

SELECTED 2004 CYBERSPACE INTELLECTUAL PROPERTY CASES

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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 2004. Once again, it was quite a year, particularly in the development of fair use and third party liability jurisprudence both in the trademark and copyright fields. We are also beginning to build some DMCA jurisprudence as the courts explore the boundaries of the Digital Millennium Copyright Act. This list is not meant to be exhaustive, nor are the cases presented in any particular order of importance.

Here are our “top ten” (twelve, actually), followed by other cases which we felt are significant enough to mention.

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

- Playboy Enterprises, Inc. v. Netscape Communications Corp., 354 F.3d 1020 (9th Cir. 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

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suggested it be revisited *en banc*. (Brookfield Communications, Inc. v. West Coast Entm't Corp., 174 F.3d 1036 (9th Cir. 1999))

2. **Court Sinks Copyright Claims Against Yacht Broker Website**

- Nautical Solutions, Inc. v. Boats.com, No. 8:02-CV-760-7-23TGW, 2004 WL 783121 (M.D. Fla. Apr. 1, 2004). Boats.com owned and operated Yachtworld.com, an Internet website on which subscribing yacht brokers post listings of yachts for sale. NSM started a competing website with two services to which Boats.com objected: (1) NSM used a “spider” to visit targeted public websites, extract the facts concerning yacht listings and put them in a searchable database on its own website; and (2) NSM also, on behalf of yacht brokers who owned a yacht listing on another website, would copy and paste and modify the pictures and text of the listing onto NSM’s website. The District Court found that the momentary copying of the Boats.com HTML code to extract the fact unprotected by copyright constitutes “fair use” (citing Ticketmaster Corp. v. Tickets.com and Assessment Tech. V. Wiredata, Inc., both of which appeared on our 2003 list!) and thus us not an infringement. The copying of the pictures and the text of the listings did not infringe any Boats.com copyright, because the brokers owned the copyright in the text and the pictures.

3. **DMCA Safe Harbors are Not Exclusive**

- Costar Group Incorporated v. Loopnet Incorporated, 373 F.3d 544 (4th Cir. 2004). Costar operated a database of commercial real estate in the U.S. and the U.K. Loopnet’s web hosting services allow subscribers (generally real estate brokers) to post listings of commercial real estate on the Internet. CoStar sued for copyright infringement. The District Court found no direct infringement. On appeal the Fourth Circuit affirmed, holding that the DMCA safe harbor provisions (with which Loopnet did not comply) do not pre-empt the Netcom holding (an ISP serving only as a passive conduit for copyrighted material is not liable as a direct infringer). Stay tuned, though, because the Fourth Circuit held open the possibility that an ISP could become liable indirectly upon a showing of additional involvement sufficient to establish contributory or vicarious violation of the Copyright Act. In that case, the ISP could still look to the safe harbor in the DMCA Section 512 (c) if it fulfilled the conditions set forth there.

4. ***You Say “Scholastica.” I Say “Escholastica.” --- But No One Will Be Confused***

- Scholastic, Incorporated v. Escholastica.com, 100 Fed. Appx. 152 (4th Cir. 2004)(unpublished). Escholastica sells an Internet-based application to private schools in Mexico, where teachers and students can communicate outside school via password protected web pages. Scholastic is a leading seller of educational materials and books in the U.S. and worldwide, and offers a similar service on its scholastic.com website. Fourth Circuit affirmed the lower court’s finding that there was no likelihood of confusing (using the 8-part test in the 4th Circuit), given: (1) the differences in the marks themselves; and (2) the substantial differences in the appearances of the websites. In effect, this is a traditional likelihood of confusion analysis, applied to two websites offering similar services, but to completely different audiences (Spanish speaking students and parents in Mexico vs. English speaking parents and students in the United States).

5. ***Gripe Sites Suck, But They Don’t Infringe --- No Likelihood of Confusion With Registered Trademark***

As we found last year, there are two more cases where the courts find that the gripe sites do not infringe trademarks. Viva la First Amendment!

- TMI, Inc. v. Maxwell, 368 F.3d 433 (5th Cir. 2004). Individual set up web site complaining about homebuilder’s practices, using the homebuilder’s trademark in the domain name. The Fifth Circuit reversed the lower court and held that the ACPA and the anti-dilution provisions of the Lanham Act require “commercial use” for liability and that the individual did not engage in commercial use.” (In this case, the individual did not accept payments for listing other vendors, had no intent to charge money for using the site, had no advertising or links to other websites, did not engage in the business of selling domain names, and had no bad faith intent to profit).
- Lucas Nursery and Landscaping, Inc. v. Grosse, 359 F.3d 806 (6th Cir. 2004). Former customer of a landscaping company set up a gripe website on which she detailed her complaints about bad service. The Sixth Circuit reviewed the “bad faith” factors in the ACPA and affirmed the lower court’s finding that the customer did not act in bad faith within the meaning of the ACPA.

