201 Cutting-Edge Issues Facing IP Counsel

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Faculty Biographies

Christopher W. Ekren

Christopher W. Ekren is senior counsel with Sony Electronics Inc, the US Electronics subsidiary of Sony Corporation. He is responsible for coordinating legal services for Sony's US information technology businesses, including its $6 Billion personal computer, handheld device, consumer camera, and consumer video operations based in San Diego and the Silicon Valley. In his past eight years with Sony, besides support of Sony's entry into the personal computer and various mobile network device markets, Mr. Ekren supported the launch of Sony's Internet and interactive television initiatives.

Prior to joining Sony, Mr. Ekren practiced technology and transactional law with the Palo Alto, CA office of Heller, Ehrman, White & McAuliffe and with the Dallas firm of Hughes and Luce.

Mr. Ekren received a BA from Rice University and is a graduate of The University of Chicago Law School.

Gregory Ritts

Gregory J. Ritts is a corporate attorney at Microsoft Corporation in Redmond, WA. Mr. Ritts provides legal support for the business development, marketing, and advertising sales groups for Microsoft's MSN on-line properties.

Prior to joining Microsoft, Mr. Ritts was associated with the law firms of Perkins Coie in Bellevue, WA, and Nixon Peabody in Rochester, NY.

Mr. Ritts is a member of ACCA, the ABA, Washington and New York State Bar Associations, and King County Bar Association. In addition, Mr. Ritts is an avid mountain biker and cyclist, participating in many charity rides each year.

Mr. Ritts received his BA, magna cum laude, from Miami University and his JD from the University of Michigan School of Law.

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Barbara W. Wall

Barbara W. Wall is vice president and senior legal counsel at Gannett Co., Inc. in Arlington, VA. She is responsible for supervising legal work affecting Gannett and all of its operating units on a variety of subjects, including litigation, newsroom/First Amendment, antitrust, circulation, advertising, independent contractors, newsracks, and personal injury. Gannett is a nationwide news and information company that publishes 100 daily newspapers, a variety of non-daily publications, and operates 22 television stations and a national news service.

Prior to joining Gannett, Ms. Wall practiced law as an associate with the firm of Satterlee & Stephens. She specialized in representation of publishing and media clients. Her areas of practice included newsroom litigation and pre-publication and pre-broadcast counseling.

Ms. Wall has been the chair of the ABA's Forum on Communications Law, and is currently a member of the ABA's Section of Litigation Task Force on Public Responsibility, on the Legal Affairs Committee for the Newspaper Association of America, and a member of the faculty for the Practising Law Institute's Communications Law Conference.

Ms. Wall received her BA magna cum laude and her JD from the University of Virginia.

Joel Wiginton

Joel Wiginton is vice president and senior counsel for government affairs at Sony Electronics Inc. In this role, Mr. Wiginton heads Sony Electronics' Washington, DC office and addresses the myriad of public policy issues affecting a major technology company. In particular, Mr. Wiginton focuses on copy protection and intellectual property matters and the unique interplay of these issues for Sony, a company that is a leading consumer electronics manufacturer, information technology company, music studio, and motion picture studio.

Prior to joining Sony Electronics, Mr. Wiginton served for two years as special assistant to the President for legislative affairs in the Clinton White House where he was the President's primary legislative counsel to the Senate Commerce, Judiciary, and Banking Committees. Mr. Wiginton has also worked in various jobs on Capitol Hill, most recently as chief minority counsel and staff director for the Senate Judiciary Committee, Constitution Subcommittee. He was an adjunct professor of legal writing at George Washington University Law School.

Mr. Wiginton is a graduate of Macalester College and the University of Chicago School of Law.

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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

PARAMOUNT PICTURES CORPORATION; DISNEY ENTERPRISES, INC.; NATIONAL BROADCASTING COMPANY, INC.; NBC STUDIOS, INC.; SHOWTIME NETWORKS INC.; THE UNITED PARAMOUNT NETWORK; ABC, INC.; VIACOM INTERNATIONAL INC.; CBS WORLDWIDE INC.; CBS BROADCASTING INC.,

Plaintiffs,

v.

REPLAYTV, INC. and SONICBLUE, INC.,

Defendants.

Civ. No. 01-09358-FMC (Ex)

AMENDED COMPLAINT FOR:

1. Direct copyright infringement
2. Contributory copyright infringement
3. Vicarious copyright infringement
4. Violation of Section 553 of the Communications Act
5. Violation of Section 605 of the Communications Act
6. Unfair business practices

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Plaintiffs Paramount Pictures Corporation, Disney Enterprises, Inc., National Broadcasting Company, Inc., NBC Studios, Inc., Showtime Networks Inc., The United Paramount Network, ABC, Inc., Viacom International Inc., CBS Worldwide Inc., and CBS Broadcasting Inc. (hereinafter referred to as "plaintiffs"), by their counsel, allege the following against defendants ReplayTV, Inc. and SONICblue, Inc. (hereinafter referred to as "defendants").

JURISDICTION AND VENUE

1. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1331 & 1338, under the Copyright Act, 17 U.S.C. § 101 *et seq,* under the Declaratory Judgment Act, 28 U.S.C. §§ 2201(a) & 2202, and under the Communications Act, 47 U.S.C. §§ 553 & 605. Pursuant to 28 U.S.C. § 1367, this Court has supplemental jurisdiction over Claim VI because it is so related to the federal claims as to form part of the same case or controversy. This Court has personal jurisdiction over defendants ReplayTV, Inc. and SONICblue, Inc. due to their operation of their principal place of business in this State and their extensive commercial activities in this State, including this District. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) in that a substantial part of the events or omissions giving rise to this lawsuit, as well as substantial injury to the plaintiffs, have occurred or will occur in this District as a result of defendants' past and impending acts of copyright infringement, violations of the Communications Act, and unfair competition, as alleged in detail below. Venue is also proper in this judicial district pursuant to 28 U.S.C. § 1400(a) in that the defendants may be found in this district in light of their extensive commercial activities in this district.

PRELIMINARY STATEMENT

2. Plaintiffs bring this action to obtain preliminary and permanent relief against an unlawful plan by defendants to arm their customers with -- and continuously assist them in using -- an unprecedented set of tools for violating

plaintiffs' copyright interests in the programming they supply to various television distribution services, including their own program services. Defendants' unlawful scheme, which is centered on a new device called a "ReplayTV 4000," is specifically designed to enable defendants to profit from violations of plaintiffs' rights.

3. The first new feature that defendants offer their customers with the ReplayTV 4000 -- called "AutoSkip" -- enables and induces their customers to make unauthorized digital copies of plaintiffs' copyrighted television programming for the purpose of, at the touch of a button, viewing the programming with all commercial advertising automatically deleted. This unlawful activity harms the potential market for and value of plaintiffs' copyrighted works because commercial advertising is a crucial (and often the sole) means by which plaintiffs receive payment for such programming.

4. With the second new feature, called "Send Show," defendants (in their own words) make it "a breeze" to make perfect digital copies of plaintiffs' copyrighted programs, including entire theatrical motion pictures, and distribute them to other people -- even many other people -- through high-speed Internet connections. This unlawful activity likewise deprives plaintiffs of the means of payment for, and diminishes the value of, their copyrighted works. These new infringing features, which defendants plan to bolster through daily contact with their customers, are the principal selling points of the ReplayTV 4000 package.

5. Defendants not only enable and induce unauthorized copying by their users, but actively participate in and cause the unauthorized copying of plaintiffs' copyrighted programming. Among other things, defendants orchestrate and arrange for the creation of massive unauthorized collections of theatrical films and other copyrighted television programs. Each copyrighted work so recorded can then be distributed through the "Send Show" feature to third parties, viewed with all commercials deleted through the "AutoSkip" feature, or both.

6. The activity committed directly, enabled, facilitated and supervised by defendants differs radically from the copying of over-the-air broadcast television programming found to be permissible (under certain narrow circumstances and using much simpler technology) in the Supreme Court's 1984 *Sony Betamax* decision. (Plaintiffs do not challenge the use of either VCRs or ordinary digital video recorders for that purpose.)

7. The unprecedented new methods of copying and distribution enabled and induced by defendants will deprive plaintiffs of the means of payment for their works and erode the value of plaintiffs' copyrighted programming, in which plaintiffs have invested billions of dollars. In essence, the defendants are seeking to profit from the sale of features that are calculated to disrupt the ability of copyright owners to market their works for telecast by free, over-the-air television, by basic and premium subscription services, and by pay-per-view distribution services. They also seek to profit by creating an unlawful private network for the distribution of perfect digital copies of theatrical films and other copyrighted works.

8. Plaintiffs are willing to incur the enormous costs of creating and disseminating television programming (including theatrical films) because copyright provides the economic incentive to do so. Indeed, copyright protection powerfully encourages free expression, since plaintiffs cannot be expected to incur the large costs of producing news and entertainment content (such as television series and theatrical motion pictures) for the public unless they have a way to recoup and profit from those expenditures.

9. Copyright owners are rewarded for the creation, production and delivery of copyrighted television programming almost exclusively through one or both of two methods: (i) advertiser support and (ii) subscription fees. In addition, there is a significant market for the sale of theatrical films and many other television programs in the form of videocassettes and DVDs. Defendants'

unlawful scheme violates plaintiffs' rights and undermines all of these methods of compensating plaintiffs for the exploitation of their copyrighted works.

10. The licensing of most copyrighted works for television viewing is dependent on payments by advertisers for the right to include commercials during designated breaks within and between programs. The sale of commercial time is virtually the sole means of paying for the copyrighted programming offered by free, over-the-air television networks and stations, such as the ABC, CBS, NBC, and UPN television networks owned by plaintiffs and the hundreds of local television stations (many owned by plaintiffs) that broadcast the programming of those networks. Commercial advertising is also a vital source of payment for copyrighted works purchased, licensed, or created by "basic" subscription program services, such as plaintiffs' CNBC, Nickelodeon, and SoapNet services, which are transmitted by distributors such as cable systems and satellite carriers. Both over-the-air and basic subscription program services depend on being able to deliver to advertisers consumer audiences of pre-determined size and demographic characteristics.

11. Defendants' unlawful scheme attacks the fundamental economic underpinnings of free television and basic nonbroadcast services and, hence, the means by which plaintiffs' copyrighted works are paid for. Advertisers will not pay to have their advertisements placed within television programming delivered to viewers when the advertisements will be invisible to those viewers. In effect, by eliminating the embedded advertising, defendants' copying-and-commercial-deletion feature will (as to those viewers who employ the feature) eliminate the source of payment to the copyright owner for the very program being viewed. As a result, defendants' unlawful scheme impairs the value of plaintiffs' works and reduces the incentive for their creation and dissemination. For subscription television program services that depend in part on advertising revenues, use of the "AutoSkip" feature has the same effect. In both cases, the "AutoSkip" feature

would fundamentally and inevitably erode the means by which copyright owners are paid for their works and hence the value of the programming they create.

12. Copyrighted works created or licensed by cable television networks are paid for, in part, by a second funding source -- payment of subscription (or similar) fees. Such fees help to fund the purchase and creation of content by basic nonbroadcast program services such as Nickelodeon, Toon Disney, and MSNBC, and are virtually the sole means by which copyright owners are paid for programming licensed to "premium" nonbroadcast program services such as Showtime and The Movie Channel, which do not contain or derive any revenues from advertising. The payment of fees to view individual programs is the central feature of pay-per-view distribution systems and, in effect, the means by which copyright owners are paid for content licensed to those systems. Copyrighted works are licensed to all subscription and pay-per-view services on the assumption that viewers of the content will be charged a fee for the content they watch. The ability of copyright owners to be paid for their works would plainly be undermined by any system that facilitates the unauthorized dissemination of the contents of subscription or pay-per-view services for free. Yet defendants' "Send Show" feature promotes and enables precisely such unlawful conduct.

13. Defendants' ReplayTV 4000 package is centered on a "digital video recorder," a computer-like device for making perfect digital copies of television programming. The device is usable only with ongoing assistance from defendants in the form of data delivered from defendants' servers each day. The capabilities of defendants' new ReplayTV 4000 go far beyond traditional home recording technology and are instead specifically designed to violate the rights of copyright owners and program services.

14. For example, defendants' ReplayTV 4000 offers the ability (without any authorization from copyright owners) to make digital copies of television programs and then to use an "AutoSkip" feature that -- in defendants' own words

-- enables viewers "to watch recorded programs totally commercial-free" with a single press of a button. In fact, the ReplayTV 4000 enables the user to set "AutoSkip" so that it will automatically delete all commercials in *all* future playbacks of television programming, without any need to activate the feature for viewing of a particular program. Here is how defendants describe the ReplayTV 4000 "AutoSkip" feature in a "Frequently Asked Question" on their web site (www.replay.com):

> Q. Can ReplayTV play shows without the commercials?
>
> A. Yes! We call the new feature "AutoSkip™." Here's how it works. You go to the Replay Guide and select a recorded show that you want to watch. When you select the show, a pop-up menu will ask you if you want to play it with or without commercials. If you choose to skip commercials or "AutoSkip™", *then you get to sit back, relax and enjoy your favorite show commercial-free!* (Emphasis added)

15. Among the commercials that are automatically eliminated by defendants are many purchased by plaintiffs, some of which are major purchasers of advertising time for, among other things, films currently playing in theaters. Defendant's "AutoSkip" feature also automatically blocks exposure to public service announcements and to advertisements by political candidates -- all of which become invisible to viewers.

16. Although defendants position the "AutoSkip" feature as an option, they expect it to be used routinely. Their web site, for example, says this: "You'll still have the choice to watch recorded shows with the commercials, *if you really want to* . . . ." (Emphasis added.)

17. When a user copies a television program with a ReplayTV 4000 and plays it back with the "AutoSkip" feature, defendants ensure that all commercials are *automatically* omitted when viewing the program. Nor is it necessary for a

viewer to wait until the program is over for defendants' copying-and-commercial-deletion scheme to work. For example, if a viewer uses the ReplayTV 4000 to record a half-hour comedy that begins at 8 p.m., but starts watching the program at 8:08 with the "AutoSkip" feature, defendants enable the viewer to watch the recorded program at nearly the same time it is being telecast live with no exposure whatsoever to commercials.

18. Copying a copyrighted program with a digital video recorder is a violation of the exclusive rights of the copyright owner under Section 106 of the Copyright Act. Such copying is entirely distinguishable from the type of copying which, in narrow and different circumstances, might be defended as a fair use. Copying programming for playback with defendants' "AutoSkip" feature effectively circumvents the means of payment to copyright owners for the programming being viewed and therefore their ability to fund it. Viewers will continue to be able to watch the program, but the copyright owner will be deprived of the means of obtaining payment for the programming. Defendants' copying-and-commercial-deletion scheme thus constitutes copyright infringement. As discussed below, the conduct also constitutes a violation of California law.

19. A second new feature offered by defendants to owners of the new ReplayTV 4000 is a function -- revealingly called "Send Show" -- for making and distributing to third parties perfect reproductions of entire copyrighted television programs, including motion pictures. With this feature, defendants facilitate and induce the unauthorized reproduction and distribution of plaintiffs' valuable works and encourage unauthorized access to subscription programming, in violation of both federal and state law.

20. Under the Copyright Act, of course, plaintiffs enjoy the exclusive right to copy and to distribute copies of their copyrighted works. 17 U.S.C. § 106(1), 106(3). Nothing in the Copyright Act gives defendants or their customers any right to make, for *distribution to third parties*, digital copies of "Will &

Grace," "The Tonight Show," "20/20," "Lizzie McGuire," "Daria," or "Rugrats," much less entire theatrical motion pictures appearing on television, such as "Quiz Show," "Sister Act 2," "102 Dalmatians," "Powder," "Election," "Planes, Trains, and Automobiles" or "The Talented Mr. Ripley." These practices violate not only the Copyright Act but also the federal Communications Act and California law.

21. Defendants assure their customers that using the ReplayTV 4000 to infringe copyrights will be effortless: "[W]ith its broadband connectivity, sending and receiving programs [with the ReplayTV 4000] is a breeze." And the potential customer base for this feature is large and growing: some 10 million U.S. households are expected to have high-speed Internet connections by the end of 2001, with continued growth anticipated thereafter. There are also some nine million broadband connections in college dormitory rooms nationwide, and at least 30 million more in workplace, government, and academic institutions.

22. Defendants' unlawful "Send Show" feature is designed to violate plaintiffs' rights in all types of programming, from over-the-air broadcast programs to basic, premium, and pay-per-view nonbroadcast offerings. For example – with defendants' explicit encouragement and instruction – a ReplayTV 4000 owner can record a movie exhibited on Showtime (such as "The Talented Mr. Ripley") and use defendants' "Send Show" feature to reproduce and transmit a perfect digital copy of the movie to many other people, none of whom subscribes to Showtime. This unlawful scheme not only jeopardizes the ability of plaintiffs to obtain payments for subscription and premium channels but also undermines the many other ways in which plaintiffs market their copyrighted works, including pay-per-view transmissions, sale of authorized copies of plaintiffs' works in the form of DVDs and videocassettes, syndication to over-the-air and basic program services, and the developing market for the authorized online distribution of copyrighted works.

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23. Defendants not only provide the means to carry out this unlawful conduct but highlight it as a principal selling point of the ReplayTV 4000. Defendants' press release about the ReplayTV 4000, for example, urges customers to use the "Send Show" feature to "*trade movies [and] favorite TV programs*." In a September 2001 interview with CNET, SONICblue's Vice President of Marketing said: "*If there's a great movie that you've recorded and you want to send it over to a friend, you'd be able to do that* over your broadband connection." And an October 9, 2001 email from ReplayTV to potential purchasers tells them they can use the ReplayTV 4000 to transmit copies of "*TV shows & movies* [to] friends & family over the Internet." (Emphasis added in each case.)

24. Defendants' web site features an online demonstration that illustrates how to use the "Send Show" feature to reproduce and distribute recorded programs to other people. The demonstration shows a ReplayTV 4000 user employing "Send Show" to distribute to third parties digital copies of a copyrighted program owned by one of the plaintiffs. Indeed, defendants have *specifically designed and are actively marketing* their service as a tool to make it easy to infringe copyrighted material.

25. Defendants' participation in the unauthorized reproduction and distribution of plaintiffs' works does not end with the sale of a ReplayTV 4000 box. Defendants' continued involvement through a broadband connection is necessary for the updated program listing, which they call a "Replay Guide." Users can engage in unauthorized copying of plaintiffs' copyrighted works (for unauthorized viewing without commercials through "AutoSkip" or for unauthorized transmission to third parties through "Send Show") only by using the Replay Guide updated daily by defendants. Defendants also plan to collect information about their customers' use of the ReplayTV 4000 on a daily basis.

26. Defendants themselves often directly cause the making of unauthorized copies of plaintiffs' copyrighted works. Each such copy can then be

viewed with all commercials deleted or distributed to other parties though the "Send Show" feature. With the "Personal Channels" feature, for example, defendants make discretionary determinations about what programs a user may wish to view, based on limited input from the user, and arrange for the ReplayTV 4000 devices to copy particular programs. Defendants also orchestrate the copying of multiple episodes of programming over a period of months. Defendants' customers can view each such unauthorized copy with all commercials deleted. They can also distribute copies of the complete set to third parties -- becoming, in effect, unauthorized syndicators of plaintiffs' copyrighted series.

27. The plaintiffs in this case are among the largest creators and distributors of copyrighted television programming. Plaintiffs are directly threatened by defendants' marketing, distribution, and sale of tools specifically designed to facilitate and induce infringement of plaintiffs' copyrights by their customers as well as by defendants' own direct infringements. Plaintiffs will be harmed in several different capacities: as creators and copyright owners of the programming that defendants help their users to infringe, as owners of over-the-air broadcast networks and stations and subscription television program services, and as distributors of pay-per-view content.

28. Plaintiffs seek prompt judicial relief to stop defendants from violating the Copyright Act, the Communications Act, and California law in these ways, and to prevent defendants from licensing these illegal features to third parties.

PARTIES

29. Paramount Pictures Corporation ("Paramount") is a Delaware corporation with a principal place of business in Los Angeles, California. Paramount owns the copyright in many episodes of television series telecast on a first-run basis or otherwise by U.S. television outlets, including "Frasier," "Soul Food," "Enterprise," "Raising Dad," "Manhunt," "Becker," and "JAG." Paramount also owns the U.S. copyright in many theatrical motion pictures

telecast by U.S. television program services or offered through pay-per-view distributors, such as "The Talented Mr. Ripley," "Election," "Sabrina," and "Planes, Trains, and Automobiles." Among the many programs and movies in which Paramount owns the copyright are those listed in Exhibit A.

30. Disney Enterprises, Inc. ("Disney") is a Delaware corporation with its principal place of business in Burbank, California. Disney owns the copyright in many episodes of television programs, including "Lizzie McGuire," "Book of Pooh," "Felicity," and "House of Mouse," that are telecast on a first-run basis or otherwise by U.S. television outlets. Disney also owns the copyright in many theatrical motion pictures telecast by U.S. program services or offered through pay-per-view distributors, such as "Quiz Show," "Sister Act 2," "The Waterboy," "High Fidelity," "102 Dalmatians," and "Powder." Directly or through subsidiaries, Disney also operates numerous nonbroadcast television program services, including the Disney Channel, Toon Disney, and SoapNet. The programs in which Disney owns the copyright include, by way of illustration, those listed in Exhibit B to this Complaint.

31. The National Broadcasting Company, Inc. ("NBC") is a Delaware corporation with its principal place of business in New York, New York and with studio facilities in Burbank, California. NBC is a diversified media company that produces news, entertainment, sports, and financial programming for broadcast and cable television, and is the copyright owner of, among other programs, "Saturday Night Live," "The Today Show," "Dateline NBC," and "Meet The Press." NBC is the sole owner of NBC Studios, Inc. ("NBC Studios"), a New York corporation with its principal place of business in Burbank, California. NBC Studios produces television programming and is the copyright owner of "Will & Grace," "Late Night With Conan O'Brien," "The Tonight Show," "Providence," "Emeril," "Lost," "The Other Half," "The Weakest Link," "Three Sisters," and "Passions" among others. In addition, NBC's thirteen owned and operated

television stations produce (and own the copyright in) a variety of programs, including daily news shows. NBC also owns CNBC, Inc., a cable network with its headquarters in Fort Lee, New Jersey, and produces and owns the copyright in most of its programming. Through a joint venture, NBC owns MSNBC Cable, L.L.C., a cable network headquartered in Secaucus, New Jersey, and is the joint or beneficial owner of much of its programming. Representative examples of copyright registrations and/or applications for recently and soon-to-be broadcast programs in which NBC and NBC Studios, Inc. own the copyright are listed in Exhibits C and D.

32. Showtime Networks Inc. ("Showtime") is a Delaware corporation with its principal place of business in New York, New York. Showtime offers (through cable systems, satellite carriers, and other distributors) several premium television program services (including Showtime, The Movie Channel, and Flix) consisting of theatrically released feature films, original movies, series, and other programming to subscribers, generally for a separate monthly fee. Showtime owns copyrights in episodes of its programs such as "Queer as Folk" and in many feature-length films such as "Harlan County War," "Out There" and "Rated X." Among the many programs in which Showtime owns the copyright are those listed in Exhibit E. Showtime also operates SET (Showtime Event Television) Pay Per View, which markets and distributes boxing events and concerts on a pay-per-view basis.

33. The United Paramount Network ("UPN") is a Delaware partnership with its principal place of business in Los Angeles, California. UPN operates the UPN Network, which offers advertiser-supported free, over-the-air programming to the public in many television markets throughout the United States.

34. ABC, Inc. ("ABC") is a New York corporation with its principal place of business in New York, New York. ABC is the legal or beneficial owner of copyrights in numerous ABC Television Network programs, such as

"Primetime Thursday," "The View," "Port Charles," "All My Children," "One Life to Live," "General Hospital," "Good Morning America," "Nightline," "World News Tonight," and "20/20." In addition, ABC's owned and operated television stations produce (and own the copyright in) a variety of programs, including daily news shows. Among the many programs in which ABC owns the copyright are those listed in Exhibit F.

35. Viacom International Inc. ("Viacom International") is a Delaware corporation with its principal place of business in New York, New York. Viacom International operates numerous television programming services, including MTV Music Television, MTV2, VH1 Music First, Nickelodeon, TNN The National Network, CMT Country Music Television, and TV Land. Viacom International owns copyrights in numerous television programs appearing on these services, such as "Rugrats" (shown on Nickelodeon), "Daria" (shown on MTV) and "Behind the Music" (shown on VH1). Viacom International also owns copyrights in television programs shown on other U.S. television services, including "The Chris Isaak Show," "Resurrection Blvd.," and "Sabrina, The Teenage Witch." Among the many programs in which Viacom International owns the copyright are those listed in Exhibit G.

