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15 UNITED STATES DISTRICT COURT
16 CENTRAL DISTRICT OF CALIFORNIA

17 KONAMI DIGITAL
18 ENTERTAINMENT, INC. and
19 KONAMI CORPORATION,

20 Plaintiffs,

21 v.

22 VINTAGE SPORTS CARDS INC.;
23 THE UPPER DECK COMPANY, a
24 California Corporation; THE UPPER
25 DECK COMPANY, a Nevada
26 Corporation; and DOES 3 – 10,
27 inclusive,

28 Defendants.

No. CV 08-06630 VBF PJWx

**NOTICE OF MOTION AND
RENEWED MOTION FOR
PRELIMINARY INJUNCTION
AGAINST THE UPPER DECK
COMPANY; MEMORANDUM OF
POINTS AND AUTHORITIES IN
SUPPORT THEREOF**

Date: February 11, 2009
Time: 3:00 p.m.
Courtroom: 9

Action Filed: October 8, 2008

1 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

2 PLEASE TAKE NOTICE that on February 11, 2009 at 3:00 p.m., or as soon
3 thereafter as this matter may be heard in the above-titled Court, located at 312
4 Spring Street, Los Angeles, California, plaintiffs Konami Digital Entertainment,
5 Inc. and Konami Corporation (together, “Konami”) will and hereby do move the
6 Court for a preliminary injunction against defendants The Upper Deck Company, a
7 California Corporation, and The Upper Deck Company, a Nevada Corporation
8 (together, “Upper Deck”) enjoining Upper Deck, its partners, officers, directors,
9 employees, agents, and representatives and all persons, firms and corporations in
10 active concert or participation with any of them, from:

11 a. Using, displaying or reproducing Konami’s trademarks or any
12 copyrighted drawings, artwork or text from the Yu-Gi-Oh! Trading Card Game
13 (“Yu-Gi-Oh! TCG”) in connection with the distribution, promotion, advertising,
14 offering for sale or sale of any Yu-Gi-Oh! TCG products, including through
15 postings on Upper Deck’s websites and in any other advertising or promotional
16 material for the Yu-Gi-Oh! TCG;

17 b. Promoting or holding itself out to members of the public as an
18 authorized distributor or rights-holder to the Yu-Gi-Oh! TCG, or referring to the
19 Yu-Gi-Oh! TCG as one of Upper Deck’s brands; and

20 c. Offering for sale, selling or otherwise distributing without
21 Konami’s authorization any Yu-Gi-Oh! TCG products that were authorized to be
22 printed by Konami, or that were provided by Konami to Upper Deck, prior to the
23 notice of termination of the distribution agreement between Konami and Upper
24 Deck on December 11, 2008, other than authorized products in Upper Deck’s actual
25 possession that were paid for by customers prior to December 11, 2008.

26 This motion also seeks an order requiring Upper Deck, its partners, officers,
27 directors, employees, agents, and representatives and all persons, firms and
28 corporations in active concert or participation with any of them, to return to

1 Konami, via its attorneys of record, all computer files, discs, card files, card
2 packages, Yu-Gi-Oh! TCG plates, card databases, promotional cards, and other
3 materials that contain Konami's trademarks or copyrighted works from Yu-Gi-Oh!
4 TCG and are being used, or were used, in connection with the promotion of Yu-Gi-
5 Oh! TCG products.

6 The grounds for this motion include that Upper Deck's activities violate the
7 Lanham Act, 15 U.S.C. § 1051 *et seq.*, the Copyright Act, 17 U.S.C. § 101 *et seq.*,
8 and California statutory and common law, and are causing irreparable harm to
9 Konami's trademark and copyrights, and to the Yu-Gi-Oh! Trading Card Game
10 brand. Upper Deck's activities also are creating consumer confusion concerning its
11 authority to represent Konami and the Yu-Gi-Oh! Trading Card Game.

12 This motion is based on the concurrently filed Memorandum of Points and
13 Authorities and Declarations of Mari Tasaki, Yumi Hoashi, Barry Freece, Diane
14 Hansen, Jason Chai, Christopher Lawrence, Rutger Kalsbeek, Benjamin J. Fox and
15 Oren Bitan, the pleadings and records on file in this action, and such additional
16 argument and evidence that may be introduced prior to or in connection with the
17 hearing on this motion. A proposed order is lodged separately herewith.

18 Dated: January 21, 2009

Respectfully submitted,
MORRISON & FOERSTER LLP

21 By: /s/ Anthony L. Press
22 Anthony L. Press

23 Attorneys for Plaintiffs
24 KONAMI DIGITAL
25 ENTERTAINMENT, INC. and
26 KONAMI CORPORATION

27 la-1013270

28

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24 California Corporation; THE UPPER
25 DECK COMPANY, a Nevada
26 Corporation; and DOES 3 – 10,
27 inclusive,

28 Defendants.

No. CV 08-06630 VBF PJWx

**MEMORANDUM OF POINTS
AND AUTHORITIES IN
SUPPORT OF RENEWED
MOTION FOR PRELIMINARY
INJUNCTION AGAINST THE
UPPER DECK COMPANY**

[Filed Concurrently with the Notice
of Motion and Motion, Proposed
Order Granting Preliminary
Injunction and Declarations of Yumi
Hoashi, Mari Tasaki, Chris Lawrence,
Barry Freece, Diane Hansen, Jason
Chai, Rutger Kalsbeek, Oren Bitan
and Benjamin J. Fox]

Date: February 11, 2009
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INTRODUCTION

Konami hired Upper Deck as its exclusive distributor of the Yu-Gi-Oh! Trading Card Game. Konami did so based on Upper Deck’s reputation for guaranteeing the authenticity of the products it distributes. Unbeknownst to Konami, Upper Deck has been distributing counterfeit copies of the most sought-after trading cards from the Yu-Gi-Oh! TCG collection. Those activities caused the termination of the parties’ distribution agreement (the “LOI”). Konami gave notice of that termination on December 11, 2008.

This motion seeks relief to prevent continuing irreparable harm to Konami’s trademarks and copyrights — and to the integrity of the Yu-Gi-Oh! TCG brand — *following the termination of the LOI*. Konami’s motion addresses three related issues: **1.** That notwithstanding notice of the termination, Upper Deck is continuing to use on its website Konami’s trademarks and copyrighted works from Yu-Gi-Oh! TCG, in willful disregard of Konami’s rights. **2.** Upper Deck continues to hold itself out as the authorized distributor of Yu-Gi-Oh! TCG, including by soliciting new orders and offering to sell product as if it were “business as usual,” in violation of the Lanham Act and state law. **3.** Upper Deck refuses to return to Konami the computer disks, card files, and other promotional materials that can now only be used by Upper Deck to commit further acts of infringement. Preliminary injunctive relief is urgently needed to address each of these problems.

Upper Deck Distributed Counterfeit Cards, Causing Termination of the LOI

The evidence now is overwhelming that Upper Deck provided at least 531,240 counterfeit Rare Cards to its sub-distributor, Vintage, to assist Vintage in selling re-packaged products. Vintage then sold a significant portion of those counterfeit cards to retail stores across the country.

