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**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

KAROL WESTERN CORP.,

Plaintiff,

v.

SMITH NEWS COMPANY, INC.,

Defendants.

Case No. CV 12-07695 BRO(VBKx)

**FINDINGS OF FACT AND  
CONCLUSIONS OF LAW AFTER  
COURT TRIAL**

1 **I. INTRODUCTION AND PROCEDURAL HISTORY**

2 Plaintiff Karol Western Corp. (“Plaintiff”) designs various categories of gifts  
3 and souvenirs, with products in over 400 retail stores around the country. Plaintiff  
4 has been selling souvenirs in the Las Vegas market for over 25 years. Defendant  
5 Smith News Company, Inc. (“Defendant”) also sells and designs various categories  
6 of gifts and souvenirs in Las Vegas, competing in the same retail stores as Plaintiff.  
7 Plaintiff brings this lawsuit, claiming that Defendant is liable for copyright  
8 infringement for manufacturing and selling a flask depicting a die-cut rendition of  
9 the Las Vegas sign which is very similar to one of Plaintiff’s copyrighted works.

10 On September 7, 2012, Plaintiff filed a complaint demanding a jury trial which  
11 alleged a single count of copyright infringement asking for damages and Defendant’s  
12 profits pursuant to 17 U.S.C. § 504. (Dkt. No. 1.) On November 5, 2012, Defendant  
13 filed an answer. (Dkt. No. 7.) On March 12, 2013, Defendant filed a motion for  
14 summary judgment. (Dkt. No. 24.) Additionally, on March 12, 2013, Plaintiff filed a  
15 motion for partial summary judgment as to Defendant’s alleged copyright  
16 infringement. (Dkt. No. 25.)

17 On July 24, 2013, Plaintiff filed a first amended complaint. (Dkt. No. 51.) On  
18 August 8, 2013, Defendant filed an answer. (Dkt. No. 54.) On August 8, 2013,  
19 Defendant filed a notice of errata and an amended answer. (Dkt. No. 56.) On August  
20 23, 2013, the Court denied both Plaintiff’s motion for partial summary judgment and  
21 Defendant’s motion for summary judgment. (Dkt. No. 57.) On January 29, 2014,

1 Defendant filed a motion for reconsideration of its motion for summary judgment.  
2 (Dkt. No. 76.) On February 28, 2014, the Court denied Defendant's motion for  
3 reconsideration of its motion for summary judgment. (Dkt. No. 135.)  
4

5 On March 5, 2014, Plaintiff filed a stipulation requesting a nonjury trial and  
6 waiving its jury demand. (Dkt. No. 139.) On March 7, 2014, the Court granted  
7 Plaintiff's stipulation. (Dkt. No. 140.) A bench trial in this matter commenced on  
8 March 27, 2014 and ended on April 7, 2014. (Dkt. Nos. 151; 154.) On April 18,  
9 2014, the parties each filed post-trial briefs. After consideration of the parties' post-  
10 trial briefs, the evidence presented at trial, and oral argument of counsel, the Court  
11 makes the following Findings of Fact and Conclusions of Law.<sup>1</sup>  
12  
13  
14

## 15 **II. JURISDICTION AND VENUE**

16 This Court has subject matter jurisdiction over this case pursuant to 17 U.S.C.  
17 § 101 and 28 U.S.C. §§ 1331, 1338. Further, venue is proper under 28 U.S.C. §  
18 1391.  
19

## 20 **III. CREDIBILITY DETERMINATIONS**

21  
22 Ninth Circuit Model Jury Instruction 1.11 provides guidance to jurors when  
23 assessing credibility. The factors include: (1) the opportunity and ability of the  
24 witness to see or hear or know the things testified to; (2) the witness's memory; (3)  
25 the witness's manner while testifying; (4) the witness's interest in the outcome of the  
26

27  
28 <sup>1</sup> Any finding of fact which constitutes a conclusion of law is hereby adopted as a conclusion of law.