36. CBS Broadcasting Inc. ("CBS Broadcasting") is a New York corporation with its principal place of business in New York, New York. CBS Worldwide Inc. ("CBS Worldwide"), a subsidiary of CBS Broadcasting, is a Delaware corporation with a principal place of business in New York, New York. CBS Worldwide owns copyrights in numerous programs broadcast on the CBS Network, such as "The Ellen Show," "Touched by an Angel," and "CSI: Crime Scene Investigation." In addition, CBS Broadcasting's 17 owned and operated television stations produce (and own the copyright in) a variety of programs, including daily news shows. Among the many programs in which CBS owns the copyright are those listed in Exhibit H.

37. Defendant ReplayTV, Inc. ("Replay") is a Delaware corporation with its principal place of business in Mountain View, California. Replay is a wholly owned subsidiary of Defendant SONICblue, Inc. ("SONICblue"). Replay has developed and is marketing and selling the ReplayTV 4000 device and continuously facilitates its use.

38. Defendant SONICblue is a Delaware corporation with its principal place of business in Santa Clara, California. SONICblue is the parent company of Replay. SONICblue promotes and markets the ReplayTV 4000, including through promotions on its own web site, and continuously facilitates its use.

STATEMENT OF FACTS

Plaintiffs' Exclusive Rights Under the Copyright Act

39. Plaintiffs are the copyright owners of many television programs transmitted to television viewers in the United States. Illustrative works in which one of the plaintiffs owns a copyright are listed in Exhibits A-H. Each such work is an original audiovisual work fixed in a tangible medium of expression. Each work listed in Exhibits A-H is copyrightable subject matter within the meaning of the Copyright Act, 17 U.S.C. § 102, and each has been registered (or an application has been filed) with the United States Copyright Office.

40. Section 106 of the Copyright Act grants copyright owners the exclusive right, among other things, to copy their works, to distribute copies of their works, and to authorize others to do the same. Neither defendants nor their customers have any license, permission, or authorization either to copy the works listed in Exhibits A-H or to distribute digital copies of the works to third parties.

Plaintiffs' Operation of Television Program Services

41. In addition to creating (and owning the copyright in) thousands of television programs (including many theatrical films), several of the plaintiffs own and/or operate television program services that deliver that programming (and/or programming created by third parties, including other plaintiffs herein) to the

American public. Some of these services -- such as the ABC, CBS, NBC, and UPN television networks -- transmit that programming to viewers by terrestrial over-the-air broadcasts, which in many cases are retransmitted by cable, satellite and other multichannel video services. Other television program services, such as MSNBC, CNBC, the Disney Channel, Toon Disney, SoapNet, Nickelodeon, MTV, VH1, TNN, CMT, TV Land, Flix, The Movie Channel, and Showtime, are transmitted by distributors such as cable systems and satellite carriers to subscribers who pay a subscription fee to receive these channels. In all cases, the value of -- and hence the incentive for plaintiffs to create -- copyrighted works will be eroded by a technology that undermines the principal means by which copyright owners are paid for such works by television distributors.

The Structure of the Television Industry
and the Threat Posed by Defendants

42. In the United States today, there are four principal methods by which television programming is transmitted to the public. The first – and oldest – method is through "free," over-the-air television networks such as ABC, CBS, NBC, and UPN and the hundreds of local terrestrial broadcast stations that carry their programming. Free, over-the-air television networks and local stations both create and license copyrighted content -- largely entertainment, news and sports programming -- on which the public has come to rely for information and entertainment. Virtually the sole means of payment for such copyrighted content is revenue from advertisers who pay for commercials that appear during, or between, television shows. It is the advertising that pays for a particular show that a viewer may choose to watch, whether a first-run program, a rerun during the same season, or a previously aired program offered through syndication. Although nonbroadcast services have attracted an increasing number of viewers

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over the past 20 years, broadcast television networks and local stations nevertheless continue to account for a large percentage of all television viewing in the United States.

43. Maintaining a nationwide system of free, over-the-air local television stations, which makes news, information, and entertainment available to virtually all Americans without any need to pay subscription fees, has been a crucial public policy goal in the United States for many decades. The creation and acquisition of the copyrighted content that has come to define free, over-the-air television is made possible through commercial advertisements that are embedded in each program. In short, advertisements provide the means of payment for the copyrighted works that the public enjoys at no direct charge.

44. The second method of television distribution is through controlled access via so-called "basic" nonbroadcast channels such as Disney Channel, Toon Disney, SoapNet, Nickelodeon, MTV, MTV2, VH1, TNN, CMT, TV Land, CNBC, and MSNBC. The sale of commercial time to advertisers and the collection of fees from distributors such as cable systems and satellite carriers are the means by which such channels create or license copyrighted works. As with over-the-air broadcasting, copyright owners license their works both on a first-run basis and for later telecast in syndication.

45. The third model of transmission of television programming in the United States is via premium television program services such as Showtime and The Movie Channel. These services, which are available to subscribers to cable, satellite, and other multichannel video distribution systems, are typically made available to consumers for a substantial monthly fee. Premium services offer original programming, theatrical motion pictures, or both, all without commercial interruption – but only to those who have paid the subscription fee. Subscription fees are the means by which the copyright owners are paid for licensing their works to these services.

46. The fourth model of transmission of television programming in the United States is through pay-per-view delivery, in which viewers obtain one-time access to particular programs (such as feature films, live boxing events and concerts) in return for payment of a fee for that access.

47. In addition, there is a significant market for the sale of DVDs and videocassettes of theatrical films and other television programs. In the near future, a market is likely to develop for the authorized distribution of theatrical films and other copyrighted programming through broadband Internet connections.

48. The creation and licensing of the overwhelming majority of television programs that are offered to American viewers today is made possible by and is completely dependent on the commercial advertising that is embedded in that programming. Advertisements provide the means of payment for each show that a viewer chooses to watch. A feature that completely blocks the delivery of advertising to viewers therefore deprives copyright owners of the means by which they are paid for their works and diminishes both the value of the works and the incentive to create and distribute original content over the medium. By undermining the engine by which content is produced, this unlawful feature will inevitably dry up the source and diminish the quality of the programming that most Americans have come to expect and demand.

49. Similarly, the "Send Show" feature will jeopardize the means by which copyright owners are paid for the creation of copyrighted content by nonbroadcast channels (whether basic or premium). Such payments are generated, at least in part, by monthly subscription fees that viewers pay for the privilege of viewing the nonbroadcast network's programming. The "Send Show" feature, however, enables a single person who has paid the monthly subscription fee to make and to transmit to third parties perfect digital copies of the programs offered by subscription channels. This unlawful feature enables the evasion of payments for subscription programming, depriving the copyright owner of the right to

control how the work is disseminated and shrinking the subscription base that pays for such programming.

50. Finally, the unauthorized copying and distribution of perfect copies of theatrical motion pictures and other programs offered on a pay-per-view basis is a clear violation of plaintiffs' rights. These works are licensed and paid for on the basis that each viewer who wishes to see a work will pay a fee for such viewing. No permission is granted to reproduce and disseminate copies of the work to those who have not likewise paid for its exhibition. Indeed, it is self-evident that the unauthorized dissemination of works enabled by the "Send Show" feature defeats the means by which the copyright owner has agreed to be compensated for the exhibition of its work. Viewers who obtain unauthorized digital copies of such programs from other viewers have no reason to agree to pay-per-view fees to obtain access to them. Defendants' unlawful service is also a direct threat to the legitimate sale of copies of television programming (including feature films) in the form of videotapes or DVDs.

<u>Defendants' ReplayTV 4000</u>

51. The ReplayTV 4000 is a type of digital video recorder. (The ReplayTV 4000 line consists of at least four specific models, the "RTV 4040," "RTV 4080," "RTV 4160," and "RTV 4320.") Far from being a stand-alone device, the ReplayTV 4000 is capable of copying television programs only through continuous assistance from defendants. Via a broadband connection, defendants continuously collect information about what their customers want or may want to copy and/or distribute, and match that information with a daily updated electronic program guide ("EPG"), which defendants call a "Replay Guide." The Replay Guide lists on the television screen all television programming available to the viewer. By clicking on particular programs listed on the Replay Guide, including programs owned by plaintiffs, the viewer can program the ReplayTV 4000 to record and store those programs onto a hard drive built into the box.

Significantly, and unlike standard video recorders, defendants' ReplayTV 4000 also enables users to make digital copies of television programs for the unlawful purpose of playing them with all commercials deleted, and to copy and distribute copyrighted works without authorization to third parties.

Defendants' Commercial Deletion Technology

52. As defendants themselves boast in their marketing materials, the ReplayTV 4000 "does what no other [digital video recorder] on the market can do": it enables viewers to make unauthorized digital copies of copyrighted television programs and then use defendants' "AutoSkip" function (also called "Commercial Advance") to eliminate any exposure to the advertising that is the lifeblood of most television channels. On their web site, defendants explain the "AutoSkip" function as follows: it "[a]llows ReplayTV 4000 users to playback recorded programming while automatically bypassing all commercials. It's commercial-free television."

53. A demonstration program on defendants' web site (www.replay.com) shows potential customers how "AutoSkip" works. The demonstration shows a Replay Guide (the on-screen program guide updated daily by defendants), which lists several copyrighted television programs such as "CSI: Crime Scene Investigation" (CBS), "Friends" (NBC), "Just Shoot Me" (NBC), and "General Hospital" (ABC). The demonstration instructs users to "select the show you want to watch from your Replay Guide" and highlights the listing for ABC's "General Hospital." Another frame then displays a pop-up menu within the Replay Guide and explains that this "pop-up menu gives you the option to play the show without any commercials." The demonstration directs the viewer to select the option "Skip Commercials," and then announces that the viewer can now enjoy "commercial-free entertainment!" According to the demonstration, the program

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can be played commercial-free only by using the Replay Guide supplied (and updated daily) by defendants. Copies of this segment of defendants' demonstration are attached as Exhibit I.

54. The unauthorized making of copies of television programming for the purpose of viewing with all commercials (and all public service announcements and all political advertisements) automatically deleted is not a fair use, and goes far beyond the narrowly circumscribed conduct discussed by the Supreme Court in the 1984 *Sony Betamax* decision.

Defendants' Facilitation of Unauthorized Distribution of Plaintiffs' Programs and Films

55. The "Send Show" feature of the ReplayTV 4000 package enables owners of a ReplayTV 4000 (in Replay's own words) to "share programs with friends who also own ReplayTV 4000." Defendants' "Send Show" feature enables, materially contributes to, and induces the unlawful distribution of copyrighted works owned by plaintiffs.

56. For example, according to defendants' web site, a ReplayTV 4000 owner could, with a few clicks on a remote control, send any television program whatsoever -- including, for example, a theatrical film such as "Con Air" or "The Talented Mr. Ripley" exhibited on the Showtime service -- to a large number of third parties, regardless of whether the third parties themselves had a subscription to the program service from which the program was copied. This would make it unnecessary for those third parties to subscribe to Showtime, jeopardizing its business and (over time) its existence, as well as the market for the sale of copyrighted works to Showtime and similar premium services. A ReplayTV 4000 owner could do the same with many theatrical motion pictures, boxing events, concerts and other copyrighted works owned by plaintiffs and transmitted on a pay-per-view basis.

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57. Defendants' on-line demonstration shows potential ReplayTV 4000 customers how to use the "Send Show" feature. The demonstration illustrates how easy it is to use the feature by showing how to send a copy of the show "General Hospital" -- owned by one of the plaintiffs -- to a third party. Copies of this segment of defendants' demo program are attached as Exhibit J.

58. The "Send Show" function is similar to the music infringement scheme recently enjoined in the *Napster* case. Just as Napster established a commercial business that was predicated on -- and knowingly benefited from -- the unlawful copying and distribution of music files by users, defendants plan to create a network in which they facilitate, induce, and profit from the unlawful distribution of feature films and other television programming costing millions (and in some cases tens or hundreds of millions of dollars) to produce.

59. With the "Send Show" feature, defendants facilitate and induce the unauthorized reproduction and distribution of plaintiffs' valuable works and encourage unauthorized access to subscription programming, in violation of both federal and state law. For example, a ReplayTV 4000 user who has a paid subscription to Showtime can (and is encouraged by defendants to) create a permanent copy of all of the episodes that make up an entire season of a Showtime series such as "Queer as Folk," and can (and is urged by defendants to) distribute the complete set to third parties, whether or not the individual receiving the program has paid for a subscription to Showtime. (Defendants themselves arrange for the copying of the many episodes that make up the season.) On information and belief, customers can use the "PC Connectivity" feature of the ReplayTV 4000 to distribute copyrighted programs and films to anyone with a PC and a broadband connection.

60. The "Send Show" feature also jeopardizes, in many ways, the system by which costly copyrighted programming is offered by free, over-the-air television networks and local stations. For example, advertisers who pay stations

to run advertisements of purely local relevance will not be willing to pay for viewers in their local area who see the station's national programming via an unauthorized copy distributed by a viewer (through defendants' "Send Show" service) in another market with different local advertisements. (Of course, if the "AutoSkip" feature is not stopped, few ReplayTV users will see commercial advertising or promotional spots in any event.)

61. The unauthorized dissemination of copyrighted over-the-air programming will also impair the ability of copyright owners to realize its value and fund the costs of that programming through reuse of the programming in a variety of ways. Daytime dramas broadcast by ABC television stations, for example, are later shown on SoapNet, a nonbroadcast channel available to cable and satellite viewers; network newscasts are often broadcast again on local cable news channels; many episodes of primetime and late night programs are televised again during the same season as reruns; several popular network prime-time dramas are shown on nonbroadcast program services shortly after their initial network broadcast; and many television series are shown in syndication after their initial network run. By enabling, inducing, and continuously facilitating the unauthorized copying and distribution of this programming, defendants diminish plaintiffs' ability to market these reuse rights.

62. The "Send Show" feature will also harm several of the plaintiffs in their capacity as owners of television stations in a number of U.S. television markets and as copyright owners who seek to achieve maximum value from their programming through repurposing.

63. Sending a copy of a copyrighted television program to a third party goes far beyond the scope of the fair use defense. Indeed, defendants have specifically designed and customized the "Send Show" function to encourage and provide for the easy infringement of copyrighted works delivered by program services.

64. Nor is there any geographic limit to the infringements that defendants encourage their users to commit through the "Send Show" feature. On information and belief, ReplayTV 4000 users in the United States can and will retransmit copyrighted television programs and movies from the United States to ReplayTV 4000 users in Canada, Mexico, or any other country that offers broadband connections. A recent news article about the ReplayTV 4000 machine specifically highlighted this capability: "Couch potatoes can rejoice: Soon, you'll be able to lie around for nearly two weeks without running out of recorded programs to watch on your TV. And you'll be able to share the shows with someone in the next room -- *or the next continent*." (Emphasis added). The unauthorized copying and retransmission of copyrighted works to persons in other countries only magnifies the harm that defendants' service will cause to plaintiffs.

65. Defendants themselves often directly cause the making of unauthorized copies of plaintiffs' copyrighted works. Through the "Personal Channel," "Find Shows," and "Record All Shows" features, for example, defendants either directly control, or actively and continuously participate in, the copying of plaintiffs' works. Defendants also offer "Show Organizer," a feature that readily sorts and organizes the vast quantity of television programs that can be copied using these features. All of these works can then be stored permanently on users' hard drives, viewed with all commercials deleted, and distributed in the form of perfect digital copies to third parties.

CLAIMS FOR RELIEF

COUNT I: Direct Copyright Infringement

66. Plaintiffs repeat and incorporate by reference, as if fully set forth herein, the allegations of ¶¶ 1-65 above.

67. Plaintiffs Paramount Pictures Corporation, Disney Enterprises, Inc., National Broadcasting Company, Inc., NBC Studios, Inc., Showtime Networks Inc., ABC, Inc., Viacom International Inc., and CBS Worldwide Inc. are the

copyright owners of the works listed in Exhibits A-H as well as many other copyrighted works telecast by U.S. television program services. The plaintiffs have obtained (or applied for) copyright registration certificates for each work listed in Exhibits A-H.

68. On information and belief, employees or agents of defendants, other users of the ReplayTV 4000, including testers, have already infringed (or will soon infringe) plaintiffs' exclusive rights under 17 U.S.C. § 106 in many copyrighted works, including the illustrative works identified in Exhibits A-H hereto.

69. More generally, defendants actively participate in the actual or imminent unauthorized copying, distribution, and creation of derivative works based on, unauthorized copies of plaintiffs' works (including the works listed on Exhibits A-H) in the ways described above. By these acts, defendants are engaging in a vast number of copyright infringements, including infringements of plaintiffs' copyrighted television programs and motion pictures, in violation of sections 106 and 501 of the Copyright Act, 17 U.S.C. §§ 106 and 501.

70. Each infringement by defendants of each of plaintiffs' rights in and to their copyrighted works constitutes a separate and distinct act of infringement.

71. The foregoing acts of infringement by defendants have occurred without plaintiffs' consent and are not otherwise permissible under the Copyright Act.

72. The foregoing acts of infringement by defendants have been willful, intentional, and purposeful, in disregard of and with indifference to plaintiffs' rights, and are causing and will continue to cause irreparable injury to plaintiffs.

COUNT II: Contributory Copyright Infringement

73. Plaintiffs repeat and incorporate by reference, as if fully set forth herein, the allegations of ¶¶ 1-65 and 67-72 above.

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74. Use of the ReplayTV 4000 to copy and distribute plaintiffs' copyrighted works without authorization is a violation of plaintiffs' exclusive rights under 17 U.S.C. § 106.

75. Among other things, and without limitation, this conduct amounts to (a) unauthorized reproduction of plaintiffs' copyrighted works, (b) unauthorized distribution of copies of plaintiffs' copyrighted works to the public, and (c) unauthorized creation of derivative works based on plaintiffs' works.

76. Defendants' activities described above cause and facilitate infringements of plaintiffs' copyrights.

77. The unauthorized copying and distribution of plaintiffs' copyrighted works that defendants enable, encourage, and facilitate through the schemes described above is without plaintiffs' consent and not otherwise permissible under the Copyright Act.

78. On information and belief, employees or agents of defendants, other users of the ReplayTV 4000, including testers, have already infringed (or will soon infringe) plaintiffs' exclusive rights under 17 U.S.C. § 106 in many copyrighted works, including the illustrative works identified in Exhibits A-H hereto.

79. Defendants know or have reason to know of the direct infringement of plaintiffs' copyrights. Indeed, defendants actively promote the infringements as a reason to purchase their products, provide tools that are indispensable to these infringements, and continuously facilitate the infringements.

80. Defendants, through their own conduct, have induced, caused, encouraged, assisted and/or materially contributed to this infringing activity.

81. The foregoing acts of infringement by defendants have been willful, intentional and purposeful, in disregard of and with indifference to the rights of plaintiffs.

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82. Defendants' conduct constitutes contributory infringement of plaintiffs' copyrights and exclusive rights under copyright in violation of Sections 106 and 501 of the Copyright Act, 17 U.S.C. §§ 106 & 501.

83. As a result of defendants' conduct, plaintiffs have suffered and will continue to suffer irreparable injury.

COUNT III: Vicarious Copyright Infringement

84. Plaintiffs repeat and incorporate by reference, as if fully set forth herein, the allegations of ¶¶ 1-65, 67-72, and 74-83 above.

85. Defendants have the right and ability to supervise and/or control the infringing conduct of users of the ReplayTV 4000. *First*, defendants have made a deliberate decision to offer their users features that are specifically designed to enable widespread infringements, when they have the ability to control or greatly limit that conduct by declining to offer or to facilitate or support use of those unlawful features. *Second*, although defendants could, on information and belief, have designed (or could alter) their equipment to control the unauthorized distribution of copyrighted works delivered by television program services (such as NBC, the Disney Channel, and Showtime) or on a pay-per-view basis, they instead specifically designed their equipment (and planned their ongoing assistance to their customers) to encourage distribution of such copyrighted works. *Third*, defendants' regular involvement is an indispensable link in their customers' infringing conduct.

86. Defendants have a direct financial interest in the infringements of plaintiffs' copyrights by their customers. Defendants' economic success is directly tied to the popularity of the infringing conduct that they seek to encourage. Indeed, the defendants have candidly admitted that the ReplayTV 4000 is designed to enable users to copy programming for viewing with automatic deletion of

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commercials, and that the ReplayTV 4000 is designed to enable users to distribute perfect digital copies of entire copyrighted works to others. These new infringing capabilities of the ReplayTV 4000 are among defendants' principal selling points.

87. Defendants' acts have been willful, intentional and purposeful, in disregard of and with indifference to the plaintiffs' rights.

88. Defendants' conduct constitutes vicarious infringement of plaintiffs' copyrights and exclusive rights under copyright in violation of Sections 106 and 501 of the Copyright Act, 17 U.S.C. §§ 106, 501.

89. As a result of defendants' conduct, plaintiffs will suffer irreparable injury.

COUNT IV -- Violation of Section 553 of the Communications Act

90. Plaintiffs repeat and incorporate by reference, as if fully set forth herein, the allegations of ¶¶ 1-65, 67-72, 74-83, and 85-89 above.

91. The Communications Act makes it unlawful for any person to intercept or receive or assist in intercepting or receiving any communications service offered over a cable system, unless specifically authorized to do so by a cable operator or as specifically authorized by law. 47 U.S.C. § 553. The prohibited conduct includes the manufacture or distribution of equipment intended by the manufacturer or distributor for unauthorized reception of any communications service offered over a cable system.

92. Defendants' conduct violates Section 553. Among other things, defendants are selling equipment -- the ReplayTV 4000 device -- with a feature ("Send Show") that they intend to be used to enable persons without authorization to receive communication services offered over a cable system, including but not limited to cable-delivered programming of over-the-air television stations, basic nonbroadcast services, premium services, and pay-per-view services.

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ATTACHMENT C - EXH. 4
PAGE 232.

COUNT V -- Violation of Section 605 of the Communications Act

93. Plaintiffs repeat and incorporate by reference, as if fully set forth herein, the allegations of ¶¶ 1-65, 67-72, 74-83, 85-89, and 91-92 above.

94. Defendants' conduct violates 47 U.S.C. § 605, which, with certain exceptions not relevant here, forbids any person receiving, assisting in receiving, transmitting, or assisting in transmitting, any interstate communication by radio from publishing the contents thereof except through authorized channels. By selling (and facilitating the use of) a device intentionally designed and intended to be used to publish the contents of communications by radio through the "Send Show" feature, defendants are violating Section 605.

COUNT VI -- Unfair Competition under Cal. Bus. & Prof. Code § 17200

95. Plaintiffs repeat and incorporate by reference, as if fully set forth herein, the allegations of ¶¶ 1-65, 91-92, and 94 above.

96. California Business & Professions Code § 17200 provides for injunctive and other relief against "any unlawful, unfair or fraudulent business act or practice." Defendants are engaged in, or propose to engage in, several such practices.

97. Plaintiffs operate numerous television program services that are available only by subscription, including the Disney Channel, Toon Disney, SoapNet, Nickelodeon, MTV Music Television, MTV2, VH1 Music First, Nickelodeon, TNN The National Network, CMT Country Music Television, TV Land, CNBC, MSNBC, The Movie Channel, Showtime, and Flix.

98. In their capacity as owners and operators of television program services, plaintiffs operate a lawful business of packaging attractive content with advertising paid for by third parties. A basic premise of this business is that the advertising is tied to the attractive content. Defendants have engaged in one or more unfair business acts and/or unfair business practices by providing a device that enables users to instantly and completely eradicate an essential

revenue-producing aspect of plaintiffs' business. By doing so, defendants have engaged (or propose to engage) in a highly unfair business practice. Plaintiffs are also harmed by this unlawful practice in their capacity as advertisers (*e.g.*, of current theatrical films).

99. The public policy of the State of California favors the maximum production of news and entertainment programming by means of television. Defendants' conduct works to defeat that policy by sabotaging the ability of plaintiffs to obtain compensation for their news and entertainment programming.

100. As set forth above, defendant's conduct is unlawful under Sections 553 and 605 of the Federal Communications Act. In addition, unlawful reception of subscription television services, and facilitation of such unlawful reception, is a violation of California law. Cal. Penal Code §§ 593d, 593e. By facilitating and encouraging conduct that amounts to receipt by nonsubscribers of content offered on a subscription-only basis, defendants are engaging in conduct that has the functional effect of a violation of Cal. Penal Code §§ 593d and 593e. This is a grossly unfair business practice.

101. Each of the aforementioned business acts and/or practices is oppressive and/or substantially injurious to plaintiffs and/or the general public. With respect to each of the aforementioned business acts and/or practices, the gravity of the harm to plaintiffs and the general public outweighs the utility, if any, of defendants' conduct.

