

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO.: 06-81112-CIV-HURLEY/HOPKINS

R.A.M., L.L.C., et al.,

Plaintiffs,

vs.

TIMOTHY HILL, et al.,

Defendants.

REPORT AND RECOMMENDATION CONCERNING PLAINTIFFS' MOTION FOR
CONTEMPT (DE 51)

THIS CAUSE comes before the Court upon an Order referring Plaintiffs' Motion for Contempt for Defendants' Violation of the Agreed Order Granting Plaintiffs' Motion for Preliminary Injunction to the undersigned for Report and Recommendation. (DEs 53, 51).

I. BACKGROUND

Plaintiffs, R.A.M. and George Ford ("Plaintiffs") filed their complaint against Defendants, Automotive Intelligent Marketing, LLC (AIM), Houston Print on Demand ("HPOD"), and Timothy Hill, asserting, *inter alia*, a claim for copyright infringement. (DE 1). Following Plaintiffs' motion for preliminary injunction, an Agreed Order Granting Plaintiffs' Motion for Preliminary Injunction was entered by the District Court on May 1, 2007 ("Agreed Order"). (DE 43).

At issue in this case is the parties' Agreed Order, which provides:

Defendants, TIMOTHY HILL, AUTOMOTIVE INTELLIGENT MARKETING, LLC and HOUSTON PRINT ON DEMAND, INC., its agents, servants, employees and attorneys, and those persons in active concert or participation with Defendants, TIMOTHY HILL, AUTOMOTIVE INTELLIGENT MARKETING, LLC and HOUSTON PRINT ON DEMAND, INC., are enjoined from the use of Plaintiff's copyrighted material during the pendency of this action . . .

(DE 51, ex. A ¶2).

On July 2, 2007, Plaintiffs filed the instant motion, seeking contempt sanctions for Defendants'

alleged violation of the Agreed Order. (DE 51). Defendant Timothy Hill (“Hill”) filed his response on July 18, 2007 and Defendants HPOD and AIM (“Defendants”) filed their response on July 20, 2007. (DEs 57, 60). Plaintiffs filed their replies to all Defendants on August 6, 2007. (DEs 78, 79).

A hearing was held on August 21, 2007, where Plaintiffs were represented by Steven H. Osber, Esq. and Shawn L. Birken, Esq., Defendants AIM and HPOD were represented by Kent Rowald, Jr., Esq., and Defendant Timothy Hill was represented by John Bruster Loyd, Esq. and Eric Lee, Esq. Testimony was heard from Timothy Hill, Stephen Hill and George Ford, and exhibits were admitted into evidence.

Following the close of both cases, the Court issued a preliminary recommendation from the bench, finding for Defendants on two bases. The conclusions of the Court are discussed more fully in Section III below.

II. FINDINGS OF FACT

Upon review of the parties’ submissions and the evidence presented at the August 21, 2007 hearing, this Court has made the following findings of fact:

1. Plaintiff R.A.M. and Defendant, Automotive Intelligent Marketing, LLC (“AIM”) are competitors in the business of direct mailing in the automotive market. (DE 51).
2. George Ford is a principal of R.A.M. Timothy Hill is a Principal of R.A.M. and of AIM. Stephen Hill is also a principal of AIM.
3. Plaintiff owns Copyright Registration TXU-1-275-890, for a work entitled “Payment Reduction.” Plaintiff filed its copyright application in December, 2005. (Def. ex. 2).
4. On May 1, 2007, the District Court entered the Agreed Order Granting Plaintiffs’ Motion for Preliminary Injunction. (DE 43). The Agreed Order contains the following term:

Defendants, TIMOTHY HILL, AUTOMOTIVE INTELLIGENT MARKETING, LLC and HOUSTON PRINT ON DEMAND, INC., its agents, servants, employees and attorneys, and those persons in active concert or participation with Defendants, TIMOTHY HILL, AUTOMOTIVE INTELLIGENT MARKETING, LLC and HOUSTON PRINT ON DEMAND, INC., are enjoined from the use of Plaintiff’s copyrighted material during the pendency of this action . . .

(DE 51, ex. A ¶2).

