

Hockey League Skates To Summary Judgment Win Over Gulls

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by Kaleb McNeely

The minor hockey league ECHL iced a win over the San Diego Gulls hockey club earlier this month when a judge in the Central District of California granted ECHL's motion for summary judgment dismissing all of the Gulls' claims. The court found that because a 2015 agreement between the parties did not transfer any copyright in a gull-playing-hockey logo, ECHL was not on the hook for the Gulls' legal fees and settlement payment in a separate action.

Back in February 2015, ECHL assigned certain trademarks to the San Diego Gulls hockey team, including the word mark "Gulls," any depiction of a seagull in the context of hockey or a hockey team, and a logo showing a sea gull waving a hockey stick (the issue of whether gulls actually play hockey was apparently not considered by the court). The trademarks and logo were defined in the agreement as the "Marks." In addition to the trademarks, the 2015 agreement also assigned to the Gulls a list of social media names with the word "Gulls." The Marks and the social media names were collectively defined as the "Intellectual Property." As part of that agreement, ECHL represented that (1) it had the right, power, and authority to enter into the Agreement; and (2) the Mark was freely assignable and unencumbered by adverse claims.

All seemed fine until a little over a year later, when an individual named Robert Barros filed a copyright infringement action against the Gulls, alleging that he owned artwork entitled "San Diego Gulls" (pictured below) and that he had registered this artwork with the United States Copyright Office.

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Unfortunately for the Gulls, Barros' artwork appeared to be "birds-of-a-feather" with the logo they had purchased from ECHL and were using to promote their team. The copyright litigation with Barros proved painfully expensive for the Gulls. By the time it was over, they had racked up a whopping \$750,000 in attorneys' fees and paid \$330,000 to Barros to settle the matter. Ouch.

While the Gulls probably wanted to drop their gloves and challenge ECHL to an old-school hockey fight, they decided instead (presumably on the advice of their lawyers) to sue ECHL for breach of contract and intentional misrepresentation. The basis of both the Gulls' claims was that ECHL had falsely represented that the assigned rights were free and clear of any claims, when in fact Barros had a colorable (and, for the Gulls, costly) copyright claim to the Gulls' logo.

The Gulls filed their complaint in September 2019, and ECHL filed a motion to dismiss two months later. Interestingly, ECHL only sought dismissal of the intentional misrepresentation claim, asserting that it was not pleaded with the requisite particularity. In January 2020, the court denied ECHL's motion to dismiss and the parties engaged in discovery. Then, on March 19, 2021, ECHL filed their motion for summary judgment seeking dismissal of both claims.

In its summary judgment decision, the court quickly identified the relevant issue, which was one of contractual interpretation rather than intellectual property law. As the court phrased it, the Gulls' claims "rise and fall based on whether the 2015 Agreement transferred any copyright in the [gull-with-hockey-stick] Logo." In other words, if the copyright in the Gulls' logo was among the assets transferred in the 2015 assignment agreement, then ECHL shouldn't have represented that the assets were free and clear of claims. If, however, copyright rights were not among the assets assigned, then ECHL did not breach the agreement or make any misrepresentations – despite the fact that Barros had a copyright claim to the Gulls' logo.

The court reviewed the applicable provisions of the 2015 agreement and concluded that

that agreement “unambiguously defines the scope of the assets being transferred, which does not include copyright in the [Gulls’] Logo.” Specifically, according to the court, the Agreement transferred all of ECHL’s rights in the “Intellectual Property”, which in turn was expressly defined as including only the “Marks” and a list of social media names containing the word “Gulls.” As such, the court held that ECHL did not breach any provision of the assignment agreement or make any misrepresentation when it warranted that the intellectual property it was assigning to the Gulls was unencumbered by any adverse claims. Barros may have had a valid copyright claim but ECHL was under no obligation to disclose that because they weren’t assigning any *copyright* to the Gulls.

A few takeaways from this decision: First, given that this decision appears to be based on nothing more than interpretation of an unambiguous contractual provision, one wonders why ECHL didn’t move to dismiss both claims on the contractual interpretation issue. Second, this case serves as another reminder that you need to do your own due diligence when you purchase IP assets (or any assets, for that matter). If the Gulls had discovered Barros’ copyright before entering into the 2015 agreement, they could have avoided two messy and expensive litigations – or at least made ECHL pay for the Barros litigation. Finally, it bears repeating that contracts mean what they say and only what they say. If you want copyright rights to be encompassed within the rights assigned under a contract, make sure you include them – and don’t expect a court to add them later if you don’t.