1 case and any bias or prejudice; (5) whether other evidence contradicted the witness's  
2 testimony; (6) the reasonableness of the witness's testimony in light of all the  
3 evidence; and, (7) any other factors that bear on believability. Ninth Cir. Model Jury  
4 Instr. 1.11 (Civil) (2007). The Court finds these factors helpful in assessing the  
5 credibility of the witnesses. After assessing these factors, the Court finds the  
6 testimony detailed below to be credible.  
7

#### 9 **IV. FINDINGS OF FACT**

##### 10 **A. Trial Testimony**

##### 11 **1. Anthony Zoss**

12 Zoss currently serves as the President of Karol Western, Corporation. Karol  
13 Western began in 1959 when it started importing souvenir products based upon its  
14 designs. Its first territory was Las Vegas. Karol Western sells shot glasses, flasks,  
15 ceramics, beach towels, tumblers, magnets, and key chains, including key chains  
16 with miniature flasks. Karol Western products are carried in most of the souvenir  
17 shops in Las Vegas. In 2009, Karol Western launched the "Shanghai Diamond" line,  
18 embodied in Exhibit 102, a flask, and Exhibit 117, a travel mug. Each is sold in  
19 multiple colors. Karol Western has sold approximately 436,000 units in the  
20 Shanghai Diamond line, and it ranks approximately number 3 in all sales, totaling  
21 approximately \$1.8 million.  
22

23 In seeking copyright protection, Zoss instructed Ileana Salcedo to take a  
24 photograph of the Shanghai Diamond design for inclusion in the copyright  
25 registration application. In August 2012, Zoss also instructed that Exhibit 2A, the  
26 same photograph, be "zoomed in and cropped." He attached Exhibit 2A to  
27 copyright application.

28 In early 2012, Zoss received an email informing him of Defendant's

1 “extremely similar product.” Zoss then instructed an employee to purchase the  
2 products, and after examining the UPC code Zoss determined that Smith Novelty  
3 distributed the products. Seventy-nine of those ninety-five stores also purchase  
4 products from Karol Western, such as ABC Stores, Hudson News, Marshall Retail  
5 Group, among others. Zoss has seen Exhibit 101 products in ABC Stores,  
6 Walgreen’s and Bonanza Gifts. Zoss first went to Bonanza Gifts and saw both Karol  
7 Western and Smith Novelty products. On his second visit, he noticed that Smith  
8 Novelty products occupied shelf space previously allocated to Karol Western.

9 In addition, Zoss prepared Exhibit 140C, containing additional sales figures  
10 for Smith Novelty’s sales of the design created by Urbiztondo. Zoss determined that  
11 ninety-five stores sell products from Smith Novelty. Exhibit 145 accurately reflects  
12 Karol Western’s overall sales of Shanghai Diamond flasks. Zoss prepared an  
13 analysis of lost profits, included in Smith Novelty information in Exhibit 120 and his  
14 analysis in Exhibit 140B. Zoss estimates that Karol Western suffered lost profits of  
15 \$92,807.60. Zoss’s analysis assumes that for every sale of a Smith Novelty product,  
16 that sale is a lost sale to Karol Western.

## 17 2. **Bruce Miller**

18 Karol Western employs Miller as its Vice President of sales and operations.  
19 Miller received his Bachelor of Arts from Stanford University, his Masters in  
20 Business Administration, in finance and accounting, from the University of  
21 California Los Angeles (UCLA) in 1981 and his Juris Doctor from UCLA in 1981 as  
22 well. After practicing law, Miller worked for a souvenir company, Pinnacle Designs,  
23 in 1995 and joined Karol Western in 2008. Miller is involved in product  
24 development. Miller spends time “coming up with concepts” which he then  
25 communicates to Karol Western’s art department. The art department then turns the  
26 concepts into artwork used on its products. Miller developed the Shanghai Diamond  
27 design, seeking to create a glittery product. Miller wanted to create a reverse die cut  
28 representation of the Las Vegas sign. Exhibit 143 represents the reverse die cut

1 image. Miller excluded the words “to fabulous Nevada” from the representation  
2 because he did not want to “clutter up” the design with the words. Miller considers  
3 the design to the background of stainless steel reflection, the stencil die cut and the  
4 glitter paper. The Shanghai Diamond series is their best selling unit.

5  
6 3. **Kenneth Glaser, Jr.**

7 For the last twenty-five years, Glaser has been the President and Chief  
8 Executive Officer of Smith Novelty Company. In 2004 or 2005, Smith Novelty  
9 entered the Las Vegas market. He spends a substantial amount of time in the art  
10 department creating new products. Smith Novelty art department creates 95 to 98  
11 per cent of everything sold by Smith Novelty. Glaser and Brett Rankin would  
12 discuss a sample and make decisions. The samples are not made available to the art  
13 department<sup>2</sup>, although the sample might be put in the showroom.