5. Shortly after the District Court entered the Agreed Order, Defendant R.A.M. provided one or more automobile dealers with marketing materials relating to a Payment Reduction Program. Deerbrook Forest Chrysler was one dealership to which Defendants provided Payment Reduction Program marketing materials. (Pl. ex. 37).

6. Marketing materials relating to a Payment Reduction Program have been widely distributed since the mid-1990's, prior to the 2005 registration of Plaintiff's copyright. Distribution was by several marketing agencies and car dealerships. In the fall of 2004, Defendants obtained a copy of a Payment Reduction Program mailer prepared by Plaintiffs for Phil Smith Kia. Plaintiffs do not hold a copyright registration for the 2004 Phil Smith Kia mailer, or for any earlier version of the Payment Reduction Program mailer. (Def. ex. 4).

7. Upon gross examination, the Deerbrook Forest mailer, the Phil Smith Kia mailer, and the copyrighted Coconut Creek Mitsubishi mailer appear strikingly similar. (Pl. ex. 37, Def. ex. 1, Pl. ex. 26). The substance of the text of the three mailers is also very similar. (Pl. ex. 37, Def. ex. 1, Pl. ex. 26).

8. Defendant Timothy Hill has never had managing or supervisory authority at AIM or HPOD or over AIM's or HPOD's employees. Timothy Hill did not create the Deerbrook Forest mailer.

III. ANALYSIS AND CONCLUSIONS OF LAW

Injunctions are enforced through the civil contempt power of the trial court. *Reynolds v. G.M. Roberts*, 207 F.3d 1288, 1298 (11th Cir. 2000). Upon belief that the a defendant is in violation of an injunction, the plaintiff moves the court for an order to show cause why the defendant should not be held in contempt, citing the injunctive provision at issue. *Id.* It is the movant's burden to demonstrate that a violation has occurred. *Id.* Once a movant has established non-compliance by clear and convincing evidence, the defendant must then show lawful excuse for noncompliance, or be subject to sanction. *Wyatt v. Rogers*, 92 F.3d 1074, 1078 n.8(11th Cir. 1996); *CFTC v. Wellington Precious Metals, Inc.*, 950 F.2d 1525, 1529 (11th Cir. 1992).

Thus, Plaintiff bears the initial burden of demonstrating non-compliance by clear and convincing evidence. *See CFTC v. Wellington Precious Metals, Inc.*, 950 F.2d at 1529.

A. Plaintiffs have not demonstrated by clear and convincing evidence that Defendants used Plaintiffs' copyrighted work

Plaintiffs assert that Defendants infringed upon Plaintiff's copyrighted work, Registration TXU-1-275-890, and violated the parties' agreed injunction, by implementing a "Payment Reduction" direct mailing campaign, and distributing at least 17,500 pieces of infringing material. (DE 51). Plaintiffs contend that the infringing material was disseminated by way of direct mailing campaigns on behalf of Mac Haik Chevrolet and Deerbrook Forest Chrysler Jeep. (DE 51).

Defendants do not dispute that they participated in the distribution of the marketing campaign at issue. Nor is there any reasonable dispute as to the various similarities between Defendants' mailer and Plaintiffs' mailer, or that Defendants based their mailer on an earlier Payment Reduction Promotion mailer. However, there is evidence demonstrating that a virtually identical mailer, created for use by Phil Smith Kia, was publicly distributed as early as September or October, 2004. Additionally, Plaintiff George Ford testified that he has used similar promotions a number of times since the mid-1990's, while working for several different employers, and that those promotions were also distributed to the public.

Thus, this Court concludes that the Payment Reduction Program materials were publicly available, in uncopyrighted form, for at least ten (10) years prior to the initiation of the instant lawsuit. Moreover, testimony and evidence offered at the hearing demonstrate that Defendants were in possession of the Phil Smith Kia mailer no later than October, 2004.

As the burden is on Plaintiffs to demonstrate by clear and convincing evidence that Defendants violated the Agreed Order by using Plaintiffs' copyrighted works, and as it has been demonstrated that Defendants had access to virtually identical works that were not copyrighted by Plaintiffs, this Court concludes that Plaintiffs have failed to meet their burden demonstrating contempt. *Reynolds*, 207 F.3d at 1298.

