UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SESAME WORKSHOP,	:	
	:	18 CV _____ (_____)
Plaintiff,	:	
	:	
- against -	:	
	:	
STX PRODUCTIONS, LLC, STX FINANCING, LLC, and STX FILMWORKS, INC.,	:	
	:	
Defendants.	:	
	:	

MEMORANDUM OF LAW IN SUPPORT OF PLAINTIFF'S APPLICATION FOR A TEMPORARY RESTRAINING ORDER AND PRELIMINARY INJUNCTION

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Plaintiff Sesame Workshop ("Sesame") respectfully submits this memorandum of law in support of its application for a temporary restraining order or other preliminary injunctive relief enjoining defendants STX Productions, LLC, STX Financing, LLC, and STX Filmworks, Inc. (collectively, "Defendants") from using Sesame's protected trademarks and intellectual property, including Defendant's use of the phrase "NO SESAME. ALL STREET." in the marketing or promotion of the movie *The Happytime Murders*, with which Sesame has no connection.

PRELIMINARY STATEMENT

Sesame seeks to enjoin Defendants' deliberate effort to appropriate its SESAME STREET mark, and its trusted brand and goodwill, to promote their R-rated movie by way of a violent and sexually-explicit trailer. SESAME STREET is a registered trademark of Sesame, an organization with a long and storied history of "helping kids grow smarter, stronger and kinder."[1] Defendants' widely-distributed marketing campaign features a just-released trailer with explicit, profane, drug-using, misogynistic, violent, copulating, and even ejaculating puppets,[2] along with the tagline "NO SESAME. ALL STREET." Defendants do not own, control or have any right to use the SESAME STREET mark. Instead, they are distributing a trailer that deliberately confuses consumers into mistakenly believing that Sesame is associated with, has allowed, or has even endorsed or produced the movie and tarnishes Sesame's brand. Defendants headline their marketing materials with a tagline that invokes the well-known SESAME STREET mark and references the award-winning children's preschool program.

The threat of irreparable injury posed to Sesame's mark and brand cannot be

[1] *See* Declaration of John N. Orsini in Support of a Temporary Restraining Order and Preliminary Injunction ("Orsini Decl.") Ex. 1 (Sesame Mission Statement).

[2] *See* https://youtu.be/-eks8LG72uo.

overstated. Sesame has worked for nearly 50 years to build, cultivate and maintain trust with its audience of parents and young children built on its reputation for wholesome educational programming. That trust, although built over a span of generations, is too easily lost and is now in jeopardy. Defendants threaten to inflict serious, irreparable damage to Sesame's mark and brand by associating their adult movie with *Sesame Street*. As evidenced by a parade of social media posts, emails and public comments, the "NO SESAME. ALL STREET." tagline has confused and appalled viewers because of what they believe to be a serious breach of trust by Sesame in supporting this movie. Defendant's actions have diluted and defiled Sesame's beloved *Sesame Street* children's television show and SESAME STREET mark by associating their trailer with *Sesame Street*. Indeed, it appears that Defendants chose their "NO SESAME. ALL STREET." tagline with the hope and intention of commercially appropriating Sesame's mark and associated goodwill and implying an association that does not exist to promote the release of their movie.

Sesame takes no issue with Defendants' right to make their movie, and to market it – lawfully – however they see fit. But Defendants cannot impermissibly appropriate and trade on Sesame's mark, brand, and goodwill to market a movie that has no nexus to *Sesame Street*. Defendants seem intent on seeding confusion in the mind of the public as to the association between the movie, *Sesame Street*, and its beloved Muppets from Sesame Street, given the role of The Jim Henson Company (a division of which, along with Defendants, is a producer of *The Happytime Murders*) in originally creating the Muppets. Defendants' use and appropriation of the SESAME STREET mark and brand infringes upon Sesame's federal, state, and common law intellectual property rights; and is causing devastating, irreparable harm to its brand and image. Sesame has demanded that Defendants simply drop the references to SESAME STREET from

The Happytime Murders marketing materials – a relatively small burden compared to the devastating and irreparable injury Defendants are causing. But Defendants have refused, and the confusion and tarnishment are building, as evidenced in numerous social media postings.

Sesame seeks an injunction that forces Defendants to cease and desist their trading upon the goodwill associated with SESAME STREET in furtherance of box office receipts. The promotion of *The Happytime Murders* should succeed or fail on its own merits, not on a cynical, unlawful attempt to deceive and confuse the public into associating it with the most celebrated children's program in history.

FACTUAL BACKGROUND

Sesame and *Sesame Street*

Sesame is a nonprofit educational organization chartered by the New York State Education Department. It is the creator of the beloved children's television program *Sesame Street*, which stars a cast of Muppets and people co-existing on the fictional eponymous Sesame Street. *Sesame Street*'s famous "Muppet" characters, including Elmo, Big Bird, Cookie Monster, Bert & Ernie, Oscar the Grouch, Grover and The Count are recognized throughout the U.S. and worldwide. The late Jim Henson created the Muppets and copyrighted and trademarked them. Henson's company, Muppets, Inc. (now The Jim Henson Company, Ltd. ("Henson")), licensed to Sesame the right to use the Muppets of *Sesame Street*. In 2001, Henson conveyed to Sesame copyright ownership for the Muppets of *Sesame Street*, and a grant of rights to use the Muppet mark in connection with *Sesame Street*. (Declaration of Joseph P. Salvo in Support of a Temporary Restraining Order and Preliminary Injunction ("Salvo Decl." at ¶¶ 3-4.)

Sesame Street was created in 1969 to give all children access to early education. It was a revolutionary idea: to use television as a medium to reach kids at scale with important lessons ranging from academic basics to life skills, like kindness and inclusion. At the time,

television was widely criticized for being too violent and for reflecting commercial values, or in the words of then-FCC chairman Newton Minow "a vast wasteland." *Sesame Street* changed all that by creating a show that was not just engaging, but wholesome, educational, and with kids' best interests at its core. (*Id.* ¶ 5.)

Today, *Sesame Street* has grown into a global educational phenomenon and force for good, including social impact initiatives that go well beyond the show and bring education to kids in need. Sesame content currently reaches over 190 million children around the world, making a meaningful and lasting difference in their lives. Studies show that American children who frequently viewed *Sesame Street* as preschoolers achieved high school grade point averages that were almost 16% higher than those who did not. And a 2013 study by a leading academic institution concluded that children who watched one of the international versions of *Sesame Street* gained on average almost 12 percentile points on learning outcomes, compared to those who did not. (*Id.* ¶ 6.)

Sesame Street enjoys extraordinary brand awareness and approval among U.S. audiences (including 100% brand recognition among parents with children ages 0-5) and is considered the gold standard in children's media. *Sesame Street* has been ranked among the top 25 children's programs among kids 2-5 for 45 years. A third party commissioned by Sesame found that 2/3 of today's preschool moms watched *Sesame Street* as children and 2/3 of Baby Boomers and 3/4 of Generation X and Millennials like or love *Sesame Street*. Elmo, one of *Sesame Street*'s Muppets, has maintained 50% or greater awareness among preschoolers over the past 10 years (based on estimates by parents with children between the ages of 2 and 5). *Sesame Street* has a huge global following that interacts with the show by watching the program on television, playing *Sesame Street* digital games on the *Sesame Street* website or app, listening to

Sesame Street podcasts, or by watching clips from episodes on Sesame's YouTube channel. Sesame has an active social media presence featuring its SESAME STREET and SESAME variant marks, including on Facebook and Twitter.[3] Every quarter in the U.S., more than 15 million people watch *Sesame Street* on PBS and HBO, and more than 12 million kids aged 0-8 interact with *Sesame Street* on various platforms. (*Id*. ¶¶ 7, 9.)