14 In 2004, Glaser instructed Urbiztondo to create artwork of the Las Vegas sign.  
15 Glaser asked Urbiztondo to create a flask wrapping glitter fabric around the flask and  
16 then use a die cut image of the Las Vegas sign, permitting the metal to show through  
17 the glitter paper. Thereafter, Urbiztondo created the drawing, then a “trace” for use  
18 by the manufacturer to stamp through the glitter fabric. In 2005, Smith Novelty  
19 created Exhibit 40 which was one of the first designs of the Las Vegas sign. In 2006,  
20 Urbiztondo created another drawing of the Las Vegas sign. In sum, Exhibits 39  
21 through 43 were created from Exhibit 8. Ninety-five per cent of the Smith Novelty’s  
22 products depict the Las Vegas sign. Glaser never believed that Smith Novelty’s  
23 design would infringe Karol Western’s design.

24 Most of Smith Novelty’s principal accounts also carry Karol Western  
25 products. At times, his sales representatives sent him samples of competitors’  
26 products. Glaser reviewed the expense reports for Mr. Lumen and found only one  
27 report seeking reimbursement for the purchase of a competitor’s product. It is

28 \_\_\_\_\_  
<sup>2</sup> The art department consists of one large room with four or five desks in it.

1 possible that he bought a sample of competitors' products prior to the creation of  
2 Exhibit 101, the Smith Novelty creation. Prior to November 2011, Glaser estimates  
3 that it happened more than 10 times, but less than 30 times. At the time of Smith  
4 Novelty's design, Glaser had seen Karol Western's Shanghai Diamond products, as  
5 well as a glitter paper product from RTSI (another competitor). Glaser went to Las  
6 Vegas to investigate and identified the Las Vegas sign as an iconic image appearing  
7 on more souvenirs than any other image. Exhibits 50, 51, 52, 54-58 are products  
8 depicting the Las Vegas sign from Smith Novelty's competitors. Glaser purchased  
9 Exhibits 65, 66, 67, 69, 70, 71, 72, 74, 75, 77, 78, 79, 80, 81, 82, reflecting  
10 competitors' products, such as tumblers, flasks and key chain flasks. Glaser  
11 purchased Exhibits 69 and 70 from the store M & K, approximately one year ago and  
12 six months ago. Glaser estimates that each item has been on the market for at least  
13 two years, that is, around 2010.

14 Exhibit 85 is a computer spreadsheet of the sales of Smith Novelty's glitter  
15 flask products. Glaser does not have a die cut glitter fabric flask that pre-dates Karol  
16 Western's Shanghai Diamond. Karol Western was the first company to produce a  
17 die cut glitter fabric flask and Glaser was aware of its product. Prior to 2010, Smith  
18 Novelty never produced a tumbler made with glitter fabric, a die cut or and image of  
19 the Las Vegas sign with "Las Vegas" written in baseball script.

20  
21 **4. Enrico Urbiztondo**

22 Urbiztondo works for Smith Novelty and has done so for the past fifteen (15)  
23 years. Smith Novelty employs Urbiztondo as a graphic designer. He creates graphic  
24 images which are placed on souvenir items and collaborates with Glaser. Urbiztondo  
25 has never seen any samples or photographs from a Smith Novelty competitor, other  
26 than seeing mugs in the office more than two or three times. Glaser suggests  
27 changes and approves Urbiztondo's work. In 2004, Urbiztondo created Exhibit  
28 105A, from a photograph of the Las Vegas sign an icon in the public domain.



The Las Vegas Sign (“The Sign”)

Urbiztondo’s 2004 Sign Image

Urbiztondo created Exhibits 39-43 between 2004 and 2009. In November 2010, Urbiztondo created Exhibit 105I at the behest of Glaser. Specifically, Urbiztondo prepared the design from a previous drawing, Exhibit 8.<sup>3</sup> Urbiztondo never saw a die cut image of the Las Vegas sign prior to creating his version. Urbiztondo wanted to keep the Las Vegas sign accurate, yet believes that it is not accurate to depict the sign as a smaller, negative image, containing glitter fabric. Urbiztondo prepared Exhibit 9 from Exhibit 8, as it is his practice to prepare the designs from a previous drawing. Exhibit 44 reflects the limitation of using a die cut, as there will be some loss with the letters, creating a line in the letter “O” for example. One exhibit omits the word “Nevada” and none include the phrase “to fabulous” as is on the original Las Vegas sign; Urbiztondo omitted these words because the die cut process would be more difficult.

Exhibit 61 is the die cut image created by the manufacturer of the Las Vegas sign created by Urbiztondo. Exhibit 17, the Karol Western creation of the Las Vegas sign, is in a die cut with the letters in multiple pieces. The process does not require

<sup>3</sup> Urbiztondo also created Exhibits 105C, 105D, but none of the representations involve a die cut, glitter fabric or reflective metal. Urbiztondo believes that it makes a difference when he sees the designs to see the type of product to which they are applied, and the type of material used to create the product.



