**

18 SSI's Twelfth Counterclaim for violation of California Business and  
19 Professions Code Section 17200 and a subpart of its First Counterclaim for  
20 copyright infringement depend on SSI's allegation that Disney participated in an  
21 "orchestrated plan" with the Milne and Shepard heirs to terminate SSI's rights by  
22 pursuing a statutory recapture of copyrights in the Pooh works. (Ex. 12 ¶¶ 85, 88-  
23 89, 114-17.) These claims are baseless as matter of law.

24 \_\_\_\_\_  
25 <sup>9</sup> SSI's unfair competition claim also depends on SSI's claims regarding the  
26 1983 Agreement. According to SSI, Disney's supposed participation in the Milne  
27 and Shepard heirs' service of copyright termination notices on SSI violated the  
28 provisions in the 1983 Agreement regarding the "right of termination" under the  
Copyright Act then in effect. (See Ex. 2 at 2.) Because SSI's unfair competition  
claim turns on the interpretation of the 1983 Agreement, it too is tainted by SSI's  
misconduct, and it too should be dismissed in deference to the preclusive effect of  
the state court's findings.

1           A.    The Alleged “Orchestration” Scheme Does Not Constitute  
2                            Copyright Infringement.

3           A claim for copyright infringement requires a violation of one of “the  
4 exclusive rights” of the copyright owner or author. 17 U.S.C. § 501(a). Those  
5 exclusive rights are the reproduction, adaptation, publication, distribution,  
6 performance, and display of a protected work. *See id.* §§ 106-22. Because the  
7 Milne and Shepard heirs’ attempted statutory termination was none of those things,  
8 SSI’s infringement claim is plainly invalid. *See Napster*, 239 F.3d at 1013 (prima  
9 facie case of copyright infringement requires that “the alleged infringers violate at  
10 least one exclusive right . . . under 17 U.S.C. § 106”).

11           B.    The Alleged “Orchestration” Scheme Does Not Violate California  
12                            Business and Professions Code Section 17200.

13           SSI’s Section 17200 claim rests on two theories. The first is SSI’s  
14 “unlawfulness” theory, which asserts that Disney violated 17 U.S.C. § 304(c)(6)(D)  
15 when it entered into reversion agreements with Clare Milne and Minette Hunt. This  
16 statutory provision furthers the Congressional interest in allowing heirs to recapture  
17 copyright interests and make informed decisions about their subsequent use.  
18 Section 304(c)(6)(D), however, cannot be invoked to trigger a Section 17200  
19 violation, because it concerns the *enforceability of contract* and not the *lawfulness*  
20 *of conduct*. Specifically, Section 304(c)(6)(D) declares invalid certain premature  
21 agreements concerning recaptured copyrights: “A further grant, or agreement to  
22 make a further grant, of any right covered by a terminated grant is *valid* only if it is  
23 made after the effective date of the termination.” (Emphasis added).<sup>10</sup>

24           <sup>10</sup> This distinction was explained in *Bourne Co. v. MPL Comme’ns, Inc.*, 675  
25 F. Supp. 859 (S.D.N.Y. 1987). Section 304(c)(6)(D) of the Copyright Act  
26 “provides merely that an agreement between the terminating party and the  
27 terminated grantee prior to the effective date of termination is the only one that is  
28 *valid and enforceable* against the former.” *Id.* at 865 (emphases added). This  
section does not create a “right of first refusal,” does not “give the terminated  
grantee a preferred competitive position,” and it “neither *compels* the terminating  
party to negotiate with the terminated grantee, nor *forbids* him from negotiating  
with anyone else.” *Id.* (emphases added).

1 Conduct that is “neither required nor proscribed by law does not constitute an  
2 ‘unlawful’ business activity under the unfair competition law.” 61 Cal. Jur. 3d  
3 UNFAIR COMPETITION § 3 (2008); *see Smith v. State Farm Mut. Auto. Ins. Co.*, 93  
4 Cal. App. 4th 700, 717-18 (2001). Section 304(c)(6)(D) of the Copyright Act does  
5 not “require” or “proscribe” any action. Instead, in an effort to protect the heirs of  
6 creators, it merely declares that certain agreements will be treated as invalid if  
7 executed too early. There is nothing “unlawful” about entering into a contract that  
8 is invalid under Section 304(c)(6)(D), any more than anything “unlawful” occurs  
9 when a party enters into a contract without sufficient consideration, fails to properly  
10 memorialize a promise in writing, or executes a testamentary grant in violation of  
11 the rule against perpetuities.

12 SSI’s second Section 17200 theory is “unfairness”—that it was “unfair” for  
13 Disney to induce a breach of the 1983 Agreement by Clare Milne and Minette  
14 Hunt. (Ex. 10 at 6:13-23.) This theory fails because Ms. Milne and Ms. Hunt were  
15 *not* parties to that Agreement. (*See* Ex. 2.) The only heir to sign was A.A. Milne’s  
16 son Christopher. (*Id.*) Thus, even if Disney had induced Ms. Milne and Ms. Hunt  
17 to seek to recapture their rights as heirs—which it did not—neither heir would have  
18 breached any contract. Consequently, Disney could not have induced a breach and  
19 thus did not act “unfairly” under Section 17200.<sup>11</sup>

20 Finally, SSI’s Twelfth Counterclaim asks for termination of the 1983  
21 Agreement. Because this is a remedy, not a claim for relief, it fails along with the  
22 claim on which it depends. The same is true for SSI’s request for injunctive relief  
23 in the Tenth Counterclaim, which is based on SSI’s claim for unfair competition as  
24

25 <sup>11</sup> SSI previously argued that its Section 17200 claim can also rest on  
26 supposedly incorrect public statements by Disney about the validity of the  
27 termination notices. (MSD Opp. at 39:25-40:2.) But because SSI does not own the  
28 Pooh Rights or transact business regarding those rights, it would be impossible for  
SSI to show it “suffered injury in fact and has lost money or property.” CAL. BUS.  
& PROF. CODE § 17204. SSI’s financial interest in the works is solely the receipt of  
royalties.

1 well as on its now dismissed claims for fraud and breach of contract. See  
2 *McDowell v. Watson*, 59 Cal. App. 4th 1155, 1159 (1997).

3 VI. CONCLUSION.

4 SSI has no legal basis to proceed with its counterclaims. SSI's infringement  
5 claims are defeated by its lack of standing; SSI long ago assigned to Disney any  
6 ownership it had in the Pooh Rights. By its words and conduct, SSI admitted  
7 authorizing Disney to make all possible uses of the Pooh Rights. SSI's  
8 orchestration claims, by definition, identify no actual harm and anyway are not  
9 legally cognizable. For all these reasons, Disney respectfully requests that this  
10 Court grant summary judgment on SSI's remaining counterclaims.

11  
12 Dated: July 6, 2009

Respectfully submitted,

13  
14 O'MELVENY & MYERS LLP

15  
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24 UNITED STATES DISTRICT COURT  
25 FOR THE CENTRAL DISTRICT OF CALIFORNIA  
26 WESTERN DIVISION

27 **CLARE MILNE, an individual, by and**  
28 **through MICHAEL JOSEPH COYNE,**  
**her Receiver, and DISNEY**  
**ENTERPRISES, INC.**

Plaintiffs,

v.

**STEPHEN SLESINGER, INC.**  
Defendant.

Case No. CV-02-08508 FMC (PLAx)

COUNTER-CLAIMANT STEPHEN  
SLESINGER, INC.'S MEMORANDUM  
OF POINTS AND AUTHORITIES  
IN OPPOSITION TO DISNEY'S  
MOTION FOR SUMMARY  
JUDGMENT OR SUMMARY  
ADJUDICATION ON SLESINGER'S  
COUNTERCLAIMS

DATE: Oct. 16, 2009  
TIME: 1:30 pm  
TRIAL DATE: N/A

Courtroom No.: 750  
The Hon. Florence-Marie Cooper

**AND RELATED COUNTERCLAIMS.**

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1 **I. INTRODUCTION**

2 There is something pernicious about the theft of a creation. Worse than the  
3 denial of profit is the extinguishment of a creative spirit – a spirit the courts are  
4 entrusted to protect through the government's trademark and copyright laws.

5 Slesinger is a creator, not merely of the form and style of the world's most  
6 beloved bear, but of a worldwide brand. That brand is rooted in the creativity,  
7 marketing genius and industry of founder Stephen Slesinger, whom *The New Yorker*  
8 observed some 75 years ago: "The Winnie-The-Pooh of Mr. Milne was popular for a  
9 time, but the Winnie-the-Pooh of Mr. Slesinger lives on and probably is immortal."

10 Pertinent to the motion now before Your Honor, Slesinger in 1983 licensed to  
11 Disney *some* – but not all – of its rights in Pooh. Since then, Disney has  
12 systematically reciprocated the trust placed in it by Slesinger by, among other things:

- 13 • exceeding its *partial* license to Slesinger's Pooh rights, to exploit *all* such rights  
14 to media never licensed to Disney – including but not limited to such post-2002  
15 infringements as internet-related advertising, graphics, computer games,  
16 mobile phone images, ringtones and computer screen savers; and
- 17 • rewriting Pooh's history and attempting to appropriate its future, by substituting  
18 Disney for Slesinger as the creator of the Pooh character best known today  
19 (attendant with distinct shape and red shirt), and then stealing future profits  
20 generated from that Slesinger-created image.

21 Slesinger now challenges this misconduct as violative of copyright, trademark  
22 trade dress and California Unfair Business Practice law. The relief sought will  
23 vindicate Slesinger's intellectual property rights by stopping Disney's unconsented-to  
24 appropriation of new representation methods of Slesinger's Pooh brand.

25 Zealous to foreclose a jury determination on Slesinger's counterclaims, Disney  
26 now seeks to summarily adjudicate these claims through arguments that are as legally  
27 refutable as they are factually spurious.

28



1 As set forth below, Disney's motion must be denied. Slesinger's rights to the  
2 fruits of its creation must be vindicated by this Court.

3 **II. SLESINGER'S CREATION OF THE EVERGREEN POOH BRAND**

4 **A. Slesinger's Creation of the "Winnie The Pooh" Brand**

5 Plush and other toys ... games ... puzzles ... napkins ... lamps ... pencil cases ...  
6 stationery ... infant-wear, sweaters, scarves and other clothing ... cups, flatware,  
7 silverware, chinaware and utensils ... pocketbooks and handbags ... jewelry ... prints  
8 ... needlecraft ... soap ... blankets and quilts ... handkerchiefs .. linens ... cushions ...  
9 candlesticks ... activity and coloring books ... puppets ... place mats. Pooh-related  
10 home entertainment – featuring Jimmy Stewart, Gene Kelly and other bright stars of  
11 the era on phonographs. And animated films (called Movie Jecktors), filmed and  
12 public marionette performances, dance shows, radio, television broadcasts, and other  
13 uses of Pooh. [Ex. 58, 61, 64, 108; Sles. Ex. 10, 11, 13]<sup>1</sup> All these were created  
14 and/or licensed by one man: Mr. Stephen Slesinger created Pooh as he is known  
15 today by the public and this Court.<sup>2</sup>

16 Before Mr. Slesinger, Pooh existed only in black and white – specifically, in  
17 the wonderful text of A.A. Milne and delicate illustrations principally of Ernest  
18 Shepard. With Mr. Slesinger – aptly described by this Court as a "pioneer" in the  
19 licensing of characters for children" [Feb. 15, 2007 Order at 4 (Doc. 360)] – Pooh  
20 came to exist as now known.

21 Following the parties' 1930s agreements, Mr. Slesinger introduced Milne's  
22 characters into vast, unexplored areas of commerce. That agreement, as amended,  
23

24 <sup>1</sup> Citations to "Sles. Ex." are to exhibits attached to Slesinger's opposition to Disney's  
25 original summary judgment motion (Doc. 408). Citations to "Ex." are to the exhibits  
26 attached to the present Notice of Lodgment filed herewith. Citations to "Dis. Ex." are  
27 to exhibits attached to Disney's original motion for summary judgment (Doc. 396).

28 <sup>2</sup> Mr. Slesinger created two distinctive Pooh brands that the public came to identify as  
Winnie the Pooh and his friends. One was American Pooh, a bright, lively character  
with a cartoonish voice generally dressed in a bright red shirt. The other was a softer,  
pastel version with simplified lines adapted from Shepard's drawings and using  
literary quotes from Milne's text to preserve the British charm of his books.

1 gave Mr. Slesinger the right to exploit Pooh not merely in merchandising, but also "in  
2 any or every material form" and (other than as specifically reserved to Mr. Milne) in  
3 all forms of "mechanical sound, word and/or picture representation" existing at that  
4 time or in the future. [Sles. Ex. 1, ¶3; Sles. Ex. 4, ¶2]

5 By 1935<sup>3</sup>, *The New Yorker* would observe:

6 If the image and the name of Winnie-the-Pooh today are unforgettable, the  
7 blame rests not so much with Mr. Milne as Mr. Slesinger. Working with  
8 manufacturers who form the Winnie-the-Pooh Association, Mr. Slesinger has  
9 put the animal in places where hardly anybody, from infants up, can fail to see  
10 it at one time or another in the course of the week. . . . The rising generation  
11 may, and then again may not, remember Winnie-the-Pooh as a character  
12 created by Mr. Milne, but they will not be permitted to forget that it is a  
13 trademark registered at Washington.

14 [Sles. Ex. 13 at 94-95]

15 After Mr. Slesinger died in 1953, his widow Shirley Slesinger (later Lasswell)  
16 became President of the company, helming and expanding the national Pooh  
17 campaign, and establishing Pooh boutiques in prestigious department stores across  
18 the country. By 1963, the *New York Times* would describe Slesinger's Pooh as "not  
19 only a toy bear, but an industry." [Ex. 64]

### 20 **B. Disney Copies And Exploits Slesinger's Pooh**

21 No revisionism or say-so can obscure the truth of the foregoing history.

22 To be sure, following the 1961 agreements by which Slesinger and Milne  
23 licensed to Disney some – though not all – of their respective Pooh rights, Disney  
24 sought to develop its own version of Pooh. Disney experimented with several  
25 different styles, samples of which are attached hereto as Exhibit 109.

26 But with the failure of those attempts, Disney abandoned its effort, opting  
27 instead simply to copy Slesinger's firmly-established, enormously popular Pooh. In a  
28 letter to Shirley Lasswell dated November 5, 1964, W.H.G. ("Pete") Smith, who ran  
Disney's Character Merchandising Division, stated that, "I would like to receive  
samples of every piece of POOH merchandise that was licensed by you in the last

1 five years."<sup>4</sup> [Ex. 110] In an October 1965 letter, Mr. Smith thanked Mrs. Laswell  
2 for sending him "the album covers, they will be a tremendous help when we create  
3 the new artwork." [Ex. 111 ]

4 Indeed, Disney admits, "Disney's Pooh was based off the Agnes Brush plush  
5 sold in the 40s and 50s." [Sles. Ex. 50] The Agnes Brush Pooh (a red-shirted Pooh)  
6 was created under license by Slesinger. [Sles. Exs. 15, 52] Disney thus used the  
7 trade dress and trademarks that Slesinger created and made famous.

8 **III. DISNEY IS INFRINGING SLESINGER'S INTELLECTUAL**  
9 **PROPERTY RIGHTS BY EXPLOITING POOH IN USES SLESINGER**  
10 **DID NOT LICENSE TO DISNEY**

11 At trial, Slesinger will prove Disney's liability for exploiting and infringing  
12 Slesinger intellectual property rights that were never licensed to Disney. Disney's  
13 proffered defense – that it is not infringing because the 1983 Agreement supposedly  
14 conveyed to Disney all of Slesinger's rights in Pooh – fails for numerous reasons.

15 **A. The Plain Language Of The Relevant Agreements Demonstrates**  
16 **Slesinger Did Not License All Of Its Rights To Disney**

17 The rights Slesinger obtained from Milne are much broader than the rights  
18 Slesinger licensed to Disney in the 1983 Agreement.

19 Slesinger obtained from Milne extraordinarily broad rights, including but not  
20 limited to: the sole and exclusive rights to exploit in the U.S. and Canada all of  
21 Milne's works and any works he created in the future; Milne's name; the titles of  
22 Milne's works; the characters therein; the drawings and illustrations; the right to all  
23 future works based on any of the above; the right to create new illustrations and  
24 material and to use any and all of the above "in any and every manner"; and to use  
25 and reproduce any of the above in "any or every material form," except in a few

26  
27 <sup>3</sup> A mere 18 months after Slesinger began marketing Pooh, *Playthings Magazine*  
28 stated the Pooh family of characters had generated \$50 million in revenue. [Ex. 58]  
<sup>4</sup> Slesinger had been handling the merchandising of Pooh during this time, as Disney  
was not yet ready to do so. [Sles. Ex. 5, ¶8]

1 limited areas specifically reserved to Milne.<sup>5</sup> [Sles. Exs. 1, 4] In particular, the June  
2 20, 1932 Amendment to the January 6, 1930 Agreement granted Slesinger all  
3 dramatic and performing reproduction, distribution and broadcasting rights, including  
4 any and all rights or uses, present and future, of mechanical sound, word and/or  
5 picture representation by any future devices (herein referred to as "new representation  
6 methods"). [Sles. Ex. 4, ¶2]

7 In stark contrast to the extremely broad rights that Slesinger received from  
8 Milne, the 1983 Agreement between Slesinger and Disney licensed to Disney only  
9 certain limited, specifically identified rights: (1) the sole and exclusive rights to  
10 project, exhibit and broadcast motion pictures based on the work by television and  
11 analogous processes<sup>6</sup>, (2) the non-exclusive right to project, exhibit and broadcast live  
12 shows based on the work by radio and television, and (3) the right to use, or license  
13 the use of, the characters and illustrations from the work in, on or in connection with  
14 various articles of merchandise. [Sles. Ex. 6, ¶¶ 3-5, 7, 8]

15 Disney is a sophisticated company that knows how to use language necessary  
16 to convey the rights it wants. Had Disney sought to obtain all of Slesinger's rights, it  
17 could readily have proposed language appropriate to accomplish that objective. That  
18 the parties instead opted to use language identifying specific categories of rights  
19

20  
21 <sup>5</sup> The only areas in which Slesinger did not receive rights were print publishing (but  
22 not publicity printing) and dramatic presentations on the spoken stage (but not  
23 marionette presentations).

24 <sup>6</sup> Any contention by Disney that its infringing uses are authorized because they are  
25 "analogous to television" would fail. First, Disney did not contend in its reply brief  
26 on its prior summary judgment motion that Paragraph 7's license to exploit the work  
27 on "television or by any process now known or hereafter devised analogous thereto"  
28 authorizes Disney's infringing uses. Instead, Disney relied solely on the phrase  
"further rights." Second, Paragraphs 7 and 9 make clear that "television" encompasses  
only broadcast television, as payment is based on the number of "runs" of the show.  
Third, the 1961 Agreement between Milne and Disney contains identical language  
regarding television. [Ex. 60, 1961 Milne-Disney Agt ¶12(b)] Disney has admitted,  
however, that the revoked 1961 Milne-Disney Agreement did not authorize Disney to  
exploit Pooh in new representation methods. [Ex. 34, p.5, "B" and Schedule 2] Thus,  
Disney cannot assert that the same language in Paragraph 7 of the 1983 Agreement  
between Slesinger and Disney authorizes Disney's infringement.

1 Disney was receiving demonstrates it did not receive all of Slesinger's rights.<sup>7</sup>

2 **B. Disney's Reliance On The Phrase "Further Rights" Fails**

3 Disney's contention is spurious that the phrase "all of the further rights" in  
4 Paragraph 8 of the 1983 Agreement conveyed to Disney all rights Slesinger had  
5 obtained from Milne. (Mot. at 5:5-13; May 27, 2008 Disney Reply at 13:22-14:3)

6 **1. "Further Rights" Includes Only Those Rights Expressly "Set  
7 Forth" In Paragraph 5 Of The 1983 Agreement**

8 Disney argues the use of the word "all" in connection with the phrase "further  
9 rights" in Paragraph 8 indicates that Slesinger licensed all of its rights to Disney.<sup>8</sup>  
10 (Mot. at 5:8-13) This argument flouts the remaining critical language of Paragraph 8,  
11 which explicitly licenses to Disney "all of the further rights in and to said 'work'  
12 which are set forth in Paragraph [5] hereof."<sup>9</sup> (Emphasis added) The only "further  
13 rights . . . set forth in Paragraph 5" are those to use Milne's work in connection with  
14 articles of merchandise<sup>10</sup>:

15 Slesinger has been granted . . . various further rights in and to said  
16 "work" which include the exclusive right in the United States and  
17 Canada to use, or license the use of, the characters and illustrations  
18 from the said "work" in, on or in connection with various articles of  
19 merchandise.

20 <sup>7</sup> Disney is also infringing Slesinger's sole and exclusive rights by using Shepard's  
21 name in a manner that implies that Slesinger's distinctive trademarks and trade dress  
22 were created by Shepard, and that Shepard—not Slesinger—owns the copyrights.  
23 This confusion between copyright, trademark, and trade dress rights jeopardizes  
24 Slesinger's trademark and trade dress rights, and can only be intentional. As a matter  
25 of law, Shepard cannot be a joint copyright owner in the United States in the four  
26 books published by Dutton and renewed by Milne as the sole author. More  
27 importantly, prior the publication dates in the 1920s of each of the books printed by  
28 Dutton with Shepard's artwork, Pooh's stories appeared in print illustrated by well  
known artists who had been hired by the various magazines and newspapers that  
published Milne's stories.

<sup>8</sup> Disney's motion does not dispute that Slesinger owns the rights at issue. Disney  
therefore cannot argue in its reply that Slesinger does not own those rights. *United*  
*States v. Romm*, 455 F.3d 990, 997 (9<sup>th</sup> Cir. 2006); *United States ex rel. Giles v.*  
*Sardie*, 191 F.Supp.2d 1117, 1127 (C.D. Cal. 2000). Thus, the only issue on this  
motion is whether Slesinger licensed those rights to Disney.

<sup>9</sup> Paragraph 8 erroneously refers to Paragraph 6, rather than Paragraph 5. That error  
was corrected in a subsequent amendment.

<sup>10</sup> *Yount v. Acuff Rose-Opryland*, 103 F.3d 830 (9<sup>th</sup> Cir. 1996) is inapposite. Among  
other things, in contrast to the 1983 Agreement, the *Yount* contract did not contain an  
express limitation to the word "all."

1  
2 [Sles. Ex. 6, ¶ 5 (emphasis added)] Because the word "all" refers only to the specific  
3 form of exploitation identified in Paragraph 5, *i.e.*, merchandise<sup>11</sup>, Paragraph 8 cannot  
4 be deemed to encompass the exploitation of other uses.<sup>12</sup>

5 Disney's verified state court interrogatory responses confirm that Disney  
6 plainly understood the term "further rights" in Paragraph 8 included only those rights  
7 "set forth" in Paragraph 5. In responding to the question, "Please describe YOUR  
8 understanding of the meaning of the phrase 'further rights,' as used in Paragraph 8 of  
9 the [1983 Agreement]" – Disney stated:

10 The "further rights" specified in paragraph 8 of the 1983 Agreement  
11 are, as set forth in paragraph 5 of the Agreement, (1) the sole and  
12 exclusive radio and television rights in the United States and Canada  
13 in and to the "work," as defined in paragraph 3 of the Agreement, and  
14 (2) the exclusive right in the United States and Canada to use, or  
license the use of, the characters and illustrations from the "work" in,  
on or in connection with various articles of merchandise, excepting,  
Agreement.

15 [Ex. 95, at 9:15-21 (emphasis added)]

16  
17 <sup>11</sup> Disney may argue that the word "include" in Paragraph 5 indicates that "further  
18 rights" is not limited to the merchandising rights specifically identified in that  
Paragraph, but instead encompasses all of Slesinger's rights. Such an argument  
19 would fail. First, several other provisions of the 1983 Agreement use the phrase  
"including without limitation." [Sles. Ex. 6, ¶¶ 1, 10(a)] The parties' failure to use  
20 "without limitation" in Paragraph 5 therefore demonstrates that the word "include" as  
used in that Paragraph does not extend beyond the merchandising rights specifically  
set forth therein. *Queen Villas Homeowners Ass'n v. TCB Property Mgmt.*, 149 Cal.  
21 App. 4<sup>th</sup> 1, 8 (1997). Second, as noted above, Paragraph 3 of the revoked 1961  
Agreement does not include the rights that Slesinger obtained from Milne in the June  
22 1932 Amendment, such as the right to exploit Pooh in new representation methods.  
Thus, the word "include" in the 1983 Agreement does not encompass the new  
23 representation methods that Slesinger obtained from Milne in the 1932 Amendment.

24 <sup>12</sup> The statement in the "Whereas" clause that Slesinger assigned to Disney the rights  
it had acquired from Milne does not assist Disney. (Mot. at 4:2-4) The California  
25 Supreme Court has held that the doctrine of estoppel by contract applies only to "the  
operative words of a conveyance," not "collateral facts recited in the instrument,  
26 which are not essential to validity as a conveyance." *Ingersoll v. Truebody*, 40 Cal.  
603, 610 (1871). "The law has long distinguished between a 'covenant' which creates  
27 legal rights and obligations, and a 'mere recital' which a party inserts for his or her  
own reasons into a contractual instrument." *Emeryville Redevelopment Agency v.*  
28 *Harcros Pigments, Inc.*, 101 Cal. App. 4<sup>th</sup> 1083, 1101 (2002). Thus, a "mere  
recital...forms no part of the contractual obligation." *Id.* n.6.

1 Disney's present adoption of the polar opposite position, in an attempt to avoid  
2 liability for infringement, must be rejected.

