

SELECTED 2003 CYBERSPACE INTELLECTUAL PROPERTY CASES

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By Eric Goldman and John Ottaviani¹

Cyberspace continues to present fascinating and novel intellectual property issues. What follows is our attempt at identifying some of the more significant "Cyberspace Intellectual Property" decisions of 2003. It was quite a year, particularly in the development of fair use jurisprudence both in the trademark and copyright fields. This list is not meant to be exhaustive, nor are the cases presented in any particular order of importance.

1. Pop-Ups --- Do They Infringe or Don't They?

- U-Haul International, Inc. v. WhenU.com, Inc., 279 F. Supp. 2d. 723 (E.D. Va. 2003). U-Haul brought infringement action against creator of pop-up advertising scheme, which caused ad to appear when U-Haul's web site was accessed. On motions for summary judgment, the court held that: (1) pop-up ad was not "use in commerce" of U-Haul's trademarks, as required to support claims for trademark infringement, unfair competition, and trademark dilution; (2) pop-up advertising scheme did not interfere with U-Haul's right to display its copyrighted works; and (3) scheme did not create derivative work under the Copyright Act.
- Wells Fargo & Co. v. WhenU.com, Inc., No. 03-71906, 2003 WL 22808691 (E.D. Mich. Sept. 5, 2003). Companies providing mortgage-financing services sued WhenU.com, alleging trademark and copyright violations. Companies moved for preliminary injunction barring use of software. The District Court denied the motion, holding that consumers would not likely be confused as to the source of the ads because: the pop-up advertiser's users were accustomed to receiving offers from the advertiser while surfing the Web; the advertiser's ads were identified by the advertiser, and bore a prominent notice and disclaimer stating that they came from the pop-up advertiser and were "not sponsored or displayed by the website you are visiting;" and the advertiser's ads appeared in a distinct window, bore all of the indicia of a distinct software application, and did not relate in any way to any other window on the user's screen.

¹ Eric Goldman is Assistant Professor at Marquette University Law School, Milwaukee, Wisconsin. John Ottaviani is a Partner in the Providence, Rhode Island office of Edwards & Angell, LLP. Eric and John are Co-Chairs of the Intellectual Property Subcommittee. Eric can be reached at eric.goldman@marquette.edu. John can be contacted at jottaviani@edwardsangell.com Copyright © 2004 Eric Goldman and John Ottaviani. All Rights Reserved.

- 1-800-Contacts, Inc. v. WhenU.com, Inc., No. 02 Civ. 8043(DAB), 2003 WL 22999270 (S.D.N.Y. Dec. 22, 2003). Owner of a website and the mark "1-800 CONTACTS" sued a competitor and WhenU.com, to enjoin them from delivering to computer users competitive "pop-up" Internet advertisements, in violation of federal and state copyright, trademark, and unfair competition laws. The District Court held that: (1) owner failed to establish a likelihood of success on its copyright claims; but (2) owner established a likelihood of success on its trademark infringement claim; and (3) owner established a likelihood of success on its claim under the Anticybersquatting Consumer Protection Act (ACPA).
2. ***Internet Domain Name is Form of Intangible Personal Property Under California Law***
- Kremen v. Cohen, 337 F.3d. 1024 (9th Cir. 2003). The Ninth Circuit held that, under California law, Network Solutions could be liable under the theory of conversion for giving away a registrant's domain name on the basis of a forged letter by a con man. The court found that domain names are a form of intangible personal property under California law.
3. ***What Hath Congress Wrought? --- DMCA and the Law of Unintended Consequences***
- Lexmark International, Inc. v. Static Control Components, Inc., 253 F. Supp. 2d. 943 (E.D. Ky. 2003) – replacement laser printer toner cartridges
 - Chamberlain Group, Inc. v. Skylink Technologies, Inc., 68 U.S.P.Q.2d. 1009 (N.D. Ill. 2003). District Court denied summary judgment on Chamberlain's claim that a universal remote that activates garage door openers manufactured by Skylink, a competitor, unlawfully circumvents copyright protection technology in violation of DMCA.
 - Chamberlain Group, Inc. v. Skylink Technologies, Inc., 68 U.S.P.Q.2d. 1948 (N.D. Ill. 2003). District Court granted summary judgment to Skylink and dismissed Chamberlain's DMCA claim.
4. ***Gripe Sites Suck, But They Don't Infringe --- No Likelihood of Confusion With Registered Trademark***
- The Taubman Company v. Webfeats, 319 F.3d. 770 (6th Cir. 2003) --- The Sixth Circuit reversed a district court's preliminary injunction against a web designer who registered domain names containing trademarks of The Taubman Company, including "sucks" domain names, because the domain names did not create a likelihood of confusion. According to the Court: the use of a disclaimer on the website of the allegedly infringing domain name worked against a finding of likely consumer confusion; and the moniker "sucks" of the website

<taubmansucks.com> and related domain names removed any confusion as to source of the goods or services offered. The Court also held that the website was not being used for commercial purposes.