Under the LOI’s plain language, any misuse of Konami’s intellectual property — including by distribution of counterfeit cards — effects an immediate termination of the LOI. Upper Deck’s arguments about notice and an opportunity

1 to cure are divorced from the contract’s terms and do not make sense in the context
2 of this case, where the counterfeit cards were sold to consumers in 2007 and 2008.

3 Injunctive Relief Is Warranted to Remove Konami’s Works from the Website

4 Even where a dispute exists over whether a contract has been terminated
5 properly, the law in this circuit is clear that Upper Deck cannot continue using
6 Konami’s intellectual property during the pendency of the dispute. Upper Deck’s
7 continued use of Konami’s marks and copyrighted works on its website presents a
8 straightforward case of willful infringement. It is not “fair use,” as Upper Deck
9 argued at the January 12 hearing. Nor could the use of Konami’s trademarks and
10 the online display of Yu-Gi-Oh! TCG *Trading Cards* be authorized in connection
11 with the marketing of unrelated products such as “stickers and toys.” The excuses
12 offered by Upper Deck for refusing to take down its website do not hold water.

13 Upper Deck’s Efforts to Hold Itself Out as the Authorized Distributor

14 Application of the *Sleekcraft* factors and Ninth Circuit precedent compel the
15 conclusion that Upper Deck is violating the Lanham Act by continuing to distribute
16 trademarked goods and by holding itself out as the “rights holder” and authorized
17 distributor of Yu-Gi-Oh! TCG. Likelihood of confusion is well-recognized in the
18 circumstances presented by this case — i.e., where a former licensee is using the
19 trademark owner’s identical mark in the same manner and in the same market that
20 was used prior to termination of the parties’ agreement. *Century 21 Real Estate*
21 *Corp. v. Sandlin*, 846 F.2d 1175, 1182 (9th Cir. 1984); *see also Brookfield*
22 *Comms. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1055-56 (9th Cir. 1999).

23 Irreparable Harm to Konami Exists Here

24 As the Court has noted, irreparable harm is presumed in trademark and
25 copyright infringement cases where the plaintiff demonstrates a likelihood of
26 success on the merits. Upper Deck’s continued misuse of Konami’s marks and the
27 copyrights in Yu-Gi-Oh! TCG is depriving Konami of a valuable, intangible asset –
28 the right to exclude others from unauthorized use of protected works. The evidence

1 of irreparable harm also is significant: Upper Deck’s press statements and its
2 representations to sub-distributors, retailers and consumers are intended to cause
3 (and are causing) “the public [to] mistakenly assume there is an association
4 between the producers of the . . . goods [and defendant], though no such association
5 exists.” *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979).

6 For all these reasons, Konami respectfully urges that a preliminary injunction
7 be issued in the form requested in Plaintiffs’ Proposed Order.

8 **RELEVANT FACTUAL BACKGROUND**

9 **The Parties.** Konami is the manufacturer and rights holder to the Yu-Gi-Oh!
10 Trading Card Game (“Yu-Gi-Oh! TCG”). (Tasaki Decl. ¶ 5.)¹ Konami has valid
11 trademark rights in its name and logo, and copyrights in Yu-Gi-Oh! TCG. (Tasaki
12 Decl. ¶¶ 3, 5-6 & Exs. A-B.) Until recently, Upper Deck was Konami’s exclusive
13 distributor of Yu-Gi-Oh! TCG in North America and various other territories
14 pursuant to a binding Letter of Intent between the parties dated September 30, 2006
15 (the “LOI”). (Tasaki Decl. ¶ 7 & Ex. C.)

16 **The Counterfeit Trading Cards Sold by Vintage to Toys R Us Stores.**

17 Konami first became aware of the counterfeiting activities at issue in summer 2008,
18 when it identified counterfeit Rare Cards from Yu-Gi-Oh! TCG being sold by
19 defendant Vintage Sports Cards (“Vintage”) to Toys R Us stores in California.
20 (Hoashi Decl. ¶¶ 9-11 & Exs. A-B.) On October 16, 2008, the Court issued a
21 Temporary Restraining Order prohibiting further infringing activities and an Order
22 Granting Plaintiffs Leave to Conduct Expedited Discovery to identify the source of
23 the counterfeit goods and the extent of the infringing activities. (Dkt. 11-12.)

24 **Early Discovery Indicates the Cards Came from Upper Deck.** In

25 response to expedited discovery requests, Vintage’s counsel provided inventory
26 documents and bills of lading that identified Upper Deck as the source of the goods.

27 _____
28 ¹ Unless otherwise noted, record cites are to concurrently filed declarations.

1 (Fox Decl. Ex. A-B; *see also* Lawrence Decl. Exs. A-E.) Vintage’s interrogatory
2 responses dated October 22, 2008, stated that the only persons or entities that
3 distributed the cards at issue were Vintage and Upper Deck. (Fox Decl. Ex. C.)

4 **Upper Deck’s Initial Reaction.** On October 20, 2008, Konami’s counsel
5 received an unsolicited email from attorneys for Upper Deck, requesting to discuss
6 the litigation filed “on behalf of Konami against Vintage.” (Fox Decl. Ex. E.) On
7 October 22, 2008, through counsel, Upper Deck threatened Konami with “mutual
8 assured destruction” if Konami made public Upper Deck’s role in the distribution
9 of counterfeit goods. (Fox Decl. ¶ 7 & Ex. F.)

10 **The Preliminary Injunction.** The Court issued a preliminary injunction on
11 October 29, 2008, enjoining “Defendants, their . . . agents . . . and all persons, firms
12 and corporations in active concert or participation with any of them,” from further
13 infringement in connection with the manufacture, distribution, advertising or sale of
14 any “any counterfeit or infringing Yu-Gi-Oh! TCG cards or other counterfeit
15 merchandise bearing the Konami trademarks . . .” (Dkt. 16.) On October 30, 2008,
16 Konami gave notice to Upper Deck of the issuance of that injunction, and requested
17 information concerning the “Rare Cards” at issue and any other unauthorized
18 distribution of which Upper Deck was aware. (Fox Decl. ¶ 8 & Ex. G.) Upper
19 Deck agreed to abide by the injunction. (Fox Decl. Ex. H.) But rather than
20 responding to the requests for information in Konami’s October 30 letter, Upper
21 Deck sought to first obtain informal discovery of everything Konami already knew
22 about Upper Deck’s activities. (Fox Decl. Ex. H.)

23 **Upper Deck Inspects the Counterfeit Cards.** On November 12, 2008, at
24 Upper Deck’s request, its employees inspected at counsel’s offices the 68 boxes of
25 trading cards obtained from Vintage. Upper Deck’s representatives were permitted
26 unfettered access to the cards for as long as they wanted, and they took photographs
27 of the cards. (Bitan Decl. ¶¶ 3-4.) At Upper Deck’s request, Konami also provided
28 high-quality color copies of the cards. (Bitan Decl. ¶ 4.) Even after inspecting the

1 cards, Upper Deck refused to provide a substantive response to Konami’s requests
2 for information concerning the cards, their manufacturer, or the scope of the
3 infringing activities. (Fox Decl. ¶ 12 & Exs. H-K.)