Sesame Street's reputation and trust are critical to its success. Educators, parents, corporate partners, and funders all count on *Sesame Street* to be a safe haven for kids and uphold the moral values that the show teaches. Studies show that moms rate *Sesame Street* #1 as a brand they trust, that is safe for their child to watch, has high standards, and has their kids' best interest at heart. (*Id*. ¶ 10.)

With 188 Emmy Awards, *Sesame Street* is the most awarded television show in history. Sesame content has also been recognized in a variety of philanthropic capacities, most recently as the recipient of the Smithsonian's American Ingenuity Award, the CLIO Global Impact Award, and the MacArthur Foundation's first ever 100&Change Award. In connection with the 100&Change Award, the MacArthur Foundation awarded Sesame a $100 million grant to address the refugee crisis in Iraq, Syria, Jordan and Lebanon by "educat[ing] children displaced by conflict and persecution in the Middle East."[4] As a nonprofit, Sesame continues to prove itself not only as a model in educational media, but also as a trailblazer in philanthropic

[3] In total, Sesame Street and its characters have approximately 19.8 million "Likes" or "Followers" on Facebook, Twitter, and Instagram. For example, the SESAME STREET official Facebook page, which launched in 2009, currently has approximately 1.1 million "Likes" around the world, with approximately 600,000 originating in the U.S. There are separate Facebook pages for the show's famous Muppet characters – which pages also prominently feature the SESAME STREET and SESAME variant marks – which have huge followings. For instance, Facebook – COOKIE MONSTER currently has almost 9 million "Likes" worldwide with approximately 3.2 million in the U.S., and Facebook – ELMO has almost 6 million "Likes" worldwide, with approximately 1.3 million in the U.S. In addition, *Sesame Street* has over 3.6 million followers on YouTube. (Salvo Decl. ¶ 8.)

[4] *See* https://www.macfound.org/press/press-releases/sesame-workshop-and-international-rescue-committee-awarded-100-million-early-childhood-education-syrian-refugees/.

impact, working every day to ensure kids everywhere grow up smarter, stronger, and kinder. (Salvo Decl. ¶¶ 11.)

Sesame provides numerous educational and entertainment-focused services and products using the SESAME STREET mark and other SESAME-formative marks.[5] (*Id.* ¶ 12.) Sesame first registered the word mark SESAME STREET with the United States Patent Office on November 27, 1973, Registration No. 974,206, for use in International Class 41 – educational services rendered through the medium of television, namely, a children's program. (Orsini Decl. Ex. 2.) The SESAME STREET mark registration has been renewed through November 2023. (*Id.*)

The Happytime Murders Marketing Campaign and Resulting Confusion and Tarnishment of Sesame's Mark

Defendants are the U.S. distributor and a producer of *The Happytime Murders*, scheduled for release in the United States on August 17, 2018.[6] Defendants have initiated a marketing campaign that seeks to capitalize on the reputation and goodwill of *Sesame Street* to market their movie. The movie's Facebook page states: "NO SESAME. ALL STREET. Two clashing detectives, one human (Melissa McCarthy) and one puppet, are forced to work together to solve the brutal murders of the former cast of a beloved classic puppet television show." (Orsini Decl. ¶ 4.) The use of the tagline, "NO SESAME. ALL STREET." is prominent in Defendants' social media marketing campaign. In the profile section of the Twitter account for

[5] These include, but are not limited to, charitable services; education and entertainment-related services; streaming of audio and video materials online; activities and games provided online; educational and entertainment content; theatrical productions; amusement parks; computer hardware, software, and peripherals; electronic devices and accessories; printed publications and materials; paper goods, stationery, arts and crafts materials, and office supplies; toys and games; clothing; personal care products; houseware; baby products; jewelry and accessories; bags; furniture, home furnishings, bedding and linens; food and beverage items; and more. (Salvo Decl. ¶ 12.) Sesame has 9 live trademark registrations of SESAME STREET and an additional 4 live trademark registrations that include the words SESAME STREET. (*Id.* ¶ 13.)

[6] *See* https://www.imdb.com/title/tt1308728/releaseinfo.

The Happytime Murders, Defendants display it at the very top of the profile picture, and then repeat the phrase below the picture:

(*Id.* ¶ 5.)

Defendants also use this tagline to emphasize a non-existent association with *Sesame Street* in the movie's trailer (*see* https://youtu.be/-eks8LG72uo), which was widely released last week.[7] That trailer is "Restricted" – meaning that the Motion Picture Association of America has not deemed it suitable for all audiences. And it is easy to see why: scenes from the movie shown in the trailer depict repeated foul language by humans and puppets; drug use by humans and puppets; puppet prostitutes offering sexual favors to a human; gun and other types of violence; and puppet sex that culminates in scene where a puppet is depicted copiously ejaculating for an extended period. The leading online movie ticket-seller, Fandango, referred to it as "filthy" and "depraved", and repeated the "NO SESAME. ALL STREET." tagline, in a tweet that Defendants retweeted:

[7] In addition to being available online, the trailer is running before screenings of *Deadpool 2* (including in New York). (*See* Declaration of John Gallacher in Support of a Temporary Restraining Order and Preliminary Injunction ("Gallacher Decl.") at ¶ 4.) *Deadpool 2* led all box office receipts over the weekend of May 18-20 with $125 million in gross receipts. (*See* Orsini Decl. Ex. 3.)

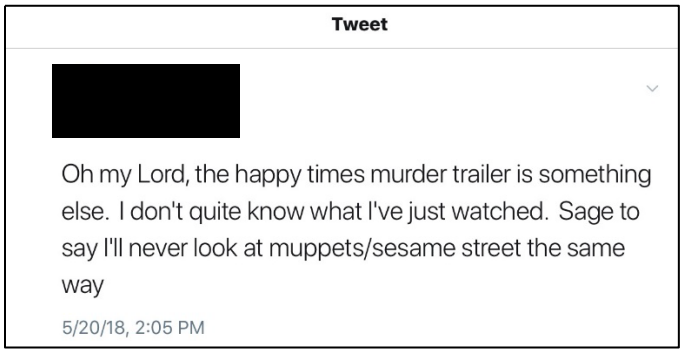
(Orsini Decl. ¶ 7.)[8]

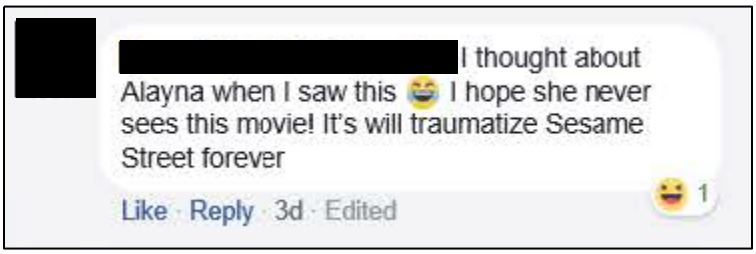
While the trailer at issue is almost indescribably crude, Sesame is not trying to enjoin Defendants' promotion or distribution of their movie. It is only Defendants' deliberate choice to invoke and commercially misappropriate Sesame's name and goodwill in marketing the movie – and thereby cause consumers to conclude that Sesame is somehow associated with the movie – that has infringed on and tarnished the SESAME STREET mark and goodwill.