B. Plaintiffs have not demonstrated by clear and convincing evidence that portion of Plaintiffs' work at issue is protected by Plaintiffs' copyright registration

Defendants do not deny that they have participated in the promotional campaigns at issue. Rather, Defendants assert that the promotional materials contains information which is not protected by Plaintiffs' copyright registration. (DE 60).

In order to succeed in a claim of copyright infringement, a plaintiff must demonstrate: (1) that a valid copyright exists; and, (2) substantial similarity between the allegedly infringing work and original, protectible portions of the copyrighted work. *Montgomery v. Noga*, 168 F.3d 1282, 1288 (11th Cir. 1999); *Sturdza v. United Arab Emerites*, 281 F.3d 1287, 1295 (D. C. Cir. 2002); *see also CMM Cable Rep., Inc. v. Ocean Coast Properties, Inc.*, 97 F.3d 1504, 1514 (1st Cir. 1996)("[i]nfringement is shown by a substantial similarity of *protectible expression*, not just an overall similarity between the works.")(citing 3 Nimmer § 13.03(f))(emphasis in original); *William A. Graham Co. v. Haughey*, 430 F.Supp.2d 458, 472 (E.D. Pa. 2006).

17 U.S.C. § 410(c) provides:

(c) In any judicial proceedings the certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. The evidentiary weight to be accorded the certificate of a registration made thereafter shall be within the discretion of the court.

17 U.S.C. § 410(c).

Plaintiffs have provided the Court with their certificate of registration for the work "Payment Reduction." Thus, a presumption of ownership of a valid copyright arises. *Montgomery* 168 F.3d at 1288. However, this presumption is rebuttable, shifting the burden to Defendants to demonstrate that the work is unworthy of copyright protection. *Id.*

The Court has been provided with testimony and evidence demonstrating that the work Payment Reduction existed and was publicly distributed prior to Plaintiffs' registration of the work. (*See e.g.* Def.

ex. 1).

A work may enter the public domain where it has been generally published without restriction on use of the work. *See Penguin Books U.S.A., Inc. v. New Christian Church of Full Endeavor, LTD.*, 288 F.Supp.2d 544 (S.D. N.Y. 2003). “A general publication ‘occurs when by the consent of the copyright owner, the original or tangible copies of a work are sold, leased, loaned, given away or otherwise made available to the general public, or when an authorized offer is made to dispose fo the work in any manner even if a sale or other such disposition does not in fact occur.’” *Id.* at 555 (citing *Penguin Books U.S.A, Inc. v. New Christian Church of Full Endeavor, Ltd.*, No. 96 Civ. 4126, 2000 WL 1028634, at *16 (S.D.N.Y. July 25, 2000)).

A plaintiff may rebut the assertion of general publication by demonstrating that publication or distribution of the work was limited. *Id.* at 556. A distribution is limited if it is: “(1) to a definitely select group, (2) for a limited purpose, and (3) without the right of diffusion, reproduction, distribution or sale.” *Id.* (citing *White v. Kimmell*, 193 F.2d 744, 746-47 (9th Cir. 1952); *Continental Casualty Co. v. Beardsley*, 253 F.2d 702, 706-07 (2nd Cir. 1958), *cert. denied*, 358 U.S. 816, 79 S.Ct. 25, 3 L.Ed.2d 58 (1958); *Procter & Gamble Co. v. Colgate-Palmolive Co.*, No. 96 Civ. 9123, 1998 WL 788802, at *38 (S.D.N.Y. 1998)).

Once a work has entered the public domain, a later author or an author of a new version or derivative work cannot claim copyright protection to that portion of a new work that preexisted in the public domain. *See* 17 U.S.C. § 103. “[C]opyright in a ‘new version’ covers only the material added by the later author, and has no effect one way or the other on the copyright or public domain status of the preexisting material.” 17 U.S.C. § 103 Notes of Committee on the Judiciary, House Report No. 94-1476.

Plaintiffs assert that they own a valid copyright on Payment Reduction, and that Defendants’ Deerbrook Forest mailer is substantially similar to the copyrighted Coconut Creek Mitsubishi mailer, therefore Defendants have violated the Agreed Order by using Plaintiffs’ copyrighted work. (DE 51).