5. **Recording Industry Takes Aim, But Gets Groked --- Aimster Liable For Contributory Copyright Infringement, But Grokster Not Liable**

- Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 259 F. Supp. 2d. 1029 (C.D. Cal. 2003). Distributors of Grokster peer-to-peer software not liable for contributory or vicarious copyright infringement. The Court distinguished the Ninth Circuit's ruling in the Napster case on the ground that the Grokster defendants had no knowledge of, and did not assist specific acts of infringement; and had no right or ability to supervise users of the software.
- In re: Aimster Copyright Litigation, 334 F.3d. 643 (7th Cir. 2003). Aimster's Internet service is a contributory and vicarious infringer of music copyrights. Seventh Circuit distinguished Napster, which suggested that actual knowledge of specific infringing uses is a sufficient condition for finding contributory infringement. Seventh Circuit balanced infringing vs. non-infringing uses to find contributory infringement.

6. ***Don't Ask, Don't Tell --- DMCA Subpoena Provision Cannot Be Utilized Against Verizon***
 - Recording Industry Association of America, Inc. v. Verizon Internet Services, Inc., 351 F.3d. 1229 (D.C. Cir. 2003). RIAA may not issue DMCA subpoena to an ISP acting as a conduit for peer-to-peer file sharing, which does not involve the ISP's storage of infringing material on the ISP's server.

7. ***Does Size Matter? --- Use of Thumbnail Reproductions of Copyrighted Photographs Is Fair Use***
 - Kelly v. Arriba Soft Corporation, 336 F3d. 811 (9th Cir. 2003). Arriba operates an Internet search engine that displays thumbnail image pictures copied from other websites. Photographer discovered his photographs were part of Arriba's database. Ninth Circuit held that use of the thumbnail reproduction of copyrighted photographs was "fair use" and not infringing, because the use was "transformative" and did not interfere with the photographer's economic expectations.

8. ***Google To The Rescue! --- Court Conducts Its own Search TO Find No Likelihood of Confusion***
 - 24 Hour Fitness USA v. 24/7 Tribeca Fitness, LLC, 277 F. Supp. 2d. 356 (S.D.N.Y. 2003). Fitness club sued competitor for trademark infringement and ACPA violations for use of <247hourfitness.com> domain name. Plaintiff argued that there would be a likelihood of confusion among Internet users employing search engines to find Plaintiff's website. The Court utilized the results of its own Google search to conclude that any confusion or misdirection would arise principally from Plaintiff having chosen to construct its mark out of common descriptive terms.

9. ***Oops, We Did It Again! --- Microsoft Hit For \$520 Million Patent Infringement Verdict***
 - Eolas Technology v. Microsoft Corp. In August, a jury awarded Eolas \$520 million in damages following a five-week trial. The jury found that Microsoft infringed on a patent owned by the University of California, which allows the delivery of interactive applications to the desktops of users by accessing a Web page anywhere in the world. On January 15, 2004, the trial judge upheld the verdict, ordered Microsoft to pay \$45 million in interest, and rejected Microsoft's motion for a new trial.

10. **“He Who Takes My Name ...” --- Circuits Split on Trademark Nominative Fair Use Defense**

- PACCAR Inc. v. Telescan Technologies, L.L.C., 319 F.3d 243 (6th Cir. 2003). PACCAR manufactures trucks under the “Peterbilt” and “Kenworth” trademarks, and also operates a used truck locator service on its website. Telescan operates a used truck locator website, and also established manufacturer specific web sites incorporating “Peterbilt” and “Kenworth.” Telescan also displayed the marks on wallpaper in the same font as the registered trademarks, and included the marks in its metatags. The Sixth Circuit upheld the preliminary injunction, finding: (1) Telescan’s use of PACCAR’s marks in its domain names is likely to cause confusion; (2) fair use defense does not apply where there is a finding of likelihood of confusion; (3) “nominative fair use” defense is not recognized in Sixth Circuit; (4) Telescan’s use is not a nominative fair use because Telescan used PACCAR’s trademarks in its domain names, thereby describing its own products (websites), not PACCAR’s trucks and because Telescan’s use went beyond using the marks as is reasonably necessary to identify PACCAR’s trucks; and (6) first sale defense does not apply because Telescan’s incorporation of PACCAR’s trademarks in its domain name creates a likelihood of confusion as to the source or affiliation with the site.
- JK Harris & Company, LLC v. Kassell, 253 F. Supp. 1120 (N.D. Cal. 2003). JK Harris, a tax representation service, sued a competitor for violations of Section 43(a) of the Lanham Act, state unfair competition and defamation for publishing unfavorable information about JK Harris on the competitor’s website. Court found that competitor’s use of JK Harris’s name on its website was permissible “nominative fair use.” Court did enjoin “false and misleading” statements.