4 **Upper Deck Refuses to Respond to Konami’s Subpoena for Records and**
5 **Testimony.** On November 10, 2008, Konami issued a subpoena to Upper Deck
6 requiring the production of documents and testimony concerning the subjects
7 identified in Konami’s letter of October 30. (Fox Decl. Ex. I.) Upper Deck agreed
8 to produce its responsive documents on December 2, 2008. (Fox Decl. ¶ 11 &
9 Ex. J.) One day prior to the return date agreed by the parties, however, Upper Deck
10 informed Konami that it would not respond, claiming that it was served improperly
11 at its offices in Carlsbad, California. (Fox Decl. ¶ 12 & Ex. K.)²

12 **Vintage Provides Sworn Testimony Identifying Upper Deck as the**
13 **Source of the Goods.** On November 21, 2008, Vintage’s former CEO and Rule
14 30(b)(6) designee, Rick Dean, testified that Upper Deck provided Rare Cards to
15 Vintage at “no cost” (and under “no financial arrangement”) for Vintage’s use in
16 selling re-packaged Yu-Gi-Oh! TCG products. (Fox Decl. Ex. D.) Rick Dean’s
17 deposition testimony is discussed further in Section I(A), *infra*.

18 **Upper Deck Files an Anticipatory Countersuit.** On December 10, 2008,
19 Upper Deck filed a lawsuit in the District of Nevada, alleging that Konami has
20 breached the LOI and committed fraud by (a) failing to cooperate *with Upper Deck*
21 in its supposed counterfeiting investigation; and (b) exercising Konami’s rights
22 under the LOI’s audit provision to investigate Upper Deck’s role in the
23 counterfeiting. The complaint further alleges that Konami slandered Upper Deck

24 _____
25 ² In addition to the subpoena, Konami demanded pursuant to the LOI’s audit
26 provision to inspect and copy Upper Deck’s books and records relating to Yu-Gi-
27 Oh! TCG. (Fox Decl. Ex. G.) Upper Deck refused Konami meaningful access to
28 its records (including by refusing to provide any access to electronic records), and it
produced no documents relating to the 531,240 counterfeit cards shipped to
Vintage. (Bitan Decl. ¶¶ 6-12.)

1 and committed a “civil conspiracy” by informing third parties that Upper Deck
2 provided counterfeit cards to Vintage. (Dkt. 74, Nevada Compl. ¶¶ 24-26, 30, 46,
3 61-64, 67, 73-76, attached to Upper Deck’s request for judicial notice].)³ At the
4 time Upper Deck filed its complaint in Nevada, coupled with a request to “stay all
5 actions,” it almost certainly was aware that an amended complaint in this case
6 would be filed imminently. (See Fox Decl. ¶ 16 & Ex. O.)

7 **Konami Provides Notice to Upper Deck That the Distribution**

8 **Agreement Has Terminated.** On December 11, 2008, Konami provided notice
9 that the LOI had terminated as a result of Upper Deck’s involvement in the
10 distribution of counterfeit Yu-Gi-Oh! TCG cards. (Fox Decl. ¶ 13 & Ex. L.)
11 Konami demanded that Upper Deck cease immediately the use of Konami’s
12 intellectual property, stop holding itself out as the authorized distributor of Yu-Gi-
13 Oh! TCG, and return to Konami the computer disks, files and other materials used
14 to create advertising or other works bearing Konami’s marks. (Fox Decl. Ex. L.)

15 **Upper Deck Files Suit in Amsterdam.** On December 16, 2008, Upper
16 Deck-Europe filed an action in a “preliminary relief court” in Amsterdam seeking
17 an interim order requiring specific performance of the European version of the
18 parties’ distribution agreement. The five-page interim order by the Dutch judge did
19 not decide any issue in this action. (Kalsbeek Decl. ¶¶ 7-9; see also Spevack Decl.
20 filed January 5, 2009 [Dkt. 58].) Upper Deck then misrepresented to this Court that
21 the Dutch proceedings were “extensive,” involving “full notice” and “detailed
22 briefing,” and decided the “identical issues” presented here. (Dkt. 60 at 15.) The
23 Dutch action was filed on December 16 and concluded on December 22, providing
24 Konami four days to retain counsel, submit a rushed brief and expert report and
25 appear in Amsterdam. (Kalsbeek Decl. ¶ 4.)

26 _____
27 ³ Konami has moved to dismiss or transfer Upper Deck’s Nevada lawsuit to
28 this Court. Briefing on that motion has been completed and the parties are awaiting
a hearing date (or ruling without argument) from the Nevada district court.

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1 *Ins. Co. v. New Images of Beverly Hills*, 321 F.3d 878, 881 (9th Cir. 2003).

2 Konami respectfully submits that relief is warranted under either standard.

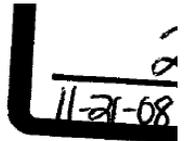
3 **KONAMI IS LIKELY TO PREVAIL ON THE MERITS**

4 **I. UPPER DECK DISTRIBUTED COUNTERFEIT RARE CARDS FROM YU-GI-OH! TCG, CAUSING THE TERMINATION OF THE PARTIES' DISTRIBUTION AGREEMENT**

5 **A. Upper Deck Provided 531,250 "Rare Cards" to Vintage at No Cost**

6 The evidence shows that Upper Deck was the source of the "Rare Cards" obtained by Vintage in 2007 and May 2008. Vintage's former CEO, Rick Dean, testified that John Skrajewski at Upper Deck arranged for the 500,000-plus Yu-Gi-Oh! TCG Rare Cards to be sent to Vintage "at no charge to assist in selling inventory." (Dean Depo. at 29:16-34:5 [Fox Decl. Ex. D].) Vintage's contemporaneous records are consistent with that testimony. For example, Rick Dean's email dated October 3, 2007 entitled "variant cards from upperdeck" reads:

7 **From:** Rick Dean
8 **To:** clawrence
9 **CC:** rhundley; smccauley
10 **Date:** 10/3/2007 10:38 AM
11 **Subject:** variant cards from upperdeck

12 

13 Chris,

14 You should have received the following. Please verify the counts are close. Please send me over 2 sample cards of each, and receive the rest into inventory by title at zero cost

- 15 60,000 elemental hero wingman
- 16 60,000 elemental hero aqua neos
- 17 50,000 water dragon
- 18 50,000 destiny hero dreadmaster
- 19 50,000 elemental hero mudball man
- 20 55,000 mist body
- 21 50,000 flute of summoning
- 22 60,000 white horned dragon
- 23 60,000 elemental hero electrum

24 Rick

25 (Dean Depo. at 41:22-24 & Ex. 2; *see also* Lawrence Decl. ¶ 2 & Ex. A.)

1 Vintage's Operations Manager, Chris Lawrence, received these 495,000
2 cards into inventory on October 4, 2007, and received a second shipment of the
3 same nine card types (totaling 36,240 cards) in May 2008. (Lawrence Decl. ¶¶ 2-9
4 & Exs. B-E.) The cards were delivered to Vintage in boxes with the legends "Made
5 in China" and "UD Card Test," and accompanied by bills of lading showing they
6 were sent by Upper Deck. (Lawrence Decl. ¶¶ 2-10 & Exs. B, D, F.) Dean also
7 testified that Vintage did not receive bulk shipments of variant cards from anyone
8 *other than Upper Deck*. (Dean Depo. at 29:9-30:9, 45:22-46:4 [Fox Decl Ex. D].)