1 the letters to be broken into multiple pieces except for the “O”. The star shown in  
2 Exhibit 17 lacks a portion of the star on the real Las Vegas sign. The points of the  
3 star radiate the same distance; the actual sign has four points of the star half the  
4 length of the other four points on the star. The lower point of the star points at the  
5 letter “L” on the “Welcome” sign. In contrast, Exhibit 101, the Smith Novelty  
6 creation, has solid letters, with the exception of the “O”, as required by the die cut  
7 process. The support bar on the star is shown in Exhibit 101, consistent with the  
8 actual sign. The points of the star on Exhibit 101 are consistent with the actual sign,  
9 that is, four being half the length of the other four. The lowest point of the star point  
10 between the “E” and “L” on the “Welcome” sign. Exhibit 8, the drawing, shows  
11 solid letters (with the exception of “O”) consistent with the actual sign. The star has  
12 the same proportions as the actual sign, including a frame around the star. Like the  
13 actual Las Vegas sign, in Exhibit 101 the lowest point of the star points between the  
14 “E” and “L” of the “Welcome”. Rankin instructed Urbiztondo to repeat the word  
15 “Las Vegas” because of the extra space at the bottom of the design.

16  
17 **5. Joseph Luman**

18 Luman first began working for Smith Novelty as a sales representative in late  
19 2005 until 2010. Luman reported to Glaser and Brett Rankin. Glaser would visit  
20 Luman in Las Vegas approximately two times per year. During those trips, Glaser  
21 would purchase samples of competitors’ products. Glaser instructed Luman to send  
22 him (Glaser) any new and interesting products or photographs of those products on  
23 an ongoing basis. Approximately 75 per cent of the products he purchased were  
24 designed and sold by Karol Western. Luman sent Glaser products approximately  
25 one time per month. When Luman travelled to San Francisco, approximately once  
26 per year, he saw the samples in the art department.<sup>4</sup>

27 Luman expressed concerns over similarities in the products to Glaser and

28 <sup>4</sup> The art department is also referred to as the “art room” or “showroom”.

1 Rankin. However, RTSI and Citron (other competitors) also sell similar items.  
2 Luman would also obtain samples of competitors' products for free based upon his  
3 relationship with MGM Walgreen's. Luman saw Exhibit 102 and 117 in stores in  
4 late 2009. The glitter fabric caught his attention, so he purchased two items and sent  
5 them to Glaser in San Francisco. Later, Luman was laid off by Smith Novelty.

6  
7 **6. Professor Jeffrey Sedlik**

8 Professor Sedlik studied design at the Art Center College in Pasadena,  
9 California, where he received a Bachelor's degree in Fine Arts. Thereafter,  
10 Professor Sedlik worked as a photographer and graphic designer for 28 years,  
11 serving as President of the Advertising Photographers of America. Currently,  
12 Professor Sedlik serves as the president of Plus Coalition, a body which creates  
13 global standards for design, advertising and publishing. He has served as a professor  
14 at the Art Center College for 20 years and teaches courses on copyright design,  
15 business practices and photography. He also designs posters, books, t-shirts,  
16 greeting cards and similar items for his own business, Mason Editions. His designs  
17 involve numerous different types of techniques to create designs, including die cut  
18 process. Professor Sedlik previously has testified as an expert witness in copyright  
19 matters, opining about similarity of design and damages, among other things.

20 Professor Sedlik was asked to analyze and compare the two designs (Exhibits  
21 101 and 102) and render an opinion based upon objective similarity as to the design  
22 of the flasks. Professor Sedlik disregarded the utilitarian components of Exhibit 101  
23 and 102. Professor Sedlik created Exhibit 144 to compare the two exhibits and  
24 isolate the utilitarian aspects of the flasks. He did not take into account the  
25 measurements of the flasks. Professor Sedlik opined that the two designs exhibit  
26 objectively similar visual effects. The visual effects include the illumination of the  
27 Las Vegas sign based upon the die cut and underlying metal background.