11. **Guilty! Guilty! Guilty! --- Copyright Fair Use Defense Rejected**

- United States v. Slater, 348 F.3d 666 (7th Cir. 2003). Seventh Circuit upheld defendants’ conviction of conspiracy to commit copyright infringement in connection with their involvement in a group (“Pirates With Attitudes”) dedicated to allowing members to download unauthorized copies of copyrighted software on the Internet. Seventh Circuit rejected fair use defense.

12. **That Could Never Happen Here! --- Legg Mason Pays for Unauthorized Electronic Distribution of Copyrighted Newsletter**

- Lowry’s Reports, Inc. v. Legg Mason, Inc., 271 F. Supp. 2d 737 (D. Md. 2003). Lowry’s published a copyrighted daily and weekly financial newsletter by fax and e-mail, and offered only individual subscriptions. For over a decade, Legg Mason paid for a single copy of the daily and weekly report. From 1999-2001, Legg Mason also published every issue on its internal Intranet and distributed to every member of the research department on paper and by e-mail. Court found that

Legg Mason employees infringed Lowry's copyright by unauthorized distributions. Court also rejected Legg Mason's argument that it was not vicariously liable because the copying contravened express company policy, finding that this issue may go to damages, not liability. Court also rejected affirmative defenses of equitable estoppel, fair use and implied license.

13. **"Who Needs Two?" --- Spidering, Deep Linking and Framing Do Not Infringe Ticketmaster's Copyright**

- Ticketmaster Corp. v. Tickets.com, Inc., No. CV997654HLHVBKX, 2003 WL 21406289 (C.D. Cal. March 7, 2003). Yet another decision in this long running legal battle. Court found that: (1) momentary copying of Ticketmaster web pages by "spider" to extract non-protected factual information is a fair use, under Copyright Act; (2) URL's of Ticketmaster web pages are not entitled to copyright protection; and (3) deep linking from Tickets.com web pages to interior pages of Ticketmaster's website and "framing" of Ticketmaster web pages was not an unauthorized public display of the Ticketmaster web pages in violation of Ticketmaster's exclusive rights of reproduction and display under the Copyright Act. Case also contains interesting trespass to chattels and browsewrap contact discussions.

14. **Do You Want To Know A Secret? --- California Trade Secret Law Trumps First Amendment**

- DVD Copy Control Association, Inc. v. Bunner, 4 Cal. Rptr. 3d 69, 75 P.3d 1 (2003). A fascinating opinion arising out of what is now one of the worst kept trade secrets, namely, how to crack the CSS code for protecting content on DVD's. Code for cracking CDD appeared on numerous websites, including Bunner's. Trial court issued preliminary injunction preventing Bunner from posting cracking code as a violation of California's trade secret law (which is virtually identical to the Uniform Trade Secrets Act). Court of Appeal reversed. Court assumed, for purposes of the decision, that DVD CCA was likely to prevail on trade secret claim, and analyzed whether the injunction violated Bunner's right to free speech under U.S. and California Constitutions. In doing so, Court found: (1) computer code is protected "speech" for purposes of First Amendment; (2) preliminary injunction was "content neutral" because trial court issued injunction to protect DVD CCA's statutorily-created property interest in information, not to suppress the content of Bunner's communications; and (3) preliminary injunction burdened no more speech than is necessary to serve the governmental interest at stake in protecting trade secrets.

And one preview for next year's report

15. **Unlabeled Banner Ads Keyed to Mark May Constitute Initial Interest Confusion**

- Playboy Enterprises, Inc. v. Netscape Communications Corp., No. 00-56648 (9th Cir. Jan 14, 2004). Netscape's and Excite's sale of a list of "key word triggers," which included the registered trademarks "Playboy" and "Playmate," to advertisers may create "initial interest confusion" and infringe registered trademarks on the list. District Court granted summary judgment to search engine companies. Ninth Circuit reversed, finding: (1) analysis of 8-factor likelihood of confusion test raised genuine issues of material fact on the issue of actual confusion and precluded summary judgment; (2) search engines' practice of keying banner ads to Playboy's trademarks created "initial interest confusion" by confusing Internet users into thinking that unlabeled banner ads appearing on search pages are sponsored by Playboy so as to invoke users to click through ads; (3) disputed issues of fact as to fame of marks and search engines' commercial use of marks precluded summary judgment; (4) "fair use" defense could not be used because there remained an issue of likelihood of confusion; and (5) "nominative fair use" defense does not apply because banner ads came up if any name on the list was typed in, not just Playboy or Playmate. Judge Berzon, in a concurring opinion, questions viability of Brookfield holding as to "initial interest confusion" and suggested it be revisited *en banc*. (Brookfield Communications, Inc. v. West Coast Entm't Corp., 174 F.3d 1036 (9th Cir. 1999))