3 **2. Even Under Disney's Theory, "Further Rights" Does Not**  
4 **Include The Rights Slesinger Obtained In Its June 20, 1932**  
5 **Amendment With Milne**

6 Disney asserts that Paragraph 8 of the 1983 Agreement – which contains the  
7 phrase "further rights" – licenses the same rights to Disney as Paragraph 5 of the  
8 revoked 1961 Agreement, and that this demonstrates that Disney received all of  
9 Slesinger's rights. (Mot. at 4:11-5:7)<sup>13</sup> Accepting solely for the purposes of this  
10 motion the truth of Disney's premise, the language of the relevant agreements  
11 demonstrates that the phrase "further rights" does not include, among other things,  
12 Slesinger's right to exploit Pooh in new representation methods.<sup>14</sup> As set forth in  
13 more detail in Exhibit A to the Skale Declaration:

- 14 • The June 1932 Amendment between Milne and Slesinger is the agreement that  
15 granted Slesinger the right to exploit Pooh in, among other things, new  
16 representation methods. (Ex. 4)
- 17 • Paragraph 2 of the revoked 1961 Agreement contains Slesinger's representation  
18 and warranty concerning only the radio and television rights Slesinger obtained  
19 through the June 1932 Amendment. It does not include any of Slesinger's  
20 various dramatic or performing rights or the rights of distribution, reproduction  
21 and/or representation in connection with new representation methods. [Ex. 5,  
22 ¶2] It also does not contain the phrase "further rights."
- 23 • Paragraph 3 of the revoked 1961 Agreement contains Slesinger's representation  
24 and warranty that it owns "various further rights" that Slesinger acquired  
25 pursuant to its January 6, 1930 and September 19, 1932 Agreements with

26 <sup>13</sup> For the avoidance of doubt, it is not Slesinger's position that there is any  
27 relationship between what the parties intended in drafting the different language in  
28 the revoked 1961 agreement as opposed to the operative 1983 license.

<sup>14</sup> Slesinger uses Disney's use of new representation methods as but one example of  
Disney's infringement to defeat this motion. Slesinger will detail all instances of  
infringement after discovery concerning the extent of Disney's uses has occurred.

1 Milne.<sup>15</sup> These are the rights to use (or license) the characters and illustrations  
2 from Milne's "work" in, on or in connection with "various articles of  
3 merchandise." It does not include any of the rights Slesinger obtained pursuant  
4 to the June 1932 Amendment (e.g., new representation methods).

- 5 • Paragraph 5 of the revoked 1961 Agreement licenses to Disney the "further  
6 rights which are set forth in Paragraph 3." Again, this does not include any of  
7 the rights Slesinger obtained pursuant to the June 1932 Amendment.

8 Thus, even under Disney's theory, the phrase "further rights" excludes  
9 Slesinger's rights to exploit Pooh in new representation methods.

10 **C. Substantial Additional Evidence Establishes That Slesinger Did Not**  
11 **License Disney's Recent Infringing Uses**

12 Numerous additional grounds undermine Disney's contention that the 1983  
13 Agreement conveyed to it the rights that Disney is infringing.

14 First, as a point of law, licenses are presumed to prohibit uses that are not  
15 expressly authorized. *Playmedia Sys., Inc. v. America Online, Inc.*, 171 F. Supp.2d  
16 1094, 1099 (C.D. Cal. 2001) ("[c]opyright licenses are presumed to prohibit any use  
17 not authorized"); *Bunn-O-Matic Corp. v. Bunn Coffee Service, Inc.*, 88 F. Supp. 2d  
18 914, 921-22 (C.D. Ill. 2000) (trademark license is limited to the express terms of the  
19 grant); *McCarthy* §25:30 ("The fact that the license is silent on a particular type of  
20 use of the mark does not mean that such a use is permitted. To the contrary...[it] is  
21 forbidden and would be trademark infringement."). Disney thus bears a burden – that  
22 it cannot carry – to prove the 1983 Agreement authorizes Disney to engage in uses  
23 Slesinger contends are infringing.

24 Equally fatal to Disney's interpretation is the rule requiring the interpretation of  
25 ambiguities adversely to drafters. *See Ins. Co. of N. Am. v. NNR Aircargo Service,*  
26 *Inc.*, 201 F.3d 1111, 1114 (9<sup>th</sup> Cir. 2000). Disney drafted the 1983 Agreement (Sles.  
27 Ex. 51 at 24:24-25:3); thus, any ambiguities must be construed against Disney.

28 <sup>15</sup> The September 19, 1932 Amendment involved marionette rights. [Ex. 97]



1 Substantial additional pieces of evidence, too, demonstrate that the 1983  
2 Agreement did not license all rights Slesinger obtained from Milne. See Slesinger's  
3 Statement of Additional Facts ("SAF") Nos. 33-46..

4 **D. Slesinger Did Not Grant Any Rights To Disney To Use Its Creations**

5 Disney's infringement of Slesinger's trademark rights is further proven by the  
6 fact the 1983 Agreement does not give Disney any right to use Slesinger's creations.  
7 The Agreement's plain language confirms that Slesinger did not license to Disney any  
8 rights in any of Slesinger's creations. Indeed, Disney does not even attempt to allege  
9 the 1983 Agreement granted Disney any such rights. The 1983 Agreement defines  
10 the "work" as the 1920's books *Winnie the Pooh* and *The House at Pooh Corner*, and  
11 the 1920's collections of verses *When We Were Very Young* and *Now We Are Six*.  
12 [Sles. Ex. 6, ¶ 3] The Agreement thus only grants Disney certain rights in connection  
13 with Milne's "work"; it does not convey any rights to use any of Slesinger's creations.

14 Because Disney cannot identify any language in the 1983 Agreement that  
15 licenses to Disney the right to use Slesinger's trademarks, Disney's motion for  
16 summary adjudication must be denied as to Slesinger's infringement claim.<sup>16</sup>

17 **E. Disney Does Not Dispute Slesinger's Trade Dress Claim**

18 Disney's motion also should be denied as to Slesinger's trade dress claim  
19 because Disney's motion does not even address that claim. Trade dress is not  
20 mentioned anywhere in Disney's brief or Proposed Statement of Uncontroverted  
21 Facts. Having failed to address Slesinger's trade dress claim in its moving papers,  
22 Disney is precluded from doing so for the first time in its reply. See *supra* n.8.<sup>17</sup>

23  
24  
25 <sup>16</sup> Disney may assert that it has an implied license to use Slesinger's creations. Any  
26 such implied license, however, could only include those uses that Slesinger  
27 authorized, and for which Disney compensated Slesinger. In addition, to the extent  
28 Disney has any implied license to use Milne's name, the character names, etc. as  
trademarks, it does not extend beyond the scope of the uses authorized by the 1983  
Agreement for those rights that are expressly granted.

<sup>17</sup> Disney also does not address Slesinger's claim under copyright based on Disney's  
scheme with Milne (Count 1). That too cannot be part of this motion.

1 **F. Disney Seeks A Ruling That It Can Not Only Infringe, But Do So**  
2 **Without Paying Compensation**

3 At bottom, Disney's motion urges that Disney may not only infringe Slesinger's  
4 rights, but do so without paying compensation to Slesinger. This is wrong.

5 Disney does not contest Slesinger's ownership of rights at issue. Instead,  
6 Disney denies infringement by claiming Slesinger licensed to it all rights (including  
7 those Disney is now infringing) Slesinger obtained from Milne. (Mot. at 3-5) Fatal  
8 to this theory, however, is the stubborn fact that Disney has never compensated  
9 Slesinger for these uses. [Ex. 94, at 57:15-17 ("Disney also does not pay a royalty to  
10 SSI for new technology uses that depict Winnie the Pooh characters.")]

11 Under any possible theory, Disney is infringing Slesinger's intellectual  
12 property rights: Either Slesinger never licensed the rights at issue to Disney or  
13 Slesinger did license the rights, and Disney's failure to pay the requisite royalties  
14 renders the license null and void. [See Sles. Ex. 6, ¶8 (Slesinger's license of rights is  
15 "subject to" Disney's payment of the royalties required by ¶10 of the Agreement)];  
16 *Callmann on Unfair Competition* § 20:57 ("If a licensee...fails to pay the agreed  
17 royalties on licensed products...the licensee may be liable for unfair competition  
18 [and] trademark infringement."); *SCO Group, Inc. v. Novell, Inc.*, 2007 WL 2327587  
19 \*39 (D. Ut. Aug. 10, 2007) (use "without paying royalties [] was likely both a breach  
20 of contract and a violation of the copyright.")

21 **IV. DISNEY CANNOT REGISTER POOH TRADEMARKS**

22 In an argument as remarkable as it is erroneous, Disney claims it may register  
23 Pooh trademarks in its own name because Slesinger purportedly granted it an  
24 *assignment*, rather than a *license*.<sup>18</sup> Disney does not dispute that Slesinger received  
25 from Milne the trademark ownership rights to Pooh in Slesinger's territories, or that  
26 only the owner of the trademark rights is entitled to register trademarks in its own

27 <sup>18</sup> The 1930 Agreement (and 1983 Agreement) expressly gave Slesinger the right to  
28 register Pooh-related trademarks in Slesinger's name. [Sles. Ex. 1, at ¶1(d).]  
Slesinger never conveyed that right to Disney.

1 name. See *McCarthy* §19:53; *Trademark Manual of Examining Procedure* §1201 *et*  
2 *seq.* Rather, Disney's argument hinges entirely on the theory that, under the 1983  
3 Agreement, Disney is an assignee (rather than a licensee) and therefore entitled to  
4 register trademarks in its own name. This contention is meritless.

5  
6 **A. The Evidentiary Record Establishes Disney Received Only A  
7 License, Not An Assignment**

8 The relevant facts demonstrate – or at minimum create a genuine issue of  
9 material fact – that Disney received a license, not an assignment.

10 As demonstrated above, Slesinger created its own distinctive Pooh characters  
11 that were different from those that appeared in the original Milne works. Slesinger's  
12 characters were enormously popular, prevalent across commerce – including but not  
13 limited to merchandise, home entertainment, and performances – and were associated  
14 in the public's mind with Pooh. Slesinger had common law rights in its trademarks  
15 based on its use. *McCarthy* §19:1.75 ("Ownership flows from use, not from  
16 registration . . . Registration cannot wipe out the prior use-based common law rights  
17 of another."); *Goto.com, Inc. v. The Walt Disney Co.*, 202 F.3d 1199, 1205 n.3 (9<sup>th</sup>  
18 Cir. 2000).<sup>19</sup> Disney's use of the trademarks inures to Slesinger's benefit, and does  
19 not grant Disney any rights as against Slesinger. *McCarthy* § 18:45.50.

20 Though well aware of the existence of Slesinger's trademarks and trade dress,  
21 Disney never procured an assignment of any such rights in either the 1961 or the  
22 1983 Agreements. Nor did either Agreement give Disney the right to register  
23 trademarks in its own name.<sup>20</sup>

24 <sup>19</sup> By 1961, the Pooh marks were famous and thus entitled to protection for all classes  
25 of goods and services. *Playmakers, LLC v. ESPN, Inc.*, 297 F. Supp. 2d 1277, 1285  
26 (W.D. Wash. 2003); *Ford Motor Co. v. Cross*, 441 F. Supp. 2d 837, 852-53 (E.D.  
27 Mich. 2006); *Intermatic Inc. v. Toebben*, 947 F. Supp. 1227, 1238 (N.D. Ill. 1996)  
(Lanham Act protects against use of famous mark by others even in connection with  
28 an unrelated good or service); *see also Milne v. Slesinger*, 2003 WL 21076983, at \*1,  
n.1 (C.D. Cal. May 8, 2003) (Pooh characters are "cultural icons").

<sup>20</sup> In contrast, the 1961 Milne-Disney Agreement grants Disney the right to register  
trademarks in its own name for the territories owned by Milne. [Ex. 60 at ¶ 2(h)]

1 Disney instead represented to the public, its shareholders, and the SEC in its  
 2 10-K, that the 1983 Agreement only granted Disney a license (Ex. 96). Disney has  
 3 repeatedly confirmed this fact in, among other things: (1) a declaration by Disney's  
 4 Director of Consumer Products Accounting, Frederick Allen, in the state action [Ex.  
 5 66]; (2) the sworn testimony in this action of Disney's Sr. Vice President and Deputy  
 6 General Counsel, Edward Nowak, Disney's 30(b)(6) representative [Ex. 101 at 43-  
 7 44]; (3) the 2002 Agreement between Disney and Clare Milne, which describes the  
 8 1961 and 1983 Agreements between Slesinger and Disney as license agreements [Ex.  
 9 38, at p.1], ¶E; (4) Disney's royalty statements to Slesinger since 1987, which identify  
 10 Slesinger as a "licensor" [Plotkin Ex. B, at 1; Ex. 102]; (5) Disney, on multiple  
 11 occasions in the state case, called it a license (SAF 13); and (6) in 1997 and 2002 the  
 12 discovery referee in the state case said it was a license, on one occasion stating there  
 13 was "no reasonable dispute" it is a license (SAF 14, 15, 16).

14 The California Court of Appeal, too, has held that Disney received a license  
 15 from Slesinger: "In 1961, SSI licensed certain rights of commercial exploitation to  
 16 Disney. SSI and Disney modified their licensing agreements several times."  
 17 *Slesinger v. Walt Disney Co.*, 155 Cal. App.4<sup>th</sup> 736, 741 (2007) (emphasis added.)

18 Nor as a matter of law could Disney have received an assignment. Among  
 19 other things, many of the rights Slesinger licensed to Disney are non-exclusive, which  
 20 is only possible with a license, not an assignment.<sup>21</sup> *Callman on Unfair Competition,*  
 21 *Trademarks and Monopolies*, § 20:52 (4<sup>th</sup> Ed. 2007) ("A transaction which does not  
 22 convey all the rights to a mark is a mere license, even though it may be called an  
 23 assignment by the parties."); *Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137,  
 24 1146 (9<sup>th</sup> Cir. 2008) (purported "assignment" of copyrights that only transfers non-  
 25 exclusive rights is "a non-exclusive license"). For example, Slesinger licensed the

26  
 27 <sup>21</sup> There is no merit to Disney's claim that the 1983 Agreement does not identify what  
 28 rights Slesinger retained. (Mot. at 7:4-5) As noted above, the presumption is that any  
 rights not expressly granted are reserved. Moreover, as established above, the 1983  
 Agreement does specify certain reserved rights. [1983 Agt. at ¶¶ 6(a), 9(c)]

1 ~~was~~ broadcast on television of a movie based on *The King's Breakfast*, which was one of  
2 the poems contained in *When We Were Very Young*. [Exs. 62, 63]. Slesinger could  
3 not have done so if it had assigned all of its rights to Disney. Similarly, the 1983  
4 Agreement provides that certain of the rights licensed to Disney were non-exclusive,  
5 such as record rights and certain television rights. [Sles. Ex. 6, ¶ 6(a) (record rights),  
6 ¶9(c) (NBC television rights)]. Indeed, Disney's Motion admits that Disney did not  
7 receive all of the rights Slesinger had obtained from Milne. (Mot. at 3:21-24).

8 Disney also did not receive an assignment from Slesinger because "an  
9 assignment must be permanent and perpetual, while a license may be temporary,  
10 provisional or conditional." *Callman on Unfair Competition, Trademarks and*  
11 *Monopolies*, § 20.52 (4<sup>th</sup> Ed. 2007). The 1983 Agreement's conveyance is temporary  
12 and conditional, not permanent and perpetual. For example, Paragraph 15 states that  
13 "[u]pon the expiration or earlier termination of this agreement or the reacquisition of  
14 rights under Paragraph 11, the rights granted Disney under Paragraphs 7 and 8 shall  
15 vest in the Trustees and Slesinger jointly." (Emphasis added) Since assignments do  
16 not expire, this further demonstrates that Disney received a license.

17 Disney also is estopped from contending it received an assignment. In 2000, in  
18 an attempt to persuade the state court that Slesinger should be prohibited from taking  
19 discovery concerning negotiations between Disney and Milne, Disney convinced the  
20 state court that the 1983 Agreement was a license, and that Disney was merely  
21 buying the rights it had licensed from Milne. [Sles. Ex. 32, at 160] The state court  
22 adopted Disney's position and precluded Slesinger from obtaining such discovery. *Id.*  
23 Disney is thus estopped from claiming here that it received an assignment from  
24 Slesinger. *New Hampshire v. Maine*, 532 U.S. 742, 750 (2001).

25 None of Disney's arguments to the contrary survives scrutiny:

26 First, Disney's reliance on the use of the word "assign" (Mot. at 5:21-6:1, 6:8-9,  
27 6:16-20) ignores Supreme Court precedent, which holds that the use of the word  
28 "assign" or "license" is immaterial; whether a particular transfer "[i]s an assignment

1 or a license does not depend upon the name by which it calls itself, but upon the legal  
2 effect of its provisions." *Waterman v. MacKenzie*, 138 U.S. 252, 256, 11 S. Ct. 334  
3 (1891); *see also Raber v. Pittway Corp.*, 1992 U.S. Dist. Lexis 6379, at \*4, 23  
4 U.S.P.Q.2d (BNA) 1313 (N.D. Cal. May 4, 1992); *McCarthy* § 18:5 (2008).

5 Second, the 1983 Agreement's use of the same language ("assign," "grant," and  
6 "set over") in the grants from Milne to Slesinger as in the grants from Slesinger to  
7 Disney does not assist Disney. (Mot. at 6:10-15) As stated above, the nature of a  
8 particular transfer does not depend on the specific words used, but rather on the legal  
9 effect of its provisions. Also, those same terms were used in the 1961 Milne-Disney  
10 agreement, which Disney admits is a license. [Sles. Ex. 34 at 5(B); ¶1.1 (at 178,  
11 182); Ex. 60 ¶2] Here, the overwhelming evidence – including Disney's own  
12 admissions – establishes that Disney received a license from Slesinger.

13 Third, use of the words "seller" and "purchaser" in the agreement does not  
14 support Disney's claim. (Mot. at 6:16-20) Again, it is the document's legal effect that  
15 is controlling, not the particular terms used. In addition, the 1961 Milne-Disney  
16 agreement also used the terms "seller" and "purchaser," and Disney has admitted that  
17 agreement was a license. [Sles. Ex. 34 at 5(B); ¶1.1 (at 178, 182); Ex. 60 ¶2.]  
18 Moreover, licenses may be purchased and sold. *U.S. v. U.S. Gypsum Co.*, 340 U.S.  
19 76, 168 n.7 (1950); *Kloth v. Microsoft*, 444 F.3d 312, 320-21 (4th Cir. 2006); *Gander*  
20 *Mtn. Co. v. Cabela's, Inc.*, 2007 WL 2026751, at \*3 n.3 (D. Minn. Jul. 10, 2007).

21 Fourth, the absence of express quality control provisions from the 1983  
22 Agreement is irrelevant. (Mot. at 7:1-3) By the time Slesinger entered into the  
23 agreements, Disney was a well-known and highly reputable company. Thus,  
24 Slesinger could and did rely on the quality of Disney's goods. *See Barcamerica Int'l*  
25 *USA Trust v. Tyfield Imps., Inc.*, 289 F.3d 589, 596 (9<sup>th</sup> Cir. 2002); *McCarthy* §18:57.  
26 Moreover, as Disney well knows, Slesinger did engage in quality control. Disney's  
27 Statement of Uncontroverted Facts does not contain any assertion to the contrary.

28 Fifth, there was no need to include a provision prohibiting Disney from

1. ~~recognizing~~ its rights. (Mot. at 7:8-20) It is well established that, "[w]ithout specific  
2 authorization from the trademark owner, the licensee's right to use the licensed mark  
3 is personal and cannot be sold or transferred to another." *McCarthy* §18:43, at 18-91.  
4 This rule is followed in the Ninth Circuit. *Miller v. Glen Miller Prods.*, 318 F.  
5 *Supp.2d* 923, 937-40 (C.D. Cal. 2004), *aff'd*, 454 F.3d 975 (9<sup>th</sup> Cir. 2006).

6 Disney's claim that the 1983 Agreement is an assignment therefore lacks merit.

7 **V. THERE IS NO BASIS FOR ESTOPPEL AGAINST SLESINGER**

8 Recognizing the deficiencies in its arguments on the merits of Slesinger's  
9 infringement claims, Disney devotes nearly half its brief to the unfounded assertion  
10 that Slesinger's infringement claims are barred by estoppel. (Mot. at 7-17) Contrary  
11 to Disney's assertion, there are no grounds for a finding of estoppel

12 **A. Disney's Distortions Of Slesinger's Positions In The State Court  
13 Action Do Not Support Estoppel Against Slesinger**

14 There is no factual basis for estoppel; Slesinger consistently asserted in the  
15 state case that Disney's payment obligations were not based on whether Slesinger had  
16 licensed the particular rights at issue to Disney. Instead, Slesinger asserted that – as  
17 required by the 1983 Agreement's terms – Disney's payment obligations to Slesinger  
18 and Milne were the same (although in different percentages), regardless of which of  
19 them had licensed the specific rights at issue to Disney. [*Compare* Sles. Ex. 5, Agt ¶7  
20 *with* Sles. Ex. 60, Agt ¶17, and 1983 Sles. Ex. 6, ¶10 *with* Sles. Ex. 6 ¶17(a).] For  
21 example, Slesinger stated: "it is irrelevant who granted which rights to Disney or  
22 when, but rather what royalties Disney agreed to pay SSI." [Ex. 86, at 4:16-5:1]

23 In addition, Disney's citation of instances in which Slesinger purportedly  
24 asserted in the state case that it licensed all of its rights to Disney fails. As set forth in  
25 detail in Slesinger's Opp. to Disney's Statement of Fact Nos. 5, 6, 13, 21-26, 27,  
26 Disney's citations distort and/or grossly wrench out of context Slesinger's statements.

27 For example, Disney asserts that Slesinger's Settlement Conference Statement  
28 indicates that Slesinger licensed all of its rights to Disney. The sentence cited by

1 Disney, however, merely states that the 1983 Agreement superseded the revoked  
2 1961 Agreement and "perpetuated the relationship beyond 1983." (Mot. at 9:27-10:7)  
3 Contrary to Disney's assertion, that statement in no way constitutes a contention that  
4 Slesinger had licensed all its rights to Disney. Moreover, Slesinger stated in the next  
5 paragraph that (1) the 1983 Agreement acknowledged that Slesinger was the sole  
6 owner of all the rights granted to it under its 1930 Agreement with Milne as amended,  
7 and (2) in paragraphs 7 and 8 of the 1983 Agreement, Slesinger licensed "certain of  
8 those rights to Disney." (Disney Ex. 21 at 5:10-13) Thus, Slesinger specifically  
9 stated that it only licensed some ("certain of")—not all—of its rights to Disney.

10 Similarly, the vast majority of the other allegedly "inconsistent statements" that  
11 Disney cites consist of Slesinger's statements concerning the scope of Disney's  
12 payment obligations to Slesinger, not the scope of the rights licensed.<sup>22</sup> [SUF Nos.  
13 14-21, 23] As stated above, Slesinger consistently took the position in the state court  
14 action that Disney's payment obligations were unrelated to which party (Milne or  
15 Slesinger) had licensed the particular rights at issue to Disney.

16 In addition, as demonstrated in Slesinger's Opp. to Disney's Statement of Fact  
17 No. 28, the instances Disney cites in which Slesinger purportedly obtained favorable  
18 rulings in the state case based on alleged Slesinger statements that it had granted all  
19 of its rights to Disney are baseless. Significantly, with only one exception, there is no  
20 correlation between the allegedly inconsistent Slesinger statements that Disney cites  
21 and the motions in which Disney alleges Slesinger gained litigation advantages. The  
22 only exception is Slesinger's Opposition to Disney's Cross-Motion for Summary  
23 Adjudication re Videocassettes. As demonstrated in SUF Nos. 24 and 28, however,  
24 Disney takes Slesinger's statement out of context, and the court did not even cite,  
25 much less rely on, Slesinger's statement in denying Disney's motion.

26 \_\_\_\_\_  
27 <sup>22</sup> Disney also relies on statements contained in Slesinger's March 27, 2003  
28 Supplemented Third Amended Complaint in the state action. [SUF Nos. 13-20] That  
complaint never became an operative complaint, because by that time Disney had  
filed its motion for sanctions based on the garbage issue. Disney never even  
answered that complaint.



1 With respect to the other motions Disney cites in which Slesinger purportedly  
2 gained litigation advantages, Disney does not identify any purportedly inconsistent  
3 statement by Slesinger in connection with those motions. In addition, as set forth in  
4 SUF No. 28, Slesinger did not prevail in any of those rulings based on a finding that  
5 Slesinger had allegedly assigned all of its rights to Disney.

6 **B. Disney's Trademark And Copyright Registrations Do Not Support**  
7 **Its Position In This Litigation**

8 Disney contends, without support, that Slesinger forfeited intellectual property  
9 rights by not objecting to Disney's trademark and copyright registrations. (Mot. at  
10 8:3-9:14) Disney's contention lacks merit.

11 Disney cites no authority for the novel proposition that a licensor has a duty  
12 continually to monitor the PTO to insure that its licensees are not surreptitiously  
13 registering its trademarks behind its back. During the 20-plus years between the 1961  
14 and 1983 Agreements, Disney registered no Pooh trademarks in Slesinger's uses and  
15 territories. [Plotkin Ex. A] Slesinger therefore had little reason to suspect that  
16 Disney would begin to do so after 1983. Indeed, the date of Disney's first Pooh  
17 trademark registration – 1996 – is 35 years after the revoked 1961 Agreement. *Id.*

18 Nor does the constructive notice aspect of trademark registrations offer any  
19 support to Disney. Trademark registrations are not constructive notice against the  
20 mark's rightful owners, but only against companies seeking to register or use a new  
21 mark, which have a duty to search the trademark register to ascertain others' use of  
22 the same or similar mark. Moreover, the constructive notice doctrine is inapplicable  
23 where, as is the case here with Disney, there is no evidence a party used a ® symbol.  
24 *See* 15 USC §1111 (by failing to mark with a ®, "no profits and no damages shall be  
25 recovered under the provisions of this Act unless the defendant had actual notice of  
26 the registration"). Disney's attempt to transmogrify the constructive notice doctrine  
27 into a statute of limitations against the mark's lawful owner is thus insupportable.

28 In addition, while Disney may register copyrights in permitted derivative

1 works it created, such copyrights would encompass only such portions of Disney's  
2 derivative works that are sufficiently original to qualify for copyright protection. For  
3 this reason, too, Slesinger had no duty to monitor Disney's copyright registrations.

4 Finally, Disney's filing of infringement lawsuits against third parties is  
5 irrelevant. Those lawsuits appear to involve hundreds of characters, and multiple  
6 studios. None involved only Pooh. Disney does not offer any evidence in its brief or  
7 its Statement of Uncontroverted Facts that Slesinger was aware of these lawsuits.

8 **C. The Equities Overwhelmingly Favor Slesinger, Not Disney**

9 Disney's contention that the equities support the dismissal of Slesinger's  
10 infringement claims is baseless. (Mot. at 16:1-17:7) Contrary to Disney's assertion,  
11 the equities strongly favor Slesinger, not Disney:

12 First, as demonstrated in Section II, *supra*, Slesinger is the creator, owner and  
13 marketer of the beloved Pooh brand, which Disney merely copied and exploited.