9 Dean testified — and a declaration *filed by Upper Deck* confirms — that
10 these "Rare Cards" then were sold to retail stores in re-packaged goods, and the
11 remainder produced to Konami in discovery. (Dean Depo. at 32:7-13, 63:22-64:3;
12 Coviello Decl. filed January 5, 2009, ¶ 8 [Dkt. 54]; Freece Decl. ¶¶ 3-6 & Ex. A.)
13 Skrajewski at Upper Deck knew Vintage was selling these re-packaged products,
14 but he never informed Konami. (Dean Depo. at 125:15-126:20; Hoashi Decl. ¶ 9.)

15 Upper Deck's Chairman, Richard McWilliam, also knew about the Rare
16 Cards being sold by Vintage prior to the filing of this lawsuit. (Dean Depo. at
17 85:11-20, 87:25-88:17.) He spoke with Dean soon after learning that Vintage had
18 received a cease-and-desist letter from Konami. McWilliam suggested to Dean that
19 Vintage take the position it does "not know the source in a lot of instances [of] . . .
20 the product we purchase on the secondary market." (Dean Depo. at 87:25-88:17
21 & Ex. 7.) Vintage rejected that proposal as factually inaccurate. (*Id.*)

22 Faced with this evidence, Upper Deck's response to Konami's original
23 motion did not include a single declaration (or other representation) denying that
24 Upper Deck provided the cards to Vintage. (Dkt. 46-47, 53-58, 60.)

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B. The Rare Cards at Issue Are Counterfeits

The counterfeit “Rare Cards” distributed by (and later seized from) Vintage have different font settings, etching patterns, and security foils than authentic cards. The cards, on their face, are identifiable fakes:



(Hoashi Decl. ¶¶ 11, 14-18 & Ex. C.)

Konami uses gold security foils on “First Edition” cards. The security foils on the counterfeit cards are the wrong color, and in many cases are affixed in the wrong direction (i.e., with the embossed “Yu Gi Oh!” text running vertically, not horizontally). Many of the counterfeit cards use a different font style and darker ink than authentic Yu-Gi-Oh! TCG cards. (Hoashi Decl. ¶ 16 (a)-(c) & Ex. C.) The fake “Ultimate Rare Cards” are thinner to the touch when compared to real cards. (Hoashi Decl. ¶ 16 (a).)

Konami is the only legitimate manufacturer of Yu-Gi-Oh! TCG cards and it did not make these cards. The quantities of the “Ultimate Rare Cards” obtained by

1 Vintage far exceed the number produced by Konami. (Hoashi Decl. ¶ 16(a).)
 2 For example, Vintage’s records show that it received 60,000 “Elemental Hero Aqua
 3 Neos” cards on October 4, 2007. (Lawrence Decl. Exs. C, E.) Konami
 4 manufactured a total of 8,500 of these cards. (Hoashi Decl. ¶ 16(a).) The cards,
 5 a fortiori, could not be authentic.

6 Upper Deck and Vintage also have no explanation for the “Made in China”
 7 labeling on the shipping boxes for these cards, but Upper Deck’s website admits
 8 that cards made in China are not authentic. (Lawrence Decl. ¶ 9 & Ex. F; Freece
 9 Decl. Ex. A; Fox Decl. Ex. N, attaching Upper Deck’s webpage.)

10 At Upper Deck’s request, Konami provided Upper Deck’s general counsel
 11 and a “fraud investigation specialist” employed by Upper Deck unfettered access to
 12 the cards obtained during discovery from Vintage. (Bitan Decl. ¶ 3.) After
 13 inspecting the cards for three hours on November 12, 2008 and taking photographs
 14 of them, the best response Upper Deck could muster was a declaration stating: “I
 15 was *unable to verify* that the subject cards are counterfeit. I was also unable to
 16 determine *whether Upper Deck manufactured the cards.*” (Landsparger Decl. ¶ 17
 17 filed January 5, 2009 [Dkt. 57], emphasis added.) That statement makes no sense
 18 because Upper Deck never has been a manufacturer of Yu-Gi-Oh! TCG cards.⁴

19
 20 **C. The Distribution Agreement Has Terminated as a Result of
 Upper Deck’s Involvement in Counterfeiting Activities**

21 Upper Deck ceased to be an authorized distributor for Konami, and became
 22 an infringer, as of the termination of the LOI. *See, e.g., El Pollo Loco, Inc. v.*

23
 24 ⁴ The Landsparger declaration also fails to state that Vintage produced to
 25 Konami and Upper Deck then reviewed 68 boxes of variant cards. Among them,
 26 20 boxes are labeled “Made in China” — these 20 boxes contain the nine types of
 27 cards shipped by Upper Deck in October 2007 and May 2008, and are easily
 28 identifiable as fakes. (Freece Decl. ¶ 4; Hoashi Decl. ¶¶ 15-19.) Landsparger’s
 declaration neglects to identify or distinguish between the different boxes of cards,
 rendering meaningless her statement that “many of the cards appeared to be
 authentic.” (*See* Bitan Decl. ¶¶ 2-4; Hoashi Decl. ¶ 19.)

1 Hashim, 316 F.3d 1032, 1038 (9th Cir. 2003) (affirming preliminary injunction
2 prohibiting ongoing trademark use following termination of franchise agreement).

3 The contract’s Intellectual Property (“IP”) clause states that “this LOI will
4 be terminated” if Upper Deck “uses Konami IP without KDE’s prior approval.”
5 (Tasaki Decl. Ex. C at 26.) That termination clause is mandatory and self-
6 executing. See *Badie v. Bank of America*, 67 Cal. App. 4th 779, 805 (1998)
7 (explaining that “will be” is “mandatory language”).

8 The IP clause includes no notice provision and no opportunity for a cure.
9 The LOI identifies different types of termination events, governed by different
10 provisions in the contract. Compare, for example, the *elective* right of termination
11 if an Upper Deck sub-distributor (such as Vintage) fails to adhere to the LOI’s
12 terms, with the *mandatory* termination if Upper Deck misuses Konami IP:

13 **“Third Party Contractor” Clause**

13 **“Intellectual Property” Clause**

14 Upper Deck shall be responsible to have
15 such third party contractor comply with
16 the terms of the LOI. In the event Upper
17 Deck is aware of the breach of this LOI
18 by the third party contractor, Upper
19 Deck shall immediately notify Konami
20 . . . *if Upper Deck cannot cure such
21 breach within thirty (30) days . . . KDE
22 shall be entitled to terminate this LOI.*

14 The use of KDE’s IP is subject to KDE’s
15 prior written approval. KDE may grant
16 or withheld its approval in its sole
17 discretion. . . . *If Upper Deck uses
18 Konami IP without KDE’s prior
19 approval, this LOI will be terminated.*

20 (Tasaki Decl. Ex. C at 24, 26, emphasis added.)