Examination of the copyrighted work, Defendants’ work, and the earlier Phil Smith Kia work reveals

that the pieces are all strikingly similar. Format and appearance of the three advertisements are virtually identical. The quality of the copy of Defendants' Deerbrook Forest mailer provided to the witnesses and to the Court is poor, making it difficult, if not impossible, to read significant portions of the text. Those portions of the text which are clear enough to discern appear to closely follow the meaning and structure of the earlier Phil Smith Kia advertisement as well as Plaintiffs' copyrighted advertisement.

However, even if this Court were to conclude that a substantial similarity exists between Plaintiffs' copyrighted work and Defendant's recent mailer, such a conclusion would be insufficient to meet Plaintiffs' burden of clear and convincing evidence that Defendant has used Plaintiffs' copyrighted work. Evidence suggests that the Payment Reduction promotion material has been available to the public for at least ten (10) years. George Ford testified that he started using the promotion when he was employed by West Palm Mitsubishi in the mid 1990's. Payment Reduction mailers were widely distributed to dealerships and the public. Plaintiffs did not assert, and have offered no evidence demonstrating, that the distribution was limited. The burden is on Plaintiff to demonstrate that a distribution or publication was limited, and not general, in nature. *Penguin Books*, 288 F.Supp.2d at 555. Plaintiffs have not met this burden, thus, this Court concludes that the Payment Reduction promotion materials have been generally published for approximately ten (10) years prior to Plaintiffs' copyright registration. As a result, this Court concludes that the Payment Reduction promotion materials have entered the public domain. *Id.*

As the Payment Reduction materials are public domain, that portion of Plaintiffs' copyright specimen which was public domain material is not covered by Plaintiffs' copyright registration. 17 U.S.C. § 103; 17 U.S.C. § 103 Notes of Committee on the Judiciary, House Report No. 94-1476.

Plaintiffs has not presented any evidence demonstrating that Defendants allegedly copied those portions of Plaintiffs' copyrighted material that are not a part of the public domain. Accordingly, this Court concludes that Plaintiffs have failed to demonstrate by clear and convincing evidence that Defendants violated the Agreed Order by using Plaintiffs' copyrighted work.

C. Defendant Hill asserts that he is excepted from the contempt motion

Plaintiffs' assert that Defendant Timothy Hill is vicariously liable for contempt. (DE 76). Testimony elicited at the hearing demonstrates that Defendant Hill had no management of supervisory control over AIM, HPOD or their employees. Moreover, as this Court has concluded above that AIM and HPOD are not liable for contempt, no basis exists for asserting a vicarious liability for Defendant Hill.

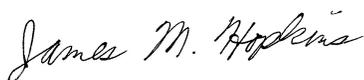
Accordingly, this Court concludes that Plaintiffs have failed to demonstrate by clear and convincing evidence that Defendant Hill is directly or vicariously responsible for violating the Agreed Order.

IV. RECOMMENDATIONS TO THE DISTRICT COURT

It is hereby **RECOMMENDED** that Plaintiffs' Motion for Contempt be **DENIED**.

A party shall serve and file written objections, if any, to this Report and Recommendation with the Honorable Daniel T. K. Hurley, District Court Judge for the Southern District of Florida, within ten (10) days of being served with a copy of this Report and Recommendation. *See* 28 U.S.C. § 636(b)(1)(C); *United States v. Warren*, 687 F.2d 347, 348 (11th Cir. 1982), *cert. denied*, 460 U.S. 1087 (1983). Failure to timely file objections shall bar the parties from attacking on appeal the factual findings contained herein. *See LoConte v. Dugger*, 847 F.2d 745 (11th Cir. 1988), *cert. denied*, 488 U.S. 958 (1988); *RTC v. Hallmark Builders, Inc.*, 996 F.2d 1144, 1149 (11th Cir. 1993).

DONE AND SUBMITTED in Chambers this 24 day of August, 2007 at West Palm Beach in the Southern District of Florida.



JAMES M. HOPKINS
UNITED STATES MAGISTRATE JUDGE

Copies to:

Hon. Daniel T. K. Hurley
Counsel of Record