Already, Defendants' strategy appears to be working. In just the few days since the trailer was released and covered in the media, instances of confusion and tarnishment are everywhere. As one reviewer wrote, *The Happytime Murders* includes "Prostitution, drug use, murder, and more, all from the makers of *Sesame Street* and The Muppets. Ladies and

[8] Fandango's tweet also confirmed the showing of the trailer before the movie *Deadpool 2*. (*Id.* ¶ 7.)

gentleman, hold on to your childhoods, this is *The Happytime Murders*."[9] (Orsini Decl. Ex. 4.) Those posting on social media have followed suit,[10] demonstrating their clear confusion as to the connection between the movie and *Sesame Street*, and the resulting tarnishment of Sesame's reputation:

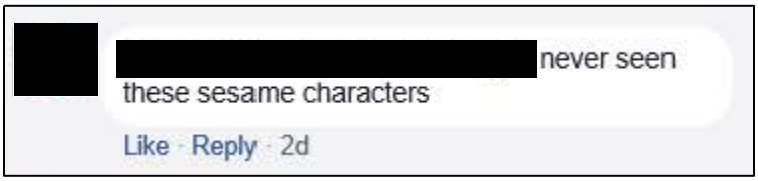


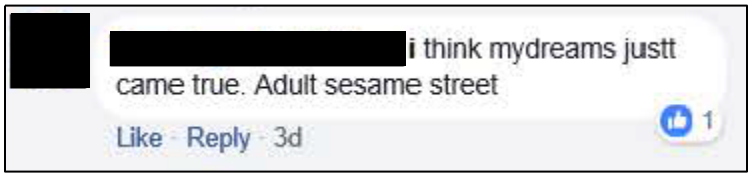


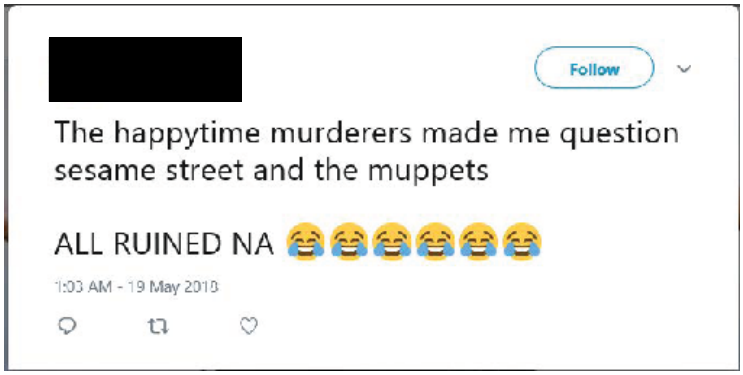
[9] This article was later updated after Sesame brought it to the reviewer's attention, to read "… all from the DNA of *Sesame Street* and *The Muppets*." *See* https://io9.gizmodo.com/you-will-never-be-the-same-after-watching-the-red-band-1826122384.

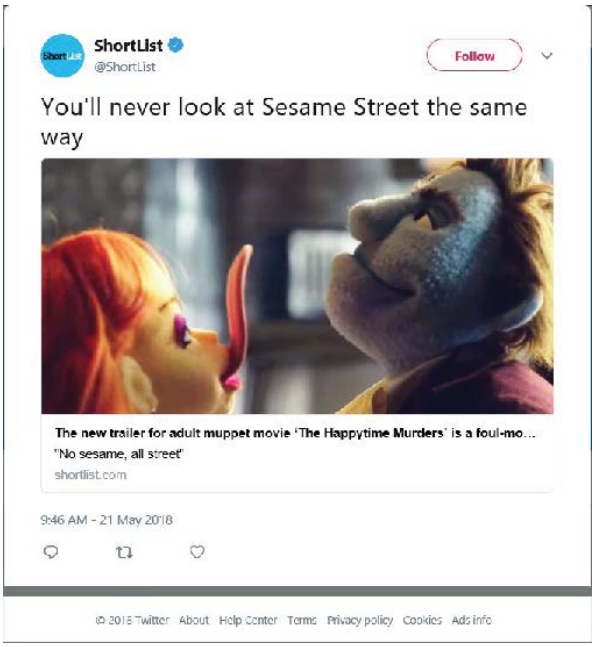
[10] To protect the privacy of the individuals posting the tweets and comments reproduced below, Sesame has redacted their identifying information.

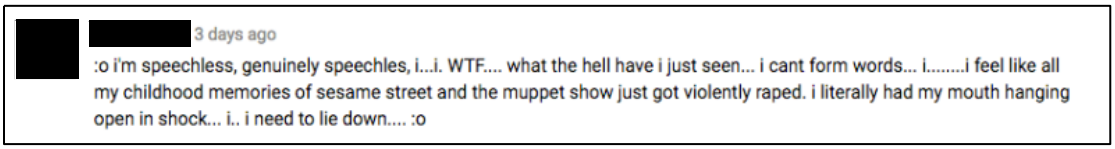

Tweet
[redacted]
Hmm, not sure about this. Seems to be trying too hard to come across as sweary Sesame Street.
Also it's the same plot as Who Framed Rodger Rabbit.
The Independent @Independent
Watch the trailer for the first ever R-rated Muppets film ind.pn/2KFK4Pe
5/20/18, 12:50 PM from Kinghorn, Scotland


[redacted] never seen these sesame characters
Like · Reply · 2d


[redacted] i think mydreams justt came true. Adult sesame street
Like · Reply · 3d
1


[redacted]
Follow
The happytime murderers made me question sesame street and the muppets
ALL RUINED NA 😭😭😭😭😭😭
1:03 AM - 19 May 2018





(Orsini Decl. ¶¶ 9-15.) As Defendants intended, the audience for their marketing campaign is reading the "NO SESAME. ALL STREET." tagline as an indication that the movie will show the more salacious – or, colloquially, "street" – side of characters associated with (even if not starring on) *Sesame Street*.[11] This deliberate invocation of, and implied association with, *Sesame Street* at the least confuses viewers into thinking that Sesame itself was involved with, and/or has endorsed or allowed, this subversion of its own programming –thereby irreparably harming Sesame and its goodwill and brand.

Henson Informs Sesame About Defendants' Marketing Campaign, And Defendants Refuse Sesame's Request to Stop Using The "NO SESAME. ALL STREET." Tagline

Late in the night on May 17, 2018, Henson alerted Sesame to the existence of the

[11] Indeed, a comment about *The Happytime Murders* was written on the *Sesame Street* Facebook page indicating the writer's confusion about Sesame's ability to control whether the movie is ever released: "Now, PLEASE, Sesame Street, find a way to ensure that the wretched, raunchy, inappropriate movie coming out with Melissa McCarthy and Muppets in Rated X situations NEVER makes it in theatres. It should be illegal." (Salvo Decl. ¶ 19.)

raunchy trailer for *The Happytime Murders*, and its release on May 18 with *Deadpool 2*. After receiving Henson's communication in the morning on May 18, Sesame discovered Defendants' use of the "NO SESAME. ALL STREET." tagline on *The Happytime Murders* Facebook page. (Salvo Decl. ¶ 18.)

On May 18 at 5:53 p.m. EST, Sesame's in-house counsel sent an email to in-house counsel for each of Defendants and Henson, attaching a letter from Sesame's General Counsel, Joseph Salvo. (Orsini Decl. Ex. 5.) The letter demanded that Defendants immediately cease and desist from any and all further use of Sesame's rights associated with SESAME STREET in marketing *The Happytime Murders*. (*Id*.) The letter demanded that Defendants, *inter alia*, remove the trailer from anywhere it appears, including YouTube, Facebook, and any other website; assure Sesame that the trailer has not been displayed elsewhere; and respond by 5:00 p.m. EST on Sunday, May 19, 2018, confirming their compliance with those demands. (*Id*.)