28 With respect to Exhibit 105A, it contains additional elements not present in  
Exhibit 101. For example, Exhibit 105A includes "to fabulous" and "Nevada", not

1 included in Exhibit 101. Exhibit 105A uses different colors and fonts, including  
2 vertical lines across the field. None of these elements are included in Exhibit 101.  
3 Exhibit 101 possesses reflective qualities not present in Exhibit 105A. Similarly,  
4 Exhibit 105C contains elemental differences from Exhibit 101, including depth,  
5 illumination, texture, color, and relative sizes of the elements. Exhibit 105F, the  
6 baby bib, is whimsical, using different material, and including the words “to  
7 fabulous” and “Nevada” on it. Conversely, Exhibit 101 is “rather hard and jewel-  
8 like”.

9       There are differences between the two designs. The dots on Exhibit 101, the  
10 Smith Novelty flask, are twice the size of the dots on Exhibit 102, the Karol Western  
11 flask. The stars in the designs differ as well, but would not affect his opinion as to  
12 similarity. The stars on Exhibit 16B and 16D differ in width and height. The  
13 ordinal points on Exhibit 16B extend almost as far as the cardinal points. The  
14 ordinal points on Exhibit 16D extend only half as far. The south-pointing end of the  
15 star on Exhibit 16B points at the letter “E” where the south-pointing end of the star  
16 on Exhibit 16B points between the letters “E” and “L”. Exhibit 16D frames the star  
17 which does not exist on Exhibit 16B. Neither Exhibit 16B or 16D accurately reflect  
18 the design of the actual Las Vegas sign photographed in Exhibit 16A. The south-  
19 pointing end of the star on Exhibit 16A points between the letters “E” and “L”.  
20 Exhibit 16A also has a frame around the star. With respect to Exhibit 14A, the  
21 letters are all of one piece, in contrast to Exhibits 14C and 14D, where the letters are  
22 not one piece, and in the case of Exhibit 14C, the letters are of two or more separate  
23 elements (stencil font). Exhibit 125C uses stencil font as well. Stencil font, as used  
24 in Exhibits 14C and 15C is a design choice. Exhibits 15A and 15D contain inverse  
25 “v” shapes over the “C” in “Welcome”. The “v” shape is not present in Exhibit 15C.  
26 Professor Sedlik took all of the differences into account including differences in the  
27 star, the white around the star, the fonts, and widths. Exhibits 101 and 102 each  
28 incorporate reflective substrate.



Karol Western's Shanghai Diamond (left), Smith Novelty's Accused Work (right)

7. **Shelly Mork**

Ms. Mork works for Karol Western as it sales representative for Las Vegas and has done so for the last eight years. She has sold the Shanghai Diamond series products such as Exhibit 102 to 15 or 20 customers. For example, she has sold Exhibit 102 products to Vegas Gifts, a retail location in Las Vegas. In January or February of 2012, Mork first saw Exhibit 101, a Smith Novelty flask, at the Vegas Gifts retail location. Thereafter, her customer stopped ordering Exhibit 102 products. Vegas Gifts refused to purchase Karol Western flasks for approximately one month to six weeks. Vegas Gifts later agreed to purchase additional Karol Western flasks because Mork offered the retail customer a "much better price". Specifically, Karol Western lowered its price from \$4.50 to \$4.00 per flask.

8. **Connie Risoli**

Ms. Risoli has created between 10 and 20 different renditions of the Las Vegas sign. She created Exhibit 1 more than 10 years ago and uses it on most of the artwork for Karol Western.



Shanghai Diamond Design-Purple (“Shanghai Diamond”)

In the Las Vegas market, approximately 80 per cent of all items sold contain the Las Vegas sign. In this case, it is possible she built upon her previous design of the Las Vegas sign. She made design choices in connection with the Shanghai Diamond design, including removing the frame around the star in the sign. In creating the die cut, she did not attempt to be faithful to the actual Las Vegas sign. With respect to the lettering, she placed the breaks in the lines where they were because she wanted the lettering to “look a certain way.” In creating Exhibit 2A, Risoli placed the dots around the diamond shaped frame to signify light bulbs, a circle surrounding the word “Welcome” and curves on the sides of the diamond shaped frame.

**B. Exhibits**

Exhibits 2, 8, 9, 14, 15, 16, 17, 18, 30, 39, 40, 41, 42, 43, 44, 46, 50, 51, 52, 54, 55, 56, 57, 58, 60, 61, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 85, 86, 101, 102, 105, 105A-M, 116, 117, 118, 119, 120, 123, 129, 139, 140B, 140C, 140D, 141, 143, 144, and 145A were received into evidence and the Court considered them in reaching its decision.