PRAYER FOR RELIEF

WHEREFORE, plaintiffs pray that this Court enter judgment in their favor and against defendants as follows:

A. Adjudge and declare, pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201(a) & 2202, that defendants have contributorily and vicariously infringed plaintiffs' exclusive rights under the Copyright Act, plaintiffs' rights under the Communications Act, and plaintiffs' rights under California law;

B. Preliminarily and permanently enjoin, pursuant to 17 U.S.C. § 502, defendants, their officers, agents, servants, employees and those persons in active oncert or participation with them, from directly, contributorily and/or vicariously infringing by any means plaintiffs' exclusive rights under the Copyright Act, and from licensing any other person to do the same,

C. Preliminarily and permanently enjoin defendants from violating Sections 553 and 605 of the Communications Act;

D. Preliminarily and permanently enjoin, pursuant to Cal. Bus.& Prof. Code § 17200, defendants, their officers, agents, servants, employees and those persons in active concert or participation with them, from engaging in one or more unfair and/or unlawful business acts or practices, including but not limited to, through any provision, use or support of the "AutoSkip" or "Send Show" functions or any similar functions, or from licensing any other person to do the same;

E. Require defendants and their officers, agents, servants, employees and those persons in active concert to cease any activity that encourages viewers to block access to commercial content transmitted during television programming owned by plaintiffs or offered on a television network owned and/or operated by plaintiffs, or that encourages or permits users to transmit copies of such programming to other persons;

F. Award plaintiffs their costs and reasonable attorney's fees in accordance with 17 U.S.C. § 505, 47 U.S.C. §§ 553 & 605, and other applicable law; and

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G. award plaintiffs such further and additional relief as the Court may deem just and proper.

Respectfully submitted,

By:________________________

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Dated: November 21, 2001

TABLE OF EXHIBITS

A. Table of illustrative copyright registrations for programs owned by Paramount Pictures Corporation

B. Table of illustrative copyright registrations for programs owned by Disney Enterprises, Inc.

C. Table of illustrative copyright registrations for programs owned by National Broadcasting Co.

D. Table of illustrative copyright registrations for programs owned by NBC Studios, Inc.

E. Table of illustrative copyright registrations for programs owned by Showtime Networks Inc.

F. Table of illustrative copyright registrations for programs owned by ABC, Inc.

G. Table of illustrative copyright registrations for programs owned by Viacom International Inc.

H. Table of illustrative copyright registrations for programs owned by CBS Broadcasting Inc.

I. Segments about "AutoSkip" feature from demonstration video

J. Segments about "Send Show" feature from demonstration video

FILED

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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

TIME WARNER ENTERTAINMENT COMPANY, L.P., a Delaware limited partnership; HOME BOX OFFICE, a division thereof; WARNER BROS., a division thereof; WARNER BROS. TELEVISION, a division thereof; TIME WARNER INC., a Delaware corporation; TURNER BROADCASTING SYSTEM, INC., a Georgia corporation; NEW LINE CINEMA CORPORATION, a Delaware corporation; CASTLE ROCK ENTERTAINMENT, a California general partnership; and THE WB TELEVISION NETWORK PARTNERS L.P., a California limited partnership d/b/a The WB Television Network,

Plaintiffs,

v.

REPLAYTV, INC., a Delaware corporation; and SONICblue Inc., a Delaware corporation,

Defendants.

Case No. 01-09693 DT FMOx

COMPLAINT FOR:

1. **CONTRIBUTORY COPYRIGHT INFRINGEMENT**
2. **VICARIOUS COPYRIGHT INFRINGEMENT**
3. **UNFAIR BUSINESS PRACTICES IN VIOLATION OF CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION 17200**
4. **DECLARATORY RELIEF**

ATTACHMENT C - EXH. 5
PAGE 238.

Plaintiffs Time Warner Entertainment Company, L.P., Home Box Office, Warner Bros., Warner Bros. Television, Time Warner Inc., Turner Broadcasting System, Inc., New Line Cinema Corporation, Castle Rock Entertainment, and The WB Television Network Partners L.P. (collectively, "Plaintiffs"), for their Complaint against Defendants ReplayTV, Inc. and SONICblue Inc. (collectively, "Defendants"), allege and aver as follows:

JURISDICTION AND VENUE

1. Plaintiffs assert claims against Defendants arising under the Copyright Act of 1976, as amended, 17 U.S.C. § 101 *et seq.*, California common law, and California Business and Professions Code section 17200. This Court has original subject matter jurisdiction over Plaintiffs' federal claims pursuant to 28 U.S.C. §§ 1331 and 1338(a), and supplemental subject matter jurisdiction over Plaintiffs' state law claims pursuant to 28 U.S.C. § 1367(a).

2. This Court has specific personal jurisdiction over all of the Defendants as each has purposefully committed, within the state, the acts from which these claims arise and/or has committed unlawful acts outside California, knowing and intending that such acts would cause injury within the state. The Court also has general personal jurisdiction over Defendants as each conducts continuous, systematic, and routine business within this state and county.

3. Venue is proper in the United States District Court for the Central District of California pursuant to 28 U.S.C. §§ 1391(b), 1391(c) and 1400(a).

NATURE OF THE CASE

4. Plaintiffs create and distribute some of the most sought-after and valuable intellectual property in the world. That intellectual property includes copyrighted motion pictures and television programs produced by Warner Bros., New Line Cinema, and Castle Rock Entertainment. It includes the CNN, CNN Headline News, TBS, and TNT cable television services. It includes The WB Television Network. And it includes the HBO premium pay television channel.

That content is made available to millions of Americans via broadcast, satellite, and cable television transmissions, on premium cable channels, via pay-per-view performances, and through viewing videocassette and DVD copies of such content.

5. Plaintiffs bring this action to obtain preliminary and permanent injunctive relief against Defendants for their contributory and vicarious infringement of Plaintiffs' copyrighted works and their unfair business practices. Defendants have designed and manufactured – and are currently advertising, promoting, offering for sale, and accepting purchase orders for – a device that illegally copies Plaintiffs' copyrighted works, strips them of commercial advertisements during playback, and distributes them over the Internet to others. On information and belief, Defendants not only manufacture and sell the device, they intend to maintain a permanent, continuous relationship with their customers' devices. After the device is installed, it will communicate with Defendants <u>every day</u> so that Defendants can tell its customers what programs are available for copying <u>and</u> so that Defendants can encourage, assist, induce, cause, materially contribute to, supervise, and/or control the infringing conduct of the users of Defendants' device.

6. The subject of this case is Defendants' personal video recorder ("PVR"), and Defendants' post-sale interaction with it, known as the "ReplayTV 4000." (A true and correct copy of information regarding the unit as its appears on Defendants' website is attached hereto as Exhibit A.) In contrast to conventional videocassette recorders ("VCRs") or other PVR systems, the ReplayTV 4000 goes far beyond traditional home recording technology in ways that lie outside the scope of the defense potentially accorded such technologies by *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984) (the Betamax case), and that clearly violate the rights of copyright owners. Defendants' ReplayTV 4000: (a) takes television signals that carry Plaintiffs' content, including cable, satellite, and pay-per-view signals, and converts them into unauthorized digital copies of Plaintiffs'

copyrighted works; (b) can automatically delete all commercials from such copies of Plaintiffs' television programming during playback; (c) creates libraries, indexed and stored on the device, containing up to 320 hours of those works, and (d) distributes copies of those works over the Internet to others. In so doing, it deprives Plaintiffs of the revenue streams to which they are entitled and the economic value of their intellectual property. Further, the removal of commercial messages by itself robs the advertisers of the value of their purchase of advertising time, depresses the value of such advertising time, and undermines the economic models by which television programming is provided to consumers free of direct charge (in the case of broadcast television) or at a cost lower than it would be absent the revenues paid by advertisers (in the case of basic cable television).

7. Defendants' conduct threatens to cause extraordinary and continuous harm to Plaintiffs' businesses in the future. Unless enjoined, Defendants' distribution of the ReplayTV 4000 devices and their active facilitation of the use of those devices to illegally copy and distribute Plaintiffs' copyrighted works will result in significant financial loss and irreparable injury to Plaintiffs.

8. Defendant Replay TV, Inc.'s conduct also constitutes a breach of a July 1999 license agreement between Replay Networks, Inc. (now known as ReplayTV, Inc.) and Plaintiffs Time Warner Inc. and Turner Broadcasting System, Inc. that, *inter alia*, prohibits ReplayTV from offering and interacting with products that include the ReplayTV 4000's infringing features, as alleged below.

THE PARTIES

9. Plaintiff Time Warner Entertainment Company, L.P. ("TWE") is a Delaware limited partnership, with its principal place of business in New York, New York. Among many other things, it is involved in all aspects of motion picture and television production and distribution and the operation of television networks and cable television channels and program services.

10. Plaintiff Home Box Office ("HBO") is a division of TWE. HBO is a "pay" or "subscription" cable and satellite service. Programming that HBO provides to its subscribers for a monthly fee includes original programs produced by HBO (e.g., episodic series, miniseries, and movies) and movies produced by other entities that typically (but not necessarily) were exhibited in movie theaters before being shown on HBO. It owns the copyrights to programs such as *The Sopranos*, *Sex and the City*, and *Band of Brothers*. HBO also operates other cable services, including HBO Family, HBO Comedy and HBO Latino.

11. Plaintiff Warner Bros. is a division of TWE. It is involved in the production, distribution, exhibition, and licensing of motion pictures. It owns the copyrights to such movies as *Batman*, *The Matrix*, and the upcoming *Harry Potter & The Sorcerer's Stone*.

12. Plaintiff Warner Bros. Television is a division of TWE. It is involved in the production, distribution, and licensing of television programs. It owns the copyrights to many episodes of television series telecast by United States television networks and individual stations, including such series as *ER*, *The West Wing*, *Friends*, and *The Drew Carey Show*.

13. Plaintiff Time Warner Inc. ("TWI") is a Delaware corporation with its principal place of business in New York, New York. TWI is an affiliate of TWE.

14. Plaintiff Turner Broadcasting System, Inc. ("Turner Broadcasting") is a Georgia corporation with its principal place of business in Atlanta, Georgia. It is a major producer of news and entertainment programs and the leading provider of programming for the basic cable industry. It owns cable networks and program services, such as TBS, TNT, Cartoon Network, Turner Classic Movies, and the various CNN networks (such as CNN, CNN Headline News, CNNfn, and CNNSI). Turner Broadcasting owns the copyrights to programs such as *The Powerpuff Girls* and *Dexter's Laboratory*, movies produced by Turner Broadcasting (such as

Pirates of Silicon Valley and *Running Mates*), and movies produced by others (such as *Gone With the Wind*, *The Wizard of Oz*, and *Dr. Zhivago*).

15. Plaintiff New Line Cinema Corporation is a Delaware corporation with its principal place of business in Los Angeles, California. It is involved in the production, distribution, exhibition, and licensing of motion pictures and television programs. It owns the copyrights to such movies as *Rush Hour*, *Austin Powers: International Man of Mystery*, and the upcoming *Lord of the Rings* trilogy.

16. Plaintiff Castle Rock Entertainment is a California general partnership with its principal place of business in Beverly Hills, California. It is involved in the production, distribution, exhibition, and licensing of motion pictures and television programs. It owns the copyrights to such movies as *When Harry Met Sally*, *A Few Good Men*, *The Shawshank Redemption*, and *The Green Mile*.

17. Plaintiff The WB Television Network Partners L.P. ("The WB Television Network") is a California limited partnership d/b/a The WB Television Network. WB Communications, the General Partner, is a division of TWE. The WB Television Network is involved in the production, distribution, and broadcast of television programs.

18. Collectively, Plaintiffs are the legal or beneficial owners of numerous United States copyrights in and to a substantial amount of television programs and movies currently available through United States broadcast, satellite, and cable television channels. Plaintiffs have registered these copyrights with the Copyright Office and possess valid registrations for each copyrighted motion picture and television program on which this lawsuit is based. Attached hereto as Exhibit B is a schedule of illustrative copyright registrations for certain of Plaintiffs' works, or works to which Plaintiffs hold exclusive distribution rights thereto, susceptible to infringement by Defendants' ReplayTV 4000 system.

19. Upon information and belief, Defendant ReplayTV, Inc. ("Replay") is a Delaware corporation with its principal place of business in Santa Clara,

California. Replay was formerly known as Replay Networks, Inc. According to documents publicly filed by Defendant SONICblue Inc. ("SONICblue"), Replay is a wholly owned subsidiary of SONICblue. Replay has developed and is marketing and offering for sale the ReplayTV 4000 and intends to continuously facilitate its use through, among other things, electronic program guides and related recording instructions that it transmits every night to every ReplayTV unit.

20. Upon information and belief, Defendant SONICblue is a Delaware corporation with its principal place of business in Santa Clara, California. SONICblue is the parent company of Replay. SONICblue promotes and markets the ReplayTV 4000, including through promotions on its own website, and continuously facilitates its use.

ALLEGATIONS COMMON TO ALL CLAIMS FOR RELIEF

The Economics of Creating and Distributing Programming Content

21. Plaintiffs invest billions of dollars each year to create and deliver motion pictures, television series, news, sports, and other programming content to the public. To encourage Plaintiffs and others to create these works, the law permits Plaintiffs, as the owners of the copyrights, to control how, where, when, and on what terms they make their works available for the public to view.

22. Plaintiffs' works are made available through various forms of distribution, including, but not limited to, by means of television exhibition. Currently, television exhibition generally occurs through: (a) free, over-the-air broadcasts, whether on national networks or individual television stations in local markets; (b) exhibition on basic cable channels (e.g., TBS or TNT); (c) premium pay television program services (e.g., HBO); and (d) various forms of pay-per-view and video on demand. Plaintiffs' works also are made available through other means of distribution, such as through videocassette and DVD sales and rentals for home viewing. Plaintiffs receive compensation for the use of their works in each form of distribution, whether by direct payments from consumers or retailers (e.g.,

video stores), through licenses with television stations, television networks, or cable and satellite television channels and system operators, or through payments by advertisers.

a. Free, Over-the-Air Broadcasts. Over-the-air broadcasting occurs through television networks such as CBS, NBC, ABC, Fox, and The WB Television Network (and stations affiliated with them), and hundreds of local, independent terrestrial broadcast stations around the country. Free, over-the-air television networks and local stations both create and license copyrighted content – largely entertainment, news, and sports programming – on which the public has come to rely for information and entertainment. Broadcast television networks and local stations account for a large percentage of all television viewing in the United States. The creation and acquisition of the copyrighted content that has come to define free, over-the-air broadcasting is made possible through commercial advertisements that are inserted in or adjacent to each program. Virtually the sole means of payment for such copyrighted content is revenue from advertisers who pay for these commercials.

b. Basic Cable Channels. Another method for television distribution is through controlled access via so-called "basic" non-broadcast channels such as CNN, TBS, TNT and Cartoon Network. The sale of commercial time to advertisers and the collection of fees from distributors such as cable systems and satellite carriers (who in turn receive monthly fees paid by subscribers to their services) are among the principal means by which such channels finance the creation of their original works and other programming.

c. Premium Pay Television Program Services. Programming is also distributed to the public via premium pay television program services such as HBO. These services, which are available to subscribers to cable, satellite, and other multi-channel video distribution systems, are typically made available to consumers for a monthly fee. Premium services offer original programming, theatrical motion pictures, or both, all without commercial interruption – but only to those who have paid the subscription fee. Subscription fees are the means by which the copyright owners are paid for licensing their works to these services.

d. Pay-Per-View and Video On Demand. In recent years, more and more television programming has been transmitted for viewing by the public through some form of video on demand. The various forms of video on demand include, among others, pay-per-view delivery (in which a viewer obtains one-time access to a particular program, such as a feature film, a live boxing event, or a concert, in return for payment of a fee for that access), video on demand (in which a viewer can choose to watch a particular program at any time of the viewer's choosing, also in return for payment of a fee for that access), and near video on demand (in which a viewer can choose to watch a particular program at one of several times offered by the program distributor, also in return for payment of a fee for that access).

e. Home Video Exhibition. Many of the Plaintiffs herein also distribute their works via sales of videocassettes and DVDs directly to consumers or to retailers who then sell or rent those videocassettes and DVDs to the public. Each year, millions of Americans watch the copyrighted works of these Plaintiffs and of other persons by playing such videocassette or DVD copies of those works. The sale of videocassettes and DVDs to consumers and retailers by copyright owners (such as many of the Plaintiffs herein) yields substantial revenues to such copyright owners.

23. By not obtaining Plaintiffs' permission or compensating Plaintiffs for the uses of Plaintiffs' works by Defendants' ReplayTV 4000 customers, Defendants will undermine each of these forms of distribution and the means by which Plaintiffs are compensated for the public's viewing and enjoyment of their works.

The value of – and hence the incentive for Plaintiffs to create – expressive works will be eroded.

The ReplayTV 4000

24. Defendants' ReplayTV 4000 is a device and system for making and distributing digital copies of television programming. It contains, among other things, a central data processing unit, a mechanism for communicating with Defendants' central servers, and a hard drive with substantial storage capacity.

25. The ReplayTV 4000 goes far beyond traditional home recording technology in ways that clearly violate Plaintiffs' copyrights. As shown by the examples described below, the ReplayTV 4000 enables Defendants' customers to infringe Plaintiffs' copyrights intentionally and flagrantly.

"Send Show"

26. The ReplayTV 4000 includes a function called "Send Show," which Defendants also refer to on their website as "Video Sharing Over the Internet" or "Send Show Over the Internet." This feature allows a user who has made a copy of a copyrighted motion picture or television program on a ReplayTV 4000 unit to distribute it to third parties who also own ReplayTV 4000 units. Defendants assure their customers that using the ReplayTV 4000 to engage in the unauthorized distribution of copies of Plaintiffs' works will be effortless: "[W]ith its broadband connectivity, sending and receiving programs [with the ReplayTV 4000] is a breeze."

27. On information and belief, the transfer of such copies is to be accomplished by means of a central server, file transfer protocol, and compression and encryption algorithms designed and operated by Defendants. On Defendants' server, Defendants will maintain a list of active ReplayTV 4000 owners which other users will access to facilitate the unauthorized distribution of unauthorized copies of Plaintiffs' copyrighted works. Defendants' "Send Show" feature is designed so as to facilitate the infringement of Plaintiffs' rights in all types of

programming, from over-the-air broadcast programs to basic, premium, and pay-per-view non-broadcast offerings. For example – with Defendants' explicit encouragement and instruction – a ReplayTV 4000 owner who pays for a monthly HBO subscription can record a motion picture exhibited on HBO (such as *Almost Famous*, which will debut later this month) and use Defendants' "Send Show" feature to reproduce and distribute a digital copy of the movie to third parties who also own a ReplayTV 4000, even though none of those third parties subscribes to HBO or has purchased or rented a DVD or VHS copy of the movie. Similarly, ReplayTV 4000 users can record HBO's exclusive programming (such as *The Sopranos* or a particular musical concert) and distribute a copy of such programming to ReplayTV owners who are not HBO subscribers and who have not paid anything to receive HBO programming. Defendants have specifically designed and are actively marketing the ReplayTV 4000 to make it easy to commit such acts of copyright infringement.

"PC Connectivity"

28. Labeled on Defendants' website as its "PC Connectivity" feature, the ReplayTV 4000 has numerous output connections capable of transferring image files to and from the device to a personal computer. Such transfers may also permit transfer of stored audiovisual works, such as Plaintiffs' copyrighted works, to the users' personal computers. From there, such infringing copies could be redistributed to others (including persons who are not ReplayTV 4000 users) on an unlimited basis. Absent some control or disabling of these outputs, the prospect of widespread unauthorized distribution of Plaintiffs' copyrighted works is substantial.

"AutoSkip"

29. The ReplayTV 4000's "AutoSkip" feature (which Defendants also describe on their website as "Commercial Advance") permits viewers, in Defendants' own words, "to watch recorded programs totally commercial-free." Plaintiffs are informed and believe that, to deliver "commercial-free" television

viewing, the ReplayTV 4000 instantly reads ahead on the data file to skip the commercial messages. To the viewer, this process is imperceptible. On information and belief, Defendants expect the "AutoSkip" feature to be used routinely. For example, their website says, "You'll still have the choice to watch recorded shows with the commercials, *if you really want to*." (Emphasis added.)

Defendants' Post-Purchase Involvement in Infringing Acts

30. Not only do the "Send Show," "PC Connectivity," and "AutoSkip" features themselves enable users to infringe Plaintiffs' copyrights, but Defendants' continuous, direct involvement with their customers well after the sale of each ReplayTV 4000 unit is inextricably intertwined with that infringing activity:

a. Defendants will maintain a data link to each unit. On a daily basis, each unit will initiate contact with, and connect to, a computer server operated by Defendants.

b. Using that connection, Defendants will gather data from each unit regarding that customer's recording and viewing behavior and preferences, and then download data to enable the unit to, among other things, display on-screen program guides and make copies of Plaintiffs' copyrighted works. In addition, Defendants will be able to compile this highly valuable information about its users' recording and viewing behavior and preferences and sell it to advertisers and others.

c. Defendants will have the ability, from their own facilities, to update and overwrite the software installed on their customers' devices, which ability will permit Defendants to add features to those devices, or remove features from them.

d. To enable ReplayTV 4000 users to distribute digital copies of Plaintiffs' works to others using the "Send Show" feature, at a minimum, Defendants will have to maintain a server to permit its customers to obtain a unique address or other identifying information for each unit (which can then be provided to other ReplayTV 4000 users), a file transfer protocol, and compression and encryption algorithms.

ReplayTV Inc.'s Breach of Contract

31. Plaintiffs Turner Broadcasting and TWI are parties to a contract dated July 30, 1999 with Replay Networks, Inc., now known as Defendant ReplayTV, Inc. (the "Replay Network Agreement"). The terms of the Replay Network Agreement are incorporated herein by reference as if set forth in full. (A copy of the agreement will be filed with the Clerk under seal upon the entry of an appropriate protective order). Pursuant to the Replay Network Agreement, Turner Broadcasting granted to Replay Networks, Inc. a non-exclusive license to certain of its programming and content for distribution through the ReplayTV platform and the Replay Network Service for a term commencing as of July 30, 1999 and expiring on July 29, 2002, unless earlier terminated.

32. The Replay Network Agreement provides, among other things, that Replay may "not make any alterations, modifications, additions, or deletions … to any of the Turner Networks [as defined in the agreement], the Turner Content [as defined in the agreement] … or to any programming on the Turner Networks or any Turner Content … except with the prior approval of Turner in its absolute discretion." These restrictions and approval rights are material terms of the agreement and, as provided in the agreement, survive any termination or expiration thereof. Contrary to the terms of the Replay Network Agreement, the ReplayTV Model 4000 permits users to delete commercial advertisements from the content licensed pursuant to the Replay Network Agreement. Turner Broadcasting has not been asked to approve such a feature and has not given any approval for such a feature.

33. The Replay Network Agreement also states that Replay intended to develop a method for inserting advertising or promotional spots in the "pause" time that is created through the Replay Network Service and that Replay Networks, Inc.

and Turner Broadcasting would share the advertising revenue generated from sale of "pause" time inventory on any Turner Content or any portion of a Turner Network, but that all "pause" time advertisements and promotions on any Turner Content or any portion of any Turner Network would be subject to Turner Broadcasting's approval. This approval right is a material term of the agreement. Upon information and belief, Replay has developed and deployed a method for inserting commercial messages during the "pause" time created through the Replay Network Service when Turner Content has been recorded, although Replay has not requested or obtained prior approval from Turner Broadcasting.

34. The Replay Network Agreement also requires Turner Broadcasting's agreement to develop service offerings in addition to those specified in the Replay Network Agreement. This requirement is a material term of the agreement. The ReplayTV 4000 contains several such additional service offerings, including but not limited to the "Send Show" feature, even though Turner Broadcasting has had no involvement in the development of such additional service offerings and has not agreed to their inclusion in the ReplayTV 4000.

35. On November 6, 2001, Plaintiffs Turner Broadcasting and TWI notified Defendants that they intended to terminate the Replay Network Agreement in accordance with its terms as a result of Replay's breaches of material terms of the agreement.

FIRST CLAIM FOR RELIEF

Contributory Copyright Infringement

(Under 17 U.S.C. § 101 *et seq.*, against all Defendants)

36. Plaintiffs reallege the allegations contained in paragraphs 1 through 35 of this Complaint as though fully set forth herein.

37. Defendants are encouraging, assisting, inducing, causing, and/or materially contributing to a vast number of actual or imminent copyright infringements of Plaintiffs' works by users of the ReplayTV 4000 in violation of 17

U.S.C. §§ 106 and 501. Such acts of copyright infringement include the actual or imminent unauthorized copying and/or distribution of Plaintiffs' works.

38. Defendants know or have reason to know of the actual or imminent direct infringement of Plaintiffs' copyrights. Indeed, Defendants actively promote the infringements as a reason to purchase their products, provide tools that are indispensable to these infringements, and continuously facilitate the infringements.

39. The unauthorized copying and distribution of Plaintiffs' copyrighted works that Defendants encourage, assist, induce, cause and/or materially contribute to through the conduct described above is without Plaintiffs' consent and not otherwise permissible under the Copyright Act.

40. The foregoing acts of infringement by Defendants have been willful, intentional, purposeful, and with indifference to Plaintiffs' rights.

41. Defendants' conduct is causing and, unless enjoined and restrained by this Court, will continue to cause Plaintiffs great, irreparable injury that cannot fully be compensated or measured in money. Plaintiffs have no adequate remedy at law.

SECOND CLAIM FOR RELIEF

Vicarious Copyright Infringement

(Under 17 U.S.C. § 101 *et seq.*, against all Defendants)

42. Plaintiffs reallege the allegations contained in paragraphs 1 through 35 of this Complaint as though fully set forth herein.