After Sesame emailed the cease-and-desist letter to Defendants and Henson, Sesame's in-house counsel called each recipient to confirm receipt, and emphasized the seriousness of the issue and Sesame's expectation that it would receive a response over the weekend. (Gallacher Decl. ¶ 3.) Later that evening, outside counsel for Defendants emailed Sesame and Henson, saying that it would evaluate Sesame's cease-and-desist letter, and aim to respond by Monday, May 21. (Orsini Decl. Ex. 6.) Sesame's General Counsel responded the next afternoon that "time is of the essence" because there are already visible instances of actual confusion in the marketplace caused by Defendants' marketing campaign and asked for a response by midday EST on Monday, May 21. (Orsini Decl. Ex. 6.)

At 4:22 p.m. EST on Sunday, May 20, 2018, Lisa Henson, CEO and President of Henson, and an executive producer of the movie, sent an email to Sesame's CEO, Jeffrey Dunn,

stating:

> It makes me terribly sad that the marketing campaign for HAPPYTIME MURDERS has devolved to this state of affairs …. It's been very difficult for Brian [Henson, director and a producer of the film and the Chairman of the Board of Henson] . . . to effect [sic] what STX is doing with the campaign. *We wholeheartedly disagree with their direction of referencing Muppets and Sesame*, and Brian has taken as hard a position as he could, but contractually we don't have the right to change it. For myself personally, I did not know that the "No Sesame" line was going to be in the final trailer, and I apologize for not giving you a heads up at the CPA event.

(Orsini Decl. Ex. 7 (emphasis added).) Ms. Henson further explained that:

> Throughout the development of HAPPYTIME MURDERS, Brian has conscientiously pushed the creative direction and design of the new characters away from Muppets (both Muppet Show and Sesame Street) because ***he never saw it as a parody of the Muppets***. *Unlike MEET THE FEEBLES and AVENUE Q, which were explicit parodies of those shows,* ***the HAPPYTIME concept is an original world*** where all kinds of puppets live alongside humans as an underclass in society ala ROGER RABBIT. We resisted creative suggestions to make some characters look more like Anything Muppets or Muppet monsters, because that was exactly wrong for the movie. Therefore, ***trading off the famous Muppets to sell the film is exactly what we did not want to have happen***.

(*Id*. (emphases added).)

Despite Henson's acknowledgement that *The Happytime Murders* was not a parody, and should not be trading off the famous Muppets, Defendants have refused to change their marketing campaign. At 4:17 p.m. EST on Monday, May 21, Defendants' outside counsel sent Sesame a letter declining to change their marketing campaign for *The Happytime Murders*. (Orsini Decl. Ex. 8.)[12]

[12] At this time, Sesame has not named Henson as a Defendant in this action based on Henson's representations that it was not involved in the creation or distribution of the trailer for *The Happytime Murders* or other marketing materials relating to the movie.

STATEMENT OF PERSONAL JURISDICTION

Defendants are subject to personal jurisdiction in this action under New York's long arm statute, N.Y. C.P.L.R. 302(a)(1)-(2), because they have specifically targeted their products and services to consumers in New York and committed a tortious act within the state. The trailer is being shown in advance of recently-released *Deadpool 2* in theaters throughout New York. (*See* Gallacher Decl. ¶ 4; Orsini Decl. ¶ 7.) In addition, the trailer is being marketed through social media – Twitter, Facebook, and others – with the clear intention of reaching users in the highly-populated New York City area. (*See* Orsini Decl. ¶¶ 4-5.) *See, e.g.*, *Blakeman v. The Walt Disney Co.*, 613 F. Supp. 2d 288, 293, 301-303 (E.D.N.Y. May 11, 2009) (allegations that certain defendants "supplied the infringing work to the other defendants with full knowledge that it would be developed into a movie and distributed nationwide (including in New York), satisfies both the requirements of New York's long-arm statute, as well as the Due Process Clause"); *Rogers v. Ecolor Studio*, No. ll-CV-4493 (ARR) (RER), 2013 WE 752256, at *2 (E.D.N.Y. Feb. 7, 2013) (finding personal jurisdiction where defendant uploaded infringing materials to YouTube), *report and recommendation adopted*, No. 11-CV-4493 (ARR) (RER), 2013 WL 750120 (E.D.N.Y. Feb. 27, 2013).

ARGUMENT

I.
DEFENDANTS SHOULD BE ENJOINED FROM USING SESAME'S INTELLECTUAL PROPERTY IN MARKETING *THE HAPPYTIME MURDERS*

"The standard for granting a temporary restraining order and a preliminary injunction . . . are identical." *Kelly v. Evolution Mkts., Inc.*, 626 F. Supp. 2d 364, 375 (S.D.N.Y. 2009) (internal quotation marks omitted). A TRO, like a preliminary injunction, should issue if: (1) it is necessary to prevent irreparable harm; and (2) either (a) movant is likely to prevail on the merits, or (b) movant has shown sufficiently serious questions going to the merits to make them

fair ground for litigation, and a balance of the hardships tips decidedly in movant's favor. *Citigroup Global Mkts., Inc. v. VCG Special Opportunities Master Fund Ltd*, 598 F.3d 30, 35-36 (2d Cir. 2010). Sesame satisfies these requirements for the following reasons.

A. Sesame Is Likely to Succeed on the Merits of Its Claims

1. Defendants Are Likely Violating Lanham Act Sections 32 and 43(a)

The Lanham Act prohibits use of another's trademark when "such use is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114; *see also* 15 U.S.C. § 1125. "To prevail on a trademark infringement claim under either [15 U.S.C. § 1114 or 15 U.S.C. § 1125], a plaintiff must demonstrate that it has a valid mark entitled to protection and that the defendant's use of it is likely to cause confusion." *Time, Inc. v. Petersen Publ'g Co. L.L.C.*, 173 F.3d 113, 117 (2d Cir. 1999) (internal citations and quotation marks omitted); *see also Diesel S.P.A. v. Does*, No. 14-CV-4592 (KMW), 2016 WL 96171, at *2-3 (S.D.N.Y. Jan. 8, 2016) (noting that Sections 32 and 43(a) of the Lanham Act involve "essentially the same elements").[13] Sesame is likely to establish both elements.

a. Sesame Owns Valid Trademarks

Sesame's federal mark SESAME STREET is registered with the USPTO. (*See* Orsini Decl. Ex. 2; *see also* Salvo Decl. ¶ 13 (listing Sesame's trademark registrations).) *See also supra*, note 5 and accompanying text. That mark has been in continuous use for well more than five years subsequent to its 1973 registration (*see* Salvo Decl. ¶ 13), and thus is incontestable. *See* 15 U.S.C. § 1065. That registration is "conclusive evidence of the validity of the registered mark and of the registration of the mark, of [Sesame's] ownership of the mark, and

[13] *Diesel* states that under both Section 32 and 43(a) of the Lanham Act, the plaintiff needs to demonstrate that the defendants used the plaintiff's trademark in commerce. *See* 2016 WL 96171, at *2-3. Here, Defendants have used variations of Sesame's trademark in the public promotion of their movie. (*See, e.g.*, Orsini Decl. ¶¶ 4-5.)

of [Sesame's] exclusive right to use the registered mark in commerce." 15 U.S.C. § 1115(b).