**V. CONCLUSIONS OF LAW<sup>5</sup>**

“In bench trials, Fed.R.Civ.P. 52(a) requires a court to ‘find the facts specially and state separately its conclusions of law thereon.’ ” *Vance v. American Hawaii Cruises, Inc.*, 789 F.2d 790, 792 (9th Cir.1986) (quoting Fed. R. Civ. P. 52(a)). “One

<sup>5</sup> Any conclusion of law which is determined to also be a finding of fact is so deemed.

1 purpose behind Rule 52(a) is to aid the appellate court's understanding of the basis of  
2 the trial court's decision. This purpose is achieved if the district court's findings are  
3 sufficient to indicate the factual basis for its ultimate conclusions.” *Id.* (citations  
4 omitted). Furthermore, the court “is not required to base its findings on each and  
5 every fact presented at trial.” *Id.* at 792; *see generally Kurth v. Hartford Life & Acc.*  
6  
7  
8 *Ins. Co.*, 845 F. Supp. 2d 1087, 1091 (C.D. Cal. 2012).

9  
10 To prevail on its claim, Plaintiff must establish, by a preponderance of the  
11 evidence: “(1) the plaintiff is the owner of a valid copyright, and (2) the defendant  
12 copied original elements from the copyrighted work.” Ninth Circuit Model Jury  
13 Instr. 17.4 (citing *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111  
14 S.Ct. 1282, 113 L.Ed.2d 358 (1991)). Copying may be established by showing that  
15 the infringer had access to the plaintiff’s work and that the copyrighted work and  
16 accused work are substantially similar in their protected elements. Ninth Circuit  
17 Model Jury Instr. 17.15; *see also Cavalier v. Random House, Inc.*, 297 F.3d 815, 822  
18 (9th Cir. 2002).

19  
20  
21  
22 **A. Copyright Ownership**

23  
24 In this case, Plaintiff owns a valid copyright for the Shanghai Diamond design  
25 which is displayed on its flask. Anthony Zoss offered testimony regarding the  
26 completion of the copyright application. The Court admitted Exhibits 129 and 139, a  
27 copy of Copyright Registration and Amplification for the Shanghai Diamond No.  
28

1 VA0001826534. This establishes *prima facie* evidence of copyrightability. *Transgo,*  
2 *Inc. v. Ajac Transmission Parts, Inc.*, 768 F.2d 1001, 1019 (9th Cir.1985). The  
3  
4 Copyright Registration creates a rebuttable presumption of validity. *Creeks U.S.A.*  
5 *Corp. v. Roger Gimbel Accessories*, CV88-2748 (CBM), 1989 WL 168063 (C.D.  
6 Cal. Nov. 14, 1989). Smith Novelty has failed to rebut this presumption. As a  
7  
8 result, the Court finds that Karol Western has shown valid copyright protection.  
9

10 **B. Copying**

11 1. **Access**

12 Mr. Glaser testified that he had seen Karol Western’s Shanghai Diamond  
13 products using glitter paper. He also instructed Urbiztondo to create a flask wrapped  
14 by glitter paper with a die cut design of the image of the Las Vegas sign. Mr. Luman  
15 testified that he sent Karol Western’s Shanghai Diamond flask to Glaser in San  
16 Francisco because the flask caught his attention. Luman travelled to San Francisco  
17 multiple times a year and saw samples in the art department. Thus, Karol Western  
18 has established, more likely than not, that Smith Novelty had access to the Shanghai  
19 Diamond design.  
20

21 2. **Substantial Similarity**<sup>6</sup>

22  
23 In assessing substantial similarity, the Court considers a two-part  
24 “extrinsic/intrinsic” test to determine whether Smith Novelty’s flask design infringes  
25 Karol Western’s copyright. *Mattel, Inc. v. MGA Entm’t, Inc.*, 616 F.3d 904, 913 (9th  
26

27  
28 <sup>6</sup> Given the Court’s findings on substantial similarity, it need not address Defendant’s independent creation argument.

1 Cir. 2010) (internal quotations and citation omitted) (“To distinguish between  
2 permissible lifting of ideas and impermissible copying of expression, we have  
3 developed a two-part extrinsic/intrinsic test.”).

4  
5 The extrinsic test requires a court to identify the similarities between the  
6 copyrighted work and challenged work and determine whether those similarities are  
7 protectable or unprotectable. *Id.* Then, the unprotectable elements of the copyright  
8 are filtered out and the remaining components are considered the protectable  
9 expressions of a copyright. *Id.* The protectable components of a copyright inform  
10 the scope of the copyright’s protection. *Id.* at 913–914 (finding that if there are a  
11 wide range of ways to express an idea then the copyright protection is broad and a  
12 substantially similar work will infringe, but if there are a limited amount of ways to  
13 express an idea the copyright protection is thin and only a virtually identical work  
14 will infringe).