43. Defendants have the right and ability to supervise and/or control the infringing conduct of users of the ReplayTV 4000. Defendants have the particular right and ability to supervise and/or control such activity as it pertains to the unauthorized copying and distribution of Plaintiffs' copyrighted works by ReplayTV 4000 users.

44. Defendants' regular involvement is an indispensable link in their customers' infringing conduct. Although Defendants could have designed the ReplayTV 4000 so as to prevent the making of unauthorized digital copies and the

unauthorized distribution of Plaintiffs' copyrighted works, instead they specifically designed the ReplayTV 4000 (and planned their ongoing communication with and assistance to their customers) to facilitate the digital copying and distribution of such copyrighted works. Although Defendants could have sought licenses from Plaintiffs to make such uses of these works (and thereby compensated Plaintiffs for the use of these works and any injury to them resulting from use of the ReplayTV 4000), instead they chose not to.

45. Defendants have a direct financial interest in the infringements of Plaintiffs' copyrights by their customers. Defendants' economic success is directly tied to the popularity of the infringing conduct that they seek to encourage. For example, the Defendants have candidly admitted that the ReplayTV 4000 is designed to enable users to copy a massive volume of programs – up to 320 hours' worth – and view them without the commercials, and that the ReplayTV 4000 is designed to enable users to distribute digital copies of entire copyrighted works to others – all without permission of the copyright owner. These new infringing capabilities of the ReplayTV 4000 are among Defendants' principal selling points.

46. Defendants' conduct constitutes vicarious infringement of Plaintiffs' copyrights and exclusive rights under copyright in violation of 17 U.S.C. §§ 106 and 501.

47. The foregoing acts of infringement by Defendants have been willful, intentional, purposeful, and with indifference to Plaintiffs' rights.

48. Defendants' conduct is causing and, unless enjoined and restrained by this Court, will continue to cause Plaintiffs great, irreparable injury that cannot fully be compensated or measured in money. Plaintiffs have no adequate remedy at law.

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THIRD CLAIM FOR RELIEF

Unfair Business Practices in Violation

of California Business and Professions Code Section 17200

(Against all Defendants)

49. Plaintiffs reallege the allegations contained in paragraphs 1 through 35 of this Complaint as though fully set forth herein.

50. Defendants actions discussed herein constitute unfair and/or unlawful business acts and/or practices within the meaning of California Business and Professions Code section 17200.

51. Pursuant to California Business and Professions Code section 17203, Plaintiffs are entitled to preliminary and permanent injunctive relief ordering Defendants to cease these unfair and/or unlawful business acts and/or practices.

FOURTH CLAIM FOR RELIEF

Declaratory Relief

(Against Defendant ReplayTV, Inc.)

52. Plaintiffs reallege the allegations contained in paragraphs 1 through 35 of this Complaint as though fully set forth herein.

53. In light of Defendant Replay's conduct, pursuant to the Replay Network Agreement, Plaintiffs Turner Broadcasting and TWI have the right to terminate the Replay Network Agreement in accordance with its terms. Plaintiffs Turner Broadcasting and TWI have notified Replay of their intent to terminate the agreement. Upon termination of the agreement, Defendant Replay will have no further rights to use any Turner Content (as defined in the Replay Network Agreement), but Replay will not be relieved of any of its post-termination obligations with respect to the Replay Network Agreement, including the prohibition against making any "alterations, modifications, additions, or deletions … to any of the Turner Networks, the Turner Content … or to any programming on

the Turner Networks or any Turner Content ... except with the prior approval of Turner in its absolute discretion."

54. An actual controversy has arisen and now exists between Plaintiffs Turner Broadcasting and TWI and Defendant Replay, and each of them, regarding their respective rights and duties under the Replay Network Agreement, specifically, whether: (a) Plaintiffs Turner Broadcasting and TWI have the right to terminate the Replay Network Agreement; and (b) Defendant Replay is obligated to fulfill its post-termination obligations.

55. Plaintiffs Turner Broadcasting and TWI desire a judicial determination and declaration of the parties' rights and duties under the Replay Network Agreement. Such a determination is necessary and appropriate at this time in order that Plaintiffs Turner Broadcasting and TWI may ascertain whether they have the right to terminate the Replay Network Agreement. Plaintiffs Turner Broadcasting and TWI desire a judicial determination and declaration in order that they may ascertain whether Defendant Replay is relieved of any of its post-termination obligations with respect to the Replay Network Agreement.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray that this Court enter judgment in their favor and against Defendants and each of them as follows:

1. Adjudge and declare, pursuant to the Declaratory Judgment Act, 28 U.S.C. §§ 2201(a) and 2202, that Defendants have contributorily and vicariously infringed Plaintiffs' exclusive rights under the Copyright Act;

2. Preliminarily and permanently enjoin, pursuant to 17 U.S.C. § 502, Defendants, their officers, agents, servants, employees and those persons in active concert or participation with them, from contributorily and/or vicariously infringing by any means Plaintiffs' exclusive rights under the Copyright Act and from licensing any other person to do the same, including by means of manufacturing,

advertising, selling, offering for sale, distributing, or delivering into commerce any ReplayTV 4000 unit;

3. Preliminarily and permanently enjoin, pursuant to California Business and Professions Code section 17200, Defendants, their officers, agents, servants, employees and those persons in active concert or participation with them, from engaging in one or more unfair and/or unlawful business acts and/or practices, or from licensing any other person to do the same;

4. Adjudge and declare that (a) Plaintiffs Turner Broadcasting and TWI have the right to terminate the Replay Network Agreement; and (b) Defendant Replay is not relieved of any of its post-termination obligations with respect to the Replay Network Agreement; and

5. Award Plaintiffs such further relief as the Court may deem just and proper.

Dated: November 9, 2001.

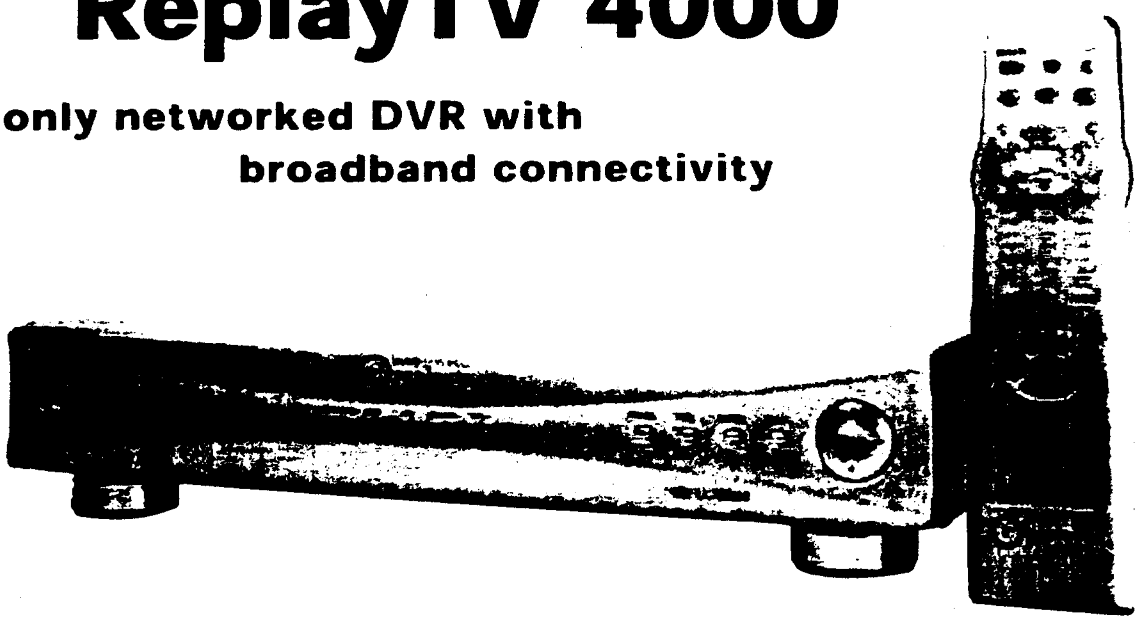
ROBERT M. SCHWARTZ
MARK A. SNYDER
- and -
RONALD L. KLAIN
GOODWIN LIU
O'MELVENY & MYERS LLP

By ______________________
Robert M. Schwartz
Attorneys for Plaintiffs

replaytv®

ReplayTV 4000

• The only networked DVR with broadband connectivity



The ReplayTV 4000 series networked Digitial Video Recorder (DVR) takes advantage of broadband connectivity and home networks to deliver a home entertainment experience unlike any other. Now you can share media within and outside the home, access videos over the Internet and manage your home entertainment. ReplayTV 4000s have the highest recording capacity of any DVR on the market today, with up to 320 hours of storage space, and a new feature called Commercial Advance® that allows users to playback their recorded shows without commercials. And let's not forget ReplayTV favorites such as MyReplayTV.com, one-touch recording, QuickSkip™ and no monthly fees.

advantages

- The only networked DVR with broadband connectivity
- Video sharing inside and outside the home
- Highest recording capacity available, with up to 320 hours
- Commercial Advance® to watch recorded shows without commercials

SONICblue

replaytv

features and technical specifications

key features

Networking and multimedia features

- Video sharing between multiple ReplayTV 4000 units in your home
- Video sharing with friends and family owning ReplayTV 4000 units
- Ethernet port for connection to home networks
- PC connectivity for transferring digital photos to and from ReplayTV 4000 units
- iChannels that deliver unique programming over the Internet*
- Broadband-connected nightly downloads from ReplayTV service

** New feature coming soon.*

Hardware features

- Highest storage capacity available — up to 320 hours
- Compatible with cable, satellite and antenna programming feeds
- Progressive output provides higher quality image resolution and is compatible with HDTV monitors
- Front panel controls to operate your unit without the remote control
- Backlit remote control

Digital Video Recording features

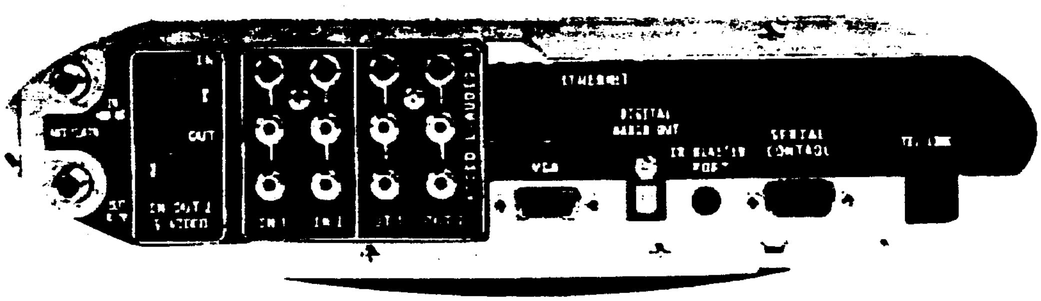
- One-touch recording from a grid-based channel guide
- Easily find shows with keyword search
- ReplayZones™ to browse for shows by category
- MyReplayTV.com for remote programming of your ReplayTV from the Web
- Improved Replay Guide with Show Organizer™ to easily manage shows and photos all in one location
- Immediate and simple resolution of recording conflicts

Live TV and playback controls

- Pause, Instant Replay, Slow Motion, Frame Advance, Multi-speed Rewind and Fast Forward
- QuickSkip™ ahead 30 seconds
- Commercial Advance® to watch recorded shows without commercials
- Slide show playback of personal digital photos
- Screen saver option using digital photos

ReplayTV service

- No monthly fees
- Automatic nightly channel guide download and clock set using broadband connection
- Free software upgrades



specifications

Back panel

- Infrared emitter
- Serial port
- RJ-11 telephone jack (not enabled)
- A/C power cord
- Ethernet port
- Inputs
  - RF / ANT for cable (F-type)
  - Line one (2 audio RCA; 1 composite video RCA)
  - Line two (2 audio RCA; 1 composite video RCA; 1 S-Video)
- Outputs
  - Line one (2 audio RCA; 1 composite video RCA)
  - Line two (2 audio RCA; 1 composite video RCA; 1 S-Video)
  - ANT / CATV out
  - Progressive output (VGA connector)
  - Digital audio output (optical connector)

Audio/Video

- Video vertical resolution: 450 lines minimum
- Video signal to noise ratio: 70dB minimum
- Audio frequency response: 20Hz-20KHz +/-1dB
- Differential gain: less than 1% maximum
- Differential phase: less than 1 degree maximum

ReplayTV 4000 series models

- ReplayTV 4040 – 40 hour capacity
- ReplayTV 4080 – 80 hour capacity
- ReplayTV 4160 – 160 hour capacity
- ReplayTV 4320 – 320 hour capacity

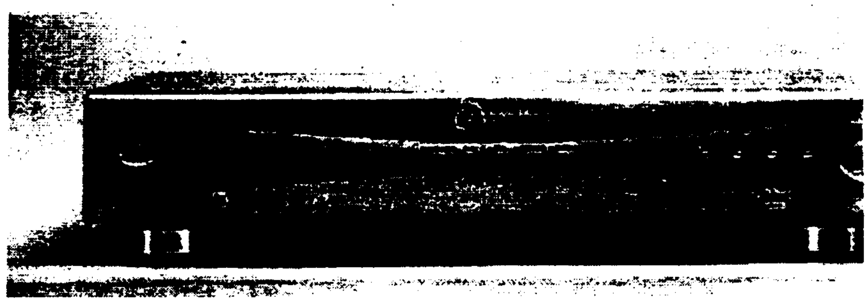
SONICblue

www.replaytv.com

replaytv

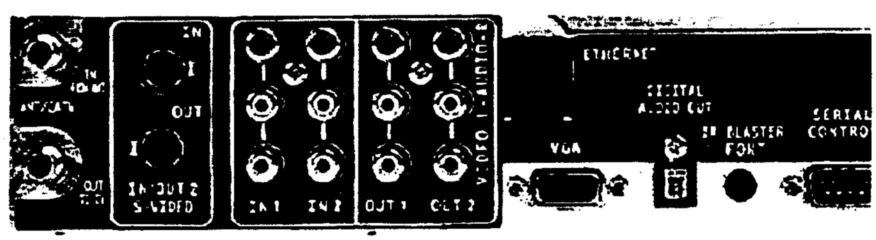
Technical Specifications

FRONT PANEL



- Status indicators:
  - On/Standby
  - New Content Available
  - Recording in Progress
  - Playing Delayed or Recorded Show Indicator
  - New Message Indicator
  - TV/DVR Indicator
- Infrared receiver for remote control
- Custom remote control included
- Power button to put device in Standby mode

BACK PANEL



- Infrared blaster port
- Serial port
- Ethernet port (RJ-45 connector)
- RJ-11 telephone jack (not enabled)
- A/C power cord
- Inputs:
  - RF/ANT for cable (F-type)

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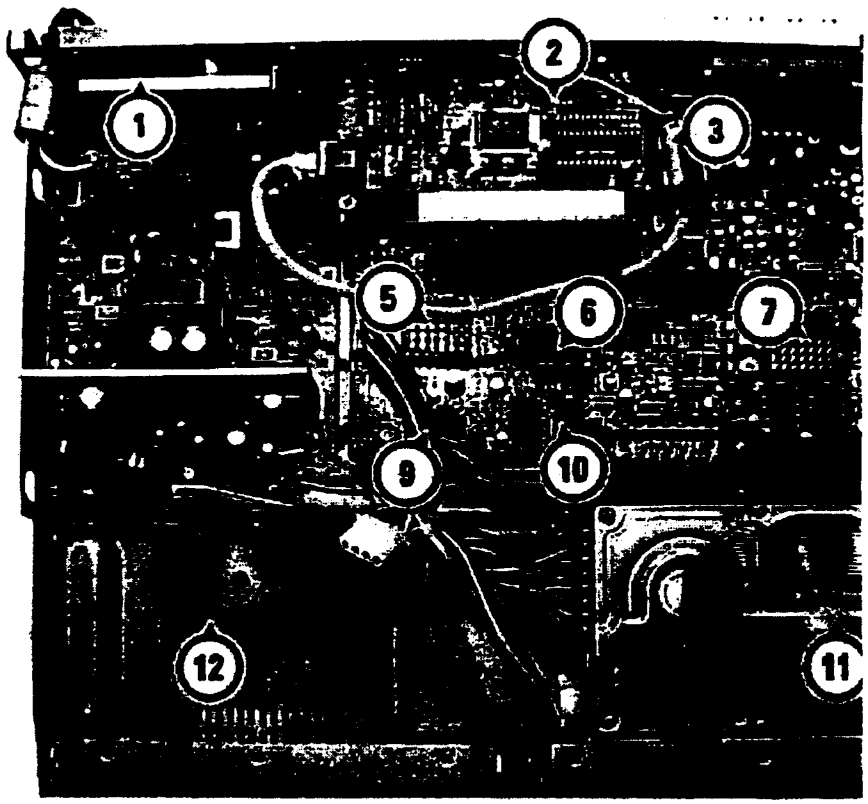
- S-Video
- Line One (2 audio RCA: 1 composite video RCA)
- Line Two (2 audio RCA; 1 composite video RCA; 1 S-Video)

- Outputs:
  - RF/ANT for cable (F-type)
  - S-Video
  - Line One (2 audio RCA; 1 composite video RCA)
  - Line Two (2 audio RCA; 1 composite video RCA; 1 S-Video)
  - Progressive output (VGA connector)
  - Digital Audio output (Optical connector)
- Storage Capacity:
  - Up to 320 hours using MPEG 2 video encoding

BOARD



1. Fan
2. 10/100 base T Network Card
3. FPGA (under Network Card)
4. Tuner
5. CPU
6. System Controller
7. MPEG2 Decoder
8. MPEG2 Encoder
9. Flash BIOS
10. RAM
11. Hard Drive
12. Extra Hard Drive Bay

ATTACHMENT C - EXH. 5
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View ReplayTV 4000 spec sheet (PDF document)

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A-24

Illustrative Copyright Registrations

Copyright Registrant	Title	Registration No.
Home Box Office	*The Sopranos*	PA-1-021-745
Home Box Office	*The Sopranos*	PA-1-021-743
Home Box Office	*Sex and the City*	PA-1-008-079
Home Box Office	*Sex and the City*	PA-1-021-357
Warner Brothers, Inc.	*Batman*	PA-417-162
Warner Bros. Television	*ER*	PA-992-025
Warner Bros. Television	*ER*	PA-992-024
Warner Bros. Television	*The West Wing*	PA-999-327
Warner Bros. Television	*The West Wing*	PA-999-326
Warner Bros. Television	*Friends*	PA-1-021-729
Warner Bros. Television	*Friends*	PA-1-036-645
Warner Bros. Television	*The Drew Carey Show*	PA-1-036-551
Warner Bros. Television	*The Drew Carey Show*	PA-1-036-549
Cartoon Network, LP, LLLP	*Dexter's Laboratory*	PA-957-875
Cartoon Network, LP, LLLP	*Dexter's Laboratory*	PA-957-874
TNT Originals, Inc.	*Pirates of Silicon Valley*	PA-949-473
TNT Originals, Inc.	*Running Mates*	PA-1-003-121
Turner Entertainment Company	*Dr. Zhivago*	RE-630-136
New Line Productions, Inc.	*Rush Hour*	PA-911-012
New Line Productions, Inc.	*Austin Powers: International Man of Mystery*	PA-841-048
Castle Rock Entertainment	*When Harry Met Sally*	PA-423-275
Castle Rock Entertainment	*A Few Good Men*	PA-602-887
Castle Rock Entertainment	*The Shawshank Redemption*	PA-714-744
CR Films, LLC	*The Green Mile*	PA-986-142

COPY

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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

METRO-GOLDWYN-MAYER STUDIOS INC., a Delaware corporation; ORION PICTURES CORPORATION, a Delaware corporation; TWENTIETH CENTURY FOX FILM CORPORATION, a Delaware corporation; UNIVERSAL CITY STUDIOS PRODUCTIONS, INC., a Delaware corporation; and FOX BROADCASTING COMPANY, a Delaware corporation, Plaintiffs, v. REPLAYTV, INC., a Delaware corporation; and SONICblue INC., a Delaware corporation, Defendants.	Case No. 01- 09801 VBKx **COMPLAINT FOR:** 1. **Copyright Infringement** 2. **Contributory Copyright Infringement** 3. **Vicarious Copyright Infringement** 4. **Violation of Section 553 of the Communications Act** 5. **Violation of Section 605 of the Communications Act** 6. **Unfair Business Practices**

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Plaintiffs Metro-Goldwyn-Mayer Studios Inc., Orion Pictures Corporation, Twentieth Century Fox Film Corporation, Universal City Studios Productions, Inc., and Fox Broadcasting Company (hereinafter collectively referred to as "Plaintiffs"), by their counsel, allege the following against Defendants ReplayTV, Inc. ("Replay") and SONICblue Inc. ("SONICblue") (hereinafter collectively referred to as "Defendants").

Jurisdiction and Venue

1. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1331 & 1338, 17 U.S.C. §§ 101 *et seq*, and 47 U.S.C. §§ 553 and 605. Pursuant to 28 U.S.C. § 1367, this Court has supplemental jurisdiction over Count VI because it is so related to the federal claims as to form part of the same case or controversy. This Court has personal jurisdiction over Defendants ReplayTV, Inc. and SONICblue Inc. due to their operation of their principal place of business in this State and their extensive commercial activities in this State, including this District. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) in that a substantial part of the events or omissions giving rise to this lawsuit, as well as substantial injury to the Plaintiffs, have occurred or will occur in this District as a result of Defendants' past and impending acts of copyright infringement, violation of the Communications Act, and unfair competition, as alleged in detail below. Venue is also proper in this judicial district pursuant to 28 U.S.C. § 1400(a) in that the Defendants may be found in this district in light of their extensive commercial activities in this district.

Nature of the Action

2. Plaintiffs bring this action to obtain declaratory and injunctive relief against an unlawful plan by Defendants to begin distribution of a new package of digital recording hardware and services. The various individual components and features of this package and the package as a whole are referred to herein as "ReplayTV 4000". ReplayTV 4000 consists of an "RTV 4040,"

"RTV 4080," "RTV 4160," or "RTV 4320" hard disc digital video recording device (these models are individually and collectively referred to herein as the "ReplayTV 4000 device") that is integrated with continuous online Internet connections to Defendants' servers and facilities for the express purpose of illegally copying and redistributing Plaintiffs' copyrighted motion pictures and television programs. ReplayTV 4000 is designed and advertised to make unauthorized digital copies of Plaintiffs' copyrighted works, to create and organize libraries and collections of up to 320 hours of such unauthorized copies in the hard drive of the device, and to distribute such copies and collections through a built-in broadband Internet connection to others on the World Wide Web. Defendants maintain an online Internet connection between ReplayTV 4000 devices and their customers, on the one hand, and Defendants' servers and facilities, on the other hand, that, *inter alia*, actively seeks, locates, and copies Plaintiffs' copyrighted works to the hard drives of ReplayTV 4000 devices. ReplayTV 4000 devices also incorporate, among other things, a feature that eliminates from the digital playback of recorded television programming the very commercial advertising that allows that programming to be provided to consumers free of direct charge in the case of over-the-air broadcast programming and at minimum tier levels in the case of subscription services ("basic cable"). Through this conduct, Defendants have engaged in and threaten to engage in direct, contributory and vicarious copyright infringement of Plaintiffs' copyrighted works, violations of the Communications Act, and unfair business practices in violation of California Business and Professions Code section 17200.

3. ReplayTV 4000 is a new platform, devised and newly introduced by Defendants for their profit. Unless enjoined, ReplayTV 4000 will irreparably injure Plaintiffs and the public. It has been unilaterally devised by Defendants to and will usurp and negate Plaintiffs' rights and ability to structure the presentation and distribution of their copyrighted works so as to maximize the viewing opportunities of the public through various "windows," levels of subscription service,

and media; will damage Plaintiffs' ability to develop attractive new and varying ways (including but not limited to "video on demand," "subscription on demand," and "near video on demand") to serve market demands for their works; and in all the foregoing respects will thereby seriously impair the interests of the public as well as those of the Plaintiffs.

The Plaintiffs

4. Plaintiff Metro-Goldwyn-Mayer Studios Inc. ("MGM") is a Delaware corporation with a principal place of business at 2500 Broadway Street, Santa Monica, California 90404.

5. Plaintiff Orion Pictures Corporation ("Orion") is a Delaware corporation with a principal place of business at 2500 Broadway Street, Santa Monica, California 90404.

6. Plaintiff Twentieth Century Fox Film Corporation ("Fox") is a Delaware corporation with a principal place of business at 10201 West Pico Boulevard, Los Angeles, California 90035.

7. Plaintiff Universal City Studios Productions, Inc. ("Universal") is a Delaware corporation with a principal place of business at 100 Universal City Plaza, Universal City, California 91608.

8. Plaintiff Fox Broadcasting Company ("FBC") is a Delaware corporation with a principal place of business at 10201 West Pico Boulevard, Los Angeles, California 90035.