21 The section of the LOI cited by Upper Deck, by contrast, applies only to
22 curable breaches; it lists four types of events that *permit* “either party” to pursue an
23 elective termination. (Tasaki Decl. Ex. C at 25.) Because the LOI expressly
24 provides for notice and an *option* to terminate in some circumstances but not others,
25 the absence of permissive language in the IP clause is controlling. Cal. Civ. Code
26 § 1641 (words of a contract are interpreted together, with “each clause helping to
27 interpret the other.”); *Prouty v. Gores Tech. Grp.*, 121 Cal. App. 4th 1225, 1235
28 (2004) (specific provision in a contract trumps the general); *Stephenson v. Drever*,

1 16 Cal. 4th 1167, 1175 (1997) (where a contract states the legal effect of an act, the
 2 statement trumps other inferences that might be drawn from other provisions).

3 The LOI’s use of permissive language for certain types of breaches and
 4 mandatory language for others makes sense: The LOI includes notice-and-cure
 5 provisions for breaches *that could be cured*. Most of the “Rare Cards” at issue
 6 were sold at retail during 2007 and 2008; the consumers who bought the fake cards
 7 at Toys R Us stores have been defrauded. No “cure” exists. *See El Pollo Loco*, 316
 8 F.3d at 1040 (“More importantly, Hashim’s misrepresentations cannot be cured.”).

9 Finally, if *arguendo*, 30-day notice were required, Konami gave it. Konami
 10 first notified Upper Deck of the cards at issue on October 30, 2008, and requested
 11 information needed to track their distribution. (Fox Decl. ¶ 8 & Ex. G.) Konami
 12 notified Upper Deck of the LOI’s termination on December 11 (more than 30 days
 13 ago). (*Id.*, Ex. L.) The filing and service of Konami’s amended complaint is
 14 further notice that the LOI has terminated. *See, e.g., McDonald’s v. Watson*, 69
 15 F.3d 36, 41 (5th Cir. 1995) (filing of complaint to restrain former licensee from
 16 continued use of plaintiff’s mark constituted sufficient notice of termination).

17 **II. FOLLOWING TERMINATION OF THE LOI, UPPER DECK**
 18 **IS COMMITTING NEW ACTS OF INFRINGEMENT BY**
 19 **REFUSING TO REMOVE KONAMI’S MARKS AND**
 20 **COPYRIGHTED WORKS FROM ITS ADVERTISING**

21 **A. Konami Has Valid Trademark Rights in Its Name and Logo**
 22 **and Copyrights in the Yu-Gi-Oh! Trading Card Game**

23 Konami’s exclusive rights to its trademarks and copyrights in the Yu-Gi-Oh!
 24 TCG are not reasonably disputed. Konami’s trademark registrations establish that
 25 Konami has the exclusive right to use its marks in interstate commerce. (Tasaki
 26 Decl. ¶ 3 & Ex. A.) *See* 15 U.S.C. § 1115; *Tie Tech, Inc. v. Kinedyne Corp.*, 296
 27 F.3d 778, 783 (9th Cir. 2002). The Yu-Gi-Oh! TCG characters and artwork are
 28 original works that are registered with the U.S. Copyright Office, and they enjoy
 the presumption of a valid copyright. (Tasaki Decl. ¶ 5 and Ex. B.) *See* 17 U.S.C.

1 § 410(c). Konami is the exclusive licensee of Yu-Gi-Oh! TCG with the authority to
2 enforce the rights guaranteed by 17 U.S.C. section 106. (Tasaki Decl. ¶ 5.)
3 *See also Gardner v. Nike, Inc.*, 279 F.3d 774, 780 n.4 (9th Cir. 2002) (an exclusive
4 licensee has the right to sue in its own name to address copyright infringement;
5 citing 17 U.S.C. § 201(d)(2)).

6 **B. Upper Deck Is Continuing to Use Konami’s**
7 **Trademarks and Copyrights on Its Website**

8 Preliminary injunctive relief is needed here because Upper Deck continues to
9 use Konami’s intellectual property in its advertising in willful disregard of
10 Konami’s rights. *Peer Int’l Corp. v. Pausa Records, Inc.*, 909 F.2d 1332, 1335-36
11 (9th Cir. 1990) (continued use of copyrighted work following receipt of letter
12 revoking permission to use the work constituted willful infringement). The Konami
13 mark appears more than 100 times on Upper Deck’s website. (*See* Fox Decl.
14 Exs. M-N.) The “card zone,” “game play” and other sections of Upper Deck’s
15 website reproduce copies of Yu-Gi-Oh! TCG cards, packaging materials, and
16 characters taken directly from Konami’s trading cards. (Fox Decl. Ex. M.)

17 The “Yu-Gi-Oh!” section of Upper Deck’s website is devoted exclusively to
18 Konami’s *Trading Card Game*, not to displaying “stickers and toys” unaffiliated
19 with Konami, as Upper Deck has argued. (Dkt. 60 at 14.) For example, the website
20 displays images of at least 90 different Konami card game products. (Fox Decl. Ex.
21 M.) Contrary to Upper Deck’s argument at the January 12 hearing, reproducing
22 copyrighted images in advertising to sell product is not “fair use” under section 107
23 of the Copyright Act. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S.
24 417, 451 (1984) (“every commercial use of copyrighted material is presumptively
25 an unfair exploitation of the monopoly privilege that belongs to the owner of the
26 copyright.”); *DC Comics, Inc. v. Reel Fantasy, Inc.*, 696 F.2d 24, 27-28 (2d Cir.
27 1982) (use of plaintiff’s comic book figures in advertising to promote defendant’s
28 comic book store was not fair use).

1 Upper Deck's unauthorized use of Konami's marks is, by the statute's
2 definition, trademark infringement (and counterfeiting). 15 U.S.C. § 1127
3 (defining a "counterfeit" as "a spurious mark which is identical with, or
4 substantially indistinguishable from, a registered mark"). A detailed *Sleekcraft*
5 analysis for likelihood of confusion is unnecessary where the defendant is using
6 plaintiff's identical mark (as opposed to a confusingly similar mark) in the same
7 market as plaintiff. *Brookfield Communs. v. W. Coast Entm't Corp.*, 174 F.3d 1036,
8 1055-56 (9th Cir. 1999) ("In light of the virtual identity of marks, if they were used
9 with identical products or services likelihood of confusion would follow as a matter
10 of course."); *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979)
11 (establishing test for evaluating infringement by use of a "similar" mark); 4 J.T.
12 McCarthy, *McCarthy on Trademarks and Unfair Competition* § 25:10, at 25-29
13 (4th ed. 2003) (comparing "counterfeits" and "colorable imitations").
14 See also Section III(A), *infra*, discussing and applying the *Sleekcraft* factors.

15
16 **C. Konami Has the Exclusive Right to Control Its IP
Even Where a Dispute Exists Over Whether the
Distribution Agreement Terminated Properly**

17 Even if, *arguendo*, the LOI were not terminated, it provides Konami the
18 exclusive rights to control the use of its IP, which Upper Deck has ignored:
19

20 The use of KDE's IP is subject to KDE's prior written
21 approval. KDE may grant or withheld [sic] its
22 approval in its sole discretion. KDE will retain all
ownership rights in all such KDE IP and in any
enhancements or derivative works thereof.

23 (Tasaki Decl. Ex. C at 26.)