15  
16 “The intrinsic test is a subjective comparison that focuses on whether the  
17 ordinary, reasonable audience would find the works substantially similar in the total  
18 concept and feel of the work.” *Cavalier*, 297 F.3d at 822 (internal quotations  
19 omitted) (citing *Kouf v. Walt Disney Pictures & Television*, 16 F.3d 1042 (9th Cir.  
20 1994). Nevertheless, the scope of the copyright’s protection found during the  
21 extrinsic test stage is applied to the intrinsic test’s analysis. *Mattel*, 616 F.3d at 914.

22  
23 A finding of infringement requires evidence under both the extrinsic and  
24 intrinsic test. *See Cavalier*, 297 F.3d at 824 (internal citation omitted) (“A jury could  
25  
26  
27  
28



1 not find copyright infringement because there can be no substantial similarity  
2 without evidence under both the extrinsic and intrinsic tests.”).

3  
4 The Las Vegas Sign is an iconic and in the public domain.



10 The Sign’s noted design elements are:

- 11
- 12 1. Horizontally stretched diamond shape frame, with the top and bottom angles pointed, while the side angles are rounded surrounding the words “LAS VEGAS”;
  - 13 2. A border of light bulbs around the perimeter of the frame appearing as dots in the photograph;
  - 14 3. Seven circles extending horizontally across the top of the frame each containing a letter which together form the word “WELCOME”;
  - 15 4. An eight-pointed star located above the left side of the frame;
  - 16 5. Parallel spaced-apart poles extending above the left side of the frame and having a connecting cross piece at the top;
  - 17 6. The vertical and horizontal lines of the eight-pointed star intersecting the poles and crosspiece and extending beyond the space that is created by the
  - 18 two poles and the cross piece.
  - 19

20  
21 The similarities between the Plaintiff’s Shanghai Diamond and Defendant’s  
22 Flask are apparent when comparing the two side by side:



28 Karol Western Shanghai Diamond (Left) Smith Novelty (Right)

- 1 1. Both use colored glitter paper.
- 2 2. Both use stainless steel under the colored glitter paper giving the die-
- 3 cut images a reflective and contrasting effect.
- 4 3. Both depict a die-cut rendition of The Sign missing the words “to,”
- 5 “fabulous,” and “Nevada.”
- 6 4. Both die-cut renditions of The Sign are placed in the center position
- 7 of the overall design and are relatively the same size.
- 8 5. Both die-cut renditions of The Sign have small gaps in the circles
- 9 enclosing the letters in the word “welcome” due to the requirements
- 10 of the die-cut process.
- 11 6. Both die-cut renditions of The Sign have small gaps in the letter “o”
- 12 in the word “welcome” due to the requirements of the die-cut
- 13 process.
- 14 7. Both die-cut renditions of The Sign have a small gap at the bottom of
- 15 their borders.

16 Of the above listed similarities between the two works, Karol Western’s die-cut  
17 rendition of The Sign missing the words “to,” “fabulous,” and “Nevada” and the  
18 small gap at the bottom of die-cut rendition of The Sign are the only elements of the  
19 Shanghai Diamond design that are protectable.

20 Importantly, there is only a narrow range of ways to express the idea of The Sign  
21 as a die-cut image.<sup>7</sup> As a result, Plaintiff’s copyright for its Shanghai Diamond  
22 design only provides it with “thin” protection. *See Satava v. Lowry*, 323 F.3d 805,  
23 812 (9th Cir. 2003); *Mattel*, 616 F.3d at 914 (“[F]or example, there are only so many  
24 ways to paint a red bouncy ball on blank canvas.”). A “thin” copyright requires  
25 virtually identical copying. *See Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d  
26 1435, 1439 (“When the range of protectable expression is narrow, the appropriate  
27 standard for illicit copying is virtual identity.”).

28 Even though Smith Novelty’s rendition of The Sign on its flask is similar to

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<sup>7</sup> Karol Western cannot claim protection over the die cut process. *See* 17 U.S.C. § 102 (“In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.”).

1 Plaintiff’s rendition of The Sign on its Shanghai Diamond design, the Court cannot  
2 conclude that the two are “virtually identical.”<sup>8</sup> Defendant’s rendition of The Sign  
3 uses a different typeface for its lettering, different borders, different stars, including  
4 cardinal and ordinal points, different framing of the star; and a more “accurate”  
5 rendition of The Sign than Karol Western’s rendition of the Sign.

