

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

ATARI INTERACTIVE, INC.,

Plaintiff,

-against-

PRINTIFY, INC., JANIS BERDIGANS, and
JOHN DOES 1-10,

Defendants.

23-CV-8926 (SHS)

Opinion & Order

SIDNEY H. STEIN, U.S. District Judge.

Atari Interactive, Inc., a video game company that licenses its widely known trademarks for use on a variety of merchandise, brings this trademark infringement action against Printify, Inc., a print-on-demand company, and its founder Janis Berdigans. Following the entry of an *ex parte* temporary restraining order (“TRO”), Atari now moves for the entry of a preliminary injunction prohibiting defendants from infringing Atari’s trademarks. Because Atari has not shown that it is likely to succeed on the merits or that it will suffer irreparable harm absent a preliminary injunction, the Court denies Atari’s motion.

I. Background

Print-on-demand providers, such as Printify, facilitate the design, purchase, and fulfillment of custom merchandise. That custom merchandise is, at times, designed with infringing marks. A central issue in this action is whether Printify’s participation in the process crosses the line from mere facilitation to “use” of the allegedly infringing marks by Printify. Accordingly, a detailed explanation of Printify’s operations is necessary.

Printify’s customers (“merchants”) are typically businesses who want to design and sell merchandise, such as t-shirts or coffee mugs, to end-consumers on third-party websites. Think of the merchant as a corner coffee shop or someone who wants to start a business selling apparel with custom designs; the third-party website as either online marketplaces like eBay or Etsy, or as the coffee shop’s own website; and the end-consumer as whoever purchases the t-shirt or coffee mug. Without a print-on-demand solution, a merchant would often need to place an upfront, bulk order of the merchandise it wishes to sell and hold the merchandise as inventory. In contrast, Printify allows the merchant to print individual products if and when they are ordered,

and have those products shipped directly to the end-consumer through Printify's network of third-party printers. Such a process is designed to reduce upfront costs to the merchant. (Decl. of Anastasija Oleinika, ECF No. 53-1 ¶ 7.)

Printify's process of print-on-demand works as follows: First, a merchant selects a particular product (*e.g.*, "Unisex Crewneck Sweatshirt") and uses Printify's built-in software to add whatever design the merchant wants to add to the product. A merchant can upload its own images for the design or choose from a library of images supplied by Shutterstock, among other options. (*Id.* ¶¶ 7-8.) Printify's operations are significant in size: roughly 120,000 images are uploaded to Printify every day, adding to the 121 million images already in Printify's database of images. (*Id.* ¶ 22.) A merchant cannot view or use images uploaded by other merchants and Printify claims that the images provided through Shutterstock are licensed. (*Id.* ¶¶ 8, 28.) Each product also contains a default, generic text description of the physical product (*i.e.*, t-shirt), but the merchant can choose to revise the description in order to add details about its custom design. (*Id.* ¶¶ 10, 17.) Printify does not review the product design at any time in the process. (*Id.* ¶ 9.)

Once the product is designed, the merchant "publishes" the product, adding it to Printify's database of available products for purchase. (*Id.* ¶ 11.) Aside from a "small percentage" of merchants who have a "Printify Pop-Up" store, which is a storefront hosted by Printify, merchants do not sell their products on Printify's website. Instead, merchants usually link their Printify account to an external sales channel, such as Etsy, Shopify, or eBay, and customers purchase the product through those channels. (*Id.* ¶¶ 12-14.) The merchandise can also be sold on the merchant's own website. (*Id.* ¶ 12.) Once a customer purchases a product, the order is routed through Printify to a third-party printer, which manufactures the product and ships it directly to the end customer. (*Id.* ¶¶ 18, 21.) This entire process is automated, and though Printify conducts periodic quality checks on the printers to ensure the printers meet Printify's overall product standards, Printify does not review products before they are shipped to the customer. (*Id.* ¶¶ 18-19.) The merchant chooses what return address will be used on the mailing package, and neither the packaging nor the product itself identifies Printify in any way. (*Id.* ¶ 15; ECF No. 28-5.) Printify never takes possession of the product and does not hold any inventory of the product. For certain merchants, Printify will handle customer service functions, such as facilitating customer feedback and complaints. (*See, e.g.*, ECF No. 66-9.) For each piece of merchandise, Printify charges the merchant a fixed fee and

the merchant independently decides what price the end-consumer will be charged for the merchandise. (Oleinika Decl. ¶ 20.)

Due to the volume of images uploaded and the automated nature of Printify's processes, Printify states that manually reviewing whether merchant designs violate any intellectual property rights "would be inefficient, costly, and practically impossible." (*Id.* ¶ 18.) Still, Printify's intellectual property policy clearly prohibits infringement, affirming that Printify will "either disable or terminate the accounts of Users who infringe or are repeatedly charged with infringing" intellectual property rights. (*Id.* ¶ 26.) But because proactive monitoring for infringement is "practically impossible" given the 120,000 images that are uploaded to its platform daily, Printify "relies on IP owners to help Printify identify and stop" infringement. (*Id.* ¶ 18.)

Atari brings this lawsuit because it identified products, designed and offered by merchants, which allegedly infringe on Atari's trademarks, including the well-known Atari logo. (*See, e.g.,* Am. Compl., ECF No. 63 ¶ 43.) Specifically, Atari claims that Printify and its founder Janis Berdigans have facilitated merchandise orders that violate Atari's registered trademarks and are liable for direct copyright infringement (15 U.S.C. § 1114), contributory copyright infringement,¹ trademark dilution (15 U.S.C. § 1125(c)), false designation of origin (15 U.S.C. § 1125(a)), and unfair competition under New York common law.

