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BENCHMARKS: STUDIOS PREVAIL IN
FIRST ROUND OF DVD LAWSUITS

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Among the most challenging tasks of courts in intellectual property cases balancing the interests of property owners against the constitutional and statutory rights of the public to use copyrighted material. That task has been made more difficult by the advent of instant digital communication, allowing nearly perfect copies of music, movies, and text to be made and transmitted around the world with the click of a mouse. Declaring that it was “not persuaded that modern technology has withered the strong right arm of equity,” a New York federal district court has issued a local injunction prohibiting dissemination on the Internet of a computer program designed to allow unauthorized copying of digital versatile discs. These so-called DVDs are the latest technology for home distribution of motion pictures. *Universal City Studios, Inc. v. Reimerdes*, No. 00 Civ. 0277, 2000 WL 1160678 S.D.N.Y. Aug. 17, 2000.

While each copy of an analog videotape degrades the quality of a work, a copy of a digital DVD is practically perfect. In order to protect against unauthorized copying and to enforce geographical limits on the release of motion pictures, the major movie studios developed an encryption system known as CSS, now incorporated in nearly all DVDs and DVD players. Last fall, a 15-year-old Norwegian computer hacker, working with others he met over the Internet, reverse engineered a DVD player and developed DeCSS, a program that defeats CSS. Using DeCSS, anyone with a computer can copy a DVD onto any computer hard drive, play it back on any PC, or distribute it over the Internet. Eric Corley—a leading hacker who publishes a magazine that has included instructions to intercept cellular phone calls and access other people’s e-mail—posted DeCSS on a Web site and included on that site multiple links to other sites where DeCSS can be downloaded.

In January, eight major movie studios sued Corley and a company he controls, asserting violations of the Digital Millennium Copyright Act (DMCA). On January 20, the district court preliminarily enjoined Corley from posting DeCSS on the Internet. Practicing what they called “electronic civil disobedience,” the defendants openly encouraged others to distribute the program.

On August 17, after trial, the district court entered a permanent injunction forbidding defendants from posting DeCSS on any Web site, and from knowingly linking to any site containing DeCSS. The court first found that defendants’ activities violated section 1201(a)(2) of the DMCA, which prohibits, among other things, offering to the public, providing or trafficking in technology primarily designed “for the propose of circumventing a technological measure that effectively controls access to a work,” protected by copyright. The court rejected the defendants’ argument that their activity was lawful because programs such as DeCSS are necessary to allow individuals to make copies of DVDs that are permitted by the fair use doctrine expressed in

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section 107 of the Copyright Act. The court determined that Congress had explicitly considered that issue, and “elected to leave technologically unsophisticated persons who wish to make fast use of encrypted copyrighted works without the technical means of doing so.”

The court also rejected the defendants’ First Amendment defense. While “computer code is expressive,” and therefore “a matter of First Amendment concern,” the DMCA is a content-neutral regulation of speech “that does not unduly restrict expressive activities.” The court refused to accept the argument that it lacked power to halt the distribution of computer code that can enjoin the legal rights of third parties: “The Constitution, after all, is a framework for building a just and democratic society. It is not a suicide pact.” In deference to First Amendment interests, however, the court found that an injunction against linking to a site containing DeCSS could be issued only on clear and convincing evidence that the party knew it was linking to outlawed technology and wanted the technology to be disseminated.

Predictably, the ruling has been hailed by the movie industry, and denounced by the defendants for creating a “new exception for software” under the First Amendment. The case is bound for appeal to the U.S. Court of Appeals for the Second Circuit—and possibly U.S. Supreme Court—review.

Trademarks

“YELLOW CAB” DRIVES WEDGE BETWEEN CIRCUITS

Yellow Cab Co. Of Charlottesville v. Rocha

No. Civ A. 3:00CV00013, 2000 WL 1130621 (W.D. Va. July 5, 2000).

Does the senior user of a mark that has become generic nevertheless have rights under the Lanham Act? Exposing a split in the circuits, a Virginia federal district court answered no. The Plaintiff was a taxi company doing business under the Yellow Cab name in the Charlottesville, Virginia area. Noting ample evidence that the name had become generic, the district court denied plaintiff’s motion for preliminary injunction forbidding defendant, a competitor, from using the Yellow Cab mark. Following the Fourth Circuit’s decision in *Ale House Management, Inc. v. Raleigh Ale House, Inc.*, 205 F.3d 137 (4th Cir. 2000), the district court found that a generic mark is not entitled to any protection under the Lanham Act. It noted that the Second Circuit had reached a contrary result in *Genesee Brewing Co, Inc. v. Stroh Brewing Co.*, 124 F.3d 137 (2d Cir. 1997), where it held that even users of generic marks are obliged to take reasonable means to prevent confusion as to source.