b. Sesame Is Likely to Show Likelihood of Confusion

"In the preliminary injunction context, likelihood of consumer confusion is usually guided by the non-exhaustive [*Polaroid*] factors . . . ." *Saban Entm't, Inc. v. 222 World Corp.*, 865 F. Supp. 1047, 1055 (S.D.N.Y. 1994). "Those factors are: (1) the strength of the plaintiff's mark . . .; (2) the similarity between the two marks . . .; (3) the proximity of the products in the marketplace; (4) the likelihood that the prior owner will bridge the gap between the products; (5) evidence of actual confusion; (6) the defendant's bad faith; (7) the quality of the defendant's product; and (8) the sophistication of the relevant consumer group." *Id.*

Strength of Sesame's Mark. "The first factor, the strength of the mark, refers to the mark's distinctiveness, that is, its capacity for identifying goods or services as emanating from a particular source." *Mobileye, Inc. v. Picitup Corp.*, 928 F. Supp. 2d 759, 778-79 (S.D.N.Y. 2013). "Distinctiveness may be inherent or acquired. Inherent distinctiveness comes from the characteristics of the mark itself, while acquired distinctiveness comes from an association with a particular source—so-called 'secondary meaning'—that builds up over time from the mark's use in commerce." *Id.* "When analyzing distinctiveness, courts classify marks into four categories in increasing order of inherent distinctiveness: generic, descriptive, suggestive, and arbitrary or fanciful." *Id.* "An arbitrary mark applies a common word in an unfamiliar way. A fanciful mark is not a real word at all, but is invented for its use as a mark." *Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc.*, 192 F.3d 337, 344 (2d Cir. 1999).[14]

[14] In contrast, "[a] mark is generic if it is a common description of products and refers to the genus of which the particular product is a species. A mark is descriptive if it describes the product's features, qualities, or ingredients in ordinary language or describes the use to which the product is put. A mark is suggestive if it merely suggests the features of the product, requiring the purchaser to use imagination, thought, and perception to reach a conclusion as to the nature of the goods." *Id.*

"[A]rbitrary or fanciful marks are considered strong without proof of acquired secondary meaning." *Mobileye*, 928 F. Supp. 2d at 779. Thus, "the law accords broad, muscular protection to marks that are arbitrary or fanciful." *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 147 (2d Cir. 2003).

Here, there can be no question of the strength, longevity, and uniqueness of appeal of the SESAME STREET mark, which has been used continuously in commerce for over 48 years. *Sesame Street* is a cultural icon and is well known across the United States and worldwide. Because Sesame's trademark is incontestable as a matter of law, it is presumed inherently distinctive. *Lane Capital Mgmt.*, 192 F.3d at 345. In addition, SESAME STREET is strong because it is arbitrary or fanciful. Sesame Street is the fictional setting of the show *Sesame Street*. (Salvo Decl. ¶ 3.) In addition, SESAME STREET is commercially strong, *i.e.*, Sesame's trademark also has "acquired distinctiveness" or "secondary meaning," because, *inter alia*, (1) Sesame has used the mark for nearly fifty years; (2) every quarter in the United States, more than 15 million people watch *Sesame Street* on PBS and HBO, and more than 12 million kids aged 0-8 interact with *Sesame Street* on various platforms; (3) *Sesame Street* enjoys exceptional and widespread brand awareness and approval among U.S. audiences; (4) *Sesame Street* has won significant outside recognition, including a recent MacArthur Foundation grant and over 188 Emmy Awards, and is the most awarded television show in history. (Salvo Decl. ¶ 11; *see also supra*, Statement of Facts; *infra*, note 15.) *See, e.g.*, *Virgin*, 335 F.3d at 148-49 (VIRGIN mark was strong and famous because of world-wide recognition); *De Venustas v. Venustas Int'l, LLC*, No. 07 Civ. 4530 (LTS) (THK), 2007 WL 2597122, at *3 (S.D.N.Y. Sept. 11, 2007) (finding "acquired distinctiveness" where trademark had been used for twelve years and users associated trademark with its owner); *NBA Props. v. Untertainment Records LLC*, No.

99 Civ. 2933 (HB), 1999 WL 335147, at *9 (S.D.N.Y. May 26, 1999) (NBA Logo was a distinctive mark strongly identified with the NBA and was "commercially strong by virtue of its decades of use in connection with professional basketball"). Further, Defendants' deliberate reference to, and appropriation of, SESAME STREET in their marketing materials "provides circumstantial evidence of the strength of [Sesame's] mark[] and the high degree of recognition and good will [it has] with consumers." *See Diesel*, 2016 WL 96171, at *4.

Similarity Between Marks. Courts analyze "the mark's overall impression on a consumer, considering the context in which the marks are displayed and 'the totality of factors that could cause confusion among prospective purchasers.'" *Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 532, 537 (2d Cir. 2005). Moreover, the test "does not require an *identity* of marks;" "significant similarity in appearance, or in sound, is all that is needed." *Id.* at 538 n.3 (emphasis in original). "[T]he cases are clear that the addition of a qualifying term to a trademark, rather than eliminating confusion, tends to cause confusion." *Marshak v. Sheppard*, 666 F. Supp. 590, 601 (S.D.N.Y. 1987). Here, Defendants' use of the phrase "NO SESAME. ALL STREET." is deliberately similar to, and plays off of, Sesame's trademark SESAME STREET. The addition of "NO" and "ALL" to Sesame's trademark, if anything, would tend to increase confusion.[15] For instance, consumers could (and do) believe

[15] Additionally, to the extent Defendants contend that "No Sesame. All Street." is different from Sesame's registered trademark SESAME STREET, Sesame is entitled to protection under Section 43(a) of the Lanham Act for its use of SESAME in connection with puppets. Such use of SESAME in connection with puppets is arbitrary or fanciful, and thus is considered strong without proof of secondary meaning. *See Mobileye*, 928 F. Supp. 2d at 779. In all events, Sesame's prolific and unique use of SESAME in connection with puppets has given such use protection under Section 43(a) of the Lanham Act because it has "acquired distinctiveness" or "secondary meaning." Factors relevant to secondary meaning include: "1) advertising expenditures; 2) sales success; 3) unsolicited media coverage; 4) attempts to plagiarize the mark; 5) the length and exclusivity of the mark's use; and 6) consumer studies linking the name to a source." *N.Y.C. Triathlon, LLC v. NYC Triathlon Club, Inc.*, 704 F. Supp. 2d 305, 314 (S.D.N.Y. 2010). Sesame exclusively has used SESAME in connection with puppets for nearly fifty years. (Salvo Decl. ¶ 13.) Further, as described above, (1) every quarter in the United States, more than 15 million people watch *Sesame Street* on PBS and HBO, and more than 12 million kids aged 0-8 interact with *Sesame Street* on various platforms; (2) *Sesame Street* enjoys 100% brand awareness among U.S. audiences; and (3) *Sesame Street* has won significant outside recognition. (*Id.* ¶¶ 6-11.) From July 1, 2015 through June 30, 2017 (fiscal years 2016 and 2017), Sesame

that *The Happytime Murders* is an adult version of *Sesame Street*. Additionally, young children who watch *Sesame Street* will likely not draw or understand a distinction between SESAME STREET and "NO SESAME. ALL STREET."