6. **Strike Two! Recording Industry Gets Groked Again! Grokster Still Not Liable For Contributory or Vicarious Copyright Infringement.**

- Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 380 F.3d 1154 (9th Cir.), cert. granted, 125 S. Ct. 686 (2004). The lower court decision made our list last year, and we are now guaranteed a "three-peat" by the Supreme Court's granting of certiorari. The lower court found that the distributors of Grokster peer-to-peer software are not liable for contributory or vicarious copyright infringement because (unlike Napster) the Grokster defendants had no knowledge of and did not assist any specific acts of infringement, and had no right or ability to supervise users of the software. This year, a panel of the Ninth Circuit affirmed unanimously. The Ninth Circuit decision creates a conflict with the Seventh Circuit as to how the Betamax case should be interpreted. The Ninth Circuit says that in order for limitations of liability in Betamax to apply, the product need only be capable of substantial non-infringing uses. The Seventh Circuit says that an important additional factor is how "probable" the non-infringing uses are. **STAY TUNED! This one is likely to top the list next year!**

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7. **When Will It All End? --- Napster Investors Face Possible Liability For User Downloads**
- UMG Recordings, Inc. v. Bertelsmann AG, 222 F.R.D. 408 (N.D. Cal. 2004). Music recording companies have now brought their copyright infringement claims against the former owners of Napster, alleging the investors engaged in vicarious and contributory copyright infringement. The District Court refused to dismiss the claims because the recording companies accuse the defendants of assuming control over Napster's operations and directing the infringing activities that gave rise to Napster's liability.
8. **Use of Trademark in Metatags Does Not Cause Initial Interest Confusion**
- Bijur Lubricating Corp. v. Devco Corp., 332 F. Supp. 2d 722 (D.N.J. 2004). Bijur is a manufacturer of lubricating systems and replacement parts for those systems. Devco competes with Bijur in the sale of lubricating parts, components and services. Devco's used Bijur's trademark in its metatags, such that an Internet search would return results that included a Devco web page under the title "Bijur replacement lubrication parts by Devco." The court used a fairly traditional analysis to conclude that: (1) the "first sale" doctrine permits Devco to use Bijur's trademark to resell genuine Bijur replacement parts; and (2) the "nominative fair use" doctrine permits Devco to use Bijur's trademarks to sell replacement parts manufactured by third parties. The court also found that the use of Bijur's trademarks in metatags was not confusing, because Devco used the marks truthfully to describe Bijur's products.
9. **Perfectly Wrong --- Twice!**
- Perfect 10, Inc. v. Visa Int'l Service Ass'n., No. C 04-0371JW, 2004 WL 1773349 (N.D. Cal. Aug. 5, 2004). Publisher of pornographic magazine and website sued Visa, Mastercard and other financial institutions, claiming that they have knowingly provided transactional support services for the sale of millions of stolen photos and film clips by other websites, and thus have committed contributory and vicarious copyright infringement and contributory and vicarious trademark infringement. The court dismissed the copyright claims because: (1) the defendants do not materially contribute to infringement because they are concerned solely with the financial aspects of the websites, not the content; and (2) the defendants had no right and ability to control the infringing activity. The court also dismissed the trademark infringement claims because: (1) the defendants did not induce the infringing websites to use Perfect 10's marks; and (2) the defendants had no control over the infringing websites.

- Perfect 10, Inc. v. CCBill, LLC, 340 F. Supp. 2d 1077 (C.D. Cal. 2004). Here, Perfect 10 sued a payment processing service and an age verification service for copyright infringement. The defendants claimed that their actions fell within the DMCA “safe harbors” such that they were not liable. The court agreed. The lengthy decision contains discussions of the requirements for DMCA notices under Section 512©(3); the reasonable implantation provisions under Section 512(i); the “provision of a connection” provision under Section 512(e); termination policies under Section 512(i); and the safe harbor provisions of Sections 512(a), (c) and (d). The court also found that Section 230(e) of the Communications Decency Act shielded the defendants from liability for state unfair competition and false advertising claims, but not for wrongful use of registered trademarks.

10. ***Good News! We Just Saved a Lot on Our D&O Insurance! Or Did We?***

- Government Employees Insurance Company v. Google, Inc., 330 F. Supp. 2d 700 (E.D. Va. 2004). Google’s sale of keywords linked advertising constituted a commercial use of GEICO’s marks such that the court refused to dismiss a trademark infringement claim. **(Note: subsequently the court has orally ruled that Google’s practice of selling the keywords does not infringe GEICO’s trademarks, but that the practice of allowing the advertisements to use GEICO’s trademarks may infringe. No written ruling has been issued yet, and the court has urged the parties to settle the case.)(Second note: A French court in January has found Google liable for trademark infringement in France for essentially the same practice.)**

Here are some other cases that did not make the “top 10” but are also of interest:

DeGidio v. West Group Corporation, 355 F.3d 506 (6th Cir.), cert. denied, 124 S. Ct. 2842 (2004) (Owner of the website domain name lawoffices.net has a descriptive mark in “law offices” which has not acquired secondary meaning for trademark protection).