COURT GIVES “DIANA” DOLLS ROYAL TREATMENT

Cairns v. Franklin Mint Co.

No. CV98-3847, 2000 WL 973548 (C.D. Cal. June 27, 2000)

A Los Angeles federal district court dismissed on summary judgment trademark claims brought by the Estate of Princess Diana against the Franklin Mint, a major marketer of jewelry, commemorative plates, sculptures and dolls depicting the princess. The district court found that Franklin Mint’s use of Diana’s image and the words “Diana, Princess of Wales” was descriptive of its products, and did not imply an endorsement by the estate. Moreover, the court found, as a matter of law, that there was no likelihood that consumers would be confused about the Estate’s endorsement of the products. The court relied principally on evidence of a “vast inventory of products sold by innumerable sources” bearing Diana’s name and image, commercial activity she never opposed during her life. In that context, Diana’s image “has truly lost any significance as a mark identifying the source of a product.” As *Cairns* indicates, courts will be extremely reluctant to allow celebrities who have courted public attention to use the trademark laws to regulate use of their names or images.

HERMES BAGS LACHES DEFENSE

Hermes International v. Lederer deParis Fifth Avenue, Inc.

219 F.3d 104 (2d Cir. 2000).

Vindicating the rights of Hermes, the well-known high-end fashion retailer, the U.S. Court of Appeals for the Second Circuit emphasized the rule that a party who intentionally causes trademark infringement cannot plead laches. Defendants Lederer and Artbag sell expensive knockoffs of Hermes—some retailing for as much as \$27,000. Defendants acknowledged to customers that the bags are not genuine Hermes products, but also claimed that the style and workmanship are so close that no one would be able to tell the difference. The district court sustained a laches defense, finding that Hermes had known of the defendants’ conduct for at least nine years. Reversing, the Second Circuit found that, even though defendants’ customers knew they were buying knockoffs, defendants intentionally created post-sale confusion, by producing bags practically indistinguishable from distinctive Hermes designs. Such “intentional infringement is a dispositive, threshold inquiry” that bars any consideration of a laches defense, not merely a factor “weighed in balancing the equities.

COUNTRY-SPECIFIC DOMAIN NAME CAUSED CONFUSION

Christies Inc. v. Ljungberg

No. DNU2000-002 (Aug. 6, 2000)

In addition to the more familiar top-level internet domain names such as “.com” and “.org,” there exists a group of country-specific designations, such as “.fr” (France) and “.uk” (England). A panel of the World Intellectual Property Organization Arbitration and Mediation

Center has, apparently for the first time, directed the transfer of a country-specific domain name to a senior holder of a similar registered mark. The complainant was the famous Christie's auction house. Respondent Ljungberg, a Swedish resident who defaulted in the proceeding, had registered the domain name "christies.nu." Rather than use "christies.nu" for an operational Website, Ljungberg used it simply to link to an art auction site he operated at a different address. He had done the same with other domain names, including "sothebys.nu." On this record, the panel found without difficulty that the marks were confusingly similar and that Ljungberg had acted in bad faith under the WIPO Dispute Resolution Policy, requiring transfer of the name to Christie's. The decision indicates that WIPO panels will not credit the claim that use of country-specific domain names is sufficient to prevent confusion with senior marks.

Copyright

SPIDER SNARES TICKETMASTER WEB SITE

Ticketmaster Corp. v. Tickets.Com, Inc.
No. CV99-7654 (C.D. Cal., August 10, 2000)

Considering issues of importance for e-commerce, a Los Angeles federal district court refused to issue a preliminary injunction restraining one company's "Webcrawler" from copying factual information from a rival's Web site. Plaintiff Ticketmaster is the largest ticket broker in the country. Defendant Tickets.Com also sells tickets, but operates primarily as a ticket information clearing house, maintaining a Web site that includes information about events and ticket availability and directs buyers to other Web sites—such as Ticketmaster—where tickets can be bought. The information on the Tickets.Com site is assembled using a "Webcrawler" or "spider" that automatically accesses other Web sites and copies information. The district court found that this copying was likely to be fair use under the Copyright Act, because Tickets.Com made permanent copies only of factual information, which is not copyrightable. Relying on the recent decision in *eBay, Inc. v. Bidder's Edge, Inc.*, 100 F. Supp.2d 1058 (N.D. Cal. 2000), the district court found that unauthorized use of a Web site could constitute common law trespass to chattels, but that Ticketmaster had not made the showing of damage to or impairment of its computer system necessary to establish that tort.