Product Proximity and Bridging the Gap. "In assessing product proximity, courts look at 'the nature of the products themselves and the structure of the relevant market,' considering whether the products differ in content, geographic distribution, market position, and audience appeal." *Bulman v. 2BKCO, Inc.*, 882 F. Supp. 2d 551, 560-61 (S.D.N.Y. 2012) (factor weighed in favor of plaintiffs where there was "undeniably significant overlap" between photo-sharing "app" for mobile phones and web-based, map-based notes program and "crossover in audience appeal"). "[T]he closer the secondary user's goods are to those the consumer has seen marketed under the prior user's brand, the more likely that the consumer will mistakenly assume a common source." *Virgin*, 335 F.3d at 150 ("proximity in commerce of telephones to CD players substantially advanced the risk that consumer confusion would occur when both were sold by different merchants under the same trade name, VIRGIN"). "'Bridging the gap' is closely related to the proximity of the products factor. This factor examines 'whether the senior user of the mark is likely to enter the market in which the junior user is operating.' For this factor, courts examine 'the likelihood that, even if the plaintiff's products were not so close to the defendants' when the defendant began to market them, there was already a likelihood that plaintiff would in the reasonably near future begin selling those products.'" *N.Y.C. Triathlon*,

earned *annual* revenues exceeding $110 million relating to *Sesame Street*. (*Id.* ¶ 14.) Sesame, a non-profit, works with dozens of licensees, distributors, publishers, grantors, government agencies and other partners and vendors to create, market and distribute *Sesame Street*-branded products, educational content and programming. (*Id.* ¶ 15.) Sesame uses the domain sesame.org and uses email addresses @sesame.org. (*Id.* ¶ 16.) Lastly, Defendants' use of SESAME in connection with marketing their puppet movie is further proof of secondary meaning. *See generally N.Y.C. Triathlon*, 704 F. Supp. 2d at 314-16 (finding strong secondary meaning of trademarks relating to the New York City triathlon based on length and exclusivity of use, financial success, media coverage, the plaintiff's attention to customer service, and the defendant' use of the plaintiff's marks).

704 F. Supp. 2d at 317 (citation omitted).

Both *Sesame Street* and *The Happytime Murders* are forms of filmed entertainment, distributed throughout the U.S. and worldwide, which depict puppets and people co-existing in a fictional urban setting. (*See* Salvo Decl. ¶ 3; Orsini Decl. ¶ 4-5.) The purported humor of *The Happytime Murders* is derived from the subversion of the wholesomeness of *Sesame Street* in a similar setting with similar characters (puppets). That *Sesame Street* targets children and *The Happytime Murders* targets adults is immaterial, as parents supervise what television programs their children watch, and thus there is "crossover in audience appeal," as in *Bulman*. Equally immaterial is the distinction between a television show (*Sesame Street*) and a feature film (*The Happytime Murders*) – both are filmed entertainment. In all events, Sesame already has shown an intent to bridge the gap, with a feature film in development. (Salvo Decl. ¶ 17.) Moreover, the *Polaroid* test "was expressly addressed to the problem 'how far a valid trademark shall be protected with respect to goods *other than those to which its owner has applied it*.'" *Virgin*, 335 F.3d at 150 (emphasis in original); *see also Pfizer Inc. v. Sachs*, 652 F. Supp. 2d 512, 522 (S.D.N.Y. 2009) (proximity factor weighted in favor of plaintiff, who sold Viagra, even though the defendants sold advertising services, because "[s]elling different services or *targeting a different market* does not disprove a likelihood of confusion, because 'the concern is not direct diversion of purchasers but indirect harm through loss of goodwill or tarnishment of reputation'") (emphasis added).

Actual Confusion. There is no question whether Defendants' actions may lead to confusion because there is abundant evidence that actual confusion is occurring. (*See* Orsini Decl. ¶¶ 9-15.) *See also supra*, Statement of Facts. That evidence of actual confusion is "[t]he best evidence of likelihood of confusion." *Lambda Elecs. Corp. v. Lambda Tech., Inc.*, 515 F.

Supp. 915, 926 (S.D.N.Y. 1981); *see also Register.Com, Inc. v. Domain Registry of Am., Inc.*, No. 02 CIV. 6915 (NRB), 2002 WL 31894625, at *11 (S.D.N.Y. Dec. 27, 2002) ("While courts have not found evidence of actual confusion necessary to show a likelihood of confusion, the Second Circuit recognizes that evidence of actual confusion is substantial proof that strongly supports its likelihood."); *Famous Joe's Pizza, Inc. v. Vitale*, No. 10 CIV 8861 (JSR), 2010 WL 5490893, at *3 (S.D.N.Y. Dec. 23, 2010) ("[E]ven assuming [representations in marketing materials] are only implicitly false, the plaintiff has submitted extrinsic evidence of actual confusion[:] . . . eight reviews equating the defendants' restaurants with the plaintiffs restaurant."); *Bulman*, 882 F. Supp. 2d at 562-64 (granting preliminary injunction based on evidence that actual confusion was occurring, including news and media reports conflating the products); *Heartland Trademarks, Ltd. v. Dr. Flax LLC*, No. 5:17-CV-795 (MAD/ATB), 2017 WL 3278905, at *4 (N.D.N.Y. Aug. 1, 2017) (granting preliminary injunction based in part on statement from a single outside party that she believed the product at issue was related to plaintiffs brand, which evidenced actual confusion); *Tri-Star Pictures, Inc. v. Unger*, 14 F. Supp. 2d 339, 356 (S.D.N.Y. 1998) (granting permanent injunction based on "significant" evidence of actual confusion: "numerous newspaper articles [that] expressly identified [movie at issue] as a sequel to [plaintiffs movie]" based on similarities between the titles of the two films).

Bad faith. This factor "considers 'whether the defendant adopted its mark with the intention of capitalizing on plaintiff's reputation and goodwill and any confusion between his and the senior user's product.'" *NBA Props.*, 1999 WL 335147, at *10. "[A]ctual or constructive knowledge of the prior user's trademark is a probative factor." *Id.* Here, there can be no dispute that Defendants knew about Sesame's trademark. Henson is a producer of *The Happytime Murders*, and Jim Henson, founder of Henson, was the original creator of the

Muppets of *Sesame Street*. Brian Henson, Jim Henson's son, serves as director and a producer of *The Happytime Murders* and as Chairman of the Board of Directors of Henson. Similarly, Lisa Henson, Jim Henson's daughter, serves as an executive producer of *The Happytime Murders* and as CEO and President of Henson. Defendants' bad faith is evidenced by their deliberate reference to *Sesame Street* in their marketing materials. Ms. Henson agreed in her email to Sesame's CEO that trading on plaintiff's name would be wrong, (*see* Orsini Decl. Ex. 7), and highlights that the strategy employed by Defendants was employed in bad faith. *See Correction Officers' Benev. Ass'n, Inc. v. Palmieri*, No. 11 CIV. 7664 (LAK), 2012 WL 279484, at *2 (S.D.N.Y. Jan. 30, 2012) ("Finally, it seems entirely likely that defendant deliberately adopted this domain name to capitalize on confusion by Internet users . . ., a factor that, in and of itself, warrants a finding of likely confusion."); *see also Pfizer*, 652 F. Supp. 2d at 523 ("Defendants' visit to Pfizer's headquarters is powerful evidence that Defendants were aware that Marks belonged to Pfizer").