14 Second, as demonstrated in Section III.E, *supra*, Disney would have this Court  
15 find that Disney is entitled to infringe Slesinger's rights without paying compensation.

16 Third, Disney advances the farcical contention that Slesinger, because it has  
17 received some \$130 million, has no further right to complain about Disney's  
18 infringement. Disney's contention is absurd. In 2002, Disney admitted publicly that  
19 its liability to Slesinger (above what it had already paid Slesinger on non-disputed  
20 uses alone) could be "several hundred million dollars." [Ex. 96] In addition, the state  
21 court ordered an issue sanction of evidence showing Slesinger was owed a royalty  
22 based on wholesale sales (approximately ½ retail sales) (Sles. Ex. 35, at 335-38),  
23 entitling Slesinger to about \$100 million a year. Consequently, \$130 million over a  
24 period of more than 25 years represents but a fraction of what Slesinger is owed,  
25 particularly when compared to the revenue that Disney has received from Pooh.  
26 (Disney's 2005 Annual Report stated that Pooh was Disney Consumer Products'  
27 largest franchise, with \$5.3 billion in annual retail sales for that division alone [Sles.  
28 Ex. 41]; Disney's website currently states that Pooh has \$6.9 billion in annual global

total sales from only its Consumer Products division. [Sles. Ex. 45]

2 In sum, the equities strongly favor Slesinger, not Disney.<sup>23</sup>

3 **D. Disney's Judicial And Quasi Estoppel Theories Lack Merit**

4 Disney's judicial and quasi estoppel arguments lack not merely evidentiary  
5 support, but also legal grounding.

6 In asserting that judicial estoppel applies "[i]rrespective of any advantages by  
7 SSI" (Mot. 14:15), Disney blatantly misstates governing law. To the contrary,  
8 judicial estoppel applies only where the court ruled in favor of the party to be  
9 estopped, in reliance on the allegedly inconsistent position. Three factors are  
10 considered in determining whether judicial estoppel applies in a particular case: (1)  
11 the party's prior position was "clearly inconsistent" with its current position, (2) "the  
12 party "succeeded in persuading a court to accept that party's earlier position," and (3)  
13 "the party seeking to assert an inconsistent position would derive an unfair advantage  
14 or impose an unfair detriment on the opposing party if not estopped." *New*  
15 *Hampshire v. Maine*, 532 U.S. 742, 751 121 S. Ct. 1808, 1815 (2001).

16 The Ninth Circuit cases Disney cites recognize all three factors apply in this  
17 Circuit, including the requirement that the party to be estopped prevailed in the prior  
18 action based on the allegedly inconsistent position. *United States v. Ibrahim*, 522  
19 F.3d 1003, 1009 (9<sup>th</sup> Cir. 2008) (a factor to be considered is "whether the party has  
20 successfully persuaded the court of the earlier position"); *Hamilton v. State Farm*  
21 *Fire & Cas.*, 270 F.3d 778, 783 (9<sup>th</sup> Cir. 2001) (same); *Milton H. Greene Archives,*  
22 *Inc. v. CMG Worldwide, Inc.*, 568 F. Supp. 1152, 1164 (C.D. Cal. 2008) (same).

23 Disney has not satisfied any, much less all of these factors. First, as shown in  
24 Slesinger's Opp. to SUF Nos. 5, 6, 13, 21-26, 27, the allegedly inconsistent Slesinger  
25 statements which Disney relies are not clearly inconsistent with Slesinger's current  
26

27 <sup>23</sup> As Slesinger has previously stated, Disney's statement that Slesinger paid Milne  
28 \$1,000 is incorrect. (Mot. at 16:11-12) That amount was merely an *advance* against  
future royalties. Moreover, that \$1,000 was in 1930 dollars, in the midst of the Great  
Depression, and Slesinger was creating an entirely new field.

1 on that it did not license all of its rights to Disney. Second, as demonstrated in  
2 Slesinger's Opp. SUF No. 28, Slesinger did not prevail in the state court based on the  
3 assertion that it had licensed all its rights to Disney. Finally, Disney has not  
4 established its burden that Slesinger would receive an unfair advantage in this action.  
5 **Indeed, Disney's Statement of Facts does not identify any facts regarding any alleged**  
6 **unfair advantage in this action. Disney's judicial estoppel argument must fail.**

7 Equally insupportable is Disney's quasi estoppel argument, based entirely on  
8 cases outside the Ninth Circuit.<sup>24</sup> (Mot. at 16:18-17:70) In the Ninth Circuit, the  
9 elements for quasi estoppel are: (1) the party to be estopped must have gained an  
10 advantage for himself or produced a disadvantage to another and (2) the party  
11 invoking the estoppel must have been induced to change its position in reliance  
12 thereon, or the rights of other parties must have intervened. *Tozzi v. Lincoln Nat. Life*  
13 *Ins. Co.*, 103 F.2d 46, 52 (9<sup>th</sup> Cir. 1939); *Synopsis, Inc. v. Magma Design Automation,*  
14 *Inc.*, 2006 WL 825277, at \*4 (N.D. Cal. March 30, 2006). Again, Disney cannot  
15 satisfy this test. Disney has not identified any advantage Slesinger obtained in the  
16 state action based on the alleged statements. In addition, Disney's Statement of  
17 Uncontroverted Facts does not identify any reliance by Disney. Nor has Disney  
18 submitted any evidence of such reliance. Disney's quasi estoppel claim thus fails.

19 **VI. SLESINGER'S CLAIMS ARE NOT BARRED BY COLLATERAL**  
20 **ESTOPPEL OR FRAUD ON THE COURT**

21 Disney's contention that Slesinger's remaining counterclaims are barred by  
22 collateral estoppel or fraud on the court has no support in fact or law.<sup>25</sup>

23 <sup>24</sup> See Mot. at 16-17, citing *County Sch. Bd. of Henrico Country v. RT*, 433 F.  
24 Supp.2d 692 (E.D. Va. 2996); *In re Guterl Special Steel Corp.*, 316 B.R. 843 (Bankr.  
25 W.D. Pa. 2004); *Ritter v. Ulman*, 78 F. 222 (4<sup>th</sup> Cir. 1897). Disney's citations alone  
demonstrate the infrequency with which quasi estoppel is invoked.

26 <sup>25</sup> The Court has already rejected Disney's argument that Slesinger's remaining  
27 counterclaims are barred by collateral estoppel. The Court's June 3, 2008 Order  
28 instructed counsel to address the issue of whether "any or all claims in this action"  
should be barred by the state court's findings. (Docket #421) Disney asserted in its  
June 30, 2008 Supplemental Opening Brief (Docket # 426) and August 11, 208 Reply  
Brief (Docket # 493) that Slesinger's infringement and 17200 claims were barred by  
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collateral estoppel, as well as Slesinger's fourth through seventh claims. The Court's

1 As a threshold matter, Disney's Statement of Facts advances not a single fact  
2 supporting its arguments. Rather than even attempt to identify any information  
3 purportedly giving Slesinger an unfair advantage here, Disney relies on speculation.  
4 There is no evidence that Slesinger somehow possesses secret and critical knowledge  
5 from some unknown "garbage" documents. (Mot. at 17:23-18:1, 18:10-16) By  
6 contrast, Disney's infringing uses are publicly available for all to see.

7 Disney also fails to satisfy the legal standard for collateral estoppel. The  
8 dispositive issue supporting dismissal of the state court breach of contract and fraud  
9 claims cannot remotely be said to be "identical" to the issues that would support  
10 dismissal of the remaining counterclaims. *Fund for Animals, Inc. v. Lujan*, 962 F.2d  
11 1391, 1399-1400 (9th Cir. 1992); *Lucido v. Superior Court*, 51 Cal.3d 335, 341  
12 (1990). Disney asserts only that Slesinger's remaining counterclaims, and the state  
13 court claims, are all "related to" or "affected by" the 1983 Agreement.<sup>26</sup> *Id.* This is  
14 insufficient and irrelevant. Slesinger's remaining counterclaims are based on patently  
15 different legal rights, substantiated by different facts, and seek entirely different  
16 remedies than Slesinger's state court claims; thus, collateral estoppel does not apply.<sup>27</sup>

17  
18 May 19, 2009 Order granted Disney's motion as to the fourth through seventh claims,  
19 but not as to the infringement and 17200 claims. (Docket #520)

20 <sup>26</sup> Disney's attempt to demonstrate some attenuated similarity based on the 1983  
21 Agreement fails because none of the Agreement's provisions at issue in the state case  
22 (Paragraph 10, dealing with Disney's payment obligations) has any relevance to the  
23 adjudication of the infringement and unfair business practices/unfair competition  
24 issues here. Notably, under Disney's theory, any claim that involves "the parties'  
25 rights under the 1983 Agreement" (Mot. at 18:27-19:1) and/or "the interpretation of  
26 the 1983 Agreement" would be barred. (Mot. at 19:27) In other words, Disney's  
27 position is that Slesinger is precluded from enforcing the 1983 Agreement, because  
28 any claim that has any connection to that Agreement, in theory, is barred. This is  
precisely the danger that Judge Fern Smith warned against in stating that Disney's  
position "leaves SSI with no recourse against Disney, should Disney, for example,  
ignore the 1983 Agreement entirely." (March 26, 2009 Report and  
Recommendations of Special Master at 20:16-17) (Doc. 503).

<sup>27</sup> *Synanon Church v. United States*, 820 F.2d 421 (D.C. Cir. 1987), is inapposite for  
several reasons. *Synanon* did not apply the California law of collateral estoppel, *See*  
*id.* at 423-27. That is the law this Court must apply to determine the res  
judicata/collateral estoppel effect of the California state court judgment here at issue.  
*E.g., Palomar Mobile Homes Park Ass'n v. City of San Marcos*, 989 F.2d 362, 364  
(9th Cir. 1993). In addition, the issue in both actions was identical, namely, whether  
*Synanon* qualified for non-profit, tax-exempt status. *Id.* at 422, 423. Moreover,

1 See *St. Paul Fire & Marine Ins. Co. v. Weiner*, 606 F.2d 864, 868 (9th Cir. 1979).

2 Even had Disney established the existence of identical issues, its failure to  
3 satisfy the remaining elements renders the collateral estoppel doctrine inapplicable.  
4 Disney had to show that the issues in the prior proceeding were actually litigated;  
5 necessarily decided (*i.e.*, essential to the decision in the prior proceeding); and final,  
6 on the merits. *Lucido*, 51 Cal.3d at 341. Disney bears the burden of proof on all  
7 these elements. *Id.*; 18 *Moore's Fed. Prac.* § 132.05[1] (Bender 3d ed.). Disney made  
8 no attempt to satisfy any of these remaining elements, much less all of them.

9 Collateral estoppel also is inapplicable as it has been over five years since the  
10 state court ruled and circumstances have changed (*e.g.*, new counsel, memories fade,  
11 etc.). This alone bars collateral estoppel. *Huber v. Jackson*, 96 Cal. Rptr.3d 346, 357  
12 (2009); *U.S. Golf Ass'n v. Arroyo Software Corp.*, 69 Cal. App. 4<sup>th</sup> 607, 616 (1999).

13 Disney's "fraud on the court" argument also fails. Disney's Statement of Facts  
14 does not identify any such fraud. There have been no accusations, much less any  
15 findings, of litigation misconduct by Slesinger in this case that supports such a drastic  
16 measure. *Zapata Hermanos Sucesores, S.Z. v. Hearthside Baking Co.*, 313 F.3d 385,  
17 391 (7<sup>th</sup> Cir. 2002); *Mattco Forge, Inc. v. Arthur Young & Co.*, 5 Cal. App.4th 392,  
18 407 (1992) (no collateral estoppel for finding of fraud on the court absent "findings  
19 on the allegations relating to the causes of action in the case at bench.")<sup>28</sup>

20  
21 Synanon destroyed evidence that was the "most probative" evidence on that issue. *Id.*  
22 at 428. It was on the strength of this finding that the case was dismissed. Unlike  
23 *Synanon*, the issues in Slesinger's infringement and 17200 counterclaims are not  
24 remotely similar, much less identical, to the contract and tort claims involved in the  
state court action. In addition, Disney has made no attempt to demonstrate that  
Slesinger's access to documents and information in the state case is useful or relevant,  
much less the "most probative" evidence concerning Slesinger's counterclaims.

25 <sup>28</sup> The cases Disney cites are inapposite. In *Synanon*, Synanon committed specific  
continuing fraud on the court and litigation misconduct in the federal district court.  
26 See *Synanon*, 820 F.2d at 423-24; *Synanon Church v. United States*, 579 F.Supp. 967,  
974-76 (D.D.C. 1984). In *Aoude v. Mobile Oil Corp.*, 892 F.2d 1115 (1st Cir. 1989),  
27 there was fraud on the court in the second case because that case was infected by the  
almost identical fraudulent complaint in the first case. *Id.* at 1121. In the first case,  
28 the plaintiff attached a bogus purchase agreement to the complaint. Later, the  
plaintiff filed a new complaint, which made the same factual allegations and asked  
for essentially the same relief as in the first case. Compare *Aoude v. Mobil Oil Corp.*,

1 Finally, Disney does not even address the five factor test that must be applied  
2 to enter terminating sanctions. *See, e.g., Leon v. IDX Sys. Corp.*, 464 F.3d 951, 958  
3 (9th Cir. 2006). Disney's collateral estoppel argument therefore should be rejected.

4 **VII. THE COURT HAS ALREADY FOUND THAT SLESINGER HAS**  
5 **STATED A VIABLE SECTION 17200 CLAIM**

6 Disney's motion also must be denied as to Slesinger's 17200 claim, which this  
7 Court has already found to be proper. [Doc. 188] As an initial matter, Disney does  
8 not identify any facts that support dismissal of that claim. Disney's Statement of  
9 Facts does not include any facts concerning that claim.

10 Disney's motion is also based on the same legal issues the Court has previously  
11 decided in favor of Slesinger. Disney offers no factual or legal reason for the Court  
12 to reverse itself. *See Johnson v. Couturier*, 2007 WL 3151802, at \*4, \*6-7 (E.D. Cal.  
13 Oct. 26, 2007) (decision against defendant's opposition to motion to amend  
14 constituted law of the case, barring defendant's later motion to dismiss same claims);  
15 *see also Hamilton v. Leavy*, 2001 WL 848603, at \*11 (D. Del. July 27, 2001).

16 Disney's claim that Slesinger fails to satisfy 17200's "unlawful" prong is false.  
17 "Violations of other laws . . . when committed pursuant to business activity [are]  
18 unlawful practices independently actionable under" Section 17200. *Farms Ins. Exch.*  
19 *v. Sup. Ct.*, 2 Cal.4<sup>th</sup> 377, 383 (1992). "Virtually any state, federal or local law can  
20 serve as the predicate for an BP 17200 action.". *People ex rel. Bill Lockyer v.*  
21 *Fremont Life Ins. Co.*, 104 Cal.App.4<sup>th</sup> 508, 515 (2002). Among other facts:

- This Court has already held Disney's actions violate Section 304, and that this

22  
23 862 F.2d 890, 891-92 (1st Cir. 1988) *with Aoude, supra*, 892 F.2d at 1116-17. Such  
24 blatant fraud on the court is not present here, in part because the remaining  
25 counterclaims for infringement, and for unfair competition, do not "parallel"  
26 Slesinger's state court complaint for breach of contract and fraud. *United Bus.*  
27 *Commc'ns, Inc. v. Racal-Milgo, Inc.*, 591 F. Supp. 1172 (D. Kan. 1984), also does not  
28 support Disney's argument. There, the court in the second case set aside a prior  
judgment that had been entered in the first case. Thus, the second case involved the  
same claim as the first case. Similarly, *Dixon v. Comm'r*, 316 F.3d 1041 (9<sup>th</sup> Cir.  
2003), is inapposite because it involved the appellate court's review of the trial court's  
refusal to grant a motion to vacate a judgment based on alleged fraud on the court,  
and therefore involved the identical issue.



1 states a 17200 claim. [Doc. 188, at 6:6-12] In addition, the Ninth Circuit held  
2 in this case that the invalid termination effort violated Section 304. *Milne v.*  
3 *Stephen Slesinger, Inc.*, 430 F.3d 1036, 1047-48 (9<sup>th</sup> Cir. 2005) ("no principle  
4 of logic, canon of statutory construction, or consideration of fairness" supports  
5 the attempted termination of Slesinger's rights); and

- 6 • The actions alleged violate, among other things, the Lanham Act, and  
7 California Civil Code § 1708 (imposing duty "to abstain from injuring the  
8 person or property of another, or infringing upon any of his or her rights").

9 Disney's actions also were "unfair." Disney argues its actions were not unfair  
10 because Clare Milne and Minette Hunt, as non-parties to the agreement, could not  
11 have breached the 1983 Agreement. Yet Slesinger's 17200 claim is not based on that  
12 theory, but instead on Disney attempting to "destroy Slesinger's rights and interest  
13 under the 1983 Agreement." This includes, but is not limited to, Disney's attempt to  
14 terminate Slesinger's rights under that Agreement and Disney's entry into the  
15 reversion agreement in 2002. [Doc. 286 ¶¶ 197-199] As the Court has already held,  
16 that is sufficient to satisfy Section 17200's "unfair" prong. [Doc. 188, at 6:13-23]<sup>29</sup>

17 **VIII. DISNEY'S MOTION SHOULD BE DENIED UNDER RULE 56(f)**

18 Under Rule 56(f), a summary judgment motion is to be denied or continued if a  
19 party shows it needs discovery. [Skale Decl., ¶4.] Here, no discovery has occurred  
20 as to these claims. Slesinger is entitled to discovery - especially because there has  
21 been no discovery, summary judgment should be denied "fairly freely." *Burlington*  
22 *No. Santa Fe F Co. v. Assiniboine & Sioux Tribes*, 323 F.3d 767, 737 (9<sup>th</sup> Cir. 2003).

23 **IX. CONCLUSION**

24 For the foregoing reasons, Disney's motion must be denied in its entirety.

25 Dated: August 10, 2009

**MINTZ LEVIN COHN FERRIS  
GLOVSKY & POPEO PC**  
By: s/Andrew D. Skale  
ANDREW D. SKALE

26  
27  
28 <sup>29</sup> Disney has falsely stated Slesinger had nothing to do with Pooh -- this also violates  
17200 and Disney does not address. [See, e.g., Sles. Ex. 57, at 6.]

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**CERTIFICATE OF SERVICE**

I, the undersigned, certify and declare that I am over the age of 18 years, employed in the County of San Diego, State of California, and am not a party to the above-entitled action.

On August 10, 2009, I filed a copy of the following document(s):

COUNTER-CLAIMANT STEPHEN SLESINGER, INC.'S MEMORANDUM OF POINTS AND AUTHORITIES IN OPPOSITION TO DISNEY'S MOTION FOR SUMMARY JUDGMENT OR SUMMARY ADJUDICATION ON SLESINGER'S COUNTERCLAIMS;

by electronically filing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

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Executed on August 10, 2009, at San Diego, California. I hereby certify that I am employed in the office of a member of the Bar of this Court at whose direction the service was made.

s/Andrew D. Skale  
Andrew D. Skale, Esq.  
Ben L. Wagner, Esq.

# **EXHIBIT D**

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 9 DISNEY COMPANY, AND WALT DISNEY  
 PRODUCTIONS

10 UNITED STATES DISTRICT COURT  
 11 CENTRAL DISTRICT OF CALIFORNIA

12 CLARE MILNE, an individual, by  
 13 and through MICHAEL JOSEPH  
 14 COYNE, her RECEIVER, and  
 DISNEY ENTERPRISES, INC.

15 Plaintiffs,

16 v.

17 STEPHEN SLESINGER, INC.,

18 Defendant.

19  
 20 STEPHEN SLESINGER, INC.,

21 Counter-Claimant,

22 v.

23 DISNEY ENTERPRISES, INC.;  
 24 THE WALT DISNEY COMPANY;  
 25 and WALT DISNEY  
 PRODUCTIONS,

26 Counter-Defendants.  
 27  
 28

Case No. CV-02-08508 FMC (PLAx)

**DISNEY'S REPLY IN SUPPORT OF  
 MOTION FOR SUMMARY  
 JUDGMENT, OR IN THE  
 ALTERNATIVE, FOR SUMMARY  
 ADJUDICATION OF SSI'S  
 COUNTERCLAIMS**

The Hon. Florence-Marie Cooper

Date: October 16, 2009  
 Time: 1:30 p.m.  
 Place: Courtroom 750

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17	<i>McDanel v. Gen. Ins. Co. of Am.</i> , 1 Cal. App. 2d 454 (1934).....	18
18	<i>Milton H. Greene Archives, Inc. v. CMG Worldwide, Inc.</i> , 568 F. Supp. 2d 1152 (C.D. Cal. 2008).....	18
19	<i>New Hampshire v. Maine</i> , 532 U.S. 742 (2001).....	17
20	<i>Oceanside 84, Ltd. v. Fidelity Fed. Bank</i> , 56 Cal. App. 4th 1441 (1997).....	8
21	<i>One Carol Place Co. L.L.C. v. Melnor, Inc.</i> , 1998 WL 203048 (D.N.J. Apr. 23, 1998).....	18
22	<i>Patton v. Sherwood</i> , 152 Cal. App. 4th 339 (2007).....	7, 8
23	<i>Smith v. State Farm Mut. Auto. Ins. Co.</i> ,	

1	93 Cal. App. 4th 700 (2001).....	20
2	<i>Stephen Slesinger, Inc. v. Walt Disney Co.</i> , 155 Cal. App. 4th 736 (2007).....	23
3	<i>Synanon Church v. United States</i> , 820 F.2d 421 (D.C. Cir. 1987).....	21, 24
4	<i>Torrey Pines Bank v. Super. Ct.</i> , 216 Cal. App. 3d 813 (1989).....	21
5	<i>Two Pesos, Inc. v. Taco Cabana, Inc.</i> , 505 U.S. 763 (1992).....	12
6	<i>U.S. Golf Ass'n v. Arroyo Software Corp.</i> , 69 Cal. App. 4th 607 (1999).....	24
7	<i>United Bus. Commc'ns, Inc v. Racal-Milgo, Inc.</i> , 591 F. Supp. 1172 (D. Kan. 1984).....	21, 24
8	<i>United States v. Ibrahim</i> , 522 F.3d 1003 (9th Cir. 2008).....	17
9	<i>Universal Sales Corp. v. Cal. Press Mfg. Co.</i> , 20 Cal. 2d 751 (1942).....	9
10	<i>Wagner v. Prof'l Eng'rs in Cal. Gov't</i> , 354 F.3d 1036 (9th Cir. 2004).....	17
11	<i>Waterman v. MacKenzie</i> , 138 U.S. 252 (1891).....	15
12	<i>Williams v. Boeing Co.</i> , 517 F.3d 1120 (9th Cir. 2008).....	17
13	<i>Yount v. Acuff Rose-Opryland</i> , 103 F.3d 830 (9th Cir. 1996).....	14
14	<i>Zedner v. United States</i> , 547 U.S. 489 (2006).....	17

**STATUTES**

15	15 U.S.C. § 1072.....	15
16	17 U.S.C. § 304(c)(6)(D).....	20
17	CAL. BUS. & PROF. CODE § 17200.....	<i>passim</i>
18	CAL. CIV. P. CODE § 1644.....	7
19	CAL. CIV. P. CODE § 1708.....	20
20	CAL. EVID. CODE § 622.....	3, 4, 5

**OTHER AUTHORITIES**

21	3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:5 (4th ed. 2007).....	13
22	3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.03 (2005).....	14
23	61 CAL. JUR. 3D UNFAIR COMPETITION § 3 (2008).....	20



1 **L INTRODUCTION.**

2 Despite its attempt to divert attention from the controlling issues, SSI's  
3 Opposition cannot escape or obscure the dispositive effect of the parties'  
4 agreements and SSI's conduct and statements, both in and out of court. SSI has no  
5 explanation for its binding statements that the 1961 Agreement transferred all of its  
6 Pooh rights to Disney and that the 1983 Agreement was a re-grant of the same  
7 rights. SSI has no explanation why it agreed to the same granting language in 1983  
8 as in 1961 if its intent was to significantly reduce the rights given to Disney. SSI  
9 has no explanation why—if it truly believed Disney was infringing its rights—it  
10 said and did *nothing* for decades while Disney exploited the Pooh rights throughout  
11 the world, registered copyrights and trademarks, and sued infringers. SSI cannot  
12 possibly reconcile its longstanding contention that every use by Disney was  
13 royalty-bearing with its new position that many of those same uses are infringing.

14 There is only one explanation for these glaring contradictions. Because its  
15 state claims were dismissed with prejudice—both in the state court and when  
16 reasserted in this Court—SSI manufactured new claims, contentions, and positions  
17 that require it to rewrite history completely. Neither law nor equity permits this  
18 wholesale revision. In unequivocal terms, the 1983 Agreement transferred, and  
19 authorized Disney to use, all of SSI's rights. SSI's conduct under that Agreement  
20 and its contentions in state court were fully consistent with that plain meaning—  
21 until its state court action was dismissed. In its Opposition, SSI presents no issue of  
22 fact—and none exists—precluding this Court from deciding the straightforward  
23 questions of contract interpretation that will resolve this Motion. The language of  
24 the underlying agreements, together with the doctrines of judicial estoppel and  
25 quasi estoppel, combine to bar all of SSI's remaining counterclaims. These  
26 grounds are dispositive in and of themselves.

27 Each of SSI's counterclaims should also be dismissed for a wholly  
28 independent reason: each asks the Court to interpret the meaning of the parties'

1 1983 Agreement, and as this Court has previously ruled, the litigation and  
2 adjudication of such issues have been irreversibly tainted by SSI's illegal conduct  
3 in state court. SSI's ill-conceived cross-motion for summary adjudication adopts  
4 the underpinning of this Court's dismissal of SSI's other counterclaims. By  
5 acknowledging that the central issue in both cases is the "scope and interpretation  
6 of the 1983 Agreement," SSI concedes that a "direct nexus" exists between the  
7 terminated state claims and the remaining counterclaims in this case. (Docket No.  
8 524-2 at 15:14-21, 19:23-28.)<sup>1</sup>

9 **II. SSI REPEATEDLY AFFIRMED DISNEY'S AUTHORITY TO**  
10 **EXPLOIT ALL OF SSI'S POOH RIGHTS.**

11 *--- Counterclaims 1, 2, 3, and 10*

12 SSI's Opposition never responds to a central premise of Disney's Motion:  
13 SSI has already bindingly admitted that the parties' 1961 Agreement gave Disney  
14 the right to use all of SSI's Pooh rights and that the 1983 Agreement simply  
15 extended the same arrangement. The key language of both agreements is the same:  
16 SSI unambiguously transferred to Disney whatever rights SSI held. Although SSI  
17 devotes whole pages of its Opposition to a story of what it believes it did and did  
18 not acquire from Milne, it still raises no relevant issue of fact. The *dispositive* fact  
19 is that SSI gave Disney *all* the rights it held—whatever they were. As SSI itself  
20 observes, "authorization . . . creates an affirmative defense." (Docket No. 524-2 at  
21 17:15-18.) *Everything* SSI said and did between 1961 and the filing in 2006 of its  
22 infringement claims is consistent with no other view of the parties' agreement.