9. Plaintiffs are some of the largest, most successful producers and distributors of motion pictures and television programming in the United States. Each of the Plaintiffs is engaged in the business of producing copyrighted motion pictures and television programming, of distributing, publicly performing and displaying those motion pictures and television programs, and/or licensing those activities to others. Plaintiffs, either directly or through their affiliates or licensees, distribute copyrighted audiovisual works theatrically, through television broadcasts, on cable and direct-to-home satellite services, including basic, premium and "pay-per-view"

television services, and on portable media (such as digital versatile discs ("DVDs"), videocassette tapes and laser discs). The names and reputations of the Plaintiffs as producers and distributors of motion pictures and television programs of high artistic and technical quality, and those motion pictures and television programs, are widely and favorably known throughout this Judicial District, the United States, and the world.

10. Plaintiffs are the owners of copyright or exclusive reproduction and/or distribution rights under United States copyright with respect to certain copyrighted motion pictures and television programs, including but not limited to those listed on Exhibit A, each of which is the subject of a valid Certificate of Copyright Registration from the Register of Copyrights (or for which an application for such a certificate is pending).

11. Plaintiffs have invested and continue to invest substantial sums of money, time, effort, and creative talent to find and develop screenplays and teleplays, to acquire and develop motion pictures and television programs, to nurture the creative teams behind them, to create, produce, advertise, promote, distribute, publicly perform, display, and license motion pictures and television programs, to advertise, distribute, and sell authorized copies of those works in various formats (such as DVDs, videocassette tapes and laser discs), and to explore and develop varying new forms of distribution. Plaintiffs are compensated for their creative and distributive efforts and monetary investments from a variety of sources, including home video sales and rentals, advertising fees, and license fees for televised exhibitions. Many companies and individuals depend on the revenues earned from these sources for their livelihood. Absent the ability to generate revenues to cover such costs and make profits, Plaintiffs could not continue to create, produce, and distribute the works and consider and develop new viewing opportunities for the public. If the pool of resources available for finding and promoting screenplays and teleplays, paying creative teams, and supporting distribution shrinks, the quality and availability of motion

pictures and television programs will suffer. The ultimate result is to diminish the public's broad range of access to a wide variety of high-quality motion pictures and television programs.

12. A significant portion of Plaintiffs' revenues comes from license fees and advertising revenue generated by telecasts of motion pictures and television programs on television, including on "network" television (*e.g.*, NBC, ABC, CBS, UPN, the WB Network, or the Fox Network operated by Plaintiff FBC), "cable" television (*e.g.*, FX, TNT, Comedy Central, the USA Network or the Lifetime Network), "independent" stations that acquire syndicated programming content, premium movie "subscription" cable and satellite services (*e.g.*, Home Box Office or Showtime), and "pay-per-view" services. Many networks, stations and services, including the Fox Network, depend upon advertising revenues to cover the costs of creating and licensing content (including from the Plaintiffs). Subscription services (such as Home Box Office) and pay-per-view services fund the purchase and creation of content by charging fees to individual subscribers or viewers.

13. No Plaintiff has granted any license, permission, or authorization to Defendants, or to past, present, or future customers of Defendants, either to reproduce any of their works (including those listed in Exhibit A), or to distribute, over the Internet or otherwise, through ReplayTV 4000, copies of any of their works (including those listed in Exhibit A).

14. In or about March 2000, Plaintiff FBC entered into an agreement with a predecessor of Defendant ReplayTV with respect to the use of certain FBC content in the limited manner and circumstances set forth in that agreement. As more fully described below, ReplayTV 4000, *inter alia*, creates and organizes libraries and collections of up to 320 hours of unauthorized digital copies of FBC programming, causes and facilitates the distribution of those copies and collections to others through a built-in broadband Internet connection, and automatically eliminates commercial advertising. The agreement does not license or authorize any of these uses

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of FBC's programming. In fact, the agreement expressly requires FBC's consent to develop service offerings in addition to those specified in the agreement, and Defendants have neither sought nor obtained such consent. In any event, the agreement does not bar any of the claims asserted herein by FBC.

The Defendants

15. Defendant Replay is a Delaware corporation with its principal place of business in Mountain View, California. Replay is a wholly owned subsidiary of Defendant SONICblue.

16. Defendant SONICblue is a Delaware corporation with its principal place of business in Santa Clara, California. SONICblue is the parent company of Replay.

17. Replay and SONICblue developed, market and sell ReplayTV 4000, including maintaining continuous connections to and integration with ReplayTV 4000 devices, all for the express purpose of illegally copying and redistributing Plaintiffs' copyrighted motion pictures and television programs.

Facts Common To All Claims For Relief

ReplayTV 4000

18. Defendants' ReplayTV 4000 features a ReplayTV 4000 hard disc digital video recorder ("DVR") that makes and distributes to others unauthorized digital copies of copyrighted motion pictures and television programs. Defendants' direction of, involvement with and participation in such activities does not end with the sale of a ReplayTV 4000 "box" to their customers. Defendants proclaim ReplayTV 4000 as the "first networked DVR": ReplayTV 4000 includes an online Internet connection that enables Defendants to remain connected with their customers and to cause, participate in and facilitate infringement. Via that broadband connection, Defendants collect information about what their customers copy. Defendants also provide information to their customers, collect information about what their customers want or may want

to copy and/or distribute, and match that information with a frequently updated electronic program guide ("EPG") which Defendants call a "Replay Guide" to accomplish and cause such copying. Through that connection, Defendants also direct the operation of the device from distant locations, and enable their customers to distribute such copies, including over the Internet. Upon information and belief, Defendants' EPG and ReplayTV 4000 include *all* programs exhibited on television, including broadcast, basic and premium satellite and cable, and pay-per-view. Certain features of the Replay TV 4000 are described below.

The Distribution Feature

19. ReplayTV 4000's "Send Show" feature causes, enables and facilitates the unlawful distribution of digitally recorded programs over the Internet to others. On information and belief, ReplayTV 4000 accomplishes, causes, enables and facilitates such unlawful distribution and copying by incorporating a file transfer program that, *inter alia*, presents the customer with a menu, receives the customer's instruction, searches for a program that has been copied and stored by that device, searches for recipient addresses, and formats the program for distribution.

20. Defendants assure their customers that using ReplayTV 4000 to infringe copyrights will be effortless: "[W]ith its broadband connectivity, sending and receiving programs [with the ReplayTV 4000] is a breeze." The potential damage to Plaintiffs from this feature is large and growing: millions of Americans presently have high-speed Internet connections and millions more will have such connections in the near future.

21. ReplayTV 4000 not only carries out this unlawful conduct, but Defendants highlight it as a principal selling point. Defendants' press release about ReplayTV 4000, for example, urges customers to use the "Send Show" feature to "*trade movies [and] favorite TV programs*." In a September 2001 interview with CNET, SONICblue's Vice President of Marketing said: "*If there's a great movie that you've recorded and you want to send it over to a*

friend, you'd be able to do that over your broadband connection." (Emphasis added in each case.)

22. Defendants' web site features an online demonstration that illustrates how to use the "Send Show" feature to reproduce and distribute recorded programs to other people. The demonstration shows a ReplayTV 4000 customer employing "Send Show" to distribute to third parties digital copies of a copyrighted program. Indeed, Defendants have specifically designed and are actively marketing ReplayTV 4000 as a tool to make it easy to infringe copyrighted material.

23. With the "Send Show" feature, Defendants cause, accomplish, facilitate and induce the unauthorized reproduction and distribution of Plaintiffs' valuable works and encourage unauthorized access to subscription programming, in violation of both federal and state law. For example, a ReplayTV 4000 customer who has a paid subscription to Home Box Office or another subscription service can send a perfect digital copy of each and every episode of "The Sopranos" (and any other program aired on HBO or any other subscription or pay-per-view service) to any other individual who has a ReplayTV 4000 device, and, on information and belief, to others. This type of activity, which can be accomplished *whether or not the individual receiving the program has paid for a subscription to that service,* obviously impacts sales of subscription and "pay-per-view" services. It also impacts the sale of prerecorded DVD, videocassette tape and other copies of programs that have aired on these services, and diminishes the value of programs aired on these services for subsequent cycles of distribution through basic cable, syndication or other licensing.

<u>The Seeking, Recording, Sorting and Storage Features</u>

24. Defendants cause, accomplish, facilitate and induce the unauthorized reproduction of Plaintiffs' copyrighted works in violation of law. ReplayTV 4000's "Personal Channel," "Find

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Shows," and "Record All Episodes" features allow Replay customers to enter keywords to request that all movies and television shows of a particular genre or in which a particular actor or character (such as James Bond) appears, or all episodes of a particular television program, be recorded. ReplayTV 4000 will actively search the "Replay Guide" EPG seeking programs that "match" customers' keyword searches and "Personal Channel" criteria, and will cause and accomplish the copying of programs that Replay decides "match." In this manner, a Replay TV 4000 customer who has created a "James Bond Channel" need not know, *or even suspect* whether or not, or when, a James Bond program is to be telecast, or whether it even *exists*. Defendants will cause and accomplish the copying of any program Replay considers a "James Bond" program. Replay's own materials describe the active role played by Defendants in connection with these features: "Quickly find the show you're looking for based on keyword searches . . . . *Let ReplayTV create a channel* that *continually finds and records* shows that match these interests." Replay "*sets up personal channels* that *actively seek out* programs that match your interests." (Emphasis added in each case.)

25. The ReplayTV 4000 device provides expanded storage, up to (currently) a massive *320 hour* hard drive, which allows the unlawful copying and storage of a vast library of material. In order to allow customers to easily locate (and distribute, see *infra*) the programs they archive on this hard drive, Defendants offer "Show Organizer," a feature which sorts and organizes customers' recordings. As Defendants state: "*You'll have more storage space than ever before*, so we've improved the Replay Guide to help you sort and access all those recorded shows easily with Show Organizer. Now you can *store* Barney and other related shows into the Kids category." (Emphasis added.) ReplayTV 4000's expanded storage and sorting features organize disparate recordings into coherent collections, and cause, facilitate, induce and encourage the storage or "librarying" of digital copies of copyrighted material, which harms the sale of DVDs,

videocassette tapes and other copies, usurps Plaintiffs' right to determine the degree of "air time" a particular program receives in various cycles of that program's distribution (thereby harming the value of that programming for subsequent cycles of distribution through syndication or other licensing), and materially contributes to unlicensed channels which unfairly compete with plaintiffs' licensing of their motion picture and television product.

26. Defendants' violations are further aggravated by features of ReplayTV 4000 that direct the recording of programs, including through the "Personal Channel," "Find Show," and "Record All Episodes" features, from distant locations through a Replay TV web site, present such digital recordings and collections to the viewer in new, technologically enhanced displays and audio rendition, and cause their distribution to others, including over the Internet.

27. If a ReplayTV customer can simply (indeed, even from distant locations) type "The X-Files" or "James Bond" and have every episode of "The X-Files" and every James Bond film recorded in perfect digital form, and organized, compiled and stored on the hard drive of his or her ReplayTV 4000 device, it will cause substantial harm to the market for prerecorded DVD, videocassette and other copies of those episodes and films, and for syndication and subsequent telecasts.

The "AutoSkip" Feature

28. The ReplayTV 4000 will also detect and skip commercials on playback of recorded telecasts. Upon activation of the feature by a consumer, the ReplayTV 4000 device, on its own, finds the commercials, passes over them, and determines where the commercials end and programming resumes. Here is how Defendants describe the ReplayTV 4000 AutoSkip feature in a "Frequently Asked Question" on their web site:

Q. Can ReplayTV play shows without the commercials?

A. Yes! We call the new feature AutoSkip™. Here's how it works. You go to the Replay Guide and select a recorded show that you want to watch. When you select the show, a pop-up menu will ask you if you want to play it with or without commercials. If you choose to skip commercials or "AutoSkip™", *then you get to sit back, relax and enjoy your favorite show commercial-free!* (Emphasis added)

29. When a television program is copied by ReplayTV 4000 and played back with the AutoSkip feature, Defendants ensure that all commercials are *automatically* omitted when viewing the program, even when viewed in virtually the same time slot as the originally telecast program. The elimination of commercial advertising using the AutoSkip program will cause particular harm to the market for the licensing of Plaintiffs' content for television, in that many stations, networks and services depend upon revenues from a wide variety of commercial advertising arrangements, including payments from advertisers to include commercials during designated breaks within and between programs, and so-called "barter" arrangements, to cover the costs of licensing and producing that programming.

<u>Claims for Relief</u>

Count I
<u>Copyright Infringement</u>

30. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 29 as if fully set forth herein.

31. By causing, accomplishing, participating in, and enabling the actual or imminent unauthorized copying and electronic distribution of unauthorized copies of Plaintiffs' works (including the works listed on Exhibit A) in the manner described above, Defendants are engaging in and imminently will engage in a vast number of direct copyright infringements,

including infringements of Plaintiffs' copyrighted works, in violation of sections 106 and 501 of the Copyright Act, 17 U.S.C. §§ 106 and 501.

32. The foregoing acts of direct infringement by Defendants are unauthorized by Plaintiffs and not otherwise permissible under the Copyright Act.

33. Plaintiffs are entitled to their attorneys' fees and full costs pursuant to 17 U.S.C. § 505.

34. Defendants' conduct is causing and, unless enjoined and restrained by this Court, will continue to cause Plaintiffs great and irreparable injury that cannot fully be compensated or measured in money. Plaintiffs have no adequate remedy at law. Pursuant to 17 U.S.C. § 502, Plaintiffs are entitled to preliminary and permanent injunctions prohibiting further infringements of Plaintiffs' copyrights.

Count II
Contributory Copyright Infringement

35. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 29 as if fully set forth herein.

36. By participating in, facilitating, assisting, enabling, materially contributing to, and encouraging the actual or imminent unauthorized copying and electronic distribution of unauthorized copies of copyrighted works by ReplayTV 4000 customers in the manner described above, with full knowledge of their illegal consequences, Defendants are contributing to and inducing a vast number of copyright infringements, including infringements of Plaintiffs' copyrighted works (and including the works listed on Exhibit A), in violation of sections 106 and 501 of the Copyright Act, 17 U.S.C. §§ 106 and 501.

37. The unauthorized copying and distribution of Plaintiffs' copyrighted works by ReplayTV 4000 customers that Defendants participate in, facilitate, assist, induce, enable,

materially contribute to, and encourage through the schemes described above is without Plaintiffs' consent and not otherwise permissible under the Copyright Act.

38. Defendants know or have reason to know of the actual or imminent infringement of Plaintiffs' copyrights. Indeed, Defendants actively promote the infringements as a reason to purchase their products, provide tools that are indispensable to these infringements, and continuously facilitate the infringements.

39. As a result of Defendants' conduct, Plaintiffs have suffered and will continue to suffer irreparable injury.

Count III
Vicarious Copyright Infringement

40. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 29 as if fully set forth herein.

41. Defendants have the right and ability to supervise and/or control the infringing conduct of ReplayTV 4000 customers, including, without limitation, by (a) maintaining a continuous broadband Internet connection between the ReplayTV 4000 devices and their customers on the one hand, and Defendants' servers and facilities on the other hand, that, *inter alia*, seeks, locates, and copies Plaintiffs' copyrighted works to the hard drives of the ReplayTV 4000 devices, continuously collects information about what Replay customers want or may want to copy and/or distribute, and matches that information with a frequently updated electronic program guide ("EPG") which Defendants call a "Replay Guide;" and (b) specifically designing their equipment (and planning their ongoing connection to their customers) to encourage and cause the unauthorized distribution of infringing copies of copyrighted works when, on information and belief, they could have designed ReplayTV 4000 to prevent or greatly limit such activity.

42. Defendants have a direct financial interest in the infringements of Plaintiffs' copyrights by their customers. The infringing conduct that Defendants' seek to encourage is a major "draw" of ReplayTV 4000: indeed, the new infringing capabilities of ReplayTV 4000 are among Defendants' principal selling points. Thus, Defendants derive substantial revenue as a result of infringing activity in the form of increased sales of ReplayTV 4000. On information and belief, Defendants may also derive advertising revenues, revenues from the sale of customer data, or other revenues, by reason of infringing activity.

43. Defendants' conduct constitutes vicarious infringement of Plaintiffs' copyrights and exclusive rights under copyright in violation of Sections 106 and 501 of the Copyright Act, 17 U.S.C. §§ 106, 501.

44. As a result of Defendants' conduct, Plaintiffs will suffer irreparable injury.

Count IV
Violation of Section 553 of the Communications Act

45. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 29 as if fully set forth herein.

46. The Communications Act makes it unlawful for any person to intercept or receive or assist in intercepting or receiving any communications service offered over a cable system, unless specifically authorized to do so by a cable operator or as specifically authorized by law. 47 U.S.C. § 553. The prohibited conduct includes the manufacture or distribution of equipment intended by the manufacturer or distributor for unauthorized reception of any communications service offered over a cable system.

47. Defendants' conduct violates Section 553. Among other things, Defendants are selling equipment -- the ReplayTV 4000 device -- with a feature ("Send Show") that they intend to be used to enable persons without authorization to receive communication services offered

over a cable system, including but not limited to cable-delivered programming of over-the-air television stations, basic nonbroadcast services, premium services, and pay-per-view services.

Count V
Violation of Section 605 of the Communications Act

48. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 29 as if fully set forth herein.

49. The Communications Act, with certain exceptions not relevant here, forbids any person receiving, assisting in receiving, transmitting, or assisting in transmitting, any interstate communication by wire or radio from divulging or publishing the contents thereof except through authorized channels. 47 U.S.C. § 605. The Act also forbids any unauthorized person from receiving or assisting in receiving any interstate communication by radio and using such communication (or any information therein contained) for his own benefit or for the benefit of another unauthorized person. *Id.* By selling (and facilitating the use of) a device which (a) assists in the receipt of interstate communications by wire or radio and the use of such communications for the benefit of unauthorized persons and/or (b) is designed and intended to be used to divulge or publish the contents of such communications through the "Send Show" feature, Defendants are violating Section 605.

Count VI
Unfair Business Practices

50. Plaintiffs repeat and reallege each and every allegation contained in paragraphs 1 through 29 as if fully set forth herein.

51. California Business & Professions Code § 17200 provides for injunctive and other relief against "any unlawful, unfair or fraudulent business act or practice." Defendants are engaged in, or propose to engage in, several such practices.

52. As set forth above, Defendants are engaged in, or propose to engage in, conduct unlawful under Sections 553 and 605 of the Federal Communications Act.

53. A significant portion of Plaintiffs' licensing revenue comes from license fees generated by broadcasts of the motion pictures on television, including on "network" television, "cable" television, "independent" stations that acquire syndicated programming content, premium movie "subscription" cable and satellite services, and "pay-per-view" services. Many of those stations, networks and services (including the Fox Network operated by Plaintiff FBC) depend upon revenues from a wide variety of commercial advertising arrangements, including payments from advertisers for the inclusion of commercials during designated breaks within and between programs, and so-called barter arrangements, to cover the costs of licensing Plaintiffs' programming, and producing their own programming. By enabling the instant and complete eradication of an essential revenue-producing aspect of Plaintiffs' business, Defendants are engaged in, or propose to engage in, one or more unfair business acts or practices causing particular harm to the market for the licensing or other exploitation of Plaintiffs' content.

54. Plaintiffs have created, developed, invested in, marketed, and branded with a unique and recognizable identity, various television channels and other services. The public has come to recognize these channels and services as inherently distinctive and unique. By recording and organizing recordings of programs from disparate channels and services into coherent collections, including for delivery to others though the "Send Show" function, and by packaging and branding those recordings and collections in such a manner as to cause confusion as to the source or sponsorship of those recordings and collections and to materially contribute to unlicensed channels, and by other conduct alleged above, Defendants are engaged in, or propose to engage in, one or more unfair business acts or practices causing particular harm to the market for the licensing of Plaintiffs' content.

55. Each of the aforementioned business acts and/or practices is oppressive and/or substantially injurious to Plaintiffs and/or the general public. With respect to each of the aforementioned business acts and/or practices, the gravity of the harm to Plaintiffs and the general public outweighs the utility, if any, of Defendants' conduct.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray that this Court enter judgment in their favor and against Defendants as follows:

(a) adjudge and declare that Defendants' activities constitute direct, contributory and vicarious copyright infringement, violate Sections 553 and 605 of the Communications Act, and constitute an unlawful, unfair or fraudulent business act or practice under Section 17200 of the California Business & Professions Code;

(b) preliminarily and permanently enjoin, pursuant to 17 U.S.C. § 502, Defendants, their officers, agents, servants, employees and those persons in active concert or participation with them, from directly, contributorily and/or vicariously infringing by any means Plaintiffs' exclusive rights under the Copyright Act, including without limitation any of Plaintiffs' rights in any of the works listed on Exhibit A, and from licensing any other person to do the same;

(c) preliminarily and permanently enjoin Defendants, their officers, agents, servants, employees and those persons in active concert or participation with them, from violating Sections 553 and 605 of the Communications Act, including but not limited to, by engaging in any activity that enables persons to transmit copies of cable television programming to other persons, or enables persons without authorization to receive such programming;

(d) preliminarily and permanently enjoin, pursuant to Cal. Bus.& Prof. Code § 17200, Defendants, their officers, agents, servants, employees and those persons in active concert or participation with them, from engaging in one or more unfair and/or unlawful business acts or practices, including but not limited to any activity that encourages viewers to block access to commercial content transmitted during television programming owned by Plaintiffs or offered on a television network owned and/or operated by Plaintiffs, or that encourages or permits customers to transmit copies of such programming to other persons;

(e) award Plaintiffs costs and reasonable attorneys' fees in accordance with 17 U.S.C. § 505, 47 U.S.C. §§ 553 and 605, and other applicable law; and

(f) award Plaintiffs such further and additional relief as the Court may deem just and proper.