The Quality of Defendants' Product. "The public's belief that the mark's owner sponsored or otherwise approved the use of the trademark satisfies the confusion requirement." *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205 (2d Cir. 1979). Thus, for example, where the uniform depicted in the pornographic movie "Debbie Does Dallas" unquestionably "brought to mind the Dallas Cowboys Cheerleaders," it was "hard to believe that anyone who had seen defendants' sexually depraved film could thereafter disassociate it from plaintiff's cheerleaders." *Id.* "This association results in confusion which has 'a tendency to impugn (plaintiff's services) and injure plaintiff's business reputation.'" *Id.* (affirming issuance of preliminary injunction where pornographic film used uniforms similar to those worn by Dallas Cowboys Cheerleaders). "The concern is 'not so much

with the likelihood of confusion as with the likelihood of harm resulting from any such confusion.'" *Pfizer*, 652 F. Supp. 2d at 523 ("[A]dvertising in front of adult entertainment establishments and threatening to distribute condoms with images of presidential candidates may be inconsistent with the image Pfizer wishes to project."). Here, there can be no question that the violence and obscenity depicted in the trailer will impugn Sesame's reputation for wholesome family entertainment. Indeed, this is already happening. (*See* Orsini Decl. ¶¶ 9-15.)

Consumer Sophistication. "'Where the purchasers of a product[] are highly trained professionals, they know the market and are less likely than untrained consumers to be misled or confused by the similarity of different marks.'" *De Venustas*, 2007 WL 2597122, at *7. "'[R]etail consumers . . . are not expected to exercise the same degree of care as professional buyers.'" *Virgin*, 335 F.3d at 151. Both *Sesame Street* and *The Happytime Murders* are targeted to general consumers, and thus this factor supports a finding of likelihood of confusion. *See, e.g.*, *NBA Props.*, 1999 WL 335147, at *11 ("consumers may not be sufficiently sophisticated to distinguish between sponsorship of the NBA Logo and the Advertisement" due to "similar pricing and widely available nature of the goods and services at issue"); *Rado Watch Co., Ltd. v. ABC Co.*, No. 92 Civ. 3657 (PKL), 1992 WL 142747, at *5 (S.D.N.Y. June 8, 1992) ("There is no reason to believe that consumers who purchase watches in the $10 to $15 range from the retail establishments run by defendants are, in general, sophisticated purchasers.").

2. Defendants Are Diluting and Tarnishing Sesame's Mark

"[T]he owner of a famous mark that is distinctive" has a cause of action against anyone who uses his trademark in a way "that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." 15 U.S.C. § 1125(c)(1). "In order to prevail on a claim of dilution, Plaintiff must show (1) that its mark is famous and distinctive

within the meaning of Lanham Act; (2) use in commerce by the Defendants after Plaintiff's mark became famous; and (3) that Defendants' use is likely to cause dilution of the famous mark."[16] *Diesel*, 2016 WL 96171, at *5. "'[D]ilution by tarnishment' is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." 15 U.S.C. § 1125(c)(2)(C). "'[D]ilution by blurring' is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(B).

a. Sesame's Trademark Is Famous and Distinctive

"A mark is considered 'famous' when it is 'widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner.'" *Pfizer*, 652 F. Supp. 2d at 525. As shown above, Sesame's trademark is famous and distinctive.[17] *See supra*, Part I.A.1.b (discussing strength of Sesame's mark); *see also, e.g.*, *Diesel*, 2016 WL 96171, at *6 (marks were famous and distinctive where they were "widely used on merchandise and in advertising across a variety of media, and have gained 'widespread publicity and public recognition'" and were "associated in the minds of consumers" with the plaintiff and its products); *NBA Props.*, 1999 WL 335147, at *7-8 ("[T]he question of whether a mark is distinctive or famous under the Dilution Act is analogized to the strength of mark analysis conducted in conjunction with trademark infringement claims," and finding famousness based on worldwide recognition of symbol and nationwide promotion on television and in print advertising).

[16] As with Sesame's other Lanham Act claims, there can be no dispute that Defendants have used variations of Sesame's trademark in the public promotion of their movie. (*See* Orsini Decl. ¶¶ 4-5.)

[17] Further, Sesame has established its long-term use of its mark, and the famousness of that mark, whereas Defendants' trailer was released only recently, thus establishing that Sesame's mark became famous before Defendants began using it.

b. Defendants Are Tarnishing Sesame's Mark

"Tarnishment generally arises when the plaintiff's trademark . . . is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product. In such situations, the trademark's reputation and commercial value might be diminished because . . . the defendant's use reduces the trademark's reputation and standing in the eyes of consumers as a wholesome identifier of the owner's products or services." *NBA Props.*, 1999 WL 335147, at *8 (quoting *Deere & Co. v. MTD Prods, Inc.*, 41 F.3d 39, 43 (2d Cir. 1994)). "'The sine qua non of tarnishment is a finding that plaintiff's mark will suffer negative associations through defendant's use.'" *Id.* (quoting *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 507 (2d Cir. 1996)). "It is well settled that 'a mark is tarnished when its likeness is placed in the context of sexual activity, obscenity, or illegal activity.'" *Pfizer*, 652 F. Supp. 2d at 525 (citing *Hormel*, 73 F.3d at 507).

Here, the trailer for *The Happytime Murders* uses Sesame's trademark in the context of sexual activity, profanity, and illegal activity, including prostitution and drug use. Thus, Sesame has shown a likelihood of dilution by tarnishment. *Pfizer*, 652 F. Supp. 2d at 525 (finding likely harm to reputation and dilution by tarnishment where "Defendants exhibited the Viagra-branded missile at an adult entertainment exhibition, and informed Pfizer that the missile would be displayed again, with two models 'riding' the missile and distributing condoms"); *NBA Props.*, 1999 WL 335147, at *9 (finding a likelihood of confusion under the tarnishment theory of dilution where the defendant used the NBA's logo "with a gun in his right hand and the words 'SPORTS, DRUGS, & ENTERTAINMENT").

c. Defendants Are Blurring Sesame's Mark

In assessing the likelihood of dilution by blurring, courts consider six statutory factors: "(i) [t]he degree of similarity between the mark or trade name and the famous mark[;]

(ii) [t]he degree of inherent or acquired distinctiveness of the famous mark[;] (iii) [t]he extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark[;] (iv) [t]he degree of recognition of the famous mark[;] (v) [w]hether the user of the mark or trade name intended to create an association with the famous mark[; and] (vi) [a]ny actual association between the mark or trade name and the famous mark." 15 U.S.C. § 1125(c)(2)(B).

These factors have been established above in connection with Sesame's Section 32 and 43(a) claims. *See supra* Part I.A.1.b. *See also N.Y.C. Triathlon*, 704 F. Supp. 2d at 323 ("These factors have been discussed at length in connection with Plaintiff's § 43(a) claim.").

3. Sesame Is Likely to Succeed on Its State Law Claims

Sesame's state law claims turn on tests analogous to the tests for its federal claims, *see, e.g.*, *Malletier*, 426 F.3d at 539 n.5 (discussing unfair competition and trademark dilution under New York law); *Diesel*, 2016 WL 96171, at *7, 9 (addressing dilution under New York General Business Law § 360-1 and trademark infringement and unfair competition under New York common law). Sesame is likely to prevail on the merits of those claims for the same reasons it is likely to prevail on its federal claims.[18]

B. Sesame Will Be Irreparably Harmed Absent a TRO and Preliminary Injunction

Because Sesame has shown there is a likelihood of confusion and a likelihood of dilution, it does not need to put forward any additional evidence to show that it will be

[18] "A claim for unfair competition requires plaintiff to plead: '(1) that the defendant's activities have caused confusion with, or have been mistaken for, the plaintiff's activities in the mind of the public, or are likely to cause such confusion or mistake; or (2) that the defendant has acted unfairly in some manner.' A claim for unfair competition 'has been broadly described as encompassing any form of commercial immorality, or simply as endeavoring to reap where one has not sown; it is taking the skill, expenditures and labors of a competitor, and misappropriating for the commercial advantage of one person . . . a benefit or property right belonging to another.'" *FTA Mkt. Inc. v. Vevi, Inc.*, No. 11 CV 4789 VB, 2012 WL 383945, at *6 (S.D.N.Y. Feb. 1, 2012). Here, in addition to misappropriating Sesame's trademark under New York common law, Defendants have misappropriated Sesame's goodwill, which it has established over nearly fifty years, and which Defendants threaten to tarnish by linking their movie to *Sesame Street*.

irreparably harmed absent a temporary restraining order and preliminary injunction. *See Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 73 (2d Cir. 1988) ("In a Lanham Act case a showing of likelihood of confusion establishes both a likelihood of success on the merits and irreparable harm."); *NBA Props.*, 1999 WL 335147, at *6 ("In a trademark dilution case, '[d]ilution is itself an injury which [cannot] be recompensed by money damages.' The irreparable harm test is met under section 43(c) where there is a likelihood of dilution." (citations omitted)).