Prior to initiating this lawsuit, Atari sent cease-and-desist letters to various merchants with potentially infringing products.² Printify itself was not sent and did not receive any of these letters. (Decl. of Katie Kavanaugh, ECF No. 28 ¶ 2; Oleinika Decl. ¶¶ 23, 29.) However, once Printify was put on notice of the infringement by this lawsuit, it took meaningful steps to remove identifiable infringing content from its own system. (*Id.* ¶¶ 31-42.) As described in more detail below, Printify removed potentially infringing products from Printify's database, which effectively disables a merchant

¹ "Contributory trademark infringement is a judicially created doctrine that derives from the common law of torts." *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93, 103 (2d Cir. 2010).

² Atari claims that its counsel "sent 70 cease and desist letters" (ECF No. 25 at 2) to "various e-commerce storefronts believed to be associated with Defendants." (Kavanaugh Decl. ¶ 2.) At oral argument, Atari continued to elide the difference between merchant storefronts and Printify, emphasizing repeatedly to the Court that infringing products were still available without clarifying that the product listings were, in fact, on *merchant* websites. (ECF No. 84.) The only listings presented at oral argument from Printify's own website were created by counsel for Atari for purposes of this litigation. (*See* ECF No. 79-1.)

from fulfilling a customer's order of that product through Printify's system. Printify has no control over merchants' customer-facing websites, and therefore cannot remove infringing products from those sites. (*Id.* ¶ 17.) Indeed, as Atari points out, infringing products appear to still be available on the merchants' websites. (*See, e.g.*, ECF Nos. 64-12, 64-13.) Moreover, removing the specific instances identified by Atari from Printify's own database does not stop a merchant from designing a new infringing product tomorrow. Potentially infringing Atari marks are also still available if listed in the Shutterstock library. (*See, e.g.*, ECF No. 64-15.)

Atari initially moved for an *ex parte* TRO, which the Court granted on October 24, 2023. (ECF No. 21.) In that TRO, the Court granted Atari's request to freeze Printify's assets based on Atari's *ex parte* representation that Printify "likely will hide or move their ill-gotten funds to offshore bank accounts" and is "likely to take whatever action they can to hide, move, conceal, or potentially squander assets to avoid enforcement as soon as they find out about this suit." (ECF No. 25 at 29-30.) After being notified by financial institutions that its accounts were frozen, Printify agreed to a joint stipulation modifying the TRO to remove the asset freeze provisions. (ECF No. 11.) There is no evidence in this record that Printify ever intended to hide or move its assets to offshore bank accounts.

Atari now moves for a preliminary injunction against Printify; oral argument was held on December 12, 2023.

II. Discussion

A. Legal Standard

A preliminary injunction "is an extraordinary and drastic remedy, one that should not be granted unless the movant, by a *clear showing*, carries the burden of persuasion." *Sussman v. Crawford*, 488 F.3d 136, 139 (2d Cir. 2007) (per curiam) (emphasis in original) (quoting *Mazurek v. Armstrong*, 520 U.S. 968, 972 (1997)). *See also Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 24 (2008) ("A preliminary injunction is an extraordinary remedy never awarded as of right."). A party seeking a preliminary injunction must show "(1) a likelihood of success on the merits[,], or sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in the plaintiff's favor; (2) a likelihood of irreparable injury in the absence of an injunction; (3) that the balance of hardships tips in the plaintiff's favor; and (4) that the public interest would not be disserved by the issuance of an injunction." *Colony Grill Dev., LLC v. Colony Grill, Inc.*, Nos. 23-507-cv, 23-691-cv, 2023

U.S. App. LEXIS 27798, at *6 (2d Cir. Oct. 19, 2023) (quoting *Benihana, Inc. v. Benihana of Tokyo, LLC*, 784 F.3d 887, 895 (2d Cir. 2015)).

B. Atari Has Not Shown a Likelihood of Success on the Merits

Atari urges that a preliminary injunction is warranted based on its likelihood of succeeding on claims of (1) direct trademark infringement, (2) contributory trademark infringement, (3) trademark related and state law claims, and (4) claims against Janis Berdigans.³ Each will be addressed in turn.

1. Direct Trademark Infringement

A defendant is liable for infringement under the Lanham Act if it, “without the consent of the registrant, use[s] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.” 15 U.S.C. § 1114(1). A counterfeit mark is defined as “a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.” 15 U.S.C. § 1127. Courts analyze Lanham Act claims using a two-prong test: (1) whether the plaintiff’s mark is entitled to protection; and (2) whether defendant’s use of the mark is likely to cause confusion. See *Guthrie Healthcare Sys. v. ContextMedia, Inc.*, 826 F.3d 27, 37 (2d Cir. 2016).

Printify does not dispute that the mark is entitled to protection, that confusion is likely, or that the alleged infringements meet the definition of counterfeit. Instead, Printify contends that it does not “use” the marks as a seller within the meaning of the Lanham Act because, as a “broker between artists (Merchants), their customers, and the printers,” Printify “merely facilitates or assists others’ use” of the marks. (ECF No. 53 at 10.) The statutory definition for “use in commerce” is broad and encompasses “the *bona fide* use of a mark in the ordinary course of trade” when “placed in any manner on the goods . . . and the goods are sold or transported in commerce.” 15 U.S.C. § 1127. Even so, cases do find that the statute does not necessarily apply to brokers, facilitators, or transactional intermediaries. As the U.S. Court of Appeals for the Sixth Circuit explained, passive marketplaces like eBay or Amazon “that facilitate sales for

³ Atari does not seek a preliminary injunction on the alternative basis that there are “sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tip[s] decidedly in the plaintiff’s favor.” *Colony Grill*, 2023 U.S. App. LEXIS 27798, at *6. Accordingly, the Court will not analyze this alternative.

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