23 **A. SSI Granted Disney All of Its Rights in 1961.**

24 It is beyond dispute that in 1961 SSI conveyed to Disney all of the  
25 transferrable rights it had in the Pooh works.<sup>2</sup> The relevant evidence was addressed

26 <sup>1</sup> Disney notes for the record and objects to the overlong Opposition brief SSI  
27 filed by disregarding the font requirements in Local Rule 11-3.1.

28 <sup>2</sup> The 1961 and 1983 Agreements were made subject to certain preexisting  
licenses with third parties that are not at issue here. (Ex. 1 ¶ 8; Ex. 2 ¶ 6.)

1 in full in Disney's moving papers, key highlights of which are:

- 2 • Paragraphs 2 and 3 of the 1961 Agreement describe the various rights SSI  
3 received from Milne under the 1930 Agreement and amendments thereto.  
4 (Ex. 1 ¶¶ 2-3.)<sup>3</sup> Paragraph 3 uses catch-all language to note that SSI received  
5 from Milne "various further rights." (*Id.* ¶ 3.) Paragraphs 4 and 5 then  
6 declare that SSI "assigns, grants, and sets over unto" Disney all of the rights  
7 it received. (*Id.* ¶¶ 4-5.)
- 8 • In the 1983 Agreement, SSI affirmed that it had granted all of its rights to  
9 Disney. The third recital states SSI "assigned those rights it had acquired  
10 from A.A. Milne to Disney by . . . the '1961 Agreement.'" (Ex. 2 at 1.)
- 11 • SSI repeatedly affirmed that its grant of rights in 1961 was complete,  
12 including in verified discovery responses. For example: "Slesinger . . .  
13 licens[ed] to Disney in 1961 all of the rights, including all 'further rights'  
14 which Slesinger held, including rights to future means of commercial  
15 exploitation which might become viable in the future." (Ex. 23 at 5:28-6:3.)
- 16 SSI's Opposition offers no principled basis for questioning that the 1961  
17 Agreement constituted a complete grant of its rights to Disney. Instead, SSI  
18 quibbles that the recital in the 1983 Agreement affirming that Disney was assigned  
19 all of SSI's rights in 1961 does not prevent it from now claiming otherwise. (Opp.  
20 at 7 n.12.) SSI is just wrong, because that recital is conclusive and binding as a  
21 matter of law. No distinction exists in California law between facts stated in  
22 recitals and facts stated in subsequent provisions of a contract. Instead, all "facts  
23 recited in a written instrument are conclusively presumed to be true as between the  
24 parties." CAL. EVID. CODE § 622.

25 When, as here, a contract recital sets forth "background and existing facts  
26 which serve as a predicate for the agreement entered into by the parties," Section

27 <sup>3</sup> Rather than re-submit exhibits, Disney refers to previously submitted  
28 exhibits by their designation in its earlier Motion for Summary Disposition.

1 622 of the California Evidence Code effects an estoppel. *Banco do Brasil, S.A. v.*  
2 *Latian, Inc.*, 234 Cal. App. 3d 973, 995, 996 n.33 (1991). SSI mistakenly seeks  
3 support from *Emeryville Redev. Agency v. Harcros Pigments, Inc.*, 101 Cal. App.  
4 4th 1083 (2002), but the recital there was “collateral” because it did not “have any  
5 discernible effect on the *legal* relations of the contracting parties,” was “of no  
6 apparent consequence as between the signatories,” and could not bind the parties  
7 because neither was a signatory to the contract. *Id.* at 1101 (original emphasis).<sup>4</sup>

8 In contrast, the 1983 Agreement’s recital that SSI “assigned those rights it  
9 had acquired from A.A. Milne to Disney by . . . the ‘1961 Agreement’” is part of an  
10 agreement between the parties to this litigation, and is anything but collateral. (Ex.  
11 2.) The 1961 Agreement and the rights assigned thereunder are the subject of  
12 multiple operative provisions in the 1983 Agreement. In particular, Paragraph 2  
13 revoked SSI’s 1961 assignment of rights to Disney, and Paragraphs 5, 7, and 8  
14 collectively re-granted SSI’s rights to Disney. (Ex. 2 ¶¶ 2, 5-8.) The recital in the  
15 1983 Agreement is therefore not only a party admission by SSI that the 1961  
16 Agreement transferred to Disney all of SSI’s rights, but also a binding admission to  
17 that effect. CAL. EVID. CODE § 622; *Banco*, 234 Cal. App. 3d at 996 n.33.

18 **B. SSI Re-Granted All of Its Rights to Disney in 1983.**

19 The grant of rights in the 1983 Agreement, by design and in language,  
20 effectuated the same complete transfer as the parties’ earlier agreement in 1961, not  
21 some lesser transfer as SSI now claims.<sup>5</sup> Notably absent from SSI’s Opposition is  
22 any explanation why the parties would have altered their relationship in so  
23 fundamental a manner without a word of explanation in their Agreement. That is  
24 neither sensible nor possible, especially because the 1983 Agreement, by its clear

25 <sup>4</sup> *Ingersoll v. Truebody*, 40 Cal. 603 (1871), also cited by SSI, came to a  
26 similar conclusion and thus is of no relevance here.

27 <sup>5</sup> SSI incorrectly claims Disney does not dispute SSI’s former “ownership of  
28 the rights at issue.” (Opp. at 11.) However, there is no reason to address that  
inaccuracy because it is irrelevant. The salient point is that SSI granted all of its  
rights to Disney in both the 1961 and 1983 Agreements.

1 terms, is a simultaneous revocation and re-grant of the 1961 Agreement. Moreover,  
 2 had the parties intended to shrink Disney’s rights, there would have been a detailed  
 3 discussion of the practical and financial steps required to accomplish that  
 4 significant change, but there is no discussion at all.

5 Rather, the parties effectuated their intention that SSI re-grant to Disney the  
 6 same rights Disney had received and exploited for the preceding 22 years by  
 7 literally copying the key language from two provisions of the 1961 Agreement that  
 8 contained the grant of rights: Paragraphs 3 and 5. All that changed were the  
 9 numbers; in the 1983 Agreement, the language appears in Paragraphs 5 and 8:

1961 Agreement	1983 Agreement
11 5. [Slesinger] hereby assigns, grants, 12 and sets over unto [Disney] all of the 13 further rights in and to said “work” 14 which are set forth in Paragraph 3 hereof, subject to existing licenses and to the terms of Paragraph 7 and 8.	8. Slesinger hereby assigns, grants, and sets over unto Disney all of the further rights in and to said “work” which are set forth in Paragraph [5] hereof, subject to the terms of Paragraphs 10 and 11.
15 3. [Slesinger] further warrants and 16 represents that by virtue of various agreements [with A.A. Milne] . . . 17 Slesinger acquired various further 18 rights in and to said “work” . . . ; that 19 said further rights include the exclusive 20 right in the United States and Canada to use, or license the use of, the characters and illustrations from said “work” in, on or in connection with various articles of merchandise . . . .	5. Slesinger warrants and represents that, by virtue of [the re-grant of A.A. Milne’s rights, Slesinger acquired] various further rights in and to said “work” which include the exclusive right in the United States and Canada to use, or license the use of, the characters and illustrations from the said “work” in, on or in connection with various articles of merchandise . . . .

21 (*Compare* Ex. 1 ¶¶ 5, 3 with Ex. 2 ¶¶ 8, 5 (emphases added).)<sup>6</sup>

22 SSI offers no support for its contention that the same parties intended the  
 23 same words about the same subject to carry a meaning in 1983 radically different  
 24 from that in 1961. All SSI offers is the half-hearted assertion that “it is not  
 25 Slesinger’s position that there is any relationship between what the parties intended  
 26

27 <sup>6</sup> SSI agrees that television and radio rights were expressly assigned to  
 28 Disney. The 1961 Agreement does so in Paragraph 2; the 1983 Agreement does so  
 in a portion of Paragraph 5 that does not bear on this Motion.

1 in drafting” the two agreements (Opp. at 8 n.13), an unsupported opinion wholly  
2 inadequate to defeat summary judgment. *F.T.C. v. Publishing Clearing House,*  
3 *Inc.*, 104 F.3d 1168, 1171 (9th Cir. 1997) (“A conclusory, self-serving affidavit . . .  
4 is insufficient to create a genuine issue of material fact.”).

5 Moreover, even if the 1961 Agreement had not been the model for the 1983  
6 Agreement, the 1983 language is definitive on its own. SSI does not dispute that  
7 Paragraph 8 of the 1983 Agreement transferred to Disney the rights that, in  
8 Paragraph 5, SSI warrants owning.<sup>7</sup> The key portion of Paragraph 5 is SSI’s  
9 warranty that it owned not only television and radio rights, but also “various further  
10 rights,” including merchandise rights. The plain language is a clear and familiar  
11 catch-all provision sweeping up whatever other rights SSI might have possessed.  
12 SSI certainly understood it to mean just that until the dismissal of its contract  
13 claims made it expedient to claim otherwise: in an interrogatory response verified  
14 under oath by its then-president, SSI stated that “the grant of all ‘further rights’ in  
15 and to the Pooh Characters . . . is a *catch-all* designed to ensure that Slesinger was  
16 granting . . . all of the additional *commercial exploitation rights Slesinger acquired*  
17 *that are not specifically mentioned in the 1983 Agreement.*” (7/6/2009 Declaration  
18 of Cassandra Seto ¶ 6, Ex. F at 306:22-26 (emphases added).)

19 SSI says *nothing* in its Opposition about this sworn statement concerning the  
20 meaning of the 1983 Agreement or about its many other statements to the same  
21 effect, as catalogued Disney’s moving papers. (Mot. at 9:15-13:17.) For example,  
22 in state court pleadings constituting evidentiary admissions, SSI affirmed and re-  
23 affirmed its understanding that the 1983 Agreement, like the 1961 Agreement  
24 before it, assigned to Disney all of the rights SSI had. (*See, e.g.*, Ex. 6 ¶ 7; Ex. 21  
25 at 5:2-7; Ex. 14 at 5:23-24.)<sup>8</sup>

26 \_\_\_\_\_  
27 <sup>7</sup> Paragraph 8 contains a typographical error; it incorrectly references  
Paragraph 6 instead of 5. This error was corrected in a side letter. (Ex. 3.)

28 <sup>8</sup> SSI’s assertion that its “Supplemented Third Amended Complaint in the  
state action” cannot be binding because it never became operative is legally

1 In hopes of avoiding the obvious meaning of Paragraph 5, SSI tortures  
2 common English usage in its arguments regarding the phrase “various further rights  
3 . . . which include . . . merchandise.” SSI’s interpretation ignores the plainly open-  
4 ended meaning of the phrase “various further rights.” “Various” and “further” are  
5 words of inclusiveness; “various” means “of an indefinite number greater than one”  
6 and “further” means “in addition.” (Merriam-Webster Dictionary, Exs. 90, 89.)  
7 These words must be given their ordinary meaning, *i.e.*, that *all* of the rights SSI  
8 held are being provided to Disney. *See* CAL. CODE CIV. P. § 1644 (“[W]ords of a  
9 contract are to be understood in their ordinary and popular sense.”).

10 SSI also argues that the phrase does not merely identify merchandise as one  
11 example of the “further rights,” but instead limits “further rights” to merchandise  
12 alone. (Opp. at 6.) But the dictionary and case law confirm what we all know: that  
13 the common word “include” means “comprise as part of a whole.” (Supplemental  
14 Seto Decl. ¶ 2, Ex. G.)<sup>9</sup> California and federal courts have consistently applied that  
15 understanding of the word: “The word ‘includes’ is ordinarily a word of  
16 enlargement, not limitation.” *Patton v. Sherwood*, 152 Cal. App. 4th 339, 346  
17 (2007); *see also County of Santa Cruz v. State Bd. of Forestry*, 64 Cal. App. 4th  
18 826, 836 (1998) (“[It is a] long-standing rule of statutory construction that ‘include’  
19 is a term of enlargement rather than limitation.”); *In re Transcon Lines*, 178 B.R.  
20 228, 232 (C.D. Cal. 1995) (“[U]nder general rules of construction the terms  
21 ‘include’ and ‘including’ are not limiting.”).<sup>10</sup>

22 irrelevant and factually wrong. That complaint was filed with the state court. (Ex.  
23 6.) SSI has even identified as an uncontested fact that “Slesinger’s Supplemental  
24 Third Amended Complaint was the last operative pleading in the state case.” (*See*  
25 Docket No. 408-3 at 91 (Uncontested Statement of Fact No. 16).)

26 <sup>9</sup> That, as SSI notes, the Agreement also occasionally uses the phrase  
27 “include without limitation” to designate an open-ended reference does not change  
28 the fact that the common word “include” means “comprise as part of a whole.”

<sup>10</sup> SSI’s reference to a state court interrogatory response by Disney regarding  
the term “further rights” proves nothing. (Opp. at 7.) There was no reason in the  
state action for Disney to question the scope of its rights, as SSI was insisting that it  
had granted Disney every right SSI held to exploit the Pooh works. The only point  
in dispute was whether SSI should be paid greater royalties for their exploitation.

1 SSI also claims that the 1983 Agreement reserved to it certain rights it  
2 supposedly received from Milne by a 1932 Amendment to their original 1930  
3 Agreement. Now, 77 years later, SSI has coined a term for what it claims was  
4 reserved: “new representation method” rights. (Opp. at 8:13-15.) Of course, that  
5 term appears nowhere in any agreement between the parties, and no such  
6 reservation is possible for the simple reason that the 1932 Amendment was  
7 expressly revoked by the 1983 Agreement. (Ex. 2 ¶ 1.) Moreover, before SSI  
8 reversed course to keep its lawsuit against Disney alive, its own counsel conceded  
9 in a state court hearing that “the contract language is broad enough to encompass  
10 concepts and ideas and inventions not even in existence at the time of the grant.”  
11 (SSI Ex. 99 at 176:14-19.) Thus, as of 1983, SSI could not have held any rights it  
12 received from Milne other than those assigned to it by Milne under Paragraph 4 of  
13 the 1983 Agreement, and all of those rights were simultaneously assigned to Disney  
14 under Paragraphs 5, 7, and 8. (Ex. 2. ¶¶ 1, 4-8.)

15 SSI nonetheless argues that the term “various further rights” in Paragraph 5  
16 of the 1983 Agreement excludes, *sub rosa*, the rights described in the 1932  
17 Amendment. SSI’s theory is that “new representation method” rights were not  
18 expressly mentioned following the phrase “various further rights . . . which include”  
19 in Paragraph 3 of the 1961 Agreement. (Opp. at 8-9.) This is another canard.  
20 Again, the word “includes” is ordinarily a word of enlargement, not limitation.”  
21 *Patton*, 152 Cal. App. 4th at 346. SSI long ago acknowledged that the term  
22 “various further rights” was used as a “catch-all.” (Ex. 23 at 5:28-6:3; 7/6/2009  
23 Seto Decl. ¶ 6, Ex. F at 306:22-26.)<sup>11</sup>

24 <sup>11</sup> SSI gets no help from the law holding ambiguities against a drafter. (Opp.  
25 at 9:23-24.) “[W]here an agreement is actively negotiated . . . this ‘preparer’  
26 principle is not applied.” *Herring v. Teradyne*, 256 F. Supp. 2d 1118, 1126 (S.D.  
27 Cal. 2002) (applying California law). There were three sophisticated parties to the  
28 1983 Agreement, and all were represented by experienced counsel. Moreover, this  
is a principle of last resort, inapplicable because SSI unambiguously granted Disney  
all of its rights. *Oceanside 84, Ltd. v. Fidelity Fed. Bank*, 56 Cal. App. 4th 1441,  
1448 (1997) (principle only “used when none of the canons of construction succeed  
in dispelling the uncertainty”). Likewise, SSI gains nothing from its reference to



1           **C. SSI's Conduct for Nearly 50 Years Definitively Proves Disney's**  
2                                   **Authorization Under the 1961 and 1983 Agreements.**

3           By its unambiguous actions over nearly a half-century, SSI has made  
4 perfectly clear its understanding that the 1961 and 1983 Agreements empowered  
5 Disney to make full use of all of SSI's rights in the Pooh Works. This long,  
6 uninterrupted history of conduct "is entitled to great weight" and "affords the most  
7 reliable evidence of" SSI's intentions. *See Employers Reins. Co. v. Super. Ct.*, 161  
8 Cal. App. 4th 906, 921 (2008) (internal citation omitted); *see also Universal Sales*  
9 *Corp. v. Cal. Press Mfg. Co.*, 20 Cal. 2d 751, 761-62 (1942).

10           SSI's Opposition offers no answer to this simple but powerful point. It has  
11 no explanation why it never accused Disney of infringing its intellectual property  
12 rights until after SSI's state court action seeking even more royalties was  
13 terminated with prejudice. Nor does it—or can it—explain away the irreconcilable  
14 conflict between this lawsuit and the claim SSI pursued for 13 years in state court  
15 on the impossibly inconsistent premise that SSI "regranted, licensed and assigned  
16 all . . . acquired rights to Disney" and was therefore entitled to royalties "in  
17 connection with any type of use of any or all of the Pooh Characters, now known or  
18 later discovered, from which Disney receives a benefit, both monetary and non-  
19 monetary." (Ex. 14 at 5:23-24 (emphasis added); 7/6/2009 Seto Decl. ¶ 6, Ex. F at  
20 6:22-26 (original emphasis); *see also id.* at 164:25-26 ("Any use of the Pooh  
21 Characters for which Disney receives a benefit, monetary or non-monetary, is a  
22 commercial use" entitling SSI to royalties.))

23           After nearly 50 years, Disney's use of the Pooh works cannot have changed  
24 overnight from authorized and royalty-bearing to unauthorized and infringing. The  
25 only explanation for SSI's complete reversal of position is expediency, and the best  
26 proof is its astonishing claim that Disney never had any right to use Winnie the

27 \_\_\_\_\_  
28 the truism that whatever rights were not licensed were reserved, (Opp. at 9:14-23);  
the grant was all-inclusive.

1 Pooh wearing a *red* shirt—the quintessential image of Disney’s Pooh since the  
2 1960s. (Opp. at 4:4-7, 10.)<sup>12</sup> SSI does not and cannot conceivably dispute that its  
3 principals (perhaps more than anyone else in the world) have known since the early  
4 1960s that Disney and its licensees were selling millions upon millions of red-  
5 shirted Pooh dolls, along with millions more lunch boxes, backpacks, t-shirts,  
6 linens, and other products displaying the red-shirted Pooh image.<sup>13</sup> For decades,  
7 SSI has received tens of millions of dollars in royalty payments from Disney for  
8 these uses worldwide. That SSI never voiced a single complaint or word of protest  
9 until its claims for even greater royalties were dismissed is perhaps the clearest and  
10 most telling reason to reject its attempt to re-write history.<sup>14</sup>

11 During the prior round of summary judgment briefing, even SSI took a less  
12 extreme position by acknowledging that Disney’s half-century of sales “might  
13 mean that Disney has an implied license to some” of SSI’s claimed derivative  
14 rights, including the “red-shirted bear.” (Docket No. 408 at 29 n.15.) That  
15 admission severely circumscribed SSI’s infringement claims. Now it back-pedals,  
16 arguing that an implied license would extend only to “those uses Slesinger  
17 authorized.” (Opp. at 10 n.16.) This is nonsensical. If SSI expressly authorized a  
18 use, there would be no need to imply a grant of rights. While the grant of rights to

19 \_\_\_\_\_  
20 <sup>12</sup> SSI’s Opposition makes various allegations regarding its pre-1961  
21 merchandising efforts and claims that those activities somehow gave it common  
22 law rights. Disney’s concurrently-filed Response to SSI’s Statement of Genuine  
23 Issues and Objections to SSI’s Opposition and Supporting Documents show that  
24 SSI’s assertions are disputed and are not supported by admissible evidence. Even if  
25 SSI’s assertions were true, they would be irrelevant; regardless of what rights SSI  
26 acquired or created before 1961, it granted all of those rights to Disney in the 1961  
27 and 1983 Agreements. As Disney has explained, SSI’s all-encompassing grant of  
28 rights in 1961 and 1983, including all “further rights,” necessarily included any  
29 derivative or common law rights. (Docket No. 412 at 16:6-18:5.)

30 <sup>13</sup> SSI itself states that Disney has for decades been engaged in “infringing  
31 uses . . . *publicly available for all to see.*” (Opp. at 22:6 (emphasis added).)

32 <sup>14</sup> SSI cannot help but contradict its preposterous claim that Disney was  
33 limited to using the original Milne drawings and any use of an SSI-created image  
34 would be infringing. SSI claims to have provided Disney “Slesinger-created”  
35 images of Pooh. (Opp. at 3:24-4:3.) But SSI certainly would not have provided  
36 those images unless it believed—correctly—that Disney was entitled to use them.

1 Disney was very much broader, even by SSI's own position, Disney would have an  
2 implied license that defeats SSI's eleventh-hour infringement claims.

3 **D. SSI Cannot Manufacture Infringement Claims to Negate the**  
4 **Dismissal of Its State Law Claims.**

5 SSI further argues that the dismissal of its contract and fraud claims for  
6 royalties has allowed Disney to avoid paying the royalties due under the 1983  
7 Agreement, putting it in material breach and therefore making it an infringer:  
8 "Either Slesinger never licensed the rights at issue to Disney or Slesinger did  
9 license the rights, and Disney's failure to pay the requisite royalties renders the  
10 license null and void." (Opp. at 11:12-14 (emphasis omitted).) This is just another  
11 attempt by SSI to avoid the consequences of its misconduct by substituting federal  
12 infringement claims for its dismissed state contract claims. The state court's  
13 dismissal of SSI's contract and fraud claims is a judgment on the merits, and, as  
14 such, the state court proceeding conclusively resolved the scope of SSI's  
15 entitlement to royalties.<sup>15</sup> See *Kahn v. Kahn*, 68 Cal. App. 3d 372, 384, 387 (1977);  
16 *Franklin Capital Corp. v. Wilson*, 148 Cal. App. 4th 187, 207 (2007).

17 Thus, SSI's assertion that Disney is in material breach ignores the state court  
18 judgment. Even if there were any legal basis for SSI's "infringement by  
19 implication" argument—which Disney disputes—it cannot apply here. Moreover,  
20 another of the asserted but unsupported factual premises for SSI's argument is just  
21 wrong. SSI assumes a one-for-one correspondence in the 1983 Agreement between  
22 the rights SSI transferred to Disney and Disney's obligation to pay royalties.  
23 Actually, the Agreement expressly decouples the transfer of rights from the  
24 payment of royalties. The clearest example of that decoupling—which worked to  
25 SSI's vast benefit—is that in 1983 Disney agreed to pay SSI royalties on *worldwide*  
26

27 <sup>15</sup> Contrary to SSI's suggestions, however, Disney has never contended that  
28 SSI would be barred from asserting in litigation that, for example, it did not receive  
its 2.5% royalty rate on Winnie the Pooh dolls. (See Docket No. 513 at 7-8.)

1 merchandising income, even though SSI only transferred the rights for the United  
2 States and Canada. (Ex. 2 ¶ 10.)<sup>16</sup> Thus, for purposes of this Motion, it is  
3 irrelevant whether Disney acquired various rights from SSI or Milne, and it is also  
4 irrelevant to whom Disney paid royalties for those rights.

5 **E. SSI's Trade Dress Infringement Claim Should Be Dismissed for**  
6 **the Same Reasons as Should Its Trademark Infringement Claim.**

7 SSI's assertion that "Disney does not dispute [its] trade dress claim," (Opp. at  
8 10:17), is specious. Disney expressly identifies this claim as one of the remaining  
9 counterclaims that is the subject of its motion, and all of the arguments in Disney's  
10 moving papers about SSI's trademark claim apply with equal force to its trade dress  
11 claim. (Docket No. 525 at 1:14-15; *see* Docket Nos. 525, 526.) No separate  
12 arguments for the trade dress claim were required because "there is probably no  
13 substantive legal difference" between trademark and trade dress infringement  
14 claims. *Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F.2d 604, 608 (7th Cir.  
15 1986); *see also Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 773 (1992).

16 **III. THE 1983 AGREEMENT WAS AN ASSIGNMENT, NOT A LICENSE.**

17 **--- Counterclaims 2 (Paragraph 137) and 10**

18 Because it authorized Disney to use *all* of SSI's rights, SSI's infringement  
19 claims cannot survive as a matter of law. As an alternative theory for its trademark  
20 claim, SSI again seeks to rewrite history, making the extraordinary request that this  
21 Court issue a declaratory judgment ordering the Patent and Trademark Office to  
22 transfer ownership of all Pooh trademarks registered in Disney's name to SSI. (Ex.  
23 12 ¶ 137.) SSI founds its request on the new notion that, notwithstanding  
24 everything that transpired before its assertion of infringement, the authorization  
25 contained in the Agreement is a license and not an assignment. This fallback

26 \_\_\_\_\_  
27 <sup>16</sup> In state court, where SSI's interests were different, its counsel  
28 acknowledged as much: "It's not in dispute that Disney clearly owes Slesinger a  
royalty on worldwide rights, that the rights go well beyond specifically what was  
granted by Slesinger to Disney." (SSI Ex. 99 at 175:20-176:2.)