24 Konami has made clear that Upper Deck is not authorized to use Konami's
25 intellectual property on its website or in any other way. (Fox Decl. Ex. L.)

26 And, even where a dispute exists over whether an agreement that authorized
27 use of intellectual property has terminated properly, interim injunctive relief in
28

1 favor of the trademark owner is warranted to protect the owner’s mark.
 2 *Best Western Int’l, Inc. v. Patel*, 523 F. Supp. 2d 979, 985 (D. Ariz. 2007) (granting
 3 preliminary injunction for post-termination use of trademark notwithstanding that
 4 defendant may have a breach-of-contract claim for improper termination); *AT&T*
 5 *Corp. v. Vision One Security Systems*, 1995 U.S. Dist. LEXIS 11279 at *17-19
 6 (S.D. Cal. July 26, 1995) (same); *Ryan v. Volpone Stamp Co.*, 107 F. Supp. 2d 369,
 7 386 (S.D.N.Y. 2000) (same); *accord LGS Architects, Inc. v. Concordia Homes*, 434
 8 F.3d 1150, 1156 (9th Cir. 2006) (preliminary injunctive relief is warranted where
 9 licensee exceeds scope of a license to reproduce copyrighted works).

10 Finally, Upper Deck’s refusal to return to Konami the computer files, disks
 11 and card files that Upper Deck used during the term of the LOI to reproduce
 12 Konami’s marks and Yu-Gi-Oh! TCG works is not justified under the LOI or
 13 federal law. *McDonald’s Corp. v. Robertson*, 147 F.3d 1301, 1306 (11th Cir. 1998)
 14 (affirming preliminary injunction requiring former licensees to return materials
 15 received pursuant to trademark license); *Sony Computer Entm’t Am., Inc. v.*
 16 *GameMasters*, 87 F. Supp. 2d 976, 991 (N.D. Cal. 1999) (ordering the quarantining
 17 of potentially infringing materials and impoundment of counterfeit goods).

18 **III. FOLLOWING TERMINATION OF THE LOI, UPPER DECK**
 19 **IS COMMITTING NEW VIOLATIONS OF THE LANHAM**
 20 **ACT AND STATE LAW BY HOLDING ITSELF OUT AS**
 21 **KONAMI’S AUTHORIZED DISTRIBUTOR AND AS THE**
 22 **“RIGHTS-HOLDER” TO YU-GI-OH! TCG**

23 **A. The Sleekcraft Factors Compel the Conclusion That**
 24 **Upper Deck Is Violating the Lanham Act**

25 Section 43(a) of the Lanham Act and California’s trademark and unfair
 26 competition laws are intended, in large part, to “protect the public from confusion
 27 about the services and products it is receiving . . .” *Golden Door, Inc. v. Odisho*,
 28 646 F.2d 347, 352 (9th Cir. 1980). Courts in this circuit apply the *Sleekcraft* factors
 to assist in evaluating likelihood of confusion on Lanham Act claims. *Sleekcraft*,

1 559 F.2d at 348-49.⁵ Here, the *Sleekcraft* factors tip heavily in Konami’s favor,
2 whether applied to Upper Deck’s ongoing use of Konami’s marks; its efforts to
3 solicit new customer orders and sell Konami’s trademarked goods; or Upper Deck’s
4 public statements concerning the rights to Yu-Gi-Oh! TCC.

5 **1. Strength of the Mark.** Konami’s mark is distinctive and strong. *Alpha*
6 *Industries, Inc. v. Alpha Steel Tube & Shapes*, 616 F.2d 440, 445 (9th Cir. 1980)
7 (“A strong mark is inherently distinctive, for example, an arbitrary or fanciful mark;
8 it will be afforded the widest ambit of protection”). Konami is a leading developer
9 of numerous popular and strong-selling games and entertainment products; its name
10 and mark are well-known in the trading card and videogame communities. (Tasaki
11 Decl. ¶ 2.) Konami’s federal registrations establish that Konami has the exclusive
12 right to use its marks in interstate commerce. 15 U.S.C. § 1115.

13 **2. Proximity of the Goods.** Upper Deck is soliciting orders for and seeking
14 to sell Konami’s trademarked products to the same customer-base that Konami will
15 sell to in its capacity as manufacturer and distributor. (Hoashi Decl. ¶¶ 4-5.)
16 Because Upper Deck seeks to operate in the same market using Konami’s mark, the
17 likelihood of confusion (and risk of irreparable harm) is obvious. *Century 21 Real*
18 *Estate Corp. v. Sandlin*, 846 F.2d 1175, 1182 (9th Cir. 1984) (affirming summary
19 judgment and injunction against former franchisee who continued “operating in the
20 same line of business and in the same locale” as the rights-holder). As one leading
21 commentator explains,

22 Continued use by an ex-licensee of the licensor’s
23 mark constitutes a fraud on the public, since they
24 are led to think that the ex-licensee is still
connected with the licensor.

25
26 ⁵ The *Sleekcraft* factors include: 1) the strength of the mark; 2) the proximity
27 of the goods; 3) the similarity of the marks; 4) evidence of actual confusion; 5) the
28 marketing channels used; 6) the type of goods and the degree of care likely to be
exercised by the purchaser; and 7) defendant’s intent. 599 F.2d at 348-49.

1 J. T. McCarthy, *McCarthy on Trademarks* § 25.07(1) (3d ed. 1995).

2 In this situation, “the danger presented is that the public will mistakenly
3 assume there is an association between the producers of the related goods, though
4 no such association exists.” *Sleekcraft*, 599 F.2d at 350.

5 **3. Similarity of the Marks.** Again, Upper Deck is using Konami’s identical
6 mark. *Brookfield Communs.*, 174 F.3d at 1055-56 (Ninth Circuit explaining that,
7 “[i]n light of the virtual identity of marks, if they were used with identical products
8 or services likelihood of confusion would follow as a matter of course.”).
9 To compound the injury, Upper Deck is holding itself falsely out as the “trademark
10 holder” to Konami’s products. (Fox Decl. Ex. N; *see* Hoashi Decl. Ex. G.)

11 **4. Actual Confusion.** The urgency of preliminary injunction motions often
12 make “it difficult to obtain affidavits from persons who would be competent to
13 testify at trial” — for that reason, first-person accounts of consumer confusion are
14 never a prerequisite to preliminary injunctive relief. *Flynt Distrib. Co., Inc. v.*
15 *Harvey*, 734 F.2d 1389, 1394 (9th Cir. 1984) (courts have discretion to consider
16 hearsay at the preliminary injunction stage); *GoTo.Com, Inc. v. Walt Disney Co.*,
17 202 F.3d 1199, 1208 (9th Cir. 2000) (“While ‘evidence that the use of the two
18 marks has already led to confusion is persuasive proof that future confusion is
19 likely,’ the converse is not true.” [citing *Sleekcraft*, 599 F.2d at 352].)