Retail Services, Inc. v. Freebee’s Publishing, 364 F.3d 535 (4th Cir. 2004) (the term “freebee” as used in the domain name Freebee.com is generic and thus a trademark claim against the domain name owner could not stand because the mark had not acquired secondary meaning.)

In re Oppedahl & Larson, LLP, 373 F.3d. 1171 (Fed. Cir. 2004) (Federal circuit upheld TTAB’s decision to affirm refusal to register the mark “Patents.com”; the court held that addition of the top level domain indicator “.com” to the term “patents” did not make the otherwise descriptive term registrable. The court left open the possibility that in unique circumstances the TLD could perform a source indicating function and that the addition of a TLD to an otherwise descriptive term could affect the registrability of a mark.”)

New Sensor Corp v. CE Distribution, LLC, 380 F.3d 1107 (E.D.N.Y.), affirmed, 2004 WL 2980422 (2d Cir. 2004) – (Vacuum tube seller’s use of competitor’s “ZVETLANA” mark on its website did not infringe the trademark, nor did it constitute false advertising, where all the vacuum tubes offered by seller under the trademark name had been acquired by seller from a supplier).

I.M.S. Inquiry Management Systems, Ltd. v. Berkshire Information Systems, Inc. 307 F. Supp. 2d 521 (S.D.N.Y. 2004) (Unauthorized use of a valid password to access website did not constitute a violation of the anti-circumvention provisions of the Digital Millennium Copyright Act) (also derivative work issues).

Argos v. Orthotec LLC, 304 F. Supp. 2d 591 (D. Del. 2004) (Foreign entity's use of its trademark as part of its domain name constitutes "use in commerce" under the Lanham Act, sufficient to confer standing for bringing a claim under the Anti-Cybersquatting Consumer Protection Act).

Welte v. Sitecom Deutschland GmbH, (LGMünchen, May 19, 2004) (GPL used in providing open source software is legally valid and enforceable under German copyright law).

[Disney South Africa copyright infringement suit] (Disney motion to dismiss denied in lawsuit filed by local Zulu family for royalties from the hit song "The Lion Sleeps Tonight." The family of the late Solomon Linda, who composed the original Zulu tune for the song, is claiming 10,000,000 Rand (about \$2.7M) in damages from Disney. The court ordered that Disney's trademarks in South Africa can be attached to obtain jurisdiction and can be sold to collect damages. The allegation is that under South African copyright law, Mr. Linda's assignment of the copyright expired in 1987, and Disney's subsequent sale of "The Lion King" videos and CD's in South Africa infringed the copyright). (Order handed down June 29, 2004) (A total of 240 South Africa trademark registrations, including Mickey Mouse and Donald Duck were cited in the Order.) (As of January 26, 2005, case is still in the discovery stage and is not expected to go to trial before July 2005)

Telewizja Polska USA, Inc. v. Echostar Satellite Corp., 2004 WL 2367740 (N.D. Ill. Oct. 15, 2004) – (Archived copies of web pages taken by the Internet Archive as they appeared in the past are admissible under the Federal Rules of Evidence, do not constitute hearsay nor "an unreliable source.")

Corbis v. Amazon, No. CV03-1415L, 2004 WL 3092244 (W.D. Wash. Dec. 21, 2004). Copyright holder in photographs and posters brought action against Amazon.com, claiming that Amazon directly and vicariously infringed its copyrights by permitting third parties to publish photos in Amazon's zShops platform. Court held that DMCA Section 512© safe harbor protects Amazon from liability for copyright infringement for images displayed by third party vendors. Discussion includes: (1) what is a "service provider" under Section 512(k)?; (2) what does it mean to "reasonably implement" a user policy under Section 512(i)?; and (3) the safe harbor conditions under Section 512(c).

Rossi v. Motion Picture Association of America, 391 F.3d 1000 (9th Cir. 2004). Operator of website that offers downloadable movies brought tort suit against MPAA for tortious interference with contractual relations after MPAA threatened Rossi's ISP with copyright infringement. Good discussion of "good faith belief" under Section 512(c)(3)(A)(v).

Batesville Services, Inc. v. Funeral Depot, Inc., No. 1:02-CV-01011-DFH-TA, 2004 WL 2750253 (S.D. Ind. Nov. 10, 2004). Funeral Depot used copyrighted pictures of Batesville caskets on website that also sold other products from other companies. Court granted Batesville's motion for summary judgement of Funeral Depot's fair use defense. Court said it is

difficult to prove copyright infringement or contributory infringement from use of hyperlinks, but refused to make it a *per se* rule.

Nissan Motor v. Nissan Computer Corp., 378 F.3d 1002 (9th Cir.), petition for cert. filed, 73 U.S.L.W. 3372 (Dec.22, 2004). Auto manufacturer sued North Carolina computer store for registering Nissan.com for trademark infringement and dilution. Issues include discussion of dilution in the Internet context and whether or not the court could enjoin links to gripe sites.