1 position again asks the Court to disregard the parties' agreements and conduct. In  
2 determining whether a transfer constitutes an assignment or a license, courts  
3 consider both the language of conveyance and the parties' course of conduct. *See*  
4 *ICEE Distribs., Inc. v. J&J Snack Foods Corp.*, 325 F.3d 586, 598-99 (5th Cir.  
5 2003); *Edwin K. Williams & Co. v. Edwin K. Williams & Co.-East*, 542 F.2d 1053,  
6 1059 (9th Cir. 1976); *see generally* 3 J. THOMAS MCCARTHY, MCCARTHY ON  
7 TRADEMARKS AND UNFAIR COMPETITION § 18:5 (4th ed. 2007). The language of  
8 conveyance in the 1983 Agreement unequivocally establishes an assignment—  
9 rather than a license—of SSI's rights to Disney. (*See* Mot. at 5:14-7:13; Docket  
10 No. 396 at 29:8-31:5; Docket No. 412 at 20-22:21.) The Agreement twice states  
11 that SSI “*assigns, grants, and sets over*” its rights to Disney, and never mentions  
12 the word “license.” (Ex. 2 ¶¶ 7-8 (emphasis added).) And as described in Disney's  
13 moving papers, the decades-long course of conduct between Disney and SSI further  
14 confirms that the 1983 Agreement effected a complete assignment. (*See* Mot. at  
15 7:14-13:17; Docket No. 396 at 25:7-31:5; Docket No. 412 at 20-22.) The totality of  
16 these factors establish that the 1983 Agreement is “a transfer by the assignor of all  
17 rights in the property assigned to the assignee . . . [which] effects an absolute and  
18 irrevocable transfer of ownership”—in other words, an assignment. *Artoc Bank &*  
19 *Trust, Ltd. v. Apex Oil Co.*, 975 F.2d 1365, 1369 (8th Cir. 1992).

20 SSI contests almost none of the many factors Disney identifies as  
21 establishing an assignment. Instead, it attempts to cancel them out by listing other  
22 things that it argues point toward a license. None does.

- 23 • SSI claims that the 1983 Agreement cannot be an assignment because it does  
24 not spell out that Disney has the right to register trademarks in its own name.  
25 (Opp. at 12:21-22.) But the right to register trademarks transfers  
26 *automatically* with the intellectual property interests from which it arises, and  
27 does not need to be expressly identified. *See ICEE*, 325 F.3d at  
28 593 (explaining that trademark assignee “steps into the shoes of the assignor”

- 1 and “acquires . . . all the rights and priorities of the assignor”).
- 2 • SSI argues that the 1983 Agreement resembles a license because its grant of  
3 rights to Disney was “non-exclusive.” (Opp. at 13:19.) SSI points to the two  
4 limited, non-exclusive licenses it made in 1962 for the broadcast of a movie  
5 based on one of A.A. Milne’s poems. (*Id.* at 13:25-14:2.) Disney has never  
6 disputed that the 1983 Agreement was made subject to certain preexisting  
7 licenses—indeed, this was expressly set forth in the Agreement. (Ex. 2  
8 ¶ 6(a).) But an assignment subject to preexisting licenses is not the same as a  
9 reservation of rights that could prevent a complete assignment. *See Graham*  
10 *v. C.I.R.*, 26 T.C. 730, 740 (Tax Court 1956) (characterizing transfer as  
11 “assignment in absolute form” although it was “subject to prior license” with  
12 third party). The relevant point is that SSI granted Disney *every transferable*  
13 *right* it had in 1983; such an “absolute and irrevocable transfer of ownership”  
14 can only be an assignment. *Artoc*, 975 F.2d at 1369.
- 15 • SSI claims that because an assignment is “permanent and perpetual,” the  
16 reacquisition provision in Paragraph 11 of the 1983 Agreement transforms it  
17 into a license. (Opp. at 14:12-16.) But a right of reacquisition does *not* make  
18 an assignment impermanent. *See Graham*, 26 T.C. at 735, 740. Moreover,  
19 Paragraph 11 only permits SSI and Milne to reacquire certain rights if Disney  
20 stops making the payments required by the 1983 Agreement. Simply by  
21 complying with its payment obligations, Disney completely and unilaterally  
22 avoids reacquisition.<sup>17</sup> This is entirely consistent with an assignment. *See id.*
- 23 • SSI points to a handful of references by Disney, and one in dicta in a state  
24 court opinion, to the 1983 Agreement as a “license.” (Opp. at 13:1-17.) In  
25 each of these instances, the word “license” was used as colloquial shorthand

26  
27 <sup>17</sup> “[P]ayment of royalties is conduct that is as consistent with a license as it  
28 is with an assignment.” 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON  
COPYRIGHT § 10.03 (2005); *see Yount v. Acuff Rose-Opryland*, 103 F.3d 830, 835  
(9th Cir. 1996) (assignment in exchange for royalties).

1 to describe SSI's grant of all of its rights to Disney, where the technical  
2 nature of the grant was not at issue. Moreover, SSI brushes off the countless  
3 times it itself has characterized the 1983 Agreement as an "assignment" by  
4 asserting that "the use of the word 'assign' or 'license' is immaterial; whether  
5 a particular transfer '[i]s an assignment or a license does not depend upon the  
6 name by which it calls itself, but upon the legal effect of its provisions.'" (Opp. at 14:27-15:3 (quoting *Waterman v. MacKenzie*, 138 U.S. 252, 256  
7 (1891).) As Disney has shown, the clearest evidence of the legal effect of the  
8 1983 Agreement—the unambiguous language of conveyance and the parties'  
9 longstanding course of conduct—indisputably establishes that it is an  
10 assignment. (See Mot. at 5:14-7:13; Docket No. 396 at 29:8-31:5; Docket  
11 No. 412 at 20-22:21.)

- 12
- 13 • SSI argues that it acquired common law trademark rights by creating  
14 derivative works based on the Pooh Works. (Opp. at 12:9-18.) As explained  
15 previously, even assuming that SSI did have any independent derivative  
16 rights—which it did not—these rights were necessarily conveyed to Disney  
17 in the 1983 Agreement.
- 18 • Finally, SSI's failure to object to Disney's long history of registration of  
19 trademarks in its own name underscores that SSI knew exactly what it had  
20 done in 1983: assign all of its rights to Disney. (Mot. at 8:3-9:14.) Between  
21 1983 and 2006, when SSI first asserted an ownership interest, Disney  
22 registered 15 trademarks relating to the Pooh works in the United States  
23 alone. (*Id.* at 8:6-8; 7/6/2009 Declaration of Steven A. Plotkin ¶ 3, Ex. A.)  
24 Under the Lanham Act, this provided SSI "constructive notice of [Disney's]  
25 claim of ownership." 15 U.S.C. § 1072; see also *Dep't of Parks & Rec. for*  
26 *State of Cal. v. Bazaar Del Mundo Inc.*, 448 F.3d 1118, 1131 (9th Cir.  
27 2006).<sup>18</sup> It is telling that the first time SSI objected to any of Disney's

28 <sup>18</sup> The same rule applies to federal copyright registrations. See *Johnson v.*

1 trademark registrations was one month after the dismissal of its state court  
2 case. (Mot. at 8:16-20; 7/6/2009 Seto Decl. ¶ 3, Ex. B.)

3 **IV. SSI IS ESTOPPED FROM CONTRADICTING ITS PRIOR**  
4 **STATEMENTS THAT IT AUTHORIZED DISNEY'S USE OF THE**  
5 **POOH RIGHTS.**

6 **--- Counterclaims 1, 2, 3, and 10**

7 SSI identifies no legal or logical reason why this Court should not apply the  
8 doctrines of judicial estoppel and quasi estoppel to preclude it from contradicting its  
9 sworn statements in state court that it authorized Disney's use of the Pooh rights.

10 **A. SSI's Statements and Conduct Merit the Application of Judicial**  
11 **Estoppel.**

12 SSI misstates Ninth Circuit law by claiming judicial estoppel may only be  
13 invoked when the party to be estopped previously benefited from taking an opposite  
14 position to the one now being espoused (which, in any event, is exactly what SSI  
15 did). The Ninth Circuit actually endorses use of the doctrine "not only to prevent a  
16 party from gaining an advantage by taking inconsistent positions, but also because  
17 of general considerations of the orderly administration of justice and regard for the  
18 dignity of judicial proceedings, and to protect against a litigant playing fast and  
19 loose with the courts." *Hamilton v. State Farm Fire & Cas. Co.*, 270 F.3d 778, 782  
20 (9th Cir. 2001) (internal quotation and citation omitted). Thus, this Court may  
21 apply judicial estoppel to prevent SSI from using "intentional self-contradiction as  
22 a means of obtaining unfair advantage" or to protect the "orderly administration of  
23 justice and regard for the dignity of judicial proceedings." *Id.* at 783, 782; *see also*  
24 *United States v. Ibrahim*, 522 F.3d 1003, 1009 (9th Cir. 2008) ("judicial estoppel

25

26  
27 *Jones*, 149 F.3d 494, 505 (6th Cir. 1998) ("Constructive notice of a valid copyright  
28 is presumed upon registration."). SSI's failure to object to Disney's federal  
copyright registrations and renewals similarly confirms Disney's uses of the Pooh  
rights were not infringing. (Mot. at 8:27-9:4; 7/6/2009 Seto Decl. ¶ 4, Exs. C, D.)



1 'seeks to prevent the *deliberate* manipulation of the courts.'") (original emphasis);  
 2 *Wagner v. Prof'l Eng'rs in Cal. Gov't*, 354 F.3d 1036, 1044 (9th Cir. 2004).<sup>19</sup>

3 Moreover, SSI's conduct merits applying judicial estoppel under the three-  
 4 factor test urged by SSI—*i.e.*, (1) whether the prior position by the party to be  
 5 estopped is inconsistent with its current position; (2) whether the party persuaded a  
 6 court to accept its earlier position; and (3) whether the party would gain an "unfair  
 7 advantage or impose an unfair detriment on the opposing party" if not estopped.  
 8 (Opp. at 20:9-15.) First, even SSI does not contest that its position in state court—  
 9 where it argued that Disney had a right to, and owed royalties on, every conceivable  
 10 use of the Pooh Works—is inconsistent with its current position that those same  
 11 uses are infringing. Second, as Disney previously established, SSI persuaded the  
 12 state court to accept that earlier position—for example, that it had been granted and  
 13 then assigned to Disney all "rights to any sound, word and/or picture  
 14 representation" of the Pooh Works. (Ex. 54 at 17:8-10.)<sup>20</sup> Third, it would be  
 15 manifestly unfair *and* detrimental to Disney to allow SSI to take a position in this  
 16 case that is diametrically opposed to its stance for over a decade during prior  
 17 litigation. *See, e.g., Gagne v. Zodiac Maritime Agencies, Ltd.*, 274 F. Supp. 2d  
 18 1144, 1149-50 (S.D. Cal. 2003) (unfair advantage exists where plaintiff took  
 19 positions that were "clearly inconsistent and were relied upon by the prior court");  
 20 *In re Edwards Theatres Circuit, Inc.*, 281 B.R. 675, 683 (Bankr. C.D. Cal. 2002)  
 21 (finding unfair advantage and unfair detriment where claimant sought to change  
 22 positions to "take a third bite at the apple" and other party had "already expended  
 23 significant . . . resources in objecting to [those] claims").

24 <sup>19</sup> As the Ninth Circuit recently explained, the doctrine of judicial estoppel  
 25 "is not reducible to an exhaustive formula." *Williams v. Boeing Co.*, 517 F.3d  
 26 1120, 1134 (9th Cir. 2008). Despite SSI's characterization of the Supreme Court's  
 27 opinion in *New Hampshire v. Maine*, 532 U.S. 742 (2001), that Court has since  
 28 clarified that judicial estoppel "is equitable and thus cannot be reduced to a precise  
 formula or test." *Zedner v. United States*, 547 U.S. 489, 504 (2006).

<sup>20</sup> Further examples are noted in Disney's moving papers. (*See* Mot. at  
 14:12-14, 14 n.8.)

1 One thing is clear: SSI's representations here are "so inconsistent that they  
2 amount to an affront to the court." *Johnson v. Oregon Dep't of Human Res. Rehab.*  
3 *Div.*, 141 F.3d 1361, 1369 (9th Cir. 1998). In such circumstances, judicial estoppel  
4 is applied to "protect the integrity of the judicial process by prohibiting [SSI] from  
5 changing positions as circumstances warrant." *Milton H. Greene Archives, Inc. v.*  
6 *CMG Worldwide, Inc.*, 568 F. Supp. 2d 1152, 1160 (C.D. Cal. 2008).

7 **B. Quasi Estoppel Precludes SSI from Reversing Positions.**

8 The doctrine of quasi estoppel provides an independent basis for the Court to  
9 preclude SSI from reversing in this action its state court position that it authorized  
10 Disney's uses of the Pooh Works. Both throughout the federal system and in  
11 California, courts have confirmed that the purpose of quasi estoppel is to enforce  
12 the proposition that in litigation "one cannot blow both hot and cold." *See, e.g.*,  
13 *McDanel v. Gen. Ins. Co. of Am.*, 1 Cal. App. 2d 454, 459 (1934); *Building*  
14 *Syndicate Co. v. United States*, 292 F.2d 623, 626 (9th Cir. 1961); *One Carol Place*  
15 *Co. L.L.C. v. Melnor, Inc.*, 1998 WL 203048, at \*18 (D.N.J. Apr. 23, 1998); *In re*  
16 *Guterl Special Steel Corp.*, 316 B.R. 843, 856 (Bankr. W.D. Pa. 2004).

17 Citing to cases applying California state law, SSI wrongly characterizes  
18 Ninth Circuit precedent as uniformly requiring a showing of detrimental reliance  
19 for quasi estoppel to apply. For example, in *In re Kritt*, 190 B.R. 382 (Bankr. 9th  
20 Cir. 1995), the Ninth Circuit found that "[q]uasi estoppel does not require  
21 detrimental reliance." *Id.* at 388.<sup>21</sup> Nevertheless, detrimental reliance is certainly  
22 present. For decades, Disney relied on SSI's failure to raise any complaint about  
23 the scope of Disney's exploitation of the Pooh rights. As a result, it expended time  
24 and resources in developing the Pooh brand, and paid SSI handsomely for the right

25  
26 <sup>21</sup> Under California law, "no particular set of facts is necessary to invoke an  
27 equitable estoppel if the facts come within the" ambit of quasi estoppel. *Brown v.*  
28 *Brown*, 274 Cal. App. 2d 178, 189 (1969). This comports with the general rule that  
"estoppel, an equitable doctrine, rests upon the totality of circumstances, not upon  
an inflexible rule of law, although equitable rubrics occasionally give a contrary  
impression." *Bierl v. McMahon*, 270 Cal. App. 2d 97, 104 (1969).

1 to do so. Had SSI's words and actions suggested anything other than that Disney's  
2 uses were at all times authorized, Disney would have acted differently. By now  
3 reversing its decades-long position, SSI is seeking "to enjoy [the 1983  
4 Agreement's] benefits and at the same time deny its terms and qualifications."  
5 *County Sch. Bd. of Henrico County, Va. v. RT*, 433 F. Supp. 2d 692, 706 (E.D. Va.  
6 2006) (internal citations and quotations omitted). Such conduct "offend[s] every  
7 principle of equity and good morals" and, as in *Henrico County*, merits the  
8 application of the doctrine of quasi estoppel. *Id.*<sup>22</sup>

9 **V. SSI CAN STATE NO VIABLE SECTION 17200 CLAIM.**

10 **--- Counterclaims 10 and 12**

11 SSI's Opposition fails entirely to present any material issue of fact that would  
12 preclude the Court from granting summary judgment in favor of Disney on SSI's  
13 Twelfth Counterclaim for violation of California Business and Professions Code  
14 Section 17200. This Court did not, as SSI claims, find that SSI's Section 17200  
15 claim is "proper." (Opp. at 24:5-7.) Rather, for the purpose of considering leave to  
16 amend, the Court accepted two ways of pleading SSI's claim. (Ex. 10 at 6-7.)  
17 There has been no finding that SSI stated a viable Section 17200 claim, nor could  
18 such a finding be merited.<sup>23</sup> SSI's unlawfulness claim is based on the allegation  
19 that Disney's acts with regard to the attempted termination of its rights in the Pooh  
20 Works violates Section 304(c)(6)(D) of the Copyright Act. However, this provision  
21 provides merely that certain agreements are invalid if executed prematurely.  
22 17 U.S.C. § 304(c)(6)(D) ("A further grant, or agreement to make a further grant, of  
23 any right covered by a terminated grant is valid only if it is made after the effective  
24

25 <sup>22</sup> Whether denominated judicial estoppel, quasi estoppel, or some other form  
26 of estoppel such as equitable estoppel, the key point is that SSI's conduct during the  
nearly 50 years prior to filing its counterclaims necessitates application of an  
equitable bar to its claims contradicting the clear import of that conduct.

27 <sup>23</sup> For this reason, SSI's reliance on *Johnson v. Couturier*, 2007 WL 3151802  
28 (E.D. Cal. Oct. 26, 2007), and *Hamilton v. Leavy*, 2001 WL 848603 (D. Del. Jul.  
27, 2007), is misplaced. (Opp. at 24:12-15.)

1 date of the termination.”). It does not “require” or “proscribe” any action and thus  
2 cannot provide the basis for a viable Section 17200 claim: conduct that is “neither  
3 required nor proscribed by law does not constitute an ‘unlawful’ business activity  
4 under the unfair competition law.” 61 CAL. JUR. 3D UNFAIR COMPETITION § 3  
5 (2008); *see Smith v. State Farm Mut. Auto. Ins. Co.*, 93 Cal. App. 4th 700, 717-18  
6 (2001). As for SSI’s tacked-on claims that Disney has violated the Lanham Act  
7 and California Civil Code Section 1708, they fail with the infringement claims  
8 upon which they depend, and thus cannot ground a Section 17200 claim.

9 SSI’s claim of “unfairness” under Section 17200 claim also fails as a matter  
10 of law. Again, SSI misconstrues the Court’s order, which merely acknowledged  
11 two theories upon which SSI’s Section 17200 claim could proceed, and did not  
12 prejudice either as viable. As a matter of law, the supposedly wrongful acts SSI  
13 attributes to Disney—allegedly inducing Clare Milne and Minette Hunt to breach  
14 the 1983 Agreement by terminating the copyright grant to SSI—could not give rise  
15 to a finding of unfair competition.<sup>24</sup> SSI ignores Disney’s point that the 1983  
16 Agreement was signed by Christopher Milne; Milne and Hunt were not parties.  
17 (*See Ex 2.*) Thus, as previously noted, even had Disney induced Milne and Hunt to  
18 seek to recapture their rights as heirs (which is not the case), neither heir would  
19 have breached any contract. Consequently, Disney could not have induced a breach  
20 and could not have acted “unfairly” under Section 17200.<sup>25</sup>

21 <sup>24</sup> SSI’s Opposition does not contest Disney’s request for summary  
22 disposition on the subpart of SSI’s First Counterclaim (Copyright Infringement)  
23 based on its allegation that Disney participated in an “orchestrated plan” to  
24 terminate SSI’s rights in the Pooh Works. Nor does SSI contest Disney’s request  
25 for summary disposition on SSI’s Tenth Counterclaim (Injunctive Relief) on the  
26 ground that it must fail if the substantive claims on which it depends fail.  
27 Consequently, regarding those claims, Disney rests on its original moving papers.

28 <sup>25</sup> SSI alleges that Disney stated SSI “had nothing to do with Pooh,” which  
“also violates 17200.” (Opp. at 25 n.29.) However, SSI does not explain how such  
statements violate Section 17200—nothing prevented Disney from making public  
statements about Pooh. Moreover, the statement in SSI’s counterclaims that Disney  
“falsely represented to the press that . . . the Slesingers were ‘out’ with respect to  
Winnie-the-Pooh,” cannot reasonably be understood as a statement that SSI had  
“had nothing to do with Pooh.” (*Id.*; Ex. 12 ¶ 101.)

1 **VI. THE “DIRECT NEXUS” BETWEEN SSI’S STATE CLAIMS AND**  
2 **REMAINING COUNTERCLAIMS MANDATING THEIR**  
3 **DISMISSAL HAS BEEN CONCEDED BY SSI.**

4 **--- Counterclaims 1, 2, 3, 10, and 12**

5 SSI’s remaining counterclaims should be dismissed for a wholly independent  
6 but equally compelling reason: all of these claims, like the claims SSI pursued in  
7 state court, turn on the scope and interpretation of the 1983 Agreement. This Court  
8 has already ruled that collateral estoppel applies to “the findings of the state court  
9 regarding not only the misconduct of SSI,” but also the consequences of that  
10 misconduct. (Docket No. 520 at 2:14-3:18 (quoting Docket No. 503 at 14).) That  
11 is because those matters meet the two criteria for preclusion: they were “actually  
12 litigated”—through comprehensive discovery, exhaustive briefing, and a week-long  
13 evidentiary hearing—and “necessarily decided” by the state trial court’s terminating  
14 sanctions order, affirmed by the state appellate courts. *See Gottlieb v. Kest*, 141  
15 Cal. App. 4th 110, 148-49 (2006); *Torrey Pines Bank v. Super. Ct.*, 216 Cal. App.  
16 3d 813, 820-22 (1989). The state court’s findings are now final and binding, and as  
17 this Court ruled, must “be given preclusive effect in this action under the doctrine  
18 of collateral estoppel.” (Docket No. 520 at 2:21-22.)

19 The only remaining question is whether there is a nexus linking SSI’s state  
20 claims with its remaining federal counterclaims—if so, the “incurable” taint found  
21 by the state court is present in this Court, eliminates any possibility of a fair trial,  
22 and necessitates dismissal. *See Synanon Church v. United States*, 820 F.2d 421,  
23 424, 427 (D.C. Cir. 1987); *United Bus. Commc’ns, Inc v. Racal-Milgo, Inc.*, 591 F.  
24 Supp. 1172, 1184-87 (D. Kan. 1984). As Disney notes in its Opposition to SSI’s  
25 cross-motion for summary adjudication, SSI definitively answered that question in  
26 that motion, by arguing that the “the scope and interpretation of the 1983  
27 Agreement” is “central” to both cases and thus serves as a “direct nexus” between  
28 its state claims and its remaining counterclaims. (Docket No. 524-2 at 15, 19.)

1 Ignoring what it said just weeks earlier, SSI now takes the exact opposite  
2 position, arguing that collateral estoppel cannot apply because its remaining  
3 counterclaims have nothing in common with its state court claims. (Opp. at 22:14-  
4 16.) According to SSI's Opposition, "none of the [1983] Agreement's provisions at  
5 issue in the state case . . . has any relevance to the adjudication of the infringement  
6 and unfair . . . competition issues here." (*Id.* at 22 n.26.) But SSI itself  
7 acknowledged why that is impossible in its cross-motion: the state case "related to  
8 the scope and interpretation of the 1983 Agreement, and the Agreement is the heart  
9 of . . . Slesinger's copyright and trademark infringement counterclaims." (Docket  
10 No. 524-2 at 15:19-21; *see also id.* at 2:13-15, 19:23-28.) That was the basis for  
11 SSI's argument that inadvertently discarded documents hypothetically relevant to  
12 the state court action were so relevant to this action that Disney should be defaulted.

13 SSI's state claims were based on its position that the scope and meaning of  
14 the 1983 Agreement encompassed all conceivable uses of the Pooh Works by  
15 Disney and obligated Disney to pay for all such uses. (Ex. 6 ¶ 7.)<sup>26</sup> Here, the scope  
16 and meaning of the 1983 Agreement are again at "the heart" of SSI's  
17 counterclaims. (Docket No. 524-2 at 15:19-21.) To prevail on its infringement  
18 claims, SSI must show that the 1983 Agreement reserves for it an ownership  
19 interest in the Pooh Works. That would require an interpretation favorable to SSI  
20 of Paragraphs 4 through 10 of the 1983 Agreement—the same ones that SSI says  
21 were at issue in state court. (Exs. 6, 12.)<sup>27</sup> Thus, SSI's argument that its state  
22 claims are not literally "identical" to its remaining claims is irrelevant. (Opp. at  
23 22:7-10.)

24 <sup>26</sup> In state court, former California Supreme Court justice William Eagleson,  
25 sitting as discovery referee, observed that the case concerned a "disagreement over  
the scope and the meaning" of the 1983 Agreement. (SSI Ex. 99 at 175:12-16.)

26 <sup>27</sup> Similarly, SSI's unfair competition claim is partly based on its allegation  
27 that Disney "orchestrated" Clare Milne and Minette Hunt's service of copyright  
28 termination notices, which SSI claims contravened the 1983 Agreement. (Ex. 12.)  
If this claim is allowed to proceed—and it should not—the parties will again have  
to litigate over the interpretation of the 1983 Agreement.

1           What is relevant is that SSI's thefts targeted documents related to its claims  
2 under the 1983 Agreement and netted documents that "were 'useful' to SSI's  
3 claims" (Docket No. 520 at 2:23-27 (quoting Docket No. 503 at 15))—claims SSI  
4 now characterizes as turning on the same issues as its claims in this Court. Thus,  
5 there was good reason for this Court to adopt the state court's finding that SSI is  
6 "contaminated" with guilty knowledge and "[n]o power the Court possesses can  
7 purge SSI's knowledge." (*Id.* at 3:8-14 (quoting *Stephen Slesinger, Inc. v. Walt*  
8 *Disney Co.*, 155 Cal. App. 4th 736, 772-73 (2007)).) Because the 6,400 pages of  
9 stolen documents that SSI admitted taking "represent only a small portion" of what  
10 SSI stole and it "likely still possesses" many more, (Ex. 8A at 2), "[t]he full extent  
11 of SSI's knowledge remains uncertain as does the potential impact of application of  
12 that knowledge to potential future litigation decisions and events." (Docket No.  
13 520 at 3:8-14 (quoting *Slesinger*, 155 Cal. App. 4th at 772-73).)<sup>28</sup>

14           SSI says the Court should ignore all that since "it has been over five years  
15 since the state court ruled and circumstances have changed (*e.g.*, new counsel,  
16 memories fade, etc.)." (Opp. at 23:9-11.) Nothing has changed, certainly not for  
17 SSI, which—new counsel or not—continues to deny reality by dismissing the state  
18 court proceeding as that "garbage issue." (Opp. at 17 n.22.) Moreover, collateral  
19 estoppel does not fade with the mere passage of time or a change of counsel—that  
20 would eviscerate the very purpose of the doctrine and allow parties to escape the  
21 consequences of their misconduct simply by changing counsel and waiting a few  
22 years to re-file dismissed claims. The two cases cited by SSI for the proposition  
23 that the passage of five years "alone bars collateral estoppel," (Opp. at 23:11), hold  
24 nothing of the kind. In *Huber v. Jackson*, 96 Cal. Rptr. 3d 346, 357 (2009), the

25  
26           <sup>28</sup> SSI's defiant insistence that collateral estoppel should not apply because  
27 "there is no evidence that Slesinger somehow possesses secret and critical  
28 knowledge from some unknown 'garbage' documents," (Opp. at 22:4-5), is dead  
wrong—the state court made preclusive findings that SSI is "imbued" with ill-  
gotten information that will "shape the course" of future cases like this one.  
(Docket No. 520 at 3 (quoting *Slesinger*, 155 Cal. App. 4th at 772-73).)