Dated: November 14, 2001

SCOTT P. COOPER
JON A. BAUMGARTEN
FRANK P. SCIBILIA
PROSKAUER ROSE LLP

By: ______________________
SCOTT P. COOPER

Attorneys for Plaintiffs METRO-GOLDWYN-MAYER STUDIOS INC., a Delaware corporation; ORION PICTURES CORPORATION, a Delaware corporation; TWENTIETH CENTURY FOX FILM CORPORATION, a Delaware corporation; UNIVERSAL CITY STUDIOS PRODUCTIONS, INC., a Delaware corporation; and FOX BROADCASTING COMPANY, a Delaware corporation

EXHIBIT A

Illustrative Copyright Registrations

Rights Holder	Title	Copyright No.
Metro-Goldwyn-Mayer Studios Inc.	In the Heat of the Night (Quick Fix)	PA 540-867
Metro-Goldwyn-Mayer Studios Inc.	In the Heat of the Night (Heart of Gold)	PA 526-692
Metro-Goldwyn-Mayer Studios Inc.	Thelma and Louise	PA 538-151
Metro-Goldwyn-Mayer Studios Inc.	Diggstown	PA 584-868
Metro-Goldwyn-Mayer Studios Inc.	Of Mice And Men	PA 627-324
Metro-Goldwyn-Mayer Studios Inc.	Stargate SG-1 (Nemesis)	PA 984-835
Metro-Goldwyn-Mayer Studios Inc.	Stargate SG-1 (New Ground)	PA 984-836
Orion Pictures Corporation	Mississippi Burning	PA 409-351
Orion Pictures Corporation	Back to School	PA 298-065
Orion Pictures Corporation	The Believers	PA 338-035
Orion Pictures Corporation	Bull Durham	PA 392-721
Orion Pictures Corporation	Crimes and Misdemeanors	PA 447-419
Orion Pictures Corporation	Hannah and Her Sisters	PA 288-772

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Rights Holder	Title	Copyright No.
Orion Pictures Corporation	Married to the Mob	PA 388-993
Orion Pictures Corporation	Mermaids	PA 495-687
Orion Pictures Corporation	The Silence of the Lambs	PA 512-637
Orion Pictures Corporation	Ulee's Gold	PA 857-210
Twentieth Century Fox Film Corporation	Ally McBeal (The Obstacle Course)	PA 1-021-810
Twentieth Century Fox Film Corporation	Ally McBeal (Queen Bee)	PA 1-022-030
Twentieth Century Fox Film Corporation	Ally McBeal (Friends And Lovers)	Application Pending
Twentieth Century Fox Film Corporation	Ally McBeal (Sideshow)	PA 929-880
Twentieth Century Fox Film Corporation	Ally McBeal (You Never Can Tell)	PA 904-404
Twentieth Century Fox Film Corporation	Boston Public (Chapter Seventeen)	PA 1-021-805
Twentieth Century Fox Film Corporation	Boston Public (Chapter Twenty)	PA 1-022-043
Twentieth Century Fox Film Corporation	Buffy The Vampire Slayer (Forever)	PA 1-022-018
Twentieth Century Fox Film Corporation	Buffy The Vampire Slayer (The Gift)	PA 1-039-849
Twentieth Century Fox Film Corporation	Buffy The Vampire Slayer (Life Serial)	Application Pending
Twentieth Century Fox Film Corporation	Buffy The Vampire Slayer (Enemies)	PA 929-654

Rights Holder	Title	Copyright No.
Twentieth Century Fox Film Corporation	Buffy The Vampire Slayer (Superstar)	PA 982-849
Twentieth Century Fox Film Corporation	The Practice (Home Of The Brave)	PA 1-021-988
Twentieth Century Fox Film Corporation	The Practice (Poor Richard's Almanac)	PA 1-036-655
Twentieth Century Fox Film Corporation	The Practice (Vanished)	Application Pending
Twentieth Century Fox Film Corporation	The Practice (Judge And Jury)	PA 918-687
Twentieth Century Fox Film Corporation	The Practice (The Blessing)	PA 853-922
Twentieth Century Fox Film Corporation	The Simpsons (Trilogy Of Error)	PA 1-021-927
Twentieth Century Fox Film Corporation	The Simpsons (I'm Goin' To Praiseland)	PA 1-021-994
Twentieth Century Fox Film Corporation	The X-Files (Empedocles)	PA 1-022-024
Twentieth Century Fox Film Corporation	The X-Files (Essence)	PA 1-036-776
Twentieth Century Fox Film Corporation	The Beach	PA 959-748
Twentieth Century Fox Film Corporation	Broadcast News	PA 356-955
Twentieth Century Fox Film Corporation	Wall Street	PA 349-001
Twentieth Century Fox Film Corporation	X-Men	PA 933-920
Universal City Studios Productions, Inc.	American Pie	PA 948-125

Rights Holder	Title	Copyright No.
Universal City Studios Productions, Inc.	Dante's Peak	PA 784-073
Universal City Studios Productions, Inc.	Ed TV	PA 932-641
Universal City Studios Productions, Inc.	Half Baked	PA 870-529
Universal City Studios Productions, Inc.	Liar Liar	PA 790-657
Universal City Studios Productions, Inc.	October Sky	PA 927-235
Universal City Studios Productions, Inc.	The Mummy	PA 933-218
Universal City Studios Productions, Inc.	The Mummy Returns	PA 1-033-456
Universal City Studios Productions, Inc.	U-571	PA 981-484
Fox Broadcasting Company	After Diff'rent Strokes: When The Laughter Stopped	PA 988-593
Fox Broadcasting Company	Getting Away With Murder: The Jonbenet Ramsey Story	PA 975-966
Fox Broadcasting Company	Police Videos (Episode 16)	PA 1-043-133
Fox Broadcasting Company	Police Videos (Episode 17)	PA 1-052-696
Fox Broadcasting Company	Powers Of The Paranormal Live On Stage	PA 1-032-116
Fox Broadcasting Company	Unauthorized Brady Bunch: The Final Days	PA 988-589
Fox Broadcasting Company	Temptation Island (Episode 101)	PA 1-007-617

Rights Holder	Title	Copyright No.
Fox Broadcasting Company	Temptation Island (Episode 102)	PA 1-007-618
Fox Broadcasting Company	Temptation Island 2 (Episode 201)	Application Pending
Fox Broadcasting Company	Love Cruise: The Maiden Voyage (Episode 101)	Application Pending
Fox Broadcasting Company	Love Cruise: The Maiden Voyage (Episode 102)	Application Pending
Fox Broadcasting Company	Love Cruise: The Maiden Voyage (Episode 103)	Application Pending
Fox Broadcasting Company	Love Cruise: The Maiden Voyage (Episode 104)	Application Pending
Fox Broadcasting Company	Love Cruise: The Maiden Voyage (Episode 105)	Application Pending
Fox Broadcasting Company	Love Cruise: The Maiden Voyage (Episode 106)	Application Pending
Fox Broadcasting Company	Love Cruise: The Maiden Voyage (Episode 107)	Application Pending

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COLUMBIA PICTURES TELEVISION, INC.,
COLUMBIA TRISTAR TELEVISION, INC.,
and TRISTAR TELEVISION, INC.

FILED

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

COLUMBIA PICTURES INDUSTRIES, INC., a Delaware corporation; COLUMBIA PICTURES TELEVISION, INC., a Delaware corporation; COLUMBIA TRISTAR TELEVISION, INC., a California corporation; and TRISTAR TELEVISION, INC., a Delaware corporation, Plaintiffs, (4) v. REPLAYTV, INC., a Delaware corporation; and SONICBLUE INC., a Delaware corporation, Defendants.	CASE NO. 01- 10221 DT (MANx) **COMPLAINT FOR:** 1. **COPYRIGHT INFRINGEMENT** 2. **CONTRIBUTORY COPYRIGHT INFRINGEMENT** 3. **VICARIOUS COPYRIGHT INFRINGEMENT** 4. **VIOLATION OF SECTION 553 OF THE COMMUNICATIONS ACT** 5. **VIOLATION OF SECTION 605 OF THE COMMUNICATIONS ACT** 6. **UNFAIR BUSINESS PRACTICES UNDER CALIFORNIA BUSINESS AND PROFESSIONS CODE § 17200, et seq.**

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Plaintiffs Columbia Pictures Industries, Inc., Columbia Pictures Television, Inc., Columbia TriStar Television, Inc., and TriStar Television, Inc. (collectively, "Plaintiffs") allege:

JURISDICTION AND VENUE

1. This Court has subject matter jurisdiction under 28 U.S.C. §§ 1331 and 1338, under the Copyright Act, 17 U.S.C. § 101, *et seq.*, and under the Communications Act, 47 U.S.C. §§ 553 and 605. Pursuant to 28 U.S.C. § 1367, this Court has supplemental jurisdiction over Plaintiffs' state law claim (Count VI) because it is so related to Plaintiffs' federal claims as to form part of the same case or controversy.

2. This Court has personal jurisdiction over defendants ReplayTV, Inc. ("Replay") and SONICblue Inc. ("SONICblue") (collectively, "Defendants"), and venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b). Defendants both maintain their principal places of business in California and conduct extensive commercial activities in this State, including in this Judicial District. Further, a substantial part of the events or omissions giving rise to this lawsuit, as well as substantial injury to Plaintiffs, have occurred or will occur in this District as a result of Defendants' acts of copyright infringement and impending acts of copyright infringement, violations of the Communications Act, and unfair competition, as alleged in detail below. Venue is also proper in this Judicial District pursuant to 28 U.S.C. § 1400(a) in that Defendants may be found in this District in light of their extensive commercial activities in this District.

THE PARTIES

3. Plaintiff Columbia Pictures Industries, Inc. ("Columbia Industries") is a Delaware corporation with its principal place of business in Culver City, California.

4. Plaintiff Columbia Pictures Television, Inc. ("Columbia Television") is a Delaware corporation with its principal place of business in Culver City, California.

5. Plaintiff Columbia TriStar Television, Inc. ("CTTV") is a California corporation with its principal place of business in Culver City, California

6. Plaintiff TriStar Television, Inc. ("TriStar Television") is a Delaware

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Los Angeles

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corporation with its principal place of business in Culver City, California.

7. Plaintiffs are informed and believe, and on that basis allege, that defendant Replay is a Delaware corporation with its principal place of business in Mountain View, California. Plaintiffs are further informed and believe, and on that basis allege, that Replay is a wholly-owned subsidiary of defendant SONICblue.

8. Plaintiffs are informed and believe, and on that basis allege, that defendant SONICblue is a Delaware corporation with its principal place of business in Santa Clara, California. Plaintiffs are further informed and believe, and on that basis allege, that SONICblue is the parent company of Replay.

BACKGROUND FACTS

Plaintiffs' Motion Picture and Television Program Content

9. Plaintiffs are among the largest and most successful producers and distributors of motion pictures and television programming in the United States and the world. Plaintiffs are engaged in the business of developing, producing, and distributing, and licensing to others the right to distribute and exhibit, motion pictures and television programming.

10. Plaintiffs are the owners of United States copyrights in a substantial number of motion pictures and television programs. For example, Columbia Industries owns the copyrights or the exclusive distribution rights in such major motion pictures as *Big Daddy*, *First Knight*, *28 Days*, *The End of the Affair*, and *Charlie's Angels*; Columbia Television owns the copyrights or exclusive distribution rights in many episodes of television series telecast by United States television networks and individual stations, including such television series as *Ripley's Believe It Or Not*, *V.I.P.*, and *The Ricki Lake Show*; CTTV owns the copyrights in television series, including *Dawson's Creek*, *Family Law*, and *King of Queens*; and TriStar Television owns the copyrights in such television series as *Mad About You* and *The Nanny*.

11. Plaintiffs have registered or filed applications to register with the United States Copyright Office their copyrights in each of the works identified in Paragraph 10

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above. Attached hereto as Exhibit A, and incorporated herein by this reference, is a schedule of illustrative copyright registrations for certain works in which Plaintiffs own the copyright or exclusive distribution rights.

12. Plaintiffs, either directly or through their affiliates or licensees, distribute their audiovisual works for exhibition in theaters, through television broadcasts, on cable and direct-to-home satellite services (including basic, premium, and "pay-per-view" television services), and/or on portable media (*e.g.*, digital versatile discs ("DVDs") and videocassette tapes).

13. Plaintiffs have invested (and continue to invest) substantial sums of money and effort each year to develop, produce, and distribute motion pictures and television programs protected under copyright and other laws. Defendants' actions, as described below, deprive Plaintiffs of exclusive rights under copyright and other laws, and the economic value of such rights, including the following:

a. <u>Advertiser Supported Broadcasts</u>. Plaintiffs derive value from licensing their copyrighted material for broadcast exhibition to television networks like ABC, CBS, Fox, NBC, and The WB Television Network (and stations affiliated with them), and hundreds of local, independent terrestrial broadcast stations around the country. Networks and stations finance payment for those licenses by selling time for commercial advertisements inserted in or adjacent to each program. Plaintiffs derive additional value from so-called "barter" arrangements whereby, in exchange (in whole or in part) for the licensing of Plaintiffs' content, Plaintiffs receive broadcasting commercial advertising time, which Plaintiffs then resell.

b. <u>Basic Cable Channels</u>. Plaintiffs also generate value by licensing their motion pictures and television programs for exhibition through so-called "basic" non-broadcast television channels such as TBS, TNT, and Lifetime. The principal means by which non-broadcast channels derive revenues to pay Plaintiffs for licensing of Plaintiffs' content are from the sale of commercial time to advertisers and from fees paid by distributors such as cable systems and satellite carriers (who in turn receive monthly fees paid by subscribers).

c. Premium Pay Television Program Services. Plaintiffs also generate value by licensing their motion pictures and television programs for exhibition via premium pay television program services such as Showtime, HBO, and Starz/Encore. Premium services, which are available to subscribers to cable, satellite, and other multi-channel video distribution systems, are typically made available to consumers for a monthly fee. The premium services use these subscription fees to fund licensing of Plaintiffs' works.

d. Pay-Per-View, Video On Demand, and Near Video On Demand. Plaintiffs further derive value by licensing their motion pictures and television programs for viewing by the public through pay-per-view delivery (in which a viewer obtains one-time access to a particular program, such as a feature film, a live boxing event, or a concert, in return for payment of a fee for that access), video on demand (in which a viewer can choose to watch a particular program at any time of the viewer's choosing, also in return for payment of a fee for that access), and near video on demand (in which a viewer can choose to watch a particular program at one of several times offered by the program distributor, also in return for payment of a fee for that access). Video on demand, near video on demand, and pay-per-view services (collectively, "pay-per-view") fund the licensing of Plaintiffs' content with the access fees charged to individual viewers.

e. Home Video Exhibition. Plaintiffs also generate value from the sale or rental for home viewing of authorized copies of their copyrighted works in various formats, including video cassette and DVD.

14. To encourage Plaintiffs and others to create and exploit their works, the law permits Plaintiffs, as the owners of copyrights or exclusive distribution rights in their works, to control, among other things, the copying, distribution, and public performance of those works. Interference with this control will erode the value of Plaintiffs' works, and hence undermine the incentive for Plaintiffs to create expressive works. In addition, the amount of monies available to Plaintiffs for the development, production, and

distribution of Plaintiffs' works will be substantially reduced if the amount of advertising revenues and subscription fees to Plaintiffs' licensees is reduced, or if, by reason of the making available of free copies of Plaintiffs' works, the home video market is adversely affected.

Defendants' ReplayTV 4000

15. Defendants' ReplayTV 4000 is comprised of a ReplayTV 4000 hard disc digital video recorder ("DVR") and related services that make and distribute to third parties unauthorized digital copies of copyrighted motion pictures and television programs. The ReplayTV 4000 DVR (including the models "RTV 4040," "RTV 4080," "RTV 4160," or "RTV 4320" DVR (collectively the "ReplayTV 4000 unit")) is integrated with continuous online Internet connections to Defendants' servers and facilities. (The ReplayTV 4000 unit and related services are collectively referred to as "ReplayTV 4000".)

16. ReplayTV 4000 includes the following: (a) a feature that permits ReplayTV 4000 to record and store programs identified by key words entered by Defendants' customers; (b) expanded storage, including a massive hard drive that at present permits permanent librarying of up to 320 hours of programs, thus fostering the copying and distribution of a vast amount of material protected by copyright; (c) a feature that sorts and organizes these unauthorized recordings; (d) an Internet service that from remote locations causes the recording of programs, thus further increasing the unauthorized copying and distribution of Plaintiffs' works; (e) a feature that automatically permits the viewing of recorded programs "commercial free," and that therefore ensures that all, or almost all, commercials are automatically omitted when viewing the program; and (f) a function that allows the unauthorized distribution and public performance from a user's ReplayTV 4000 unit over the Internet of copies of motion pictures or television programs protected by copyright, including Plaintiffs' motion pictures and television programs, to at least 15 third party members of the public who also own the ReplayTV 4000 unit.

17. No Plaintiff has granted any license, permission, or authorization to Defendants, or to past, present, or future customers of Defendants, to use ReplayTV 4000 to copy, to distribute, or to perform publicly, over the Internet or otherwise, any of Plaintiffs' works (including those listed in Exhibit A).

18. Defendants cause, accomplish, facilitate, and induce the unauthorized reproduction, distribution, and public performance of Plaintiffs' valuable works and encourage unauthorized access to subscription programming, in violation of both federal and state law. For example, a ReplayTV 4000 customer who has a paid subscription to a premium pay television service (like HBO or Showtime) can send a perfect digital copy of any program transmitted on that service (or on any other subscription or pay-per-view service) to any other individual who has the ReplayTV 4000 unit. This type of activity, which can be accomplished whether or not the individual receiving the program has paid for a subscription to that service, obviously diminishes sales of subscription and "pay-per-view" services. Such activity also diminishes the sale of prerecorded DVD, videocassette tape, and other copies of programs transmitted by these services, and negatively impacts the value of these programs in subsequent distribution cycles (*e.g.*, syndication). ReplayTV 4000's expanded storage and sorting features and Internet service organize disparate recordings into coherent collections, and cause, facilitate, induce, and encourage the "librarying" of digital copies of copyrighted material. These "librarying" features indisputably harm the sale of DVDs, videocassette tapes, and other copies, usurp Plaintiffs' right to determine the degree of "air time" a particular program receives in various cycles of that program~~'s distribution (~~thereby diminishing the value of that programming for subsequent cycles of distribution ~~through~~ syndication or other licensing), and materially contribute ~~to~~ unlicensed channels ~~that~~ unfairly compete with Plaintiffs' licensing of their motion picture and television product.

19. Defendants maintain continuous, direct involvement with their customers well after the sale of each ReplayTV 4000 unit, in that Defendants maintain a permanent online broadband Internet connection between the ReplayTV 4000 units and Defendants'

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customers, on the one hand, and Defendants' servers and facilities, on the other hand. Upon installation, the ReplayTV 4000 unit communicates with Defendants via the broadband Internet connection. The ReplayTV 4000 unit is programmed to communicate with Defendants each night and to download automatically from Defendants' server a current electronic program guide, such that the user can cause ReplayTV 4000 to record and store those motion pictures and television programs listed on the program guide onto a hard drive built into the unit. Defendants also use the broadband Internet connection to collect information about the types of programs that are copied onto the ReplayTV 4000 unit's hard drive and about what programs customers want or may want ReplayTV 4000 to copy and/or distribute. In addition, Defendants have the ability, from their own facilities, to update and overwrite the software installed on their customers' devices, which ability will permit Defendants to add features to their service, or remove features from it.

20. ReplayTV 4000 threatens to cause extraordinary and continuous harm to Plaintiffs' businesses. Unless enjoined, Defendants' distribution of the ReplayTV 4000 unit and their active facilitation of the use of that unit to illegally copy, distribute, and publicly perform Plaintiffs' copyrighted works will irreparably injure Plaintiffs and the public.

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CLAIMS FOR RELIEF

COUNT I

COPYRIGHT INFRINGEMENT IN VIOLATION OF THE COPYRIGHT ACT, 17 U.S.C. §§ 101, *ET SEQ.*

21. Plaintiffs incorporate by reference each and every allegation set forth in paragraphs 1 through 20, inclusive, as though fully set forth herein.

22. Plaintiffs are the copyright owners or exclusive distributors of the works listed in Exhibit A, as well as many other motion pictures and television programs transmitted by United States television program services, each of which contain a large number of creative elements wholly original to Plaintiffs and which are copyrightable subject matter under the laws of the United States.

23. Plaintiffs have obtained (or have applied for) copyright registration certificates for each work listed in Exhibit A. In doing so, Plaintiffs have complied in all respects with 17 U.S.C. § 101, *et seq.*, the statutory deposit and registration requirements thereof and all other laws governing federal copyrights.

24. Each of the works listed in Exhibit A, have, with authorization of Plaintiffs, been recorded, printed, reproduced, published, and distributed throughout the United States and all copies made by Plaintiffs or their licensees under their authority or license, have been made and published in strict conformity with the provisions of 17 U.S.C. §§ 401 and 409, *et seq.*, and all other laws governing federal copyright.

25. By causing, accomplishing, participating in, and enabling the actual or imminent unauthorized copying, electronic distribution, and public performance of unauthorized copies of Plaintiffs' works (including the works listed on Exhibit A) in the manner described above, Defendants are engaging in and imminently will engage in a vast number of direct copyright infringements, including infringements of Plaintiffs' copyrighted works, in violation of sections 106 and 501 of the Copyright Act, 17 U.S.C. §§ 106 and 501.

26. The foregoing unauthorized acts by Defendants are not otherwise permissible under the Copyright Act.

27. Defendants' acts have caused and will continue to cause substantial irreparable harm that cannot fully be compensated or measured in money to Plaintiffs unless further infringement by Defendants is enjoined and restrained by this Court. Plaintiffs have no adequate remedy at law. Pursuant to 17 U.S.C. § 502, Plaintiffs are entitled to preliminary and permanent injunctions prohibiting further infringements of Plaintiffs' copyrights.

COUNT II

CONTRIBUTORY COPYRIGHT INFRINGEMENT IN VIOLATION OF THE COPYRIGHT ACT, 17 U.S.C. §§ 101, *ET SEQ.*

28. Plaintiffs incorporate by reference each and every allegation set forth in paragraphs 1 through 20, inclusive, and 22 through 24 as though fully set forth herein.

29. By participating in, facilitating, assisting, enabling, materially contributing to, and encouraging the actual or imminent unauthorized copying, electronic distribution, and public performance of unauthorized copies of Plaintiffs' works (including the works listed on Exhibit A) by ReplayTV 4000 customers in the manner described above, with full knowledge of their illegal consequences, Defendants are contributing to and inducing a vast number of copyright infringements, including infringements of Plaintiffs' copyrighted works, in violation of sections 106 and 501 of the Copyright Act, 17 U.S.C. §§ 106 and 501.

30. Defendants know or have reason to know of the actual or imminent infringement of Plaintiffs' copyrights. Defendants actively promote the infringements as a reason to purchase their products, provide tools that are indispensable to these infringements, and continuously facilitate the infringements.

31. The unauthorized copying and distribution of Plaintiffs' copyrighted works by ReplayTV 4000 customers that Defendants participate in, facilitate, assist, induce, enable, materially contribute to, and encourage through the acts described above is without Plaintiffs' consent and is not otherwise permissible under the Copyright Act.

32. The foregoing acts of infringement by Defendants have been willful, intentional, purposeful, and with indifference to the rights of Plaintiffs.

33. Defendants' acts have caused and will continue to cause substantial irreparable harm that cannot fully be compensated or measured in money to Plaintiffs unless further infringement by Defendants is enjoined and restrained by this Court. Plaintiffs have no adequate remedy at law.

COUNT III

VICARIOUS COPYRIGHT INFRINGEMENT IN VIOLATION OF THE COPYRIGHT ACT, 17 U.S.C. §§ 101, *ET SEQ.*

34. Plaintiffs incorporate by reference each and every allegation set forth in paragraphs 1 through 20, inclusive, and 22 through 24 as though fully set forth herein.

35. Defendants have the right and ability to supervise and/or control the infringing conduct of the users of ReplayTV 4000. Defendants have the particular right and ability to supervise and/or control such activity as it pertains to the unauthorized copying and distribution of Plaintiffs' copyrighted works by ReplayTV 4000 users.

36. Defendants' regular involvement is an indispensable link in their customers' infringing conduct. Although Defendants could have designed ReplayTV 4000 so as to prevent the making of unauthorized digital copies and the unauthorized distribution of Plaintiffs' copyrighted works, instead Defendants specifically designed ReplayTV 4000 (and planned their ongoing communication with and assistance to their customers) to facilitate the digital copying and distribution of such copyrighted works.

37. Defendants have a direct financial interest in the infringements of Plaintiffs' copyrights by ReplayTV 4000 customers. Defendants' economic success is directly tied to the popularity of the infringing conduct that Defendants seek to encourage. For example, Defendants admit that ReplayTV 4000 is designed to enable users to copy a massive volume of programs (up to 320 hours' worth) and view them without the commercials, and that ReplayTV 4000 is designed to enable users to distribute digital copies of entire copyrighted works to others -- all without permission of the copyrighted owner. These new infringing capabilities of ReplayTV 4000 are among Defendants' principal selling points.

38. Defendants' acts constitute vicarious infringement of Plaintiffs' copyrights and exclusive rights under copyright in violation of 17 U.S.C. §§ 106 and 501.

39. Defendants' acts have caused and will continue to cause substantial irreparable harm that cannot fully be compensated or measured in money to Plaintiffs

unless further infringement by Defendants is enjoined and restrained by this Court. Plaintiffs have no adequate remedy at law.

COUNT IV

VIOLATION OF SECTION 553 OF THE COMMUNICATIONS ACT, 47 U.S.C. § 553

40. Plaintiffs incorporate by reference each and every allegation set forth in paragraphs 1 through 20 as though fully set forth herein.

41. The Communications Act makes it unlawful for any person to intercept or receive or assist in intercepting or receiving any communications service offered over a cable system, unless specifically authorized to do so by a cable operator or as specifically authorized by law. 47 U.S.C. § 553. The prohibited conduct includes the manufacture or distribution of equipment intended by the manufacturer or distributor for unauthorized reception of any communications service offered over a cable system.

42. Defendants' conduct violates Section 553. Among other things, Defendants are selling equipment -- the ReplayTV 4000 unit -- with a distribution feature that Defendants intend to be used to enable persons without authorization to receive communication services offered over a cable system, including but not limited to cable-delivered programming of over-the-air television stations, basic nonbroadcast services, premium services, and pay-per-view services.

43. Injury to Plaintiffs is continuing and will continue unless Defendants' actions are restrained by the Court. Unless Defendants are enjoined from engaging in their wrongful conduct, Plaintiffs will suffer further irreparable injury and harm, for which Plaintiffs have no adequate remedy at law.

44. Plaintiffs are entitled to a preliminary and permanent injunction enjoining and restraining Defendants from the acts violative of Section 553 of the Communications Act set forth above.

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COUNT V

VIOLATION OF SECTION 605 OF THE COMMUNICATIONS ACT, 47 U.S.C. § 605

45. Plaintiffs incorporate by reference each and every allegation set forth in paragraphs 1 through 20 as though fully set forth herein.

46. The Communications Act, with certain exceptions not relevant here, forbids any person receiving, assisting in receiving, transmitting, or assisting in transmitting, any interstate communication by wire or radio from divulging or publishing the contents thereof except through authorized channels. 47 U.S.C. § 605. The Act also forbids any unauthorized person from receiving or assisting in receiving any interstate communication by radio and using such communication (or any information therein contained) for his own benefit or for the benefit of another unauthorized person. *Id.*

47. Defendants' conduct violates Section 605. Defendants are selling (and facilitating the use of) a device -- the ReplayTV 4000 -- which (a) assists in the receipt of interstate communications by wire or radio and the use of such communications for the benefit of unauthorized persons and/or (b) is designed and intended to be used to divulge or publish the contents of such communications through the feature allowing distribution to unauthorized persons.

48. Injury to Plaintiffs is continuing and will continue unless Defendants' actions are restrained by the Court. Unless Defendants are enjoined from engaging in their wrongful conduct, Plaintiffs will suffer further irreparable injury and harm, for which Plaintiffs have no adequate remedy at law.

49. Plaintiffs are entitled to a preliminary and permanent injunction enjoining and restraining Defendants from the acts violative of Section 605 of the Communications Act set forth above.