DIVINE DICTATION IS PROTECTABLE

Penguin Books U.S.A. Inc. v. New Christian Church of Full Endeavor, Ltd.
No. 96 Civ. 4121, 2000 WL 1028634 (S.D.N.Y. July 25, 2000)

A New York federal district court found that divine inspiration is no barrier to copyright ability. After hearing a "voice" she later identified as "Jesus," Helen Schucman, a Columbia University psychology professor, began to transcribe *A Course in Miracles*, which the district court described as a "somewhat bewildered, bewildering, yet not terribly novel message" that the world we perceive is "illusion," and that "the true world is 'God.'" After the voice directed that copyright protection be sought, a registration was obtained in the name of "[Anonymous]

(Helen Schucman),” and over a million copies of the course was published. The copyright holders brought suit against a rival religious group that published portions of the course without authorization.

In deciding to issue a preliminary injunction, the district court determined that the course was copyrightable as a literary work, or a compilation of facts. Particularly in light of editorial changes and suggestions contributed by Schucman and other people, the court held that “as a matter of law, dictation from a nonhuman source should not be a bar to copyright.”

COURT SNUFFS OUT TORTIOUS INTERFERENCE CLAIM

Yankee Candle Co., Inc. v. Bridgewater Candle Co.
No. 93-30226, 2000 WL 1048446 (D. Mass., July 27, 2000)

A Massachusetts federal district court held that summary judgment dismissing copyright and trademark claims precludes the introduction of evidence relating to those claims in support of a claim of tortious interference. Yankee Candle brought copyright and trademark claims based upon Bridgewater’s alleged copying of Yankee’s labels and trade dress. It also sued for tortious interference with contract and unfair competition, based on the same conduct, as well as alleged disparaging statements to Yankee Candle’s customers. The district court dismissed the copyright claims because Bridgewater had not copied any protectable material, and the trademark claims because Yankee Candle failed to demonstrate secondary meaning. Without citing any supporting authority, the district court then took the further step of prohibiting Yankee Candle from offering in support of its remaining claims any evidence that would establish a copyright or trademark violation, even to show improper motive, which is an element of tortious interference. If it withstands appeal, this ruling would create significant barriers for plaintiffs who join unfair competition or other tort claims with unsuccessful copyright or trademark counts.

Patents

COURT DEPRESSES ELI LILLY IN “PROZAC” RULING

Eli Lilly and Co. v. Barr Laboratories, Inc.
No. 99-1262, 2000 WL 1114915 (Fed. Cir. Aug. 9, 2000)

Dealing a major blow to Eli Lilly and Company, the Federal Circuit cut nearly three years off the patent protection of Lilly’s blockbuster antidepressant drug Prozac, ruling that a Lilly patent is invalid under the doctrine of “obviousness-type double patenting.” The judicially created double patenting doctrine prohibits a patentee from extending its exclusive rights to an invention by obtaining a later patent that is not “patentably distinct”—patentable in its own right—over the earlier patent. In 1986 Lilly obtained a patent, set to expire in 2003, claiming a method for administering Prozac to inhibit serotonin uptake (a cause of depression) in animals. In 1977, however, Lilly had obtained another patent, claiming a method for treating depression

in humans by administering a drug within a class of thousands of compounds—a class that included Prozac. Lilly argued that the later patent was valid because it would not have been obvious to choose Prozac from that large class. The Federal Circuit rejected that argument, holding that Lilly could not use the “broad coverage of the [1977] patent as both a sword and a shield,” asserting the right to block others from using any of the compounds within the class claimed in the earlier patent, while also claiming rights for the additional years of the 1986 patent term.

FAULTY PATENTS DRAFTING DEFEATS INFRINGEMENT CLAIM

Prima Tek II, L.L.C. v. A-Roo Co

No. 99-1581, 2000 WL 1160633 (Fed. Cir., Aug. 17, 2000)

A poorly drafted license agreement wiped out a judgment of infringement and attorneys fees, when the U.S. Court of Appeals for the Federal Circuit held that the licensees lacked standing to sue. Plaintiff Prima Tek I and its sublicensees sued A-Roo for infringement of a patent claiming a decorative flower pot sleeve. Prima Tek I had been granted an “exclusive” license under the patent, but only to the extent necessary to grant a further license to a related corporation, Prima Tek II. The patentee, a foreign corporation, was not party to the suit. Reversing the district court, the appeals court held that the license failed to transfer “all substantial rights” in the patent, as required for standing. The Federal Circuit reached that result even though the license agreement specifically granted Prima Tek I the “sole and exclusive” right to sue third parties for infringement, and provided that the patentee would be bound by any judgment entered in such a case. Despite those provisions, the patentee’s failure to grant Prima Tek I broader rights was fatal to the claim.

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