In any event, Sesame can independently prove the irreparable harm it will suffer absent an injunction. The violent and obscene nature of *the trailer alone* is already impugning Sesame's decades-earned goodwill and reputation as a champion of wholesome, educational programming. (*See* Orsini Decl. ¶¶ 9-15.) Such injury is irreparable. *See, e.g.*, *Bulman*, 882 F. Supp. 2d at 564 ("[P]rospective loss of goodwill alone is sufficient to support a finding of irreparable harm. Plaintiffs' examples of customer frustration and confusion coupled with Defendant's plan to develop and release a[n] app, suggests that future confusion—and accompanying prospective loss of goodwill—is a virtual certainty.") (internal citations and quotation marks omitted); *Heartland Trademarks*, 2017 WL 3278905, at *6 ("Plaintiff has invested over twenty years and many millions of dollars in the reputation of [its mark]. . . . In the absence of injunctive relief, Plaintiff faces the loss of control of the reputation of its brand and the prospective loss of goodwill toward the [] mark. Therefore, the Court finds that Plaintiff has met its burden of establishing irreparable harm in the absence of an injunction."); *N.Y.C. Triathlon*, 704 F. Supp. 2d at 325 ("By misappropriating Plaintiff's trade name and the NYC TRIATHLON Marks, Defendant is not only trading on Plaintiff's earned goodwill, but also is taking from Plaintiff the ability to control its reputation and the services offered under its name and mark. This harm cannot be quantified and is irreparable. Every day that Defendant operates

with Plaintiff's name, the ability of Plaintiff to signify its services and its reputation by its NYC TRIATHLON Marks is lessened. It is well-settled that a trademark owner's loss of goodwill and ability to control its reputation constitutes irreparable harm sufficient to satisfy the preliminary injunction standard.").

C. At a Minimum, There Are Sufficiently Serious Questions Going to the Merits, and the Balance of Hardships Tips Decidedly Toward Sesame

As described above, for all the reasons that Sesame is likely to succeed on the merits, even if it fell short of that standard, there are sufficiently serious questions going to the merits to make them a fair ground for litigation.

Moreover, the balance of hardships inquiry, which "asks which of the two parties would suffer most grievously if the preliminary injunction motion were wrongly decided," *Tradescape.com v. Shivaram*, 77 F. Supp. 2d 408, 411 (S.D.N.Y. 1999), tips decidedly in Sesame's favor. Sesame's nearly 50-year-long investment in building the value of the SESAME STREET mark and cultivating the trust of parents; the risk that the public will associate the obscene and violent nature of *The Happytime Murders* with Sesame, tarnishing Sesame's reputation; and the risk of losing control of the public's perception of its business, all show that Sesame is at risk of substantial hardship absent an injunction. *See Am. Electromedics Corp. v. Welch Allyn, Inc.*, No. 87-CV-1373, 1988 WL 12776, at *3 (N.D.N.Y. Feb. 16, 1988) ("If the defendant's product is of inferior quality, confusion between the products will have an adverse effect on the goodwill plaintiff has created over the years."); *Heartland Trademarks*, 2017 WL 3278905, at *6 ("Loss of control of the [] brand's reputation could undermine the goodwill that Plaintiff has been building for twenty-five years. It could also jeopardize Plaintiff's . . . annual sales.").

By contrast, Defendants, if enjoined, would merely need to change the infringing

tagline (which appears to be super-imposed text in the trailer) of their just-started marketing campaign to remove any reference to *Sesame Street*. To be clear, Sesame is not seeking to stop distribution or marketing of the movie, only use of the infringing tagline and marketing materials. Defendants can market their movie in any lawful way ahead of the release almost three months from now. Moreover, it appears that Defendants already have created and used other marketing materials that do not use the SESAME STREET mark. (Orsini Decl. ¶ 21 & Ex. 9 (using the tagline "JUSTICE ISN'T ALWAYS WARM AND FUZZY").)

Under these circumstances, the balance of hardships tip decidedly in Sesame's favor. *See Bulman*, 882 F. Supp. 2d at 565 ("Because Plaintiffs were first to develop the product and select the 'Pinweel' name, and because Defendant only selected the 'Pinwheel' name within the last several months—indeed, Defendant's product is still in its testing phase and has not yet been fully launched—the Court finds that the balance of hardships weighs decidedly in favor of Plaintiffs."); *N.Y.C. Triathlon*, 704 F. Supp. 2d. at 326-27 (balance of hardships favored plaintiff, which had "spent ten years, and continues to spend significant time and resources, developing and establishing its brand," versus defendant, which had "only just adopted" the mark); *see also Mint, Inc. v. Amad*, No. 10 CIV. 9395 SAS, 2011 WL 1792570, at *3 (S.D.N.Y. May 9, 2011) (addressing copyright claim and stating that "one who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continuing infringement destroys the business so elected") (internal quotation marks omitted).

D. <u>The Public Interest Weighs in Favor of a TRO and a Preliminary Injunction</u>

Finally, the court must ensure that the public interest would not be disserved by a preliminary injunction. Sesame has established a high likelihood of confusion in this case, and "the public interest is best served by removing confusingly similar marks so that the public can more freely access the parties' products." *See Bulman*, 882 F. Supp. 2d at 565. Here, moreover,

the risks and consequences of confusion for members of the public who may choose to view *The Happytime Murders* – a violent and sexually-explicit movie – in the erroneous belief that it is endorsed by or associated with Sesame – and its reputation for wholesome family entertainment – are greatly magnified. In these circumstances, the public interest tips strongly in favor of imposing a temporary restraining order and preliminary injunction.

E. Any Bond Required Should Be De Minimis

Whether to require posting of a security, and the amount of any such security, is at the Court's discretion. *See* Fed. R. Civ. P. 65(c); *Doctor's Assocs., Inc. v. Stuart*, 85 F.3d 975, 985 (2d Cir. 1996) (affirming district court's decision to dispense with security where defendants did not show they would suffer harm absent posting of a bond). The purpose of a bond is to compensate defendants for the costs if a preliminary restraint is wrongfully imposed. Here, the costs (if any) are trivial. Defendants already have created and used marketing materials that do not use "NO SESAME. ALL STREET." (Orsini Decl. ¶ 21 & Ex. 9 (using the tagline "JUSTICE ISN'T ALWAYS WARM AND FUZZY").)

CONCLUSION

For all of the forgoing reasons, Sesame respectfully requests that the Court enter a temporary restraining order or other preliminary injunctive relief enjoining Defendants from using Sesame's protected trademarks and intellectual property, including Defendant's use of the phrase "NO SESAME. ALL STREET.", in the marketing or promotion of the movie *The Happytime Murders*.

Dated: New York, New York
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Respectfully Submitted,

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