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COUNT VI

UNFAIR BUSINESS PRACTICE UNDER CAL. BUS. & PROF. CODE §§ 17200, *ET SEQ.*

50. Plaintiffs incorporate by reference each and every allegation set forth in paragraphs 1 through 20, inclusive, as though fully set forth herein.

51. California Business and Professions Code § 17200 provides for injunctive and other relief against "any unlawful, unfair or fraudulent business act or practice." As set forth above, Defendants are engaged in, or propose to engage in, conduct unlawful under Sections 553 and 605 of the Federal Communications Act.

52. A significant portion of Plaintiffs' licensing revenue comes from license fees paid by networks, individual stations, and cable/satellite networks and services for programming. These license fees, in turn, depend upon revenues from a wide variety of commercial advertising arrangements, including payments from advertisers for the inclusion of commercials during designated breaks within and between programs. In addition, Plaintiffs derive a substantial portion of their licensing revenue from so-called "barter" arrangements whereby, in exchange (in whole or in part) for the licensing of Plaintiffs' content, Plaintiffs receive commercial advertising time, which Plaintiffs then resell. By enabling the instant and complete eradication of an essential revenue-producing aspect of Plaintiffs' businesses, Defendants are engaged in, or propose to engage in, one or more unfair business acts or practices causing particular harm to the market for the licensing of Plaintiffs' content.

53. Plaintiffs have created, developed, invested in, marketed, and branded with a unique and recognizable identity, various motion picture and television programs. The public has come to recognize these products and services as inherently distinctive and unique. By recording and organizing recordings of programs from these disparate channels and services into coherent collections, including for delivery to others over the Internet, and by packaging and branding those recordings and collections in such a manner as to cause confusion as to the source or sponsorship of those recordings and

collections and by materially contributing to the formation of these unlicensed channels, Defendants are engaged in, or propose to engage in, one or more unfair business acts or practices causing particular harm to the market for the licensing of Plaintiffs' content.

54. Each of the aforementioned business acts and/or practices is oppressive and/or substantially injurious to Plaintiffs and/or the general public. With respect to each of the aforementioned business acts and/or practices, the gravity of the harm to Plaintiffs and the general public outweighs the utility, if any, of Defendants' conduct.

55. Defendants' conduct, as alleged above, was malicious, fraudulent, deliberate, willful, intentional, or oppressive.

56. Injury to Plaintiffs is continuing and will continue unless Defendants' actions are restrained by the Court. Unless Defendants are enjoined from engaging in their wrongful conduct, Plaintiffs will suffer further irreparable injury and harm, for which Plaintiffs have no adequate remedy at law.

57. Plaintiffs are entitled to a preliminary and permanent injunction enjoining and restraining Defendants from the acts of unfair business practice set forth above, and to reasonable attorneys' fees and costs of suit.

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PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray that this Court enter judgment in their favor and against Defendants, and each of them, as follows:

(a) adjudge and declare that Defendants' activities constitute direct, contributory, and vicarious copyright infringement, violate Sections 553 and 605 of the Communications Act, and constitute an unlawful, unfair, or fraudulent business act or practice under Section 17200 of the California Business & Professions Code;

(b) preliminarily and permanently enjoin, pursuant to 17 U.S.C. § 502, Defendants, their officers, agents, servants, employees, and those persons in active concert or participation with them, from directly, contributorily, and/or vicariously infringing by any means Plaintiffs' exclusive rights under the Copyright Act, including, but not limited to any of Plaintiffs' rights in any of the works listed on Exhibit A, and from licensing any other person to do the same;

(c) preliminarily and permanently enjoin Defendants, their officers, agents, servants, employees, and those persons in active concert or participation with them, from violating Sections 553 and 605 of the Communications Act, including but not limited to by engaging in any activity that enables persons to transmit copies of cable television programming to other persons, or enables persons without authorization to receive such programming;

(d) preliminarily and permanently enjoin, pursuant to California Business & Professions Code § 17200, Defendants, their officers, agents, servants, employees, and those persons in active concert or participation with them, from engaging in one or more unfair and/or unlawful business acts or practices, including, but not limited to any activity that encourages or enables viewers to block access to commercial content transmitted during television programming owned by Plaintiffs or offered on a television network owned and/or operated by Plaintiffs, or that encourages or permits customers to transmit copies of such programming to other persons;

(e) award Plaintiffs costs and reasonable attorneys' fees in accordance with 17 U.S.C. § 505, 47 U.S.C. §§ 553 and 605, and other applicable law; and

(f) award Plaintiffs such further and additional relief as the Court may deem just and proper.

Dated: November 28, 2001

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ROBERT H. ROTSTEIN
LISA E. STONE

By Robert H. Rotstein
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Attorneys for Plaintiffs

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Exhibit A

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EXHIBIT A

Illustrative Copyright Registrations

Rights Holder	Title	Copyright No.
Columbia Pictures Industries, Inc.	Big Daddy	PA 944-737
Columbia Pictures Industries, Inc.	First Knight	PA 722-727
Columbia Pictures Industries, Inc.	28 Days	PA 986-137
Columbia Pictures Industries, Inc.	The End Of The Affair	PA 975-167
Columbia Pictures Industries, Inc.	Charlie's Angels	PA 1-002-272
Columbia Pictures Television, Inc.	Strong Medicine (Fix)	Application Pending
Columbia Pictures Television, Inc.	Strong Medicine (Maternity)	Application Pending
Columbia Pictures Television, Inc.	Strong Medicine (Complications)	Application Pending
Columbia Pictures Television, Inc.	Ripley's Believe It Or Not (Episode #205)	Application Pending
Columbia Pictures Television, Inc.	Ripley's Believe It Or Not (Episode #206)	Application Pending
Columbia Pictures Television, Inc.	Ripley's Believe It Or Not (Episode #207)	Application Pending
Columbia Pictures Television, Inc.	Ripley's Believe It Or Not (Episode #208)	Application Pending
Columbia Pictures Television, Inc.	V.I.P. (Val In Space)	PA 1-036-767
Columbia Pictures Television, Inc.	V.I.P. (It's Val's Wonderful Life)	PA 1-036-762
Columbia Pictures Television, Inc.	V.I.P. (Molar Ice Cap)	PA 1-036-757
Columbia Pictures Television, Inc.	V.I.P. (Val's Big Bang)	PA 1-036-758

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Rights Holder	Title	Copyright No.
Columbia Pictures Television, Inc.	The Ricki Lake Show (Episode #8191)	Application Pending
Columbia TriStar Television, Inc.	Dawson's Creek (Self-Reliance)	PA 1-037-003
Columbia TriStar Television, Inc.	Dawson's Creek (Self-Reliance)	PA 1-037-003
Columbia TriStar Television, Inc.	Dawson's Creek (Promicide)	PA 1-036-995
Columbia TriStar Television, Inc.	Dawson's Creek (Separation Anxiety)	PA 1-036-990
Columbia TriStar Television, Inc.	Dawson's Creek (The Graduate)	PA 1-036-996
Columbia TriStar Television, Inc.	Dawson's Creek (Coda)	PA 1-036-993
Columbia TriStar Television, Inc.	Family Law (Recovery)	PA 1-036-928
Columbia TriStar Television, Inc.	Family Law (Clemency)	PA 1-036-929
Columbia TriStar Television, Inc.	Family Law (Planting Seeds)	PA 1-036-930
Columbia TriStar Television, Inc.	King of Queens (Paint Misbehavin')	Application Pending
Columbia TriStar Television, Inc.	King of Queens (Swim Neighbors)	Application Pending
Columbia TriStar Television, Inc.	King of Queens (S'no Job)	Application Pending
Columbia TriStar Television, Inc.	King of Queens (Pregnant Pause-Part 1)	Application Pending
Columbia TriStar Television, Inc.	King of Queens (Pregnant Pause-Part 2)	Application Pending
TriStar Television, Inc.	Mad About You (Dry Run)	PA 838-680
TriStar Television, Inc.	Mad About You (Guardianhood)	PA 838-681
TriStar Television, Inc.	Mad About You (Birth - Part II)	PA 838-685

EXHIBIT A

TriStar Television, Inc.	Mad About You (Coming Home)	PA 887-101
TriStar Television, Inc.	The Nanny (The Two Mrs. Sheffields)	PA 817-912
TriStar Television, Inc.	The Nanny (Having His Baby)	PA 817-913
TriStar Television, Inc.	The Nanny (The Unkindest Cut)	PA 817-915
TriStar Television, Inc.	The Nanny (Where's Fran)	PA 817-666
TriStar Television, Inc.	The Nanny (Your Feets Too Big)	PA 817-823

EXHIBIT A

For the Digital Media Consumers' Rights Act, which was passed on October 2, 2002, please go to:

http://www.politechbot.com/docs/boucher.dmca.amend.100302.pdf

Only the Westlaw citation is currently available.

United States District Court, E.D. Virginia.

WASHINGTONPOST.NEWSWEEK INTERACTIVE COMPANY, LLC, et al., Plaintiffs,
v.
THE GATOR CORPORATION Defendant.

No. 02-CV-909.

July 12, 2002.

ORDER

HILTON.

***1** Before the Court is Defendant's Oral Emergency Motion for a Temporary Protective Order, supplemented by written exhibits, and Plaintiffs' Oral Opposition to Defendant's Emergency Motion, also supplemented by written exhibits. After considering the argument and documentation supplied by the parties it is hereby

ORDERED

Defendant's Oral Emergency Motion for a Temporary Protective Order is GRANTED. The following documents are to be placed under seal for a very narrow, specific amount of time outlined by the Court below:

(1) Pages 13-14 of Defendant's Opposition to Plaintiffs' Motion for Preliminary Injunction will be filed under seal.
(2) Paragraphs 13-14 of the VanDeVelde Declaration, Exhibit 4 to Defendant's Opposition to Plaintiffs' Motion for Preliminary Injunction, will be filed under seal.
(3) Paragraphs 6-8, 10 of the Jang Declaration, Exhibit 5 to Defendant's Opposition to Plaintiffs' Motion for Preliminary Injunction, will be filed under seal.
(4) Page 11 and 12 of Plaintiffs' Reply Memorandum in Support of Plaintiffs' Motion for Preliminary Injunction, will be filed under seal.
(5) Plaintiff and their counsel are prohibited from disseminating to third parties, oral or otherwise, the above referenced information.
(6) Plaintiffs are not required, at this time, to return any information supplied to them from Plaintiffs' counsel regarding the above information.
(7) This Order does not seal or close the oral argument of Plaintiffs' Motion for Preliminary Injunction. The proceedings may be sealed by the district judge so adjudicating that matter.

The Court orders that this temporary relief will expire at 9am, Monday July 15, 2002, unless by 5pm, Friday July 12, 2002, Defendant has filed an appropriate and formal motion for relief to be heard and noticed for July 19, 2002. If Defendant does not file such motion, this Temporary Protective Order will expire on 9am, Monday July 15, 2002. If Defendant does file such motion, the temporary relief outlined above will continue until the Court has ruled on the motion.

The Clerk is directed to place the above pages and paragraphs under seal.

2002 WL 1586760 (E.D.Va.)

END OF DOCUMENT

Date of Printing: OCT 03,2002

KEYCITE

CITATION:**Washingtonpost.Newsweek Interactive Co., LLC v. Gator Corp., 2002 WL 1586760 (E.D.Va., Jul 12, 2002) (NO. 02-CV-909)**

History

=> 1 **Washingtonpost.Newsweek Interactive Co., LLC v. Gator Corp.,** 2002 WL 1586760 (E.D.Va. Jul 12, 2002) (NO. 02-CV-909)

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division

WASHINGTONPOST.NEWSWEEK
INTERACTIVE COMPANY, LLC
1515 North Courthouse Road
11th Floor
Arlington, VA 22201,

THE WASHINGTON POST COMPANY
1150 15th Street, N.W.
Washington, D.C. 20071,

GANNETT SATELLITE INFORMATION
NETWORK, INC.
7950 Jones Branch Drive
McLean, VA 22107,

MEDIA WEST-GSI, INC.
50 West Liberty Street, Suite 802
Reno, NV 89501,

THE NEW YORK TIMES COMPANY
229 West 43rd Street
New York, N.Y. 10036,

NYT MANAGEMENT SERVICES
2202 North West Shore Blvd.
Suite 370
Tampa, FL 33607,

GLOBE NEWSPAPER COMPANY, INC.
135 Morrissey Blvd.
Boston, MA 02107,

DOW JONES & COMPANY, INC.
200 Liberty Street
New York, NY 10281,

DOW JONES L.P.
84 Second Avenue
Chicopee, MA 01022,

SMARTMONEY
1755 Broadway
New York, NY 10019,

JUN 25

Civil Action No. 02-904-A

COMPLAINT

TRIBUNE INTERACTIVE, INC.
435 North Michigan Avenue
Chicago, IL 60611,

CONDENET, INC.
4 Times Square
New York, NY 10036,

AMERICAN CITY BUSINESS
JOURNALS, INC.
120 West Morehead Street
Charlotte, NC 28202,

CLEVELAND LIVE, INC.
700 West St. Clair Ave., Suite 414
Cleveland, OH 44113,

KNIGHT RIDDER DIGITAL
35 South Market Street
San Jose, CA 95113, and

KR U.S.A., INC.
50 West San Fernando Street
Suite 1500
San Jose, CA 95113,

Plaintiffs,

v.

THE GATOR CORPORATION
2000 Bridge Parkway, Suite 100
Redwood City, CA 94065,

Defendant.

COMPLAINT

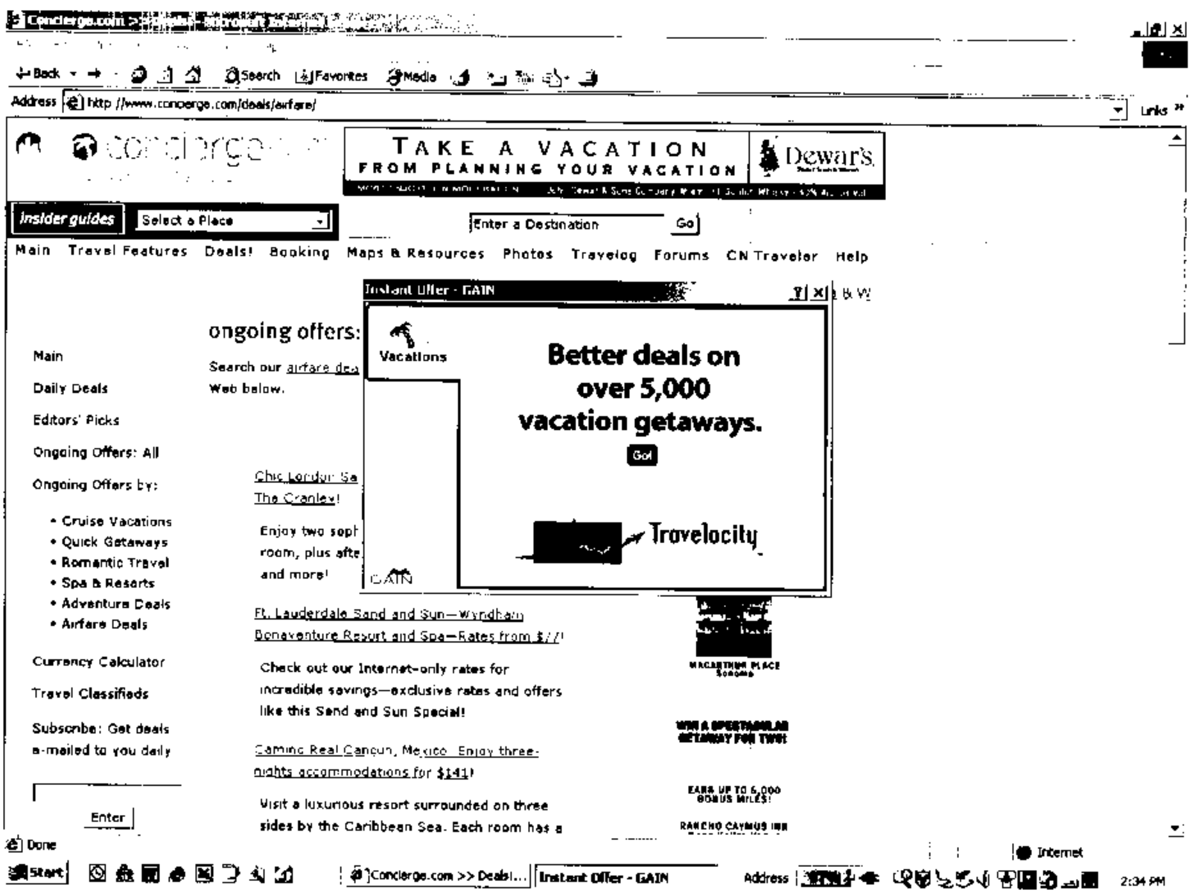
Plaintiffs, Washingtonpost.Newsweek Interactive Company, LLC ("WPNI"), The Washington Post Company ("Washington Post"), Gannett Satellite Information Network, Inc. ("Gannett Satellite"), Media West-GSI, Inc. ("Media West"), The New York Times Company ("New York Times"), NYT Management Services ("NYT Management"), Globe Newspaper Company, Inc. ("Boston Globe"), Dow Jones & Company, Inc. ("Dow Jones"), Dow Jones L.P. ("D.J.L.P."), SmartMoney ("SmartMoney"), Tribune Interactive, Inc. ("Tribune Interactive"), CondeNet, Inc. ("CondeNet"), American City Business Journals, Inc. ("American City"), Cleveland Live, Inc. ("Cleveland Live"), Knight Ridder Digital ("Knight Ridder Digital"), and KR U.S.A., Inc. ("KR"), (collectively, the "Plaintiffs") by their undersigned attorneys, for their Complaint against defendant, The Gator Corporation ("Gator Corp."), allege as follows.

NATURE OF THE ACTION

1. The Plaintiffs, together with their respective affiliates, are among the world's foremost providers of news, information and editorial content in broadcast, cable, print and electronic media, including some of the most popular news, information and entertainment sites on the World Wide Web. In recognition of the superior quality of their fact gathering, news reporting and writing, and editorial content, the Plaintiffs have won numerous journalism awards, including more than one hundred Pulitzer Prizes since 1989.

2. In sharp contrast to the significant original content the Plaintiffs provide to enrich the World Wide Web, Defendant Gator Corp. is essentially a parasite on the Web that free rides on the hard work and investments of Plaintiffs and other website owners. Gator Corp. makes money by placing advertisements for third parties on the Plaintiffs' websites without Plaintiffs' authorization. Thus, in the example below, a Gator Corp. advertisement for travelocity.com, a

discount travel website, was inserted by Gator Corp. on the homepage of Plaintiff CondeNet's concierge.com website, an online travel magazine that, among other things, offers discount travel deals and sells advertising to travel companies.



3. In short, Gator Corp. sells advertising space on the Plaintiffs' websites without Plaintiffs' authorization and pockets the profits from such sales.

4. Equally outrageous, Gator Corp. markets this practice by offering to "sell" the URL's of the Plaintiffs' websites to prospective advertisers as part of targeting the advertisers' ads to a particular audience. Indeed, on information and belief, Gator Corp. tells prospective advertisers that it is more effective to advertise on a targeted website by buying the URL through Gator Corp. than actually approaching the website owner itself.

5. Quite simply, Gator Corp. free rides on the valuable intellectual property rights of the Plaintiffs and the substantial investment Plaintiffs have made, and continue to make, to draw

millions of visitors to their websites. This scheme by Gator Corp. constitutes trademark infringement, unfair competition, trademark dilution, copyright infringement, contributory copyright infringement, misappropriation, interference with prospective economic advantage, unjust enrichment and violates the Virginia Business Conspiracy Act. It must be stopped and appropriate relief accorded to the Plaintiffs.

THE PARTIES

6. Plaintiff WPNI is a limited liability company organized and existing under the laws of the State of Delaware, with its principal place of business in Arlington, Virginia within the Alexandria Division of this Court. It is a wholly owned subsidiary of The Washington Post Company. WPNI owns and operates the Internet website at http://www.washingtonpost.com (the "Washington Post Website"). Much of the content that appears on the Washington Post Website also appears in *The Washington Post* newspaper. The Washington Post Website (through a license with the Washington Post) prominently displays the trademark THE WASHINGTON POST and the trademark masthead for *The Washington Post.* The Washington Post Website also prominently displays the trademark WASHINGTONPOST. COM. WPNI owns the trademark WASHINGTONPOST.COM.

7. Plaintiff Washington Post is a corporation organized and existing under the laws of the State of Delaware with its principal place of business in Washington, D.C. The Washington Post is a diversified media company that, *inter alia*, publishes *The Washington Post* newspaper. Washington Post owns the trademark THE WASHINGTON POST and the trademark masthead of *The Washington Post.* The Washington Post licenses these trademarks to WPNI for use on the Washington Post Website.

8. Plaintiff Gannett Satellite is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in McLean, Virginia within the

Alexandria Division of this Court. Gannett Satellite is a diversified media company that, *inter alia*, publishes the *USA Today* newspaper. Gannett Satellite owns and operates the Internet website at http://www.usatoday.com (the "USA Today Website"). Much of the content that appears on the USA Today Website also appears in the *USA Today* newspaper. The USA Today Website (through a license with Media West) prominently displays the USA TODAY trademark and the trademarked masthead of *USA Today.*

9. Plaintiff Media West is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in Reno, Nevada. Media West owns the USA TODAY trademark and the trademarked masthead of *USA Today.* Media West licenses those trademarks to Gannett Satellite for use in the *USA Today* newspaper and on the USA Today Website.

10. Plaintiff New York Times is a corporation organized and existing under the laws of the State of New York with its principal place of business in New York, New York. New York Times is a diversified media company that, *inter alia,* publishes *The New York Times* newspaper. New York Times owns and operates the Internet websites at http://www.nytimes.com (the "New York Times Website") and at http://www.boston.com (the "Boston Globe Website"). Much of the content that appears in *The New York Times* newspaper also appears on the New York Times website. The New York Times Website prominently displays the trademarked masthead of *The New York Times.* New York Times owns that trademark. The Boston Globe Website prominently displays the BOSTON GLOBE and boston.com trademarks and *The Boston Globe* trademarked masthead. New York Times owns the boston.com trademark.

11. Plaintiff NYT Management is a business trust organized and existing under the laws of the Commonwealth of Massachusetts with its principal place of business in Tampa, Florida.

NYT Management Services owns the trademarks BOSTON GLOBE and the trademarked masthead of *The Boston Globe*, both of which it licenses to Boston Globe.

12. Plaintiff Boston Globe is a corporation organized and existing under the laws of the Commonwealth of Massachusetts, with its principal place of business in Boston, Massachusetts. Boston Globe owns and operates *The Boston Globe* newspaper. Most of the content that appears in *The Boston Globe* newspaper also appears on the Boston Globe Website pursuant to a license from the Boston Globe. The Boston Globe also sublicenses the BOSTON GLOBE trademark and *The Boston Globe* trademarked masthead for use on the Boston Globe Website.

13. Plaintiff Dow Jones is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in New York, New York. Dow Jones is a diversified media company that, *inter alia*, publishes *The Wall Street Journal*. Dow Jones owns and operates the Internet website at http://www.wsj.com (the "Wall Street Journal Website"). Much of the content that appears on the Wall Street Journal Website also appears in *The Wall Street Journal* newspaper. The Wall Street Journal Website prominently displays THE WALL STREET JOURNAL trademark (through a license with D.J.L.P.), the WSJ.COM trademark and the wsj.com trademarked logo. Dow Jones owns each of those trademarks except THE WALL STREET JOURNAL mark. Dow Jones also owns and operates the Internet website at http://www.careerjournal.com (the "CareerJournal Website"). The CareerJournal Website prominently displays THE WALL STREET JOURNAL trademark, the wsj.com trademarked logo and the CAREERJOURNAL trademark. Dow Jones owns each of these trademarks except THE WALL STREET JOURNAL mark.

14. Plaintiff D.J.L.P. is a limited liability partnership organized and existing under the laws of the State of Delaware, with its principal place of business in Chicopee, Massachusetts. D.J.L.P. owns THE WALL STREET JOURNAL trademark.

15. Plaintiff SmartMoney is a partnership organized and existing under the laws of the State of New York, with its principal place of business in New York, New York. SmartMoney owns and operates the Internet website at http://www.smartmoney.com (the "SmartMoney Website"). The SmartMoney Website prominently displays the SMARTMONEY trademark. SmartMoney owns the SMARTMONEY trademark.

16. Plaintiff Tribune Interactive, an affiliate of Tribune Company which owns, *inter alia*, the *Chicago Tribune* and the *Los Angeles Times*, is a corporation organized and existing under the laws of the State of Delaware with its principal place of business in Chicago, Illinois. Tribune Interactive operates the Internet websites at http://www.chicagotribune.com, http://www.latimes.com, and http://newsday.com (collectively, the "Tribune Interactive Websites"). Much of the content that appears on the Tribune Interactive Websites also appears respectively in the *Chicago Tribune* newspaper, the *Los Angeles Times* newspaper and the newspaper *Newsday*. The Tribune Interactive Websites (through licenses and agreements with Chicago Tribune Company, Los Angeles Times Communications LLC and Newsday, Inc.) prominently display the CHICAGO TRIBUNE trademark, the LATIMES.COM trademark, the LOS ANGELES TIMES trademark, the trademarked masthead of *Los Angeles Times*, the NEWSDAY.COM trademark, the NEWSDAY trademark and the trademarked masthead of *Newsday*. Tribune Interactive is authorized to bring this lawsuit by virtue of its licenses and agreements with Chicago Tribune Company, Los Angeles Times Communications LLC and Newsday, Inc., which give Tribune Interactive the right to enforce actions against unauthorized uses of the following trademarks: CHICAGO TRIBUNE, LATIMES.COM, LOS ANGELES TIMES, NEWSDAY.COM, NEWSDAY and the trademarked mastheads, *Los Angeles Times* and *Newsday*.