1 Court noted a proposition of no relevance here—where there is new “Supreme  
2 Court precedent on the matter” and “the previous decision was based on different  
3 substantive law,” application of collateral estoppel is no longer appropriate.  
4 Similarly, in *U.S. Golf Ass’n v. Arroyo Software Corp.*, 69 Cal. App. 4th 607, 616  
5 (1999), the Court found that because “the underlying facts and the applicable  
6 substantive law are different” collateral estoppel should not be applied.

7 Equally threadbare is SSI’s argument that this Court has no authority to grant  
8 summary judgment based on the doctrine of “fraud on the court.” That doctrine  
9 applies when, as here, a litigant’s actions compromise “the integrity of the judicial  
10 process, regardless of whether the opposing party is prejudiced.” *Dixon v. Comm’r*,  
11 316 F.3d 1041, 1046 (9th Cir. 2003); *Aoude v. Mobil Oil Corp.*, 892 F.2d 1115,  
12 1118 (1st Cir. 1989). It is irrelevant that, as SSI argues, there have been no findings  
13 of “litigation misconduct by Slesinger *in this case*.” (Opp. at 23:14-16 (emphasis  
14 added).) Collateral estoppel imports a litigant’s prior misconduct into a *subsequent*  
15 action involving the same subject matter.<sup>29</sup> See *Synanon*, 820 F.2d at 424.

16 The state court made express findings, since accepted by this Court, that SSI stole,  
17 altered, and withheld evidence, lied to the court, and more. (Docket No. 520 at  
18 2:12-3:21.) That conduct defines a “fraud on the court.” Under collateral estoppel,  
19 those findings are equally salient in this case because SSI continues to seek to  
20 litigate, as SSI put it, “the scope and interpretation of the 1983 Agreement.”  
21 (Docket No. 524-2 at 15, 19.) See *Synanon*, 820 F.2d at 424; *UBC*, 591 F. Supp. at  
22 1184-85. Because SSI’s pervasive misconduct “harms the integrity” of *this Court*  
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24 <sup>29</sup> As Disney has explained, SSI’s argument that a court is not empowered to  
25 address a party’s prior misconduct is logically deficient and legally unsupportable.  
26 (Docket No. 493 at 16-20.) SSI’s position would grant a party absolute freedom to  
27 relitigate previously terminated claims. See *Synanon*, 820 F.2d at 427. It would  
28 also ignore situations, like here, where the party’s prior misconduct was in pursuit  
of similar “matters in controversy.” See *id.*; *Anheuser-Busch, Inc. v. Natural  
Beverage Distribs.*, 69 F.3d 337, 348 (9th Cir. 1995). For these reasons, “courts  
have the ability to punish conduct both within their confines and beyond.” *F.J.  
Hanshaw Enters. v. Emerald River Dev., Inc.*, 244 F.3d 1128, 1136 (9th Cir. 2001).



1 and “unfairly hampers” *this Court’s* ability to ensure Disney a fair trial, it is well  
2 within *this Court’s* authority to dismiss SSI’s remaining counterclaims under the  
3 fraud on the court. *Dixon*, 316 F.3d at 1046; *Aoude*, 892 F.2d at 1118.<sup>30</sup>

4 **VII. CONCLUSION.**

5 SSI’s words and conduct over the past nearly half-century confirm what the  
6 parties knew, understood, and agreed all along: SSI assigned to Disney all of its  
7 rights. Equally deficient are SSI’s Section 17200 and orchestration claims, which  
8 identify no cognizable harm or legal theory. Dismissal is also necessitated by SSI’s  
9 misconduct in connection with litigation of the scope and interpretation of the 1983  
10 Agreement; a fair trial on that subject was foreclosed by SSI’s own doing. For all  
11 of these reasons, Disney respectfully requests that this Court grant summary  
12 judgment on SSI’s remaining counterclaims.

13 Dated: August 31, 2009

Respectfully submitted,

14 O’MELVENY & MYERS LLP

15 By: /s/ Daniel M. Petrocelli  
16 Daniel M. Petrocelli  
17 Attorneys for Counter-Defendants  
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26 <sup>30</sup> For the reasons Disney has explained in prior briefing, the preclusive effect  
27 of the state court’s findings separately warrants termination of SSI’s remaining  
28 counterclaims under the standard established by this Court in *Columbia Pictures, Inc. v. Bunnell*, 2007 WL 4877701, at \*5 (C.D. Cal. Dec. 13, 2007). (Docket Nos. 426 at 18-25; 489 at 17-25.)

# **EXHIBIT E**

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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

CLARE MILNE, an individual, by and  
through MICHAEL JOSEPH COYNE,  
her RECEIVER, and DISNEY  
ENTERPRISES, INC.,

Plaintiffs,

vs.

STEPHEN SLESINGER, INC.,

Defendant.

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STEPHEN SLESINGER, INC.,,

Counter-Claimant,

vs.

DISNEY ENTERPRISES, INC.; THE  
WALT DISNEY COMPANY; and  
WALT DISNEY PRODUCTIONS,

Counter-Defendants.)

Case No. 2:02-cv-08508-FMC-PLAx

ORDER GRANTING COUNTER-  
DEFENDANTS' MOTION FOR  
SUMMARY JUDGMENT  
AND  
ORDER DENYING COUNTER-  
CLAIMANT'S MOTION FOR  
SUMMARY ADJUDICATION

The matter is before the Court on the following cross-motions for summary judgment, both of which were filed on July 6, 2009: Defendant and Counter-claimant Stephen Slesinger, Inc's Motion for Summary Adjudication of First,

1 Second and Third Counterclaims (docket no. 524),<sup>1</sup> and Counter-defendants Disney  
2 Enterprises, Inc., the Walt Disney Company, and Walt Disney Productions' Motion  
3 for Summary Judgment on SSI's Counterclaims or, in the alternative, for Summary  
4 Adjudication (docket no. 525).<sup>2</sup> The Court has read and considered the moving,  
5 opposing, and reply documents, as well as the extensive supplemental briefing and  
6 exhibits, submitted in connection with these motions. The Court deems the matter  
7 appropriate for decision without oral argument. *See* Fed. R. Civ. P. 78; Local Rule  
8 7-15. For the reasons and in the manner set forth below Disney's Motion (docket no.  
9 525) is GRANTED, and SSI's Motion (docket no. 524) is DENIED.

#### 10 I. FACTUAL AND PROCEDURAL BACKGROUND

11 On May 18, 2009, this Court issued an Order granting Summary  
12 Adjudication in favor of Disney on SSI's counterclaims for breach of contract,  
13 bad faith, fraud, and declaratory relief. At issue before the Court now is Disney's  
14 Motion for Summary Judgment or Summary Adjudication of the remaining  
15 counter-claims for copyright infringement, trademark infringement, trade dress  
16 infringement, and violation of California Business and Professions Code section  
17 17200. The Court also considers and rules on SSI's pending Motion for  
18 Summary Adjudication of its First, Second, and Third Counterclaims for  
19 copyright, trademark, and trade dress infringement, respectively.

20 The parties are familiar with the extensive procedural history of this  
21 litigation, which will not be detailed here. However, it is significant for purposes  
22 of this Order to record that for some 13 years, the parties litigated in Superior  
23 Court over SSI's assertion of its right to royalties from Disney arising out of the  
24 exploitation of merchandising and other rights in the Winnie the Pooh characters.  
25 In 2005, SSI's Superior Court lawsuit was dismissed as a sanction, which

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26  
27 <sup>1</sup>For purposes of this Order, the Court refers to Stephen Slesinger, Inc. as "SSI."

28 <sup>2</sup>The Court refers to Counter-Defendants as "Disney."

1 dismissal was ultimately upheld by the California Court of Appeal.

2 After the Superior Court royalty lawsuit was dismissed, in 2006, SSI filed a  
3 Fourth Amended Counterclaim in this federal action, alleging for the first time  
4 that Disney's exploitation of the Pooh characters infringed on SSI's trade marks  
5 and copyrights. Disney puts forth two main contentions in its Motion: First, that  
6 SSI granted to Disney all of the rights it had in the Pooh characters, and retained  
7 no rights which Disney could infringe, and second, that SSI's counterclaims are  
8 inconsistent with its earlier position in the Superior Court action that Disney's  
9 uses of the Pooh characters were authorized and royalty-producing. The Court  
10 agrees with both propositions. At the same time, SSI seeks summary adjudication  
11 of its first three counterclaims on the basis of misconduct for which Disney was  
12 sanctioned in the related state court proceedings.

13 **A. The Parties' Agreements**

14 The SSI-Disney relationship has spanned the course of over four decades  
15 and has involved multiple contractual agreements and/or grants of rights. Before  
16 turning to consider the merits of the parties' cross-motions, the Court summarizes  
17 the relevant provisions of the pertinent agreements here..

18 **1. 1930 Agreement:**

19 By an agreement entered into in 1930, British author A.A. Milne ("Milne")  
20 granted to Stephen Slesinger ("Slesinger"), in exchange for royalties, the sole and  
21 exclusive "right, license and privilege...in the [four] works of the  
22 Author...including the right to use the same in and for the purpose of advertising  
23 publicity and otherwise" except for use in books, pamphlets, magazines or  
24 periodicals. SSI Mot., Ex 1.

25 **2. 1932 Agreement:**

26 With a 1932 amendment to the 1930 Agreement, Milne granted to  
27 Slesinger rights to present and/or future "radio reproduction, representation,  
28 broadcasting and/or the like, as they exist or may exist . . . or any adaptation or

1 variation or extension thereof, or other mechanical sound, word and/or picture  
2 representation (or any combination thereof) such as any broadcasting or  
3 representational device, wire, television, or other mechanical instrument or  
4 devices or of any such future similar or allied devices.” SSI, Ex 4.

5 **3. 1961 Agreement:**

6 As a result of the early Milne-Slesinger Agreements, Slesinger acquired  
7 from Milne, and SSI “subsequently acquired and now owns [subject to the rights  
8 of Milne] the sole and exclusive radio and television rights in the United States  
9 and Canada in and to said ‘work.’ ” By virtue of those same agreements (*i.e.*, the  
10 1930 and 1932 agreements), Slesinger acquired “various further rights in and to  
11 said ‘work’ . . . that said further rights include the exclusive right in the United  
12 States and Canada to use, or license the use of, the characters and illustrations  
13 from said ‘work’ in, on or in connection with various articles of merchandise; that  
14 all of said further rights have also been duly acquired by and are now owned by  
15 [SSI].”<sup>3</sup>

16 By an agreement entered into in 1961, SSI assigned, granted, and set over  
17 to Disney “the sole and exclusive rights” to broadcast by motion picture,  
18 television, radio, or analogous media, shows based on the work: “Seller hereby  
19 assigns, grants, and sets over unto the purchaser *all of the further rights in and to*  
20 *said work*’ which are set forth in Paragraph 3 hereof...” Disney, Ex. 1 (emphasis  
21 added). The contract then proceeds to establish royalties payable to SSI in  
22 exchange for such grant. *Id.*

23  
24 **4. The 1983 Agreement:**

25 \_\_\_\_\_  
26 <sup>3</sup>Slesinger duly formed and organized a corporation known as Stephen  
27 Slesinger, Inc. (“SSI”).

1 A subsequent agreement, executed in April 1, 1983 (“1983 Agreement”),  
2 acknowledges that SSI got certain rights from Milne and “*assigned those rights it*  
3 *had acquired from A.A. Milne to Disney by agreement dated 14 June 1961.*”  
4 Disney, Ex. 2 (emphasis added).

5 In the 1983 Agreement, all earlier agreements are revoked, and the Milne  
6 Trustees give SSI “all of the rights in the work which were transferred to  
7 [Slesinger] in 1930 and amended from time to time.” The 1983 Agreement  
8 further provides that SSI “assigns, grants, and sets over unto Disney the sole and  
9 exclusive right in the United States and Canada to project, exhibit, and broadcast  
10 visually and audibly any motion pictures...” as well as “various further rights in  
11 and to said work, which include merchandise...” television, radio, analogous  
12 processes. *Id.*

## 13 II. APPLICABLE LEGAL STANDARD

14 Summary judgment is appropriate if there is no genuine issue of material  
15 fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ.  
16 P. 56(c). The moving party bears the initial responsibility of informing the court  
17 of the basis of its motion, and identifying those portions of “‘pleadings,  
18 depositions, answers to interrogatories, and admissions on file, together with the  
19 affidavits, if any,’ which it believes demonstrate the absence of a genuine issue of  
20 material fact.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986) (quoting Fed.  
21 R. Civ. P. 56(c)). Where the nonmoving party will have the burden of proof at  
22 trial, the movant can prevail merely by pointing out that there is an absence of  
23 evidence to support the nonmoving party’s case. *See id.*; *see also Nissan Fire &*  
24 *Marine Ins. Co. v. Fritz Cos.*, 210 F.3d 1099, 1106 (9th Cir. 2000) (“In order to  
25 carry its burden of production, the moving party must either produce evidence  
26 negating an essential element of the nonmoving party’s claim or defense or show  
27

1 that the nonmoving party does not have enough evidence of an essential element  
2 to carry its burden of persuasion at trial.”). If the moving party meets its initial  
3 burden, the nonmoving party must then set forth, by affidavit or as otherwise  
4 provided in Rule 56, “specific facts showing a genuine issue for trial.” Fed. R.  
5 Civ. P. 56(e)(2); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 250 (1986).

6 The substantive law governing a claim determines whether a fact is  
7 material. *T.W. Elec. Serv. v. Pac. Elec. Contractors Ass’n*, 809 F.2d 626, 630  
8 (9th Cir. 1987); *see also Long v. County of Los Angeles*, 442 F.3d 1178, 1185 (9th  
9 Cir. 2006) (“Material facts are those which may affect the outcome of the case.”)  
10 (internal citations omitted). In judging evidence at the summary judgment stage,  
11 the Court does not make credibility determinations or weigh conflicting evidence  
12 and draws all reasonable inferences in the light most favorable to the nonmoving  
13 party. *T.W. Elec. Serv.*, 809 F.2d at 630-31; *see also Brookside Assocs. v. Rifkin*,  
14 49 F.3d 490, 492-93 (9th Cir. 1995). The evidence presented by the parties must  
15 be admissible. Fed. R. Civ. P. 56(e)(1). Mere disagreement or the bald assertion  
16 that a genuine issue of material fact exists does not preclude the use of summary  
17 judgment. *Harper v. Wallingford*, 877 F.2d 728, 731 (9th Cir. 1989).

### 18 III. DISCUSSION

19 As the discussion that follows demonstrates, the determination of the merits  
20 of Disney’s Motion renders moot SSI’s cross-motion for summary adjudication of  
21 its copyright, trademark, and trade dress infringement claims.

#### 22 A. Contract Interpretation

23 In spite of SSI’s protestations today that “[t]he rights Slesinger obtained  
24 from Milne are much broader than the rights Slesinger licensed to Disney in the  
25 1983 Agreement,” SSI Opp’n at 4, the language of the parties’ agreements belies  
26 that contention. Significantly, nowhere in its motion papers does SSI identify  
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1 precisely what rights it believes it retained. Nor can any such rights be  
2 discovered by reading the contracts. SSI received “certain rights” from Milne and  
3 “further rights” in later agreements, and granted “those rights it had acquired” to  
4 Disney.

5 Summary Judgment is appropriate where the terms of a contract are clear  
6 and unambiguous. The fact that the parties disagree as to their meaning does not  
7 alter that result. *See United States v. King Features Entm't, Inc.*, 843 F.2d 394,  
8 398 (9th Cir. 1988) (“Interpretation of a contract is a matter of law, including  
9 whether the contract is ambiguous.” (citing *Beck Park Apts. V. United States*  
10 *Dept of Housing*, 695 F.2d 366, 369 (9th Cir. 1982))). Here, the unambiguous  
11 nature of the contracts is strongly supported by the conduct of the parties over the  
12 nearly 50 years of their relationship. Both parties have treated the agreements as  
13 constituting a transfer from SSI to Disney of all of SSI’s interests in the Pooh  
14 characters, entitling SSI to royalties for all uses. Such a lengthy period of  
15 consistent behavior is powerful evidence of SSI’s intentions. *See Employers*  
16 *Reins.Co. V. Superior Court*, 161 Cal.App.4th 906, 920-21 (2008) (“ ‘The  
17 conduct of the parties after execution of the contract and before any controversy  
18 has arisen as to its effect affords the most reliable evidence of the parties’  
19 intentions.’ ” (quoting *Kennecott Corp. v. Union Oil Co.*, 196 Cal.App.3d 1179,  
20 1189 (1987))).

21 Although SSI now claims copyright and trademark rights in the works, no  
22 evidence has been offered that SSI ever attempted to perfect or register any such  
23 rights, prior to the filing of these counterclaims. Disney, on the other hand,  
24 registered at least 15 trademarks based on the Pooh works in the United States,  
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1 between 1983 and 2006.<sup>4</sup> In 2004, Disney registered copyrights in 45 works  
2 featuring Pooh characters, and renewed copyright registrations for another 14  
3 such works. SSI never objected to those registrations until 2006, when the state  
4 action for breach of the royal agreement was dismissed, and these counter-claims  
5 were filed.

6 The Court is satisfied that under the clear terms of the parties' agreements,  
7 SSI transferred all of its rights in the Pooh works to Disney, and may not now  
8 claim infringement of any retained rights. Disney's Motion for Summary  
9 Adjudication of the first, second, third, and tenth counterclaims is granted; and  
10 SSI's cross-motion for summary adjudication of the first, second, and third  
11 counterclaims is denied.

#### 12 **B. Judicial Estoppel**

13 Not only are SSI's counterclaims unsupported by the language of the  
14 contracts, they are inconsistent with statements made and positions taken by SSI  
15 in the state court litigation. In numerous documents filed in the Superior Court,  
16 SSI has insisted that Disney's uses of the works were derived from the SSI grants  
17 of "all" rights to sound, word, picture representation, television, any  
18 representational device, similar or allied devices, videocassettes, promotion and  
19 advertising in all media, exploitation and licensing in all media. SSI Opp'n, Ex.  
20 54; SSI Mot. for Summ. J'mt, Ex. 59; Supplemented Third Amended Complaint  
21 ("Supp. TAC"), Ex 6.

22 Specifically, SSI's state court Supplemented Third Amended Complaint  
23 alleges: In the 1983 agreement, "Slesinger made a new grant of those rights to  
24 Disney. . . . The rights granted Disney by Slesinger in the 1983 Agreement

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26 <sup>4</sup>SSI's objections to the competence and provenance of the trademark  
27 registrations is overruled.

28

1 included rights Slesinger had not granted to Disney in 1961. . . . Slesinger . . .  
2 turned over its valuable rights to Disney for exploitation by Disney in exchange  
3 for a share of the receipts from exploitation of the Pooh characters. Supp. TAC  
4 ¶¶ 5, 7, 8; *Id.*, Ex 6. Additionally, in a Brief filed by SSI in the Superior Court,  
5 SSI explained: “In the 1983 agreement all parties acknowledged that SSI was the  
6 sole owner of all rights acquired under the 1930 Agreement as amended. In  
7 paragraphs 7 and 8, SSI regranted, licensed and assigned all rights acquired rights  
8 [sic] to Disney.” Disney, Ex 14 at 5. Finally, in response to an Interrogatory in  
9 the state court proceeding, which asked SSI to identify the “further rights” Disney  
10 received in the 1983 agreement, SSI responded: “the grant of all ‘further rights’ in  
11 and to the Pooh Characters . . . is a catch-all designed to ensure that Slesinger was  
12 granting . . . all of the additional commercial exploitation rights Slesinger  
13 acquired that are not specifically mentioned in the 1983 Agreement.” Seto Decl.,  
14 Ex. F at 306.

15 Disney offers the doctrine of judicial estoppel as a basis for granting  
16 summary adjudication of SSI’s remaining counterclaims. “Judicial estoppel is an  
17 equitable doctrine that precludes a party from gaining an advantage by asserting  
18 one position, and then later seeking an advantage by taking a clearly inconsistent  
19 position.” *Hamilton v. State Farm Fire & Cas. Co.*, 270 F.3d. 778, 782 (9th Cir.  
20 2001). The doctrine is not a perfect fit with this case, because SSI did not prevail  
21 in its earlier litigation. Whether it would have succeeded in persuading a jury that  
22 it was entitled to greater royalties under its contract will never be known, because  
23 the matter did not proceed to trial. Nonetheless, SSI vigorously pursued its  
24 royalty claims for some 13 years, in an effort to persuade the Court that Disney’s  
25 uses of the works were royalty-producing.

26 Judicial estoppel is an equitable doctrine which has been recognized where  
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1 necessary to preserve the “orderly administration of justice” and out of regard for  
2 “the dignity of judicial proceedings.” It serves to “protect against a litigant  
3 playing fast and loose with the courts.” See *Russell v. Rolfs*, 893 F.2d. 1033,  
4 1037 (9th Cir. 1990). Of particular significance to this case is the observation of  
5 the Court in *Hamilton*: “Estoppel is even more appropriate where the  
6 incompatible statements are made in two different cases, since ‘inconsistent  
7 positions in different suits are much harder to justify’ than inconsistent pleadings  
8 within one suit.” *Hamilton*, 270 F.3d. at 783 (quoting *Astor Chauffeured*  
9 *Limousine Co. v. Runnfeldt Investment Corp.*, 910 F.2d. 1540, 1548 (7th Cir.  
10 1990)). The factors which “typically inform the decision whether to apply the  
11 doctrine in a particular case,” including whether the party succeeded in  
12 persuading a court to accept its earlier position, are not “inflexible prerequisites or  
13 an exhaustive formula for determining the applicability of judicial estoppel.”  
14 *New Hampshire v. Maine*, 532 U.S. 742, 121 S.Ct. 1808, 1815, 149 L.Ed.2d.  
15 968 (2001). Therefore, even if a party was not successful in the prior proceeding,  
16 judicial estoppel will apply if a court finds its integrity was undermined by the  
17 party’s inconsistent positions. See *Krystal Cadillac-Oldsmobile GMC Truck, Inc.*  
18 *V. General Motors Corp.*, 337 F.3d. 314, 324 (3rd Cir. 2003); *Ryan Operations*  
19 *G.P. v. Santiam Midwest Lumber Co.*, 81 F.3d. 355, 362 (3rd Cir. 1996).

20 Here, SSI’s conduct demonstrates a blatant effort to salvage its lawsuit  
21 against Disney by an taking entirely inapposite and inconsistent posture in this  
22 case. Between 2003 and 2006, it filed three counterclaims against Disney in this  
23 action. None ever made reference to copyright, trade mark or trade dress. The  
24 issue only arose after SSI could no longer proceed with its breach of contract  
25 claims. Accordingly, the summary adjudication of the first, second, and third  
26 counterclaims in Disney’s favor is also warranted on the basis of judicial

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1 estoppel.

2 **C. Unfair Business Practices Claim**

3 SSI's twelfth counterclaim alleges a violation of California Business &  
4 Professions Code section 17200 and Unfair Competition. SSI alleges that Disney  
5 induced Hunt and Coyne to serve termination notices on Slesinger and to enter  
6 into reversion agreements with Milne and Hunt. The counterclaim asks the Court  
7 to use its equitable powers to declare invalid the grant of rights to Disney in the  
8 1983 Agreement.

9 In order for Disney's conduct to be a violation of §17200 and tantamount  
10 to unfair competition, SSI must establish some unlawful conduct on Disney's  
11 part. *See Smith v. State Farm Mutual Auto Ins. Co.*, 93 Cal.App.4th 700, 717-18  
12 (2001) Although the statute refers to protection against "unfair" competition, the  
13 law does not provide a legal remedy for conduct which is unfair but not unlawful.

14 Assuming that Disney persuaded Milne and Hunt to serve termination  
15 notices on Slesinger, no law was violated. Ultimately, the termination notices  
16 were deemed invalid, based on the timing of their delivery, but the service of the  
17 termination notices was not unlawful.

18 SSI contends that this Court has already ruled on this claim in its favor.  
19 That overstates the condition of the record. The Court denied a Motion to  
20 Dismiss the claim, finding that SSI might be able to establish such a claim. The  
21 problem is that it has not done so. No evidence has been offered which raises a  
22 triable issue of fact as to this claim. SSI's unspecified speculation that with  
23 further discovery, it could uncover such evidence does not justify a continuance  
24 of this very old case.

25 Accordingly, Disney's Motion to Dismiss the twelfth counterclaim is  
26 granted.

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**IV. CONCLUSION**

Therefore, Disney's Motion for Summary Judgment on SSI's Counterclaims (docket no. 525) is GRANTED, and SSI's Motion for Summary Adjudication of First, Second and Third Counterclaims (docket no. 524) is DENIED. Disney is directed to provide the Court with a Judgment for its signature.

**IT IS SO ORDERED.**

Dated: September 25, 2009.

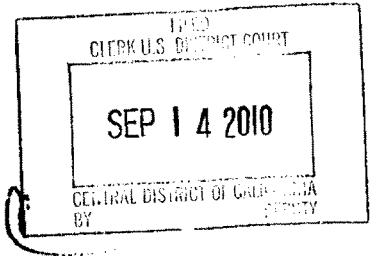


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FLORENCE-MARIE COOPER, JUDGE  
UNITED STATES DISTRICT COURT

# **EXHIBIT F**

1 Judge Fern M. Smith (Ret.)  
2 JAMS  
3 Two Embarcadero Center, Ste 1500  
4 San Francisco, CA 94111  
5 Special Master



6 UNITED STATES COURT OF APPEALS

7 FOR THE NINTH CIRCUIT

8 Clare Milne, et al.,  
9 Claimant,

10 v.

11 Stephen Slesinger, Inc.,  
12 Respondent.

CASE NO. CV 02 08508 FMC

**SPECIAL MASTER'S REPORT AND  
RECOMMENDATION RE: ATTORNEYS FEES  
AND COSTS**

13 Stephen Slesinger, Inc.,  
14 Counter-Claimant,

15 v.