20 Here, Upper Deck’s continued insistence to the public that it is an authorized
21 distributor of the Yu-Gi-Oh! TCG – despite termination of the LOI – is bound to
22 confuse. For example, John Skrajewski, Upper Deck’s VP of Sales, sent an email
23 to distributors on December 29 stating that “Upper Deck remains ready and willing
24 to continue to supply Yu-Gi-Oh! to all of our loyal customers.” (Hansen Decl.
25 Ex. A.) Upper Deck’s press release issued January 13, 2009 states that Upper Deck
26 is maintaining “business as usual . . . fulfilling orders and shipping product to
27 retailers so that Duelists can continue to enjoy the game.” (Hoashi Decl. ¶ 23 &
28 Ex. F.) Those announcements are contrary to Upper Deck’s representation at the

1 Court’s January 12 hearing that Upper Deck is not trading in Yu-Gi-Oh! TCG
2 products and seeks only to sell anticipated “returns” from retailers.

3 Upper Deck’s press release of December 27, 2008 cites the denial of
4 Konami’s application for a TRO, and states that Upper Deck will “continue
5 distributing, marketing and selling Yu-Gi-Oh! TCG products in territories outside
6 of Asia,” and that it “look[s] forward to continuing the superior game support that
7 [it has] been delivering to worldwide Yu-Gi-Oh! players” (Hoashi Decl.
8 Ex. H.) Upper Deck also is promoting Yu-Gi-Oh! as an “*Upper Deck Brand*” to be
9 featured at a recently announced “Upper Deck Day” event. (Hoashi Decl. Ex. L.)

10 At the same time Upper Deck is using Konami’s marks on its website and
11 promoting Konami’s Yu-Gi-Oh! TCG brand as its own, Upper Deck is seeking to
12 poison public opinion of Konami. Its website announced last week that “the
13 Yu-Gi-Oh! community will be denied yet another product, as Konami Digital
14 Entertainment has failed to deliver *Crimson Crisis* to Upper Deck, despite
15 contractual obligations.” (Hoashi Decl. Ex. K.) It also announced that “hobby
16 tournament stores nationwide will not receive their orders of Yu-Gi-Oh! TRADING
17 CARD GAME Champion Packs [because] [d]espite contractual obligations,
18 Konami Digital Entertainment failed to send [them] to Upper Deck for
19 distribution” (*Id.*, Ex. F.) Upper Deck’s press statements say nothing, of
20 course, about the reason Konami is not delivering product: Upper Deck has
21 engaged in counterfeiting and defrauded the same community it claims to protect.

22 In the end, the conflicting messages caused by Upper Deck’s continued use
23 of Konami’s marks and Upper Deck’s disparaging press campaign are causing
24 massive consumer confusion. Many retailers and consumers have expressed their
25 confusion and concerns directly to Konami. (Chai Decl. ¶¶ 3-4 & Ex. A; Hoashi
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1 Decl. ¶ 31.)⁶ Many others (including consumers who purchased fake cards shipped
 2 by Upper Deck) will, unfortunately, not receive full and accurate information.
 3 These are the types of circumstances preliminary injunctive relief was intended
 4 to address.

5 **5. Marketing Channels.** The overlap of the marketing channels that must
 6 be used to promote and distribute Yu-Gi-Oh! TCG products underscores why
 7 Upper Deck’s refusal to stop representing itself as the authorized distributor is
 8 particularly harmful and certain to cause confusion. *Brookfield Communs.*, 174
 9 F.3d at 1055-56; *Century 21*, 846 F.2d at 1182. The distribution channels to “big
 10 box” retailers (e.g., Wal-Mart, Toys R Us, K Mart) are extremely limited — the
 11 same five sub-distributors have a virtual lock on placing trading card game products
 12 in these stores. (Hoashi Decl. ¶ 6.) The hobby stores that carry TCG products also
 13 are well-known and finite, and Upper Deck has been targeting them to solicit orders
 14 for and promote Konami’s trademarked goods. (Hoashi Decl. ¶¶ 6, 23, 28;
 15 Chai Decl. ¶ 3 & Ex. A; Hansen Decl. ¶ 3 & Ex. A.)

16 The use of Konami’s marks on Upper Deck’s website also is significant:
 17 “[T]he Web, as a marketing channel, is particularly susceptible to a likelihood of
 18 confusion since, as it did in this case, it allows for competing marks to be
 19 encountered at the same time, on the same screen.” *GoTo.com*, 202 F.3d at 1207.

20 **6. Care of the Ordinary Purchaser.** *Sleekcraft*, 599 F.2d at 353 considered
 21 the care exercised by a typical buyer using ordinary caution. Two categories of
 22 buyers exist here: (1) sub-distributors and retailers; and (2) consumers, who
 23 include teenagers, parents, and children. The distributors and retailers are confused,

24
 25 ⁶ Contrary to Upper Deck’s argument, Konami’s evidence of consumer
 26 confusion is not hearsay because it is not presented for the truth of the matter
 27 asserted. If, *arguendo*, the evidence were objectionable at trial, it may be
 28 considered here. *Republic of the Philippines v. Marcos*, 862 F.2d 1355, 1363 (9th
 Cir. 1988); *Michaels v. Internet Enter. Grp.*, 5 F. Supp. 2d 823, 832, n.2 (C.D. Cal.
 1998) (“the Court may consider hearsay at the preliminary injunction stage”).

1 as evidenced by the influx of calls and emails to Konami’s customer support lines.
2 (Hoashi Decl. ¶¶ 30-31.) And, even seasoned Yu-Gi-Oh! TCG players are
3 confused. (Chai Decl. ¶¶ 3-4, Ex. A; Hoashi Decl. ¶ 31.) Enough said.

4 **7. Intent.** Finally, Upper Deck’s intent is malicious. It has disregarded
5 Konami’s requests to cease-and-desist and — without denying that it provided the
6 counterfeit Rare Cards to Vintage — it is now representing to the public that
7 *Konami* is breaching the LOI and preventing Upper Deck from conducting
8 “business as usual.” (Hoashi Decl. Exs. H-K.) Its intent appears to be to wreak
9 havoc in the marketplace, at Konami’s expense, to obscure the underlying cause of
10 the LOI’s termination.

11 The *Sleekcraft* factors, when applied here, warrant injunctive relief.

12 **B. The Sale of Trademarked Goods After Expiration of the**
13 **Distribution Agreement Is Trademark Infringement**

14 The Ninth Circuit and other courts have recognized that where, as here, a
15 former distributor or agent continues to use the owner’s trademarks to sell goods in
16 the same industry in which defendant previously operated with a license, that
17 continued use constitutes infringement and federal unfair competition (without a
18 detailed *Sleekcraft* analysis). *El Pollo Loco, Inc. v. Hashim*, 316 F.3d 1032, 1038
19 (9th Cir. 2003) (affirming preliminary injunction prohibiting ongoing trademark use
20 following termination of franchise agreement); *Bill Blass Ltd. v. Saz Corp.*, 751
21 F.2d 152, 154-55 (3d Cir. 1984) (“The sale of trademarked goods after termination
22 of a license amounts to trademark infringement.”). *Best Western*, 523 F. Supp. 2d
23 at 985, *Ryan*, 107 F. Supp. 2d at 386 and *AT&T v. Vision One*, 1995 U.S. Dist.
24 LEXIS 11279 at *17-19 also are instructive: Each concluded that ongoing
25 trademark use following the termination of a license (or distribution) agreement
26 necessarily caused confusion and warranted injunctive relief under the Lanham Act.
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C. Upper Deck’s Ongoing Conduct Violates State Unfair Competition and Trademark Laws

Each of the reasons for determining a likelihood of success and entitlement to injunctive relief under the Lanham Act also supports Konami’s state law claims. *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788, 791 (9th Cir. 1981) (likelihood of success on claim for common-law trademark infringement “focuses on the likelihood of confusion as to source or sponsorship” of the accused goods); *AT&T*, 1995 U.S. Dist. LEXIS 11279 at *13, 23 (finding likelihood of success on the merits of California unfair competition law claim and granting preliminary injunction). Injunctive relief is properly awarded on these claims as well. *See, e.g.*, Cal. Bus. & Prof. Code § 17203.