6 Even if the Court applied a more favorable test to Plaintiff’s Shanghai  
7 Diamond design when determining its protectable elements, such as the test the  
8 Ninth Circuit applied in *L.A. Printex Industries, Inc. v. Aeropostale, Inc.*, 676 F.3d  
9 841 (9th Cir. 2012),<sup>9</sup> it would still reach the same conclusion. If the Court applied  
10 the reasoning provided by the Ninth Circuit in *L.A. Printex* when analyzing the  
11 protectable elements of Plaintiff’s Shanghai Diamond, it would find that the  
12 selection of color and materials, incorporation of those materials in the die-cut  
13 rendition of The Sign, and overall appearance of the design are protectable. *See L.A.*  
14 *Printex*, 676 F.3d at 849–50.

15 However, because there are only a limited amount of ways to express the idea  
16 underlying Plaintiff’s Shanghai Diamond—The Sign as a die-cut image with glitter  
17

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18 <sup>8</sup> The Court disagrees with Professor Sedlik to the extent Professor Sedlik’s opinion conflicts with  
19 the Court’s analysis.

20 <sup>9</sup> In *L.A. Printex*, the Ninth Circuit determined that a floral fabric design depicting, among other  
21 things, open flowers and closed buds in a single bouquet and green colored stems and leaves was  
22 entitled to copyright protection. 676 F.3d at 850. Though the individual elements of the design are  
23 not protectable on their own, *see Satava v. Lowry*, 323 F.3d 805, 811 (9th Cir. 2003), the Ninth  
24 Circuit, following the reasoning of the Second Circuit, stated that the “original selection,  
25 coordination, and arrangement of such elements is protectable.” *L.A. Printex*, 676 F.3d at 850. In  
26 reaching that conclusion, the Ninth Circuit largely disregarded the extrinsic test’s requirement to  
27 filter out the unprotectable elements of a copyright. Specifically, the Ninth Circuit stated that  
28 “[t]hough the Second Circuit’s ordinary observer and more discerning ordinary observer tests differ  
somewhat from our two-part extrinsic/intrinsic test for substantial similarity, its reasoning, at least  
in the context of fabric designs, is persuasive, and it guides our comparison of the designs in this  
case.” *Id.* (internal citations and quotation marks omitted). Moreover, the Ninth Circuit recognized  
the friction created by the requirement to filter unprotectable elements of a work and some of the  
teachings of its jurisprudence. *Id.* at 849 (citing *Cavalier v. Random House, Inc.*, 297 F.3d 815,  
826–27 (9th Cir. 2002); *Metcalf v. Bochco*, 294 F.3d 1069, 1074 (9th Cir. 2002) (“Each note in a  
scale, for example, is not protectable, but a pattern of notes in a tune may earn copyright  
protection.”)).

1 paper—its copyright would still provide only “thin” protection. *Cf. L.A. Printex*, 676  
2 F.3d at 850–51 (internal citation and quotation marks omitted) (“[T]here are  
3 gazillions of ways to combine petals, buds, stems, leaves, and colors in floral  
4 designs. . . .”). As a result, nearly virtual identical copying would be required.  
5 Thus, even under the more favorable analysis provided in *L.A. Printex*, Plaintiff  
6 would still fail to establish Defendant is liable for copyright infringement based upon  
7 the differences articulated above.

8 **VI. CONCLUSION**  
9

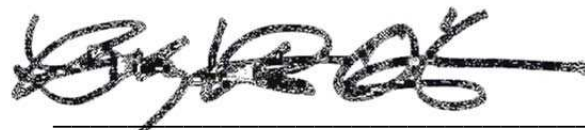
10 The limited amount of ways available to express the idea of The Sign as a die-cut  
11 image limits the Shanghai Diamond to only “thin” copyright protection. To provide  
12 Plaintiff with broad copyright protection over its Shanghai Diamond design would  
13 give it a monopoly over the idea of The Sign as a die-cut image. Defendant’s Flask is  
14 not virtually identical to Plaintiff’s design. Therefore, it does not infringe on  
15 Plaintiff’s Shanghai Diamond copyright. Thus, the Court finds for Defendant.  
16  
17

18 Defendant is hereby ordered to file a proposed judgment consistent with the  
19 Court’s findings by September 15, 2014. Any pending motions on the docket are  
20 now moot.  
21

22 Judgment is for Defendant.

23  
24 **IT IS SO ORDERED.**

25 Dated: September 2, 2014



26 HONORABLE BEVERLY REID O’CONNELL  
27 UNITED STATES DISTRICT COURT JUDGE  
28