16 Disney Enterprises, Inc.,  
17 Counter-Defendant.

18  
19 Following resolution of various motions before the Honorable Florence-Marie Cooper, United  
20 States District Court Central District of California, and the Court having issued a final judgment in  
21 this matter, Counter-Defendants, Disney Enterprises, Inc. (hereinafter "Disney") filed a motion for  
22 attorneys' fees and costs against Counter-Claimant, Stephen Slesinger, Inc. (hereinafter "Slesinger"),  
23 and Slesinger filed a motion for attorneys' fees and costs against Disney. Both motions were brought  
24 under 17 U.S.C. § 505, which allows a prevailing party in a copyright action to recover attorneys'  
25 fees and costs. Pursuant to an order from the Court, the undersigned was appointed Special Master  
26 specifically to resolve these disputes.<sup>1</sup>

27 <sup>1</sup> Docket No.578. The Honorable John F. Walter is currently presiding over this matter and is the  
28 judge that issued this Order appointing the Special Master.



1 A hearing was held before the Special Master on July 9, 2010. Prior and subsequent to the  
2 hearing, the parties extensively briefed the aforementioned issues. Having considered the parties'  
3 written and oral arguments, and based on the analysis set forth below, the Special Master  
4 recommends that Disney receive its request \$1,558,103 in attorneys' fees and \$31,989.37 in taxable  
5 costs. As for Slesinger, although the Special Master finds that it is arguably entitled to reasonable  
6 attorneys' fees and costs related solely to work performed on the Hunt and Milne termination notice  
7 issue (excluding the Milne appeal), Slesinger's current fee request, like its original, remains vague  
8 and overreaching. Giving Slesinger a third bite of the apple would put additional cost and burden on  
9 Disney. The Special Master therefore recommends the following: Slesinger, as directed, *infra*, should  
10 be permitted to submit an amended record of its attorneys' bills and costs within 30 days of the  
11 Court's issuance of this order, and Disney should be given a reasonable opportunity to respond. If the  
12 Court then concludes that Slesinger is entitled to fees, the amount of its fee award should be credited  
13 toward the total amount due Disney pursuant to this Recommendation. Slesinger, however, should be  
14 taxed with Disney's reasonable costs and fees in responding to what amounts to Slesinger's third  
15 attempt to prove its request. Although the next part of this recommendation is arguably outside of the  
16 Special Master's assignment, she respectfully suggests that before the Court allows Slesinger to file  
17 any further briefing, the parties be ordered to a settlement conference or mediation to attempt to settle  
18 this one remaining issue. If it is a private mediation, both sides should share the cost.

### 17 **Relevant Facts and Procedural History**

18 The undersigned and the parties are all familiar with the detailed facts of this case; therefore,  
19 unless necessary, the facts will not be set forth in great detail below. However, because the  
20 procedural history of this matter is highly relevant to resolution of the pending motions, this history,  
21 and the parties' arguments with respect to the instant motions will be notated in more depth.

22 Briefly, to begin, the undersigned will note the Court's summary of the history of the case and  
23 the Court's description of the agreements that led to the current litigation.

24 . . . for some 13 years [commencing in 1991], the parties litigated in  
25 Superior Court over SSI's assertion of its right to royalties from Disney  
26 arising out of the exploitation of merchandising and other rights in the  
27 Winnie the Pooh characters. In 2005, SSI's Superior Court lawsuit was  
28

1 dismissed as a sanction,<sup>2</sup> which dismissal was ultimately upheld by the  
2 California Court of Appeal.<sup>3</sup>

3 After the Superior Court royalty lawsuit was dismissed, in 2006, SSI  
4 filed a Fourth Amended Counterclaim in this federal action, alleging  
5 for the first time that Disney's exploitation of the Pooh characters  
6 infringed on SSI's trade marks and copyrights. Disney puts forth two  
7 main contentions in its Motion: First, that SSI granted to Disney all of  
8 the rights it had in the Pooh characters, and retained no rights which  
9 Disney could infringe, and second, that SSI's counterclaims are  
10 inconsistent with its earlier position in the Superior Court action that  
11 Disney's uses of the Pooh characters were authorized and royalty-  
12 producing . . . At the same time, SSI seeks summary adjudication of its  
13 first three counterclaims on the basis of misconduct for which Disney  
14 was sanctioned in the related state court proceedings.

15 \*\*\*

16 **1. 1930 Agreement:**

17 By an agreement entered into in 1930, British author A.A. Milne  
18 ("Milne") granted to Stephen Slesinger ("Slesinger"), in exchange for  
19 royalties, the sole and exclusive "right, license and privilege ... in the  
20 [four] works of the Author ... including the right to use the same in and  
21 for the purpose of advertising publicity and otherwise" except for use in  
22 books, pamphlets, magazines or periodicals. SSI Mot., Ex 1.

23 **2. 1932 Agreement:**

24 With a 1932 amendment to the 1930 Agreement, Milne granted to  
25 Slesinger rights to present and/or future "radio reproduction,  
26 representation, broadcasting and/or the like, as they exist or may exist  
27 ... or any adaptation or variation or extension thereof, or other  
28 mechanical sound, word and/or picture representation (or any  
combination thereof) such as any broadcasting or representational  
device, wire, television, or other mechanical instrument or devices or of  
any such future similar or allied devices." SSI, Ex 4.

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2 The state court issued a terminating sanctions order against Slesinger based on findings of pervasive litigation misconduct and entered judgment on April 5, 2004. Slesinger's misconduct included that, through its investigator, Slesinger stole confidential and privileged documents, altered them to cover up the fact that they were confidential and privileged, that Slesinger's principals lied about their knowledge of the misconduct and that the documents were "useful" to Slesinger's claims.

3 See *Stephen Slesinger, Inc. v. Walt Disney Co.*, 155 Cal.App.4th 736 (2007). Agreeing with the Court of Appeal, Judge Cooper dismissed with prejudice Slesinger's counter-claims for breach of contract, bad faith, fraud and declaratory relief with respect to the parties' 1983 agreement. Docket No.520. Judge Cooper explained that dismissal was "the only remedy which will fairly and appropriately address counter-claimant's conduct and assure that they will not benefit from their wrongful conduct in pursuing these same counterclaims." *Id.*

1 **3. 1961 Agreement:**

2 As a result of the early Milne-Slesinger Agreements, Slesinger acquired  
3 from Milne, and SSI “subsequently acquired and now owns [subject to  
4 the rights of Milne] the sole and exclusive radio and television rights in  
5 the United States and Canada in and to said ‘work.’ ” By virtue of those  
6 same agreements (i.e., the 1930 and 1932 agreements), Slesinger  
7 acquired “various further rights in and to said ‘work’... that said further  
8 rights include the exclusive right in the United States and Canada to  
9 use, or license the use of, the characters and illustrations from said  
10 ‘work’ in, on or in connection with various articles of merchandise; that  
11 all of said further rights have also been duly acquired by and are now  
12 owned by [SSI].”

13 By an agreement entered into in 1961, SSI assigned, granted, and set  
14 over to Disney “the sole and exclusive rights” to broadcast by motion  
15 picture, television, radio, or analogous media, shows based on the  
16 work: “Seller hereby assigns, grants, and sets over unto the purchaser  
17 *all of the further rights in and to said work’* which are set forth in  
18 Paragraph 3 hereof ...” Disney, Ex. 1 (emphasis added). The contract  
19 then proceeds to establish royalties payable to SSI in exchange for such  
20 grant. *Id.*

21 **4. The 1983 Agreement:**

22 A subsequent agreement, executed in April 1, 1983 (“1983  
23 Agreement”), acknowledges that SSI got certain rights from Milne and  
24 “*assigned those rights it had acquired from A.A. Milne to Disney by  
25 agreement dated 14 June 1961.*” Disney, Ex. 2 (emphasis added).

26 In the 1983 Agreement, all earlier agreements are revoked, and the  
27 Milne Trustees give SSI “all of the rights in the work which were  
28 transferred to [Slesinger] in 1930 and amended from time to time.” The  
1983 Agreement further provides that SSI “assigns, grants, and sets  
over unto Disney the sole and exclusive right in the United States and  
Canada to project, exhibit, and broadcast visually and audibly any  
motion pictures ...” as well as “various further rights in and to said  
work, which include merchandise ...” television, radio, analogous  
processes. *Id.*

*Milne ex rel. Coyne v. Slesinger*, 2009 WL 3140439, \*1-2 (C.D.Cal. 2009).

**Slesinger’s Motion**

*Procedural history specific to Slesinger’s motion:*

On May 8, 2003, the District Court issued an order in which it was tasked to decide the  
validity of certain copyright termination notices served on Slesinger. Plaintiffs, who included Disney  
and Clare Milne, A.A. Milne’s granddaughter, sought a declaration that, *inter alia*, the copyright

1 termination notice Ms. Milne served on Slesinger was valid and that rights to the works would revert  
2 to Ms. Milne on November 5, 2004. Plaintiffs sought a similar declaration with respect to a  
3 termination notice served by Harriet Jessie Minette Hunt, granddaughter of Ernest H. Shepard, who  
4 illustrated or "decorated" the works at issue in the action. Plaintiffs also sought a declaration that  
5 upon the termination effective date, they were no longer required to pay royalties to Slesinger under a  
6 1983 agreement among the parties. *Milne v. Stephen Slesinger, Inc.*, 2003 U.S. Dist. LEXIS 7942, \*3-4  
(C.D. Cal. May 8, 2003).

7 Slesinger filed two counterclaims. In its first, Slesinger sought a declaration that an agreement  
8 between Disney and Milne regarding Milne's future reversionary rights was void *ab initio* under  
9 federal copyright law. In its second, Slesinger sought a declaration that it was still entitled to royalties  
10 under the 1983 agreement even if the rights reverted to Ms. Milne. *Id.* at \*5.

11 The Court ultimately determined that Slesinger was entitled to judgment as a matter of law as  
12 to both claims and that Slesinger's counterclaims were moot. *Id.* Specifically, the Court found Ms.  
13 Milne's termination notice to be invalid and found that Ms. Hunt, who was absent from the action,  
14 should be joined if feasible under Fed. R. Civ. P. 19(a). *Id.* at \*19-20.

15 On August 1, 2003, Slesinger filed a Third-Party Complaint against Ms. Hunt for declaratory  
16 relief, seeking a declaration that "the Termination Notice served by Ms. Hunt on or about November  
17 4, 2002 is void and legally ineffective" and that a certain Reversionary Agreement between Ms. Hunt  
18 and Disney based upon Ms. Hunt's recapture of copyright rights via the Hunt termination notice "is  
19 void *ab initio* because it is in violation of 17 U.S.C. §  
20 304(c)(6)(D)." On August 4, 2004, the District Court granted Disney's Motion to Bifurcate  
21 the issue of the validity of the Hunt termination notice from other issues remaining in the litigation.

22 On November 12, 2004, Plaintiffs filed a First Amended Complaint, which separated their  
23 claims for declaratory relief vis-à-vis the Milne and Hunt termination notices into two distinct causes  
24 of action, the first brought by Ms. Milne and the second by Disney.<sup>4</sup> On December 3, 2004, the Court

25  
26 <sup>4</sup> Disney's opposition brief explains the circumstances surrounding this amendment in more detail. Initially Disney and  
27 Ms. Milne filed a joint complaint stating a single claim for declaratory relief as to the validity of the Milne and Hunt  
28 termination notices. Docket No. 1 ¶ 24. However, subsequent to the ruling that Ms. Milne termination notice was not  
valid, the Court granted leave to amend the complaint to allege separately the Milne and Hunt Claims. Docket No. 214.  
The Amended Complaint's First Claim for Relief thus stated a request—by Milne alone—for declaratory relief regarding  
[Footnote continued on next page]

1 entered partial judgment as to Ms. Milne pursuant to Fed. R. Civ. P. 54(b). This judgment, according  
2 to Slesinger, did not purport to address Disney's claims seeking a declaration of the validity and legal  
3 effectiveness of the Milne termination notice. The judgment stated, in relevant part,

4           Accordingly, this Court enters partial judgment pursuant to Fed. R. Civ.  
5 P. 54(b) as to Clare Milne. . . . Therefore, it is adjudged that Defendant  
6 Stephen Slesinger, Inc., have judgment against Clare Milne in this  
7 matter.

8 Doc. No. 219 (emphasis added).

9           Ms. Milne appealed the Court's judgment on December 29, 2004, following which the Ninth  
10 Circuit Court of Appeals affirmed the District Court's ruling. Disney was not a party to the appeal.

11           With regard to Ms. Hunt's termination notice, in November, 2006, Slesinger brought a motion  
12 for summary judgment against Ms. Hunt, and on March 27, 2007, the Court granted Slesinger's  
13 motion, dismissing Hunt's claim and holding the Hunt termination notice to be invalid. Disney did  
14 not seek appellate review of the order. On October 7, 2009, the Court entered a final judgment. The  
15 relevant part of this judgment stated,

16           On May 8, 2003, this Court dismissed on the merits and with prejudice  
17 Disney's claim for declaratory relief as to Plaintiff Clare Milne.  
18 (Docket No. 77.) On February 15, 2007, this Court also dismissed on  
19 the merits and with prejudice Disney's claim for declaratory relief as to  
20 Third-Party Defendant Harriet Jessie Minette Hunt. (Docket No. 360.)  
21 Pursuant to Federal Rule of Civil Procedure 54(b), on December 3,  
22 2004, this Court entered partial judgment as to Milne. (Docket No.  
23 219)

24           IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that  
25 Disney's claim for declaratory relief and SSI's all of [sic]  
26 counterclaims are dismissed on the merits and with prejudice.

27 Doc. No. 549 at 1:21-2:6.

28  
[Footnote continued from previous page]

her termination notice, and the Second Claim for Relief stated a request—by Disney alone—for declaratory relief regarding the Hunt termination notice. (Docket Nos. 197 ¶¶ 24, 28; 198 at 2-3; 199. This amendment allowed Ms. Milne to be able to obtain an immediate appeal to the Ninth Circuit from the District Court's ruling.

1 *Parties' arguments specific to Slesinger's motion:*

2 Slesinger originally sought between \$14 and \$17 million in attorneys' fees for work  
3 performed by attorneys in at least ten different law firms, which it claims was "necessary" to "defend  
4 it in the copyright action." Decl. of Joseph Crotchet, ¶32; Slesinger Appl. for Attorneys' Fees, p.14  
5 n.7. By the time of the hearing before the Special Master; however, Slesinger had reduced its fee  
6 request to approximately \$3.9 million. *Id.*, ¶76. According to Slesinger, under the Copyright Act,  
7 certain relevant factors make attorneys' fees particularly appropriate here. These factors, Slesinger  
8 maintains, include the degree of success obtained on the claim; frivolousness; motivation; objective  
9 reasonableness of factual and legal arguments; and whether fees would promote the purposes of the  
10 Copyright Act. Slesinger Appl. for Attorneys' Fees, p.2 (citing *Jackson v. Axton*, 25 F.3d 884, 890  
11 (9th Cir. 1994)). "Where the party completely prevails as Slesinger has on all of Disney's claims,"  
12 Slesinger adds, "such high degree of success makes an award of fees particularly appropriate." *Id.*  
13 (citing *Berry v. Hawaiian Exp. Service, Inc.*, 2006 WL 4102120 \*10 (D. Haw. Oct. 25, 2006)  
14 ("complete victory" over plaintiff's copyright claims strengthened basis for awarding fees; fees  
awarded)).

15 Slesinger cites various examples of why Disney's pursuit of this litigation was unreasonable,  
16 including Disney's lack of meaningful evidence, its quest for improper extensions of copyright law,  
17 and its knowledge of the "tenuousness of its factual and legal positions." *Id.*, pp.2-3, 5, 7, 9. Slesinger  
18 also finds support in both the District and Appellate Court decisions. *Id.* Citing to *Diamond Star*  
19 *Bldg. Corp. v. Sussex Co. Builders*, 30 F.3d 503, 506 (4th Cir. 1994), Slesinger urges that Disney's  
20 bad faith and frivolous pursuit of this suit would make it an "abuse of discretion" to refuse to award  
21 attorney's fees. According to Slesinger, the legal and factual positions taken by Disney were so  
22 unreasonable as to support a showing of frivolousness. Finally, Slesinger maintains, it should be  
23 awarded attorneys' fees because this would accomplish the twin purposes of the Copyright Act –  
24 compensation and deterrence – as well as the three purposes of the copyright termination provisions.  
25 See *Scott-Blanton v. Universal City Studios Prod.*, 593 F. Supp. 2d 171, 176 n.1 (D. D.C. 2009).  
26  
27  
28

1 Disney opposes Slesinger's request more on procedural rather than substantive grounds.<sup>5</sup>  
2 Namely, Disney argues that the bulk of the fees that Slesinger is seeking is associated with Ms.  
3 Milne's claim and that the deadline for seeking such fees expired five years ago. Additionally, Disney  
4 asserts that Slesinger offers no evidentiary support for the amount of fees it seeks, fails to state if such  
5 fees were actually incurred or paid, and improperly and prejudicially bifurcates adjudication of  
6 "entitlement" to fees and the "amount" of fees it purports to be owed.

7 Specifically, as to the timing issue, Disney maintains that the time to seek fees related  
8 to Ms. Milne's claim expired on December 17, 2004, fourteen days after the Court entered  
9 partial judgment on that claim.<sup>6</sup> According to Disney, the clock did not begin to run after the  
10 Court issued its October 7, 2009 judgment, as Slesinger maintains, because the Court entered  
11 final judgment on Ms. Milne's claim in its entirety in 2004. As Disney describes, the  
12 December 3, 2004 Entry of Partial Judgment stated that the Court had "adjudicated *all* claims  
13 as to Plaintiff Clare Milne;" and as such, the Court's order is a "final judgment" as to the  
14 Milne Claim. Docket No. 219 (emphasis added).

15 Disney next turns to the question of whether Slesinger is entitled to attorneys' fees for its  
16 defense of Ms. Hunt's claim. Disney contends it is not. Citing *Christianburg Gourmet Co. v. EEOC*,  
17 434 U.S. 412, 421-22 (1978), Disney explains, courts must "resist the understandable temptation to  
18 engage in *post hoc* reasoning by concluding that, because a plaintiff did not ultimately prevail, his  
19 action must have been unreasonable or without foundation." Disney also directs the court to various  
20 docket entries where the Court acknowledged the novelty of the issue raised in the case. *See, e.g.*,  
21 Docket Nos. 77 at 9-10; 130 at 5; 214 at 7.

22 And finally, as to the purposes of the Copyright Act, Disney argues that a primary goal of the  
23 Act is to "encourage the assertion of colorable copyright claims" and "avoid chilling a copyright  
24

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25 <sup>5</sup> Substantively, Disney only notes that when the Court first concluded that Ms. Milne's termination  
26 notice was not valid, it recognized that Ms. Milne's claim presented novel legal questions and twice  
27 observed "there is substantial ground for a difference of opinion" and "another court may well be  
28 otherwise persuaded." (Docket Nos. 130 at 5; 214 at 7.) Disney also notes that, with regard to Ms.  
Hunt's claim, Slesinger itself acknowledged that the claim involved "alternate theories of recovery"  
and "other issues . . . that have nothing to do with . . . the basis for the Court's finding that the Milne  
Termination Notice [was] invalid." (Docket No. 120 at 15, 22 n.8). Further, Disney notes, the Court  
had previously explained that Ms. Hunt's claim involved factually "complex relationships and  
agreements" that "intersect[ed] with the continuously evolving federal copyright laws." (Docket No.  
360 at 2.)

<sup>6</sup> Local Rule 54-12 requires that any motion or application for attorneys' fees be "filed within  
fourteen (14) days after the entry of judgment or other final order."

1 holder's incentive to sue on colorable claims." This objective would be undermined, according to  
2 Disney, if a court awarded attorneys' fees where the plaintiff's claim—like Disney's—was non-  
3 frivolous and objectively reasonable. Disney's Opposition, p.8 (citing *Ackoff-Ortega v. Windswept*  
4 *Pac. Ent't Co.*, 2001 U.S. Dist. LEXIS 2187, at \*21 (S.D.N.Y. Mar. 1, 2001) (where a case involves  
5 "complicated issues of fact and law[,] an award of attorneys' fees . . . would chill future lawsuits,  
6 rather than beneficially deter frivolous or objectively unreasonable lawsuits").

7 As previously noted, Disney also opposes Slesinger's \$3.9 million fee request because  
8 Slesinger failed to provide adequate evidentiary support for its multi-million dollar figure. This  
9 deficiency, Disney maintains, makes it impossible to determine (1) how Slesinger segregates fees  
10 associated with the Milne and Hunt Claims and how it segregates fees associated with those claims  
11 and those related to its now-dismissed federal counterclaims and the concurrent state court action; (2)  
12 if work performed by the dozen or so counsel involved on the case was duplicative or if work  
13 performed by counsel even involved these claims at all; (3) if the attorneys' rates were reasonable;  
14 and (4) whether Slesinger actually paid for the legal work.

14 *Slesinger's Application to Tax Costs:*

15 Slesinger filed a Notice of Application and Application to the Clerk to Tax Costs; Declaration  
16 of Andrew D. Skale in Support Thereof, accompanied by numerous exhibits from various law firms  
17 itemizing their costs in representing Slesinger in this matter. The costs totaled approximately  
18 \$140,000.

19 Disney objects to Slesinger's Application on the ground that Slesinger failed to substantiate  
20 its costs with any third-party receipts. According to Disney, the "Instructions and Notices Regarding  
21 Bill of Costs"—a copy of which is attached to SSI's Bill of Costs—directs the requesting party to  
22 submit "receipts" to "support the claims made." The Instructions further provide: "The Clerk's  
23 designee will disallow any expenses that do not have supporting documentation."

24 Moreover, according to Disney, even if Slesinger had provided the required documentation,  
25 for the following reasons it would still only be entitled to a tiny fraction of the more than \$140,000 it  
26 requested: (1) Slesinger is not entitled to any costs associated with claims arising from Ms. Milne's  
27 copyright termination notice because Slesinger's costs application is nearly five years late; (2)  
28 Slesinger is not entitled to any costs incurred after the Court's February 15, 2007 summary judgment



1 ruling because such costs do not relate to the favorable ruling Slesinger received on the Hunt Claim;  
2 and (3) Slesinger inflated its request by seeking non-recoverable expenses, including fax charges,  
3 office supplies, messenger services, and costs from the state court action. See Opposition, pp.3-6 for  
4 description of purportedly non-recoverable expenses.

5 In response, Slesinger argues that the supporting documentation it filed with its bill of costs  
6 (*i.e.*, the law firm invoices) showing that the costs were incurred coupled with the declaration of trial  
7 counsel stating the costs were actually and necessarily incurred are more than enough to satisfy the  
8 court's rule. See Slesinger Reply (citing *Holmes v. Cessna Aircraft Co.*, 11 F.3d 63, 65 (5th Cir.  
9 1994) (considering an affidavit from trial counsel sufficient to satisfy the requirement that costs be  
10 supported by documentation); *Scruggs v. Josephine County*, 2009 WL 650626 \*9 (D. Or. Mar. 10,  
11 2009) (same, citing *Holmes*); *McInnis v. Town of Weston*, 458 F.Supp.2d 7, 22 (D. Conn. 2006)  
12 (affidavit is sufficient documentation); *West Corp. v. AT & T Corp.*, 2007 WL 1246446 \*1 (D. Neb.  
13 Apr. 27, 2009) (third-party receipt is not required where "other evidence" of expense is provided).  
14 Slesinger also notes that Disney's timeliness argument fails and that no non-recoverable fees were  
15 requested. Related to the post-February 15, 2007 costs, Slesinger admits that those costs should not  
16 have been included but only deducts \$398.51 for this error.

17 *Legal analysis related to Slesinger's motion:*

18 The Copyright Act provides that "[i]n any civil action under this title, the court in its discretion  
19 may allow the recovery of full costs by or against any party . . . [and] may also award a reasonable  
20 attorney's fee to the prevailing party as part of the costs." 17 U.S.C. § 505. The Supreme Court has  
21 held that successful plaintiffs and defendants are equally entitled to recover costs and attorneys' fees  
22 under Section 505; the same standards apply to both. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534-35  
23 (1994). Some of the factors that a court might consider in determining whether to exercise its  
24 discretion and award attorneys' fees are: "(1) the degree of success obtained; (2) frivolousness; (3)  
25 motivation; (4) the objective unreasonableness of the losing party's factual and legal arguments; and  
26 (5) the need, in particular circumstances, to advance considerations of compensation and deterrence."  
27 *Id.* at 534 n. 4. Ultimately, the question is whether a successful defense of the action furthered the  
28 purposes of the Copyright Act, not whether a fee award would do so. *Love v. Mail on Sunday*, 2007  
WL 2709975, \*5 (C.D.Cal. 2007).

1 Preliminarily, before reviewing these factors, it is necessary to first evaluate Disney's  
2 timeliness claim. As previously noted, Disney argues that pursuant to Local Rule 54-12, the time to  
3 seek fees related to Ms. Milne's claim expired on December 17, 2004, fourteen days after the Court  
4 entered partial judgment on that claim, not October 7, 2009, when final judgment was entered.

5 The Special Master does not agree. On December 3, 2004, when the Court entered partial  
6 judgment on the Milne claim, the Court stated, "it is adjudged that Defendant Stephen Slesinger, Inc.,  
7 have judgment against Clare Milne in this matter." Docket No.219. Nowhere in that order does the  
8 Court mention Disney's name. Indeed, when Ms. Milne appealed the decision, Disney did not join  
9 the appeal. And when, following the December 3, 2004 order, Disney requested fees, the Court  
10 refused, apparently because the Hunt claim still needed to be briefed. It was not until October 7, 2009  
11 that the Court actually dismissed Disney's claim: "Disney's claim for declaratory relief . . . [is]  
12 dismissed on the merits and with prejudice." Docket No. 549. Therefore, October 7, 2009 is when  
13 Slesinger's 14 days began to run. Having filed within this time frame, Slesinger's request was timely.

14 The Special Master therefore turns to the substance of Slesinger's \$3.9 million claim.  
15 Originally, Slesinger sought between \$14 and \$17 million in fees. Now, Slesinger seeks \$3.9 million  
16 for work performed by attorneys at 10 different law firms over the course of nearly this entire  
17 litigation. Slesinger relies on two specific points to support its position. First Slesinger contends it  
18 can collect not only for the work its attorneys performed on the copyright claim; but also, it can  
19 collect for the work its attorneys performed on other related claims. Slesinger Method to Determine  
20 Amount of Attorneys' Fees to Award, p.1 (citing *Hensley v. Eckerhart*, 461 U.S. 424, 434-35 (1983).  
21 According to Slesinger, "the relationship between the parties and the various contracts entered into  
22 between the various parties was very important. The copyright issues were relevant to all claims  
23 asserted." *Id*, p.2. Second, Slesinger maintains, it was necessary to engage each of the attorneys  
24 involved "throughout the federal action to defend it in the copyright action." *Id.*, p.8 (emphasis in  
25 original). It explains, "the retention of multiple counsel in complex cases is understandable and not a  
26 ground for reducing the hours claimed because the use in involved litigation of a team of attorneys  
27 who divide up the work is common for both plaintiff and defense work." *Id.*, p.6 (quoting *Jean v.*  
28 *Nelson*, 863 F.2d 759, 772-73 (11th Cir. 1988) (internal citation omitted)).