KONAMI IS SUFFERING IRREPARABLE HARM

I. THE IRREPARABLE HARM CAUSED BY TRADEMARK AND COPYRIGHT INFRINGEMENT IS PRESUMED

The irreparable harm caused by Upper Deck’s ongoing, unauthorized use of Konami’s marks and copyrighted works is presumed where the rights-holder has shown a likelihood of success on the merits. *GoTo.Com, Inc.*, 202 F.3d at 1205 & n.4 (trademarks); *Cadence Design Sys. v. Avant! Corp.*, 125 F.3d 824, 827-28 (9th Cir. 1997) (copyrights).

In the trademark context, the Ninth Circuit has explained that the articulation of the test “a combination of ‘probable success on the merits’ and ‘the possibility of irreparable injury,’ . . . is somewhat misleading”:

In a trademark infringement claim, ‘irreparable injury may be presumed from a showing of likelihood of success on the merits.’ . . . This presumption effectively conflates the dual inquiries of this prong into the single question of whether the plaintiff has shown a likelihood of success on the merits.

GoTo.Com, 202 F.3d at 1205 & n.4 (emphasis added; citations omitted).

1 That is so because the unauthorized use of a mark deprives the trademark holder of
2 the right to control a valuable and intangible asset. The harm is almost always
3 unquantifiable (and thus no adequate remedy exists at the conclusion of litigation).

4 The same is true in copyright infringement actions. “A copyright holder
5 seeking a preliminary injunction is therefore not required to make an independent
6 demonstration of irreparable harm.” *LGS Architects, Inc. v. Concordia Homes*, 434
7 F.3d 1150, 1155-56 (9th Cir. 2006). The Ninth Circuit in *Cadence Design*, 125
8 F.3d at 827, explained that “in a copyright infringement action . . . the rules are
9 somewhat different” from non-IP cases. “[I]f a plaintiff establishes a likelihood of
10 success on the merits of a copyright infringement claim, ‘it would seem erroneous
11 to deny a preliminary injunction simply because actual damages can be precisely
12 calculated’” *Id.* (quoting 4 M. B. Nimmer, *Nimmer on Copyright* § 14.06[A],
13 at 105 (1997)). *Cadence Design* reversed the denial of a preliminary injunction,
14 concluding that, as a matter of law, “a copyright infringement defendant cannot
15 rebut the presumption of irreparable harm by showing that money damages are
16 adequate” or claiming that lost sales or loss of goodwill “is speculative.” 125 F.3d
17 at 827-28 (explaining that if defendant’s argument “were to prevail, the
18 presumption of irreparable harm would have little meaning”).

19 In these circumstances, no further analysis of the irreparable harm to
20 Konami’s copyright and trademarks is necessary.

21 **II. UPPER DECK’S CONTINUED INSISTENCE THAT IT IS**
22 **AFFILIATED WITH KONAMI AND YU-GI-OH! TCG IS**
23 **CAUSING IRREPARABLE HARM**

24 As Konami explained in the *Sleekcraft* section above, the harm caused by
25 Upper Deck’s misuse of Konami’s IP and Upper Deck’s related statements about
26 the rights to Yu-Gi-Oh! TCG is obvious in these circumstances and demonstrable.

27 The current situation is untenable: Upper Deck claims to still be representing
28 Konami’s Yu-Gi-Oh! TCG, refers to it as one of Upper Deck’s brands, and at the

1 same time it is disparaging the game’s manufacturer and true rights-holder (as well
2 as blaming Konami for allegedly failing to meet its contractual obligations to Upper
3 Deck). (Hoashi Decl. Ex. F, K.) As a result, distributors, retailers and players are
4 confused about the future distribution of the product, and about who is authorized
5 and intends to promote it. (Chai Decl. ¶ 3 & Ex. A; Hoashi Decl. ¶¶ 30-31.) For
6 every retailer and consumer who contacts Konami to ask about Upper Deck’s
7 affiliation with the game, many more undoubtedly have questions that go unasked
8 and unanswered. The type of harm caused by these activities to Konami (and the
9 public) is irreparable. *Century 21*, 846 F.2d at 1180 (“Injunctive relief is the
10 remedy of choice for trademark and unfair competition cases, since there is no
11 adequate remedy at law for the injury caused by a defendant’s continuing
12 infringement.”).

13 Again, Upper Deck occupied a position of trust as Konami’s marketing agent
14 and exclusive distributor. (Tasaki Decl. ¶ 7 & Ex. C.) It abused that position by
15 distributing counterfeit Rare Cards. Upper Deck’s accusations that *Konami* is
16 “disappointing” consumers and retailers (Dkt. 60 at 14) ignore the cause of the
17 LOI’s termination and the legitimate need of Konami to disassociate itself from a
18 former distributor that participated in counterfeiting activities.

19 **SERIOUS QUESTIONS EXIST AND THE BALANCE OF HARDSHIPS**
20 **TIP SHARPLY IN KONAMI’S FAVOR**

21 In the alternative, the Court may issue a preliminary injunction based on a
22 lesser showing that the case “raises serious questions” on the merits and that the
23 equities tip in Konami’s favor. *Connecticut Gen. Life*, 321 F.3d at 881. For all the
24 reasons discussed above, Konami satisfies this standard as well. Upper Deck’s use
25 of Konami’s intellectual property is permitting Upper Deck to pursue its own
26 financial gain at the expense of the rights-holder. Its refusal to stop holding itself
27 out as the authorized distributor of Konami’s trading card game harms both the
28 public and Plaintiffs. The burden, if any, of complying with an injunction is

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1 properly borne by Upper Deck “because [it] is the infringer.” *Triad Sys. Corp. v.*
2 *Southeastern Express Co.*, 64 F.3d 1330, 1337 (9th Cir. 1995) (affirming
3 preliminary injunction); *see also Concrete Mach. Co. v. Classic Lawn Ornaments,*
4 *Inc.*, 843 F.2d 600, 612 (1st Cir. 1988) (“Where the only hardship that the
5 defendant will suffer is lost profits from an activity which has been shown likely to
6 be infringing, such an argument in defense ‘merits little equitable consideration’”).

7 The equities, on balance, tip sharply in Konami’s favor.

8 **CONCLUSION**

9 For all the reasons set forth herein, Plaintiffs respectfully submit that a
10 preliminary injunction should issue in the form submitted concurrently herewith.

11
12 Dated: January 21, 2009

MORRISON & FOERSTER LLP

13
14 By: /s/ Anthony L. Press
15 Anthony L. Press
16 Attorneys for PLAINTIFFS