The Special Master disagrees. Not only are Slesinger's arguments unpersuasive, its  
documentation of its fees is deficient. Slesinger was required to "maintain billing time records in a

1 manner that [would] enable a reviewing court to identify distinct claims.” See *Hensley v. Eckerhart*,  
2 461 U.S. 424, 437 (1983). Yet Slesinger presented the Court with billing records that were often  
3 vague and lacking in specificity, so much so that the Special Master could not always differentiate  
4 between work performed on claims related to the copyright action and work performed on claims  
5 related to other things (*i.e.*, Slesinger’s counterclaims in the federal case, its administrative trademark  
6 claims and its state court proceedings).

7 For example, the attorneys submitting billing records represented Slesinger in at least seven  
8 proceedings and/or categories of claims: (1) the state court contract action; (2) the successive  
9 appellate proceedings from that state court judgment; (3) a series of proceedings before the  
10 Trademark Trial and Appeal Board of the U.S. Patent & Trademark Office; (4) the Milne copyright  
11 termination claim; (5) the appellate proceedings on the Milne claim; (6) the Hunt copyright  
12 termination claim; and (7) four sets of counterclaims that Slesinger filed in the federal court action.  
13 Many of these multiple proceedings and categories of claims were pending and active at the same  
14 time. See Disney Response to SSI’s Supplemental Submission, p.3. However, Slesinger’s records  
15 often do not identify for which claim each attorney is billing. Moreover, for many of the bills, the  
16 description of the attorneys’ work has been redacted, preventing the Court from understanding the  
17 subject matter of the work performed. And in many instances, time was block-billed. Disney was  
18 therefore charged for all time worked on Slesinger issues, regardless of whether all such issues were  
19 related to the copyright claims.

20 This deficiency is highlighted by Slesinger in its brief – Method to Determine Amount of  
21 Attorneys’ Fees to Award. There, Slesinger sets forth the varying roles of each attorney in the  
22 litigation. However, instead of clarifying the situation, Slesinger’s description merely highlights the  
23 overlap and redundancy in the attorneys’ roles. For example, Slesinger explains that Roger Zissu of  
24 Fross, Zelnick, Lehrman & Zissu, P.C. “was the primary attorney on the defense of the copyright  
25 issues for many years.” Slesinger Method to Determine Amount of Attorneys’ fees to Award, p.8.  
26 Slesinger fails, however, to explain exactly when his representation occurred. This detail is important  
27 because Cotchett, Pitre & McCarthy (“CPM”) apparently “became the sole attorney of record for  
28 Slesinger and . . . represented Slesinger until October of 2006,” at which point Andrew Skale of  
Buchanan Ingersol and then Mintz Levin began his representation. *Id.* “During a portion of that  
time,” Slesinger explains, “both Buchanan/Mintz and CPM were attorneys of record.” *Id.* With all of  
these attorneys acting as Slesinger’s “primary”, “sole” and “attorney of record”, it is impossible to

1 decipher which of these attorneys was responsible for which piece of Slesinger's multiple, on-going  
2 pieces of litigation. Moreover, with as many as six law firms actively engaged in Slesinger litigation  
3 at the same time, overstaffing and duplicative work are of great concern. *See Seigal v. Merrick*, 619  
4 F.2d 160, 165 n.9 (2d Cir. 1980) (noting "[a]mple authority" supporting "reduction in the lodestar  
5 figure for overstaffing as well as for other forms of duplicative or inefficient work"). Finally, and  
6 specific to the bill of Fross, Zelnick, the question remains how it is possible that Slesinger could be  
7 pursuing a bill for just one law firm that equals more than Disney's attorneys' bills combined.

8 Slesinger also explains that Neil Rosini of Franklin, Weinrib, Rudell & Vassallo, P.C. had  
9 "been counsel for Slesinger for many years" and was "involved in strategic planning," while Vicki  
10 Steiner of Collum & Steiner "performed specific non-duplicative work on the case to assist the  
11 counsel of record." *Id.* Having "[b]een counsel for many years" and "performed specific non-  
12 duplicative work" does not provide the necessary detail to differentiate between each attorney's role  
13 and purpose in this two-decade-long litigation. Thus, rather than clarify for the Court which attorney  
14 worked on which specific matters during which time, Slesinger merely emphasized the fact that its  
15 counsel's work was redundant, likely inefficient and duplicative.

16 This analysis is made all the more important by the fact that Slesinger is only entitled to  
17 attorneys' fees from Disney for work performed on claims upon which it prevailed, which includes  
18 only work performed on the Hunt and Milne<sup>7</sup> termination notice issue, (excluding Milne's  
19 subsequent appeal).<sup>8</sup> More specificity was therefore required. Even assuming, *arguendo*, that  
20 copyright issues were "relevant" to any other claims as Slesinger contends, those other claims were  
21 not "related" to the termination notice issue within the meaning of *Hensley, supra*.

22 Similarly, it is irrelevant that it was necessary for Slesinger to engage each of the attorneys  
23 submitting bills "to defend it in the copyright action." Slesinger did not prevail on its defense of this  
24 entire copyright action; it prevailed only on the termination notice issue. Thus, Slesinger's  
25 submissions to date are deficient because it is impossible to ascertain from them which fees were

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26 <sup>7</sup> Even though, pursuant to the First Amended Complaint, Disney was not a party to the Milne/Slesinger dispute,  
27 Slesinger is entitled to recover attorneys' fees on the Milne claim because the Milne and Hunt claims are substantially  
28 related. *See Hensley, supra*, 461 U.S. at 434-35.

<sup>8</sup> The appeal is excluded because Disney was not involved in that proceeding and, as an appeal, it is  
not related to the Hunt claim.

1 incurred litigating the Hunt and Milne termination notice issue and which fees were incurred  
2 litigating other unrelated claims.

3 All this is not to say that Slesinger cannot recover *any* of its fees. Indeed, it is the Special  
4 Master's recommendation that Disney be given the opportunity to resubmit its billing records to  
5 eliminate any redundancies and accurately, specifically and in good faith reflect the true and  
6 reasonable time its attorneys spent directly on the Hunt and Milne termination notice issues alone.  
7 When re-calculating its fees, Slesinger should not "look backwards," as its attorney advocated at the  
8 July 9, 2010 hearing. Tr. 104:16-8. Only the actual fees for the actual work performed on the Hunt  
9 and Milne termination notice claims should be reflected.

10 Accordingly, it is recommended that, within 30 days of the Court issuing this order, Slesinger  
11 may submit an amended record of its attorneys' bills. This amended record should excise any and all  
12 portions of Slesinger's attorneys' bills that reflect work performed on any issue other than the Hunt  
13 and Milne termination notice claims. Disney should then be given a reasonable opportunity to  
14 request any additional fees for preparation of this supplemental fee information and, in fact, that  
15 Slesinger be taxed with Disney's fees and costs for responding.<sup>9</sup>

16 This analysis and recommendation applies equally to Slesinger's \$140,000 application to tax  
17 costs.

18 Further, the Special Master strongly recommends that, before filing any additional briefing, the  
19 parties are ordered to attend, with their clients, either a court settlement conference or a mediation to  
20 see if this issue can be resolved by agreement.

### 21 **Disney's Motion**

#### 22 *Procedural history specific to Disney's motion:*

23 On May 18, 2009, the District Court issued an Order granting Summary Adjudication in favor  
24 of Disney on Slesinger's counterclaims for breach of contract, bad faith, fraud, and declaratory relief.

25 \_\_\_\_\_  
26 <sup>9</sup> It should be noted that by making this recommendation, the Special Master does not conclude that Disney's claims were  
27 frivolous, motivated by ill-will or unreasonable. *See Fogerty, supra*, 510 U.S. at 534-35, n.4. To the contrary, the record  
28 reflects that "there is substantial ground for a difference of opinion." Instead, the Special Master relies specifically on the  
fact that Slesinger was successful its Hunt and Milne termination notice claims. *See id.* (listing "the degree of success  
obtained" as one factor court can consider in making attorneys' fees determination).

1 Docket No. 520. On September 25, 2009, the Court ruled on Disney's Motion for Summary Judgment  
2 or Summary Adjudication of the remaining counter-claims for copyright infringement, trademark  
3 infringement, trade dress infringement, and violation of California Business and Professions Code  
4 section 17200 as well as Slesinger's Motion for Summary Adjudication of its First, Second, and Third  
5 Counterclaims for copyright, trademark, and trade dress infringement, respectively. Disney's motion  
6 was granted, and Slesinger's motion was rendered moot. *Milne ex rel. Coyne v. Slesinger* 2009 WL  
7 3140439, 3 (C.D.Cal. 2009). The Court concluded that, under the clear terms of the parties'  
8 agreements, Slesinger had transferred all of its rights in the Pooh works to Disney and could not now  
claim infringement of any retained rights. *Id.* at \*4.

9 The Court's decision was based on a variety of factors, none of which are necessary to reiterate  
10 here.

11 *Parties' arguments specific to Disney's motion:*

12 Disney is seeking approximately \$1,500,000 in fees for litigating Slesinger's copyright- and  
13 trademark-related claims<sup>10</sup> for the period after February 15, 2007, when all claims as to Ms. Hunt  
14 were dismissed. Disney's arguments in support of its position are similar to those made by Slesinger  
15 in its motion for attorneys' fees. Disney contends that because the Court granted its motions for  
16 summary judgment and dismissed all of Slesinger's claims "on the merits and with prejudice," it is  
17 unquestionably a prevailing party entitled to fees. The fact that Disney did not prevail on its  
18 underlying claim for declaratory relief should not affect the outcome, Disney maintains, because "[a]  
19 party who succeeds on a claim of copyright infringement is a 'prevailing party' under the Act, even if  
20 that party did not succeed on its other claims." Disney Memo in Support of Attorneys' Fees, p.2  
21 (quoting *Branch v. Ogilvy & Mather, Inc.*, 772 F. Supp. 1359, 1366 (S.D.N.Y. 1991). Disney cites  
22 the same factors as Slesinger – "frivolousness, motivation, objective unreasonableness (both in the  
23 factual and in the legal components of the case) and the need in particular circumstances to advance  
24 considerations of compensation and deterrence" – as those factors a court should consider in  
25 awarding attorneys' fees in a copyright action. *Id.*, pp.2-3 (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S.  
517, 534 (1994)).

26 \_\_\_\_\_  
27 10 These claims include Slesinger's First Counterclaim (Copyright Infringement), Second  
28 Counterclaim (Trademark Infringement), Third Counterclaim (Trade Dress Infringement), Tenth  
Counterclaim (Injunctive Relief), and First, Fourth, Fifth and Twelfth Counterclaims  
("Orchestration" Claims).

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Disney also bases its claim for attorneys' fees on the Lanham Act, specifically 15 U.S.C. section 1117(a)(3), which states, a "court in exceptional cases may award reasonable attorney fees to the prevailing party." According to Disney, it is entitled to fees under section 1117(a)(3) because it prevailed on Slesinger's trademark and trade dress infringement claims and because this case is "exceptional," that is, it is "groundless, unreasonable, vexatious, [and] pursued in bad faith." Disney Motion, p.6 (quoting *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1156 (9th Cir. 2002)).

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Not surprisingly, Slesinger argues that its infringement claims were objectively reasonable and not motivated by an improper purpose. It also contends that an award of fees to Disney would not advance the Copyright Act's considerations of compensation and deterrence, but rather, would contravene these considerations. As such, according to Slesinger, Disney's motion for attorneys' fees must fail. Perhaps more surprisingly, however, Slesinger also states,

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It is undisputed that (i) Slesinger owns the rights it alleged Disney was infringing (as well as other rights) and (ii) Disney has failed to report to Slesinger concerning multiple uses of those rights.

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Slesinger Opp., p.1.

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Slesinger also maintains that because Disney asserted that Slesinger lacked standing to assert its infringement claims, Disney's fee request must be denied. According to Slesinger, standing is a component of subject matter jurisdiction. Slesinger Opp., p.7 (citing *Hosp. v. MEBA Med. & Benefit Plan*, 845 F.2d 1286, 1288 (9th Cir. 1988)). Dismissal for lack of standing therefore is not, Slesinger contends, "a judgment on the merits such as would entitle a defendant to an award of costs and fees as a prevailing party." *Id.* (citing *Harris v. Stonecrest Care Auto Center, LLC*, 559 F. Supp. 2d 1088, 1090 (S.D. Cal. Sept. 12, 2008)). Slesinger cites to a recent Ninth Circuit opinion – *Cadkin v. Loose*, 569 F.3d 1142, 1149 (9th Cir. 2009) – for the contention that under the Copyright Act, a district court lacks jurisdiction to award attorneys' fees if the underlying claim was itself dismissed for lack of subject matter jurisdiction.

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Additionally, according to Slesinger, Disney has not carried its burden to demonstrate fee entitlement. Slesinger asserts that Disney's evidentiary submissions are inadequate, that is, the billing records it produced often do not identify the subject matter of the work for which Disney seeks reimbursement. Slesinger also challenges Disney's calculations. And finally, Slesinger urges that Disney has not met the higher "exceptional case" standard set forth in the Lanham Act.

1  
2 *Disney's Application to Tax Costs:*

3 Disney seeks \$31,989.37 in total costs. These costs include monies paid to the Special Master  
4 and costs incurred for the use of outside vendors for printing and reproduction purposes. Slesinger  
5 opposes Disney's costs bill for Special Master Fees, asserting that the Special Master's assistance  
6 was required only because Disney overwhelmed the Court with an abundance of documentation and  
7 that the Special Master's Recommendation was actually in Slesinger's favor. Additionally, Slesinger  
8 maintains, Disney's copying charges were excessive and unnecessary and therefore non-taxable.

9 *Legal analysis related to Disney's motion:*

10 The Supreme Court has explained:

11 The most useful starting point for determining the amount of a  
12 reasonable fee is the number of hours reasonably expended on the  
13 litigation multiplied by a reasonable hourly rate. This calculation  
14 provides an objective basis on which to make an initial estimate of the  
15 value of a lawyer's services. The party seeking an award of fees should  
16 submit evidence supporting the hours worked and rates claimed. Where  
17 the documentation of hours is inadequate, the district court may reduce  
18 the award accordingly.

19 The district court also should exclude from this initial fee calculation  
20 hours that were not "reasonably expended." S.Rep. No. 94-1011, p. 6  
21 (1976). Cases may be overstaffed, and the skill and experience of  
22 lawyers vary widely. Counsel for the prevailing party should make a  
23 good faith effort to exclude from a fee request hours that are excessive,  
24 redundant, or otherwise unnecessary, just as a lawyer in private practice  
25 ethically is obligated to exclude such hours from his fee submission.  
26 "In the private sector, 'billing judgment' is an important component in  
27 fee setting. It is no less important here. Hours that are not properly  
28 billed to one's *client* also are not properly billed to one's *adversary*  
pursuant to statutory authority." *Copeland v. Marshall*, 205  
U.S.App.D.C. 390, 401, 641 F.2d 880, 891 (1980) (en banc) (emphasis  
in original).

The product of reasonable hours times a reasonable rate does not end  
the inquiry. There remain other considerations that may lead the district  
court to adjust the fee upward or downward, including the important  
factor of the "results obtained." This factor is particularly crucial  
where a plaintiff is deemed "prevailing" even though he succeeded on  
only some of his claims for relief. In this situation two questions must  
be addressed. First, did the plaintiff fail to prevail on claims that were  
unrelated to the claims on which he succeeded? Second, did the



1 plaintiff achieve a level of success that makes the hours reasonably  
2 expended a satisfactory basis for making a fee award?

3 *Hensley, supra*, 461 U.S. at 433-34.

4 Here, there is little doubt that Disney is entitled to recover its attorneys' fees and costs. Disney  
5 was the prevailing party to Slesinger's copyright- and trademark-based claims. And unlike Slesinger,  
6 Disney's fee request is conservative, fair and even-handed, and by no means does it reflect  
7 overstaffing.<sup>11</sup> Indeed, Disney quite thoughtfully and methodically set forth a process of charging for  
8 only what it was entitled -- that is, it only sought fees for work performed in relation to the trademark  
9 and copyright actions. *See* Disney's Memorandum of Points and Authorities in Support of Motion for  
10 Attorneys' Fees and Costs, pp.7-9. Disney went to great lengths to ensure that only this work was  
11 billed for. For example, it created a separate billing number for work performed on the trademark and  
12 copyright actions so as to not confuse this work with work performed on other Disney/Slesinger  
13 proceedings, and even with this safeguard in place, if there appeared to be any overlap in billing,  
14 those bills were excluded here.

15 And while Slesinger argues that Disney's submissions are inadequate because they often do not  
16 identify the subject matter of the work for which reimbursement is being sought, in this instance,  
17 where the hours expended and the attorneys' hourly rates are so reasonable and where Disney,  
18 obviously acting in good faith, reduced some of its fees and costs,<sup>12</sup> such detail is unnecessary. *See*  
19 *Hensley, supra*, 461 U.S. at 433; *see also Fogerty, supra*, 510 U.S. at 534 (equitable discretion of  
20 courts considering fee awards under the Copyright Act should be guided by *Hensley* analysis).  
21 Disney made "a good faith effort to exclude from [its] fee request hours that [were] excessive,  
22

23 <sup>11</sup> Disney only billed for the work of a core group of seven attorneys and four paralegals.

24 <sup>12</sup> For example, Disney excluded from its lodestar calculation all billed time prior to February 15,  
25 2007, the date on which the Court dismissed all claims regarding Hunt. Disney also excluded billed  
26 time from February 15, 2007 to the present that did not relate directly to the dismissal of Slesinger's  
27 copyright and trademark claims and its fee request. In addition, Disney did not seek recovery for (1)  
28 time billed by attorneys or paralegals devoting fewer than 100 hours each to the case over the  
relevant time period; (2) any time billed by support staff; or (3) any time that could have arguably  
covered activities both related and unrelated to Slesinger's counterclaim. Finally, Disney also  
excluded fees incurred defending against Slesinger's attempt to relitigate in federal court its  
terminated state court contract and fraud claims.

1 redundant, or otherwise unnecessary.” *Hensley, supra*, 461 U.S. at 434. Accordingly, its request for  
2 attorneys’ fees under the Copyright Act should be granted.<sup>13</sup>

3 In light of the aforementioned discussion, it is not necessary for the Special Master to comment  
4 on Disney’s or Slesinger’s additional arguments pertaining to the other *Fogerty* factors. That said, it  
5 is important to note that based on the fact that Slesinger’s claims could be considered “groundless,  
6 unreasonable, vexatious, or pursued in bad faith,” the Special Master finds Disney entitled to  
7 attorneys fees under the Lanham Act as well. *See Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1156  
8 (9th Cir. 2002) (emphasis omitted). Without going into very much detail here, looking to the Court’s  
9 language in its September 25, 2009 Order, the Special Master is satisfied that Disney has met this  
10 standard. There, the Court explained:

11 SSI’s conduct demonstrates a blatant effort to salvage its lawsuit  
12 against Disney by an taking entirely inapposite and inconsistent posture  
13 in this case. Between 2003 and 2006, it filed three counterclaims  
14 against Disney in this action. None ever made reference to copyright,  
15 trade mark or trade dress. The issue only arose after SSI could no  
longer proceed with its breach of contract claims. Accordingly, the  
summary adjudication of the first, second, and third counterclaims in  
Disney’s favor is also warranted on the basis of judicial estoppel.

16 Docket No. 545, pp.10-11.

17 Finally, the Special Master finds it perplexing that, after all the litigation that has ensued,  
18 Slesinger can still assert that “[i]t is undisputed that Slesinger owns the rights it alleged Disney was  
19 infringing (as well as other rights).” *See Slesinger Opp.*, p.1. The Court undeniably considered the  
20 parties’ claims on the merits (not on standing, or other jurisdictional grounds, as Slesinger contends)  
21 and dismissed Slesinger’s copyright and trademark claims because Slesinger did not own any of the  
22 rights at issue.<sup>14</sup> Slesinger’s statements to the contrary are disingenuous, at best.

23 \_\_\_\_\_  
24 <sup>13</sup> The Special Master also recommends that Disney’s Application to Tax Costs be granted in full, including Disney’s  
request for reimbursement of Special Masters fees. *See Fed.R.Civ.Proc. Rule 53(g)(3)* (“Allocating Payment. The court  
must allocate payment among the parties . . . An interim allocation may be amended to reflect a decision on the merits.”)

25 <sup>14</sup> *See* Docket No. 545, Order Granting Counter-Defendants’ Motion for Summary Judgment and Order Denying  
26 Counter-Claimant’s Motion for Summary Adjudication. There, the Court ruled that “SSI granted to Disney all of the  
rights it had in the Pooh characters, and retained no rights” and went on to state, “under the clear terms of the parties  
27 agreements, SSI transferred all of its rights in the Pooh works to Disney.” The Court added, “SSI received ‘certain rights’  
from Milne and ‘further rights’ in later agreements, and granted ‘those rights it had acquired’ to Disney.” Finally, the  
28 Court explained, “[b]oth parties have treated the agreements as constituting a transfer from SSI to Disney of all of SSI’s  
interests in the Pooh characters.”

1  
2 **Conclusion**

3 Disney is entitled to \$1,558,103 in attorneys' fees and \$31,989.37 in taxable costs.

4 Slesinger may also be entitled to its reasonable attorneys' fees and costs related to work  
5 performed on the Hunt and Milne termination notice issue. Because Slesinger's current fee request is  
6 seriously over-broad and deficient in detail, the Special Master recommends that Slesinger, as  
7 directed, *supra*, be permitted to submit an amended record of its attorneys' bills and costs within 30  
8 days of the Court's issuance of this order, that Disney be given a reasonable opportunity to respond to  
9 Slesinger's submission, and that the parties be ordered to attend a settlement conference or mediation  
10 prior to any additional briefs being filed. Should Slesinger ultimately be found entitled to any award  
11 of fees and/or costs, those amounts, if any, should be credited toward the total amount Slesinger owes  
12 to Disney for attorneys' fees and costs pursuant to this Recommendation and Report.

13 Respectfully Submitted

14 September 10, 2010

15 

16 \_\_\_\_\_  
17 Judge Fern Smith (Ret.)  
18 Special Master

# **EXHIBIT G**

U.S. Court of Appeals Docket Number 09-56776

**UNITED STATES COURT OF APPEALS  
FOR THE NINTH CIRCUIT**

---

STEPHEN SLESINGER, INC.,

*Counterclaimant/Appellant,*

vs.

DISNEY ENTERPRISES, INC., THE WALT DISNEY COMPANY, AND  
WALT DISNEY PRODUCTIONS,

*Counterdefendants/Appellees.*

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Appeal from a Judgment of the  
United States District Court for the Central District of California  
Case No. CV 02-08508 FMC (PLAx)  
Honorable Florence-Marie Cooper, United States District Judge

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**STIPULATION TO VOLUNTARY DISMISSAL OF APPEAL**

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Pursuant to Federal Rule of Appellate Procedure 42(b), Appellant and Counterclaimant Stephen Slesinger, Inc. ("Slesinger") and Appellees and Counterdefendants Disney Enterprises, Inc., The Walt Disney Company, and Walt Disney Productions (collectively "Disney"), hereby submit this Stipulation to Slesinger's voluntary dismissal of its appeal.

On November 5, 2009, Slesinger filed a Notice of Appeal from the District Court's October 7, 2009 Final Judgment and all interlocutory orders giving rise thereto, including but not limited to (1) the May 19, 2009 Order Granting in Part Counter-Defendants' Motion for Summary Judgment (Doc. No. 520) and (2) the September 25, 2009 Order Granting Counter-Defendants' Motion for Summary Judgment and Order Denying Counter-Claimant's Motion for Summary Adjudication (Doc. No. 545).

Counsel for Slesinger and Disney have met and conferred and hereby stipulate, on behalf of their respective clients, that Slesinger voluntarily dismisses this appeal and that the parties shall bear their own costs in this appeal.

Dated: June 28, 2010

BROWNE WOODS & GEORGE LLP

By: /s/ Peter Shimamoto  
Peter Shimamoto

Attorneys for Appellant and  
Counterclaimant Stephen Slesinger, Inc.

Dated: June 28, 2010

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Walt Disney Productions

**PROOF OF SERVICE**

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is Browne Woods George LLP, Fox Plaza, 2121 Avenue of the Stars, 24th Floor, Los Angeles, CA 90067.

On June 30, 2010, I served the foregoing document described as **STIPULATION TO VOLUNTARY DISMISSAL OF APPEAL** on the parties in this action by serving:

**SEE ATTACHED SERVICE LIST**

**By Envelope** - by placing (") the original (") a true copy thereof enclosed in sealed envelopes addressed as above and delivering such envelopes:

**By Federal Express**: I caused the envelope(s) to be delivered to the Federal Express office at \_\_\_\_\_, on \_\_\_\_\_, for delivery on the next-business-day basis to the offices of the addressee(s).

**By Personal Service**: I delivered such envelope by hand to the offices of the addressee(s).

**By Facsimile Transmission**: On \_\_\_\_\_ at \_\_\_\_\_m., I caused the above-named document to be transmitted by facsimile transmission, from fax number 310-275-5697, to the offices of the addressee(s) at the facsimile number(s) so indicated above. The transmission was reported as complete and without error. A copy of the transmission report properly issued by the transmitting facsimile machine is attached hereto.

**By E-Mail Electronic Transmission**: Based on a court order or an agreement of the parties to accept service by e-mail or electronic transmission, I caused the documents to be sent to the person(s) at the e-mail address(es) so indicated above. I did not receive, within a reasonable time after the transmission, any electronic message or other indication that the transmission was unsuccessful.

Executed on June 30, 2010, at Los Angeles, California.

**FEDERAL** I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

\_\_\_\_\_  
/s/Peter Shimamoto

Peter Shimamoto

**SERVICE LIST**

*Stephen Slesinger, Inc., et al v. Disney Enterprises, Inc., et al.*  
U.S. Court of Appeals Docket No 09-56776

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