17. Plaintiff CondeNet is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in New York, New York. CondeNet owns and operates the Internet website at http://www.concierge.com (the "Concierge.com Website"). The Concierge.com Website prominently features the concierge.com trademarked logo. CondeNet owns the concierge.com trademarked logo. CondeNet owns and operates the Internet website at http://www.epicurious.com (the "Epicurious.com Website"). The Epicurious.com Website prominently features the EPICURIOUS trademark. CondeNet owns the EPICURIOUS trademark.

18. Plaintiff American City is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in Charlotte, North Carolina. American City owns and operates the Internet website at: http://www.bizjournals.com (the "Bizjournals.com Website"). The Bizjournals.com Website prominently features the bizjournals.com trademarked logo. American City owns the bizjournals.com trademarked logo.

19. Plaintiff Cleveland Live is a corporation organized and existing under the laws of the State of Ohio, with its principal place of business in Cleveland, Ohio. Cleveland Live owns and operates the Internet website at http://www.cleveland.com (the "Cleveland.com Website"). The Cleveland.com Website prominently displays the Cleveland.com trademarked logo. Cleveland Live owns the Cleveland.com trademarked logo.

20. Plaintiff Knight Ridder Digital is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in San Jose, California. Knight Ridder Digital owns and operates the Internet websites at http://www.miami.com and http://www.philly.com (collectively, the "Knight Ridder Websites"). Much of the content that appears on the Knight Ridder Websites also appears respectively in *The Miami Herald* newspaper and *The Philadelphia Inquirer* newspaper. The Knight Ridder Websites prominently

display THE MIAMI HERALD trademark, the MIAMI.COM trademark, the PHILLY.COM trademark and the trademarked mastheads of *The Miami Herald* and *The Philadelphia Inquirer.* Knight Ridder Digital owns the trademarks MIAMI.COM and PHILLY.COM.

21. Plaintiff KR is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in San Jose, California. KR is an indirect, wholly owned subsidiary of Knight-Ridder, Inc. KR owns the trademark THE MIAMI HERALD as well as the trademarked mastheads of *The Miami Herald* and *The Philadelphia Inquirer.* KR has granted an exclusive license covering these trademarks to Knight-Ridder, Inc., which in turn licenses those marks to Knight Ridder Digital for use on the Knight Ridder Websites.

22. Upon information and belief, Defendant Gator Corp. is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in Redwood City, California.

JURISDICTION AND VENUE

23. This Court has subject matter jurisdiction over this action under 15 U.S.C. § 1121, 28 U.S.C. § 1331 and 28 U.S.C. § 1338(a) and (b). This Court has supplemental jurisdiction over the state law claims pursuant to 28 U.S.C. § 1367(a) because those claims are so related to the federal claims brought herein as to form part of the same case or controversy.

24. Venue is proper in this district under 28 U.S.C. § 1391(b) and 28 U.S.C. § 1400(a) because defendant resides in this district within the meaning of 28 U.S.C. § 1391(c).

25. Gator Corp. is subject to personal jurisdiction in this district because it practices the unlawful conduct complained of herein, in part, within the Commonwealth of Virginia and the Alexandria Division of this Court; because the unlawful conduct complained of herein causes injury, in part, within the Commonwealth of Virginia and the Alexandria Division of this Court; and because Gator Corp. regularly does or solicits business, engages in other persistent courses

of conduct and/or derives substantial revenue from goods used or consumed or services rendered within the Commonwealth of Virginia and the Alexandria Division of this Court.

Gator Corp. regularly and systematically has directed electronic activity into the Commonwealth of Virginia with the manifested intent of engaging in business within the Commonwealth and that activity has resulted in causes of action cognizable within the Commonwealth. Gator Corp.'s actions in this regard include the regular placement of pop-up advertisements upon the screens of numerous PCs within the Commonwealth of Virginia; the offering of various software applications to PC users within the Commonwealth of Virginia, many of whom (knowingly or unknowingly) downloaded such software applications onto PCs within the Commonwealth of Virginia; and the offering of its advertising services to corporations and individuals within the Commonwealth of Virginia. On information and belief, these actions by Gator Corp. were the means by which actual business was conducted by Gator Corp. within the Commonwealth and which resulted in cognizable causes of action within the Commonwealth. For example, Gator Corp. has entered into a contract with ReliaQuote, Inc., a Virginia corporation with its principal place of business in McLean, Virginia, which resulted in the unauthorized placement of ReliaQuote advertisements upon the Plaintiffs' websites, the exact harm complained of in this lawsuit and which is cognizable within the Commonwealth of Virginia.

PLAINTIFFS' TRADEMARKS

26. On November 14, 1997, the predecessor-in-interest to WPNI filed to register the service mark "WASHINGTONPOST.COM" with the USPTO for use in connection with providing an online information service. On May 2, 2000, the USPTO issued a service mark registration for "WASHINGTONPOST.COM." *See* Federal Trademark Reg. No. 2,346,367 (appended hereto as Exhibit 1).

27. On November 15, 1990, Washington Post filed to register the trademark "THE WASHINGTON POST" with the USPTO for use, among other things, in connection with newspapers. On November 26, 1991, the USPTO issued a trademark registration for "THE WASHINGTON POST." *See* Federal Trademark Reg. No. 1,665,832 (appended hereto as Exhibit 2). On November 15, 1990, Washington Post filed to register the trademark "THE WASHINGTON POST" in a distinctive typeface, style and design with the USPTO for use as *The Washington Post's* masthead. On November 6, 1991, the USPTO issued a trademark registration. *See* Federal Trademark Reg. No. 1,665,831 (appended hereto as Exhibit 3).

28. On August 21, 1984, predecessors-in-interest to Media West filed to register the trademark "USA TODAY" with the USPTO for use in connection with daily newspapers. On April 23, 1985, the USPTO issued a trademark registration for "USA TODAY." *See* Federal Trademark Reg. No. 1,332,045 (appended hereto as Exhibit 4). On April 17, 1986, predecessors-in-interest to Media West filed to register two versions of the trademark "USA TODAY" in a distinctive typeface, style and design with the USPTO for use as the masthead for the *USA Today* newspaper. On November 4, 1986, the USPTO issued two trademark registrations for these "USA TODAY" design marks. *See* Federal Trademark Reg. Nos. 1,415,845 and 1,415,846 (appended hereto as Exhibits 5 and 6).

29. On February 9, 1996, New York Times filed to register the service mark, "THE NEW YORK TIMES" in a distinctive typeface, style and design with the USPTO for use in connection with providing a wide range of general interest news and information via a global computer network. On December 16, 1997, the USPTO issued a service mark registration. *See* Federal Trademark Registration No. 2,120,865 (appended hereto as Exhibit 7).

30. On September 11, 1995, predecessors-in-interest to New York Times filed to register the service mark "BOSTON.COM" with the United States Patent and Trademark Office ("USPTO") for use in connection with a website featuring a wide range of general information with particular emphasis on the Boston, Massachusetts area. On July 8, 1997, the USPTO issued a service mark registration for "BOSTON.COM." *See* Federal Trademark Reg. No. 2,078,175 (appended hereto as Exhibit 8).

31. On January 2, 1925, predecessors-in-interest to NYT Management filed to register the trademark "THE BOSTON GLOBE" with the USPTO for use in connection with a daily newspaper. On June 9, 1925, the USPTO issued a trademark registration for "THE BOSTON GLOBE." *See* Federal Trademark Reg. No. 199,556 (appended hereto as Exhibit 9). On November 21, 1960, predecessors-in-interest to NYT Management filed to register the trademark "THE BOSTON GLOBE" in a distinctive typeface, style and design with the USPTO for use as the masthead for *The Boston Globe*. On September 5, 1961, the USPTO issued a trademark registration. *See* Federal Trademark Reg. No. 0,721,044 (appended hereto as Exhibit 10).

32. On April 3, 1985, Dow Jones filed to register the service mark "THE WALL STREET JOURNAL" with the USPTO for use in connection with an electronic database containing the contents or summaries of a daily newspaper. On October 29, 1985, the USPTO issued a service mark registration for "THE WALL STREET JOURNAL." *See* Federal Trademark Reg. No. 1,368,347 (appended hereto as Exhibit 11). In 1999, "THE WALL

STREET JOURNAL" mark was assigned to D.J.L.P. On September 8, 2000, Dow Jones filed to register the service mark "WSJ.COM" with the USPTO for use in connection with providing information via a global computer network. On June 4, 2002, the USPTO issued a service mark registration. *See* Federal Trademark Registration No. 2,575,504. On July 11, 1996, Dow Jones filed to register the service mark "WSJ.COM" in a distinctive typeface, style and design with the USPTO for use as the logo for the website at http://www.wsj.com. On December 9, 1997, the USPTO issued a service mark registration. *See* Federal Trademark Registration No. 2,119,170 (appended hereto as Exhibit 12). On June 2, 2000, Dow Jones filed to register the service mark "CAREERJOURNAL" with the USPTO for use in connection with providing an on-line interactive computer database featuring employment listings and employment related news. On September 18, 2001, the USPTO issued a service mark registration for "CAREERJOURNAL." *See* Federal Trademark Registration No. 2,491,623 (appended hereto as Exhibit 13).

33. On August 5, 1994, SmartMoney filed to register the service mark "SMARTMONEY" with the USPTO for use in connection with providing business and financial news and information in an interactive computer database. On July 28, 1998, the USPTO issued a service mark registration. *See* Federal Trademark Registration No. 2,177,037 (appended hereto as Exhibit 14).

34. On July 29, 1963, Tribune Interactive's affiliate, the Tribune Company, filed to register the trademark "CHICAGO TRIBUNE" with the USPTO for use in connection with a newspaper. On June 9, 1964, the USPTO issued a trademark registration for "CHICAGO TRIBUNE." *See* Federal Trademark Reg. No. 771,167 (appended hereto as Exhibit 15).

35. On February 18, 1997, predecessors-in-interest to Tribune Interactive's affiliate, Tribune License, Inc., filed to register the service mark "LATIMES.COM" with the USPTO for use in connection with providing on-line copies of newspapers. On December 15, 1998, the

USPTO issued a service mark registration for "LATIMES.COM". *See* Federal Trademark Reg. No. 2,210,150 (appended hereto as Exhibit 16). On May 10, 1973, predecessors-in-interest to Tribune License, Inc., filed to register the trademark "LOS ANGELES TIMES" with the USPTO for use in connection with newspapers. On July 2, 1974, the USPTO issued a trademark registration for "LOS ANGELES TIMES." *See* Federal Trademark Reg. No. 987,427 (appended hereto as Exhibit 17). On May 10, 1973, predecessors-in-interest to Tribune License, Inc., filed to register the trademark "LOS ANGELES TIMES" in a distinctive typeface, style and design with the USPTO for use as the masthead for the *Los Angeles Times*. On July 30, 1974, the USPTO issued a trademark registration. *See* Federal Trademark Reg. No. 989,634 (appended hereto as Exhibit 18). On May 2, 1996, predecessors-in-interest to Tribune License, Inc., filed to register the service mark "NEWSDAY.COM" with the USPTO for use in connection with providing information via global computer information networks. On September 30, 1997, the USPTO issued a service mark registration for "NEWSDAY.COM." *See* Federal Trademark Reg. No. 2,101,017 (appended hereto as Exhibit 19). On March 6, 1996, predecessors-in-interest to Tribune License, Inc., filed to register the trademark "NEWSDAY" with the USPTO for use in connection with newspapers. On March 25, 1997, the USPTO issued a trademark registration for "NEWSDAY." *See* Federal Trademark Reg. No. 2,047,787 (appended hereto as Exhibit 20). On September 20, 1940, predecessors-in-interest to Tribune License, Inc., filed to register the trademark "NEWSDAY" in a distinctive typeface, style and design with the USPTO for use as the masthead for *Newsday*. On September 16, 1941, the USPTO issued a trademark registration. *See* Federal Trademark Reg. No. 390,263 (appended hereto as Exhibit 21).

36. On November 1, 2001, CondeNet filed to register the service mark "CONCIERGE.COM THE JOURNEY STARTS HERE" in a distinctive typeface, style and design with the USPTO for use as a logo for the website at http://www.concierge.com. That

application remains pending. On September 2, 1994, predecessors-in-interest to CondeNet filed to register the service mark "EPICURIOUS" with the USPTO for use in connection with an interactive computer database providing information about food, wine, restaurants and similar areas of interest. On December 3, 1996, the USPTO issued a service mark registration. *See* Federal Trademark Registration No. 2,021,477 (appended hereto as Exhibit 22).

37. On May 15, 2000, predecessors-in-interest to American City filed to register the service mark "BIZJOURNALS.COM" in a distinctive typeface, style and design with the USPTO for use as a logo for the website at http://www.bizjournals.com. On January 29, 2002, the USPTO issued a service mark registration. *See* Federal Trademark Reg. No. 2,533,692 (appended hereto as Exhibit 23). On March 2, 2001, American City filed to register the service mark "BIZJOURNALS.COM STRICTLY BUSINESS STRICTLY LOCAL" with the USPTO. That application remains pending.

38. On July 26, 2001, Cleveland Live filed to register the trademark "CLEVELAND.COM" in a distinctive typeface, style and design with the USPTO for use as a logo for the website at http://www.cleveland.com. On March 12, 2002, the USPTO issued a service mark registration. *See* Federal Trademark Reg. No. 2,547,361 (appended hereto as Exhibit 24).

39. On November 9, 2000, KnightRidder.com filed to register the trademarks "MIAMI.COM" and "PHILLY.COM" with the USPTO for use in connection with websites. Those applications remain pending.

40. On December 13, 1989, predecessors-in-interest to KR filed to register the trademark "THE MIAMI HERALD" with the USPTO for use in connection with newspapers, magazines and books. On August 14, 1990, the USPTO issued a trademark registration for "THE MIAMI HERALD." *See* Federal Trademark Reg. No. 1,609,779 (appended hereto as

Exhibit 25). On December 13, 1989, predecessors-in-interest to KR filed to register the trademark "THE MIAMI HERALD" in a distinctive typeface, style and design with the USPTO for use as the masthead for *The Miami Herald*. On August 14, 1990, the USPTO issued a trademark registration. *See* Federal Trademark Reg. No. 1,609,777 (appended hereto as Exhibit 26). On January 13, 1930, predecessors-in-interest to KR filed to register the trademark "THE PHILADELPHIA INQUIRER" in a distinctive style, typeface and design with the USPTO for use in connection with a newspaper. On May 13, 1930, the USPTO issued a trademark registration. *See* Federal Trademark Reg. No. 270,787 (appended hereto as Exhibit 27).

41. WPNI, Washington Post, Media West, New York Times, NYT Management, Boston Globe, Dow Jones, D.J.L.P., SmartMoney, Tribune Interactive, CondeNet, American City, Cleveland Live, Knight Ridder Digital and KR (collectively, the "Trademark Plaintiffs") have continuously used and promoted the above-described trademarks in interstate commerce in the United States and throughout the world for many years. The Trademark Plaintiffs have spent significant sums on marketing these marks.

42. Through the Trademark Plaintiffs' actions, and because of widespread and favorable public acceptance and recognition, the above-described trademarks have become distinctive designations of the source of origin of Plaintiffs' products and services. These trademarks have become uniquely associated with, and hence identify, Plaintiffs. These marks are assets of incalculable value as symbols of Plaintiffs, their quality products and services and goodwill.

43. Accordingly, the above-described trademarks have developed secondary meaning and are famous marks.

PLAINTIFFS' COPYRIGHTS

44. WPNI is the sole owner of the Washington Post Website and holds a valid copyright to the Washington Post Website. WPNI registered its copyright to the Washington Post Website with the Copyright Office of the United States Library of Congress ("Copyright Office") on June 19, 2002.

45. Gannett Satellite is the sole owner of the USA Today Website and holds a valid copyright to the USA Today Website. Gannett Satellite registered its copyright to the USA Today Website with the Copyright Office on June 17, 2002.

46. New York Times is the sole owner of the New York Times Website and the Boston Globe Website and holds valid copyrights on both. New York Times registered its copyright on the New York Times Website with the Copyright Office on June 17, 2002. New York Times registered its copyright to the Boston Globe Website with the Copyright Office on June 17, 2002.

47. Dow Jones is the sole owner of the Wall Street Journal Website and the CareerJournal Website. Dow Jones holds valid copyrights on both websites. Dow Jones registered its copyright to the Wall Street Journal Website with the Copyright Office on June 17, 2002. Dow Jones registered its copyright to the CareerJournal Website with the Copyright Office on June 17, 2002.

48. SmartMoney is the sole owner of the SmartMoney Website and holds a valid copyright on the SmartMoney Website. SmartMoney registered its copyright to the SmartMoney Website with the Copyright Office on June 17, 2002.

49. Tribune Interactive owns the Tribune Interactive Websites and holds valid copyrights on the Tribune Interactive Websites. Tribune Interactive registered its copyrights to the Tribune Interactive Websites with the Copyright Office on June 17, 2002.

50. CondeNet is the sole owner of the Concierge.com Website and the Epicurious.com Website and holds valid copyrights to both Websites. CondeNet registered its copyright to the Concierge.com Website with the Copyright Office on June 17, 2002. CondeNet registered its copyright to the Epicurious.com Website with the Copyright Office on June 17, 2002.

51. American City is the sole owner of the Bizjournals.com Website and holds a valid copyright to the Bizjournals.com Website. American City registered its copyright to the Bizjournals.com Website with the Copyright Office on June 17, 2002.

52. Cleveland Live is the sole owner of the Cleveland.com Website and holds a valid copyright to the Cleveland.com Website. Cleveland Live registered its copyright to the Cleveland.com Website with the Copyright Office on June 17, 2002

53. Knight Ridder Digital is the sole owner of the Knight Ridder Websites and holds valid copyrights on the Knight Ridder Websites. Knight Ridder Digital registered its copyrights to the Knight Ridder Websites with the Copyright Office on June 17, 2002.

54. WPNI, Gannett Satellite, New York Times, Dow Jones, SmartMoney, Tribune Interactive, CondeNet, American City, and Knight Ridder Digital (collectively, the "Website Plaintiffs") grant visitors to their websites a non-exclusive, non-transferable, limited right to access, use and display of the websites and their content for the viewers' personal, noncommercial use. Visitors are explicitly prohibited from modifying any of the websites' content or the manner in which the content is displayed.

FACTUAL BACKGROUND

The Internet And The World Wide Web

55. The Internet is a global network of millions of interconnected computers. The World Wide Web is a portion of the Internet especially suited to displaying images and sound in addition to text. Much of the information on the World Wide Web is stored in the form of "web pages," which can be accessed through a computer connected to the Internet (available through commercial Internet service providers or "ISPs"), and viewed using a computer program called a "browser," such as Microsoft Internet Explorer and Netscape Navigator. "Websites" are locations on the World Wide Web containing a collection of web pages. A web page is identified by its own unique Uniform Resource Locator ("URL") (*e.g.*, http://www.usatoday.com), and a URL ordinarily incorporates its site's "domain name" (*e.g.*, usatoday.com).

56. The vast majority of Internet websites that deliver news and editorial content, including each of the websites operated by the Website Plaintiffs, depend in significant part, if not entirely, for their economic success on revenues from advertisers who pay for advertisements that appear on the pages of the websites, directly adjacent to the news and other editorial content appearing on the same page. Even those websites that charge subscription fees, such as the Wall Street Journal Website, depend in part upon such advertisements. In this respect, such websites are analogous to network television news broadcasts, which depend almost entirely on revenues from advertisers who pay for commercials that appear during, or between, television programs.

57. Internet advertising has grown tremendously in the last few years. During 2001, total online advertising revenue reached $7.2 billion. These advertising revenues help keep the overwhelming majority of websites on the World Wide Web free to computer users.

58. A variety of advertising products are available on the Internet today in a variety of sizes and shapes. The most traditional form of advertising on the Internet, including the sites operated by the Website Plaintiffs, is the "banner advertisement." Banners are portions of web pages in which advertising appears. Banner advertisements typically appear on web pages as rectangular blocks positioned either above, below or to the side of the content on the pages.

59. Another form of Internet advertising is the pop-up advertisement. Typically, pop-up advertisements are triggered automatically when Internet users visit particular web pages. Pop-up advertisements typically appear on web pages as square or rectangular blocks, but rather than appearing above, below or to the side of the content on the pages, as with banner advertisements, pop-up advertisements appear on top of the web page's content, obscuring at least a portion of the content from the viewer. Moreover, unlike banner advertisements, in order to view the content on the web page being visited, a viewer must take the affirmative act of closing the window with the pop-up advertisement by clicking the mouse.

The Business Of The Website Plaintiffs

60. Each of the Website Plaintiffs has established and operates websites to deliver news and other content in a timely fashion to computer users. Owing in large measure to the superior quality of the Plaintiffs' content, their websites are among the most popular on the Web, making them attractive to a wide variety of advertisers who wish to reach a large, informed and well-educated audience. For example, according to the Nielsen//NetRatings Internet Report, in March 2002 alone, www.nytimes.com served more than 193 million page views, www.washingtonpost.com served more than 99 million page views, www.usatoday.com served more than 98 million page views, www.boston.com served more than 43 million page views, www.chicagotribune.com served more than 26 million page views, www.wsj.com served more than 24 million page views, www.smartmoney.com served more than 16 million page views,

www.latimes.com served more than 24 million page views, www.epicurious.com served more than 24 million page views, www.miami.com served more than 13 million page views, www.philly.com served more than 9.4 million page views, www.newsday.com served more than 9 million page views, www.cleveland.com served more than 8 million page views, www.bizjournals.com served more than 6.5 million page views, and www.concierge.com served more than 2.5 million page views. These page view numbers, however, understate the actual number of page views for these sites because of the consumer panel methodology employed by the Nielsen//NetRatings Internet Report, which tracks only segments of U.S. users and site activity.

61. As web publishers, the Website Plaintiffs have developed sites that do what the Internet does best: offer breaking news and other useful information quickly; provide thoughtful analysis of current events; and give users an opportunity to interact with the information, the people who provide it and each other.

62. The Website Plaintiffs' sites each offer their users a rich array of information and resources. The content available on these websites includes but is not limited to national and international news, local and regional news, sports news, stock market information, business and financial news, classified ads, weather reports, entertainment guides, real estate analysis, travel information, video of news and sports events, commentary, analysis, photographs and more. While some of this content is also available through the websites' offline counterparts, these sites also include a wealth of content and features available *only* online.

63. The Website Plaintiffs deliberately design their websites to display their content in a manner that will be visually attractive to and easy to navigate for site visitors. Moreover, great care and enormous effort are undertaken by the Website Plaintiffs to present their content with a

specific "look and feel" that will encourage site visitors to remain at the site, delve into the content on the site and return to the site in the future.

64. Internet users also generally place a high value on the easy accessibility of a website. If too many pop-up advertisements appear on a website, viewers may become annoyed and may leave the site and/or not return to it in the future. Therefore, each of the Website Plaintiffs limits the number of authorized pop-up advertisements that appear on its site to avoid annoying their visitors.

65. Many of the Website Plaintiffs also offer users the ability to personalize the services available on or through their sites. For example, users of the Washington Post Website can indicate what types of news stories they would like to see by registering for mywashingtonpost.com; users of the Boston Globe Website can register for Globextra and have access to more than twenty years of archived material; and users of the USA Today Website can register to receive regular e-mail bulletins.

66. As a result of these design efforts, millions of people have developed strong relationships with the Website Plaintiffs' sites, and return to them time and time again.

67. These websites, however, are expensive to operate. The costs the Website Plaintiffs incur to operate the sites include the costs of gathering, preparing, editing and updating the news and editorial content and other features that appear on the sites; the costs of designing and organizing the constantly changing individual web pages that comprise the sites, so that each site may serve as an efficient, effective and graphically pleasing mechanism for conveying vast quantities of information; and the costs of acquiring, maintaining and operating sophisticated computer servers and other equipment and of hiring numerous trained professionals to ensure the smooth and continuous availability of the sites every hour of every day.

68. Experience has demonstrated that, at least under present circumstances, few Internet websites that deliver news and editorial content can require the consumers of the content to pay a fee to gain access to the content. The vast majority of such websites, including each of the Website Plaintiffs' sites, except the Wall Street Journal Website, provide most or all of their news and editorial content to the public free of any subscription fee or other charge in reliance upon advertising income.

69. Purchasing advertising on websites as popular as those operated by the Website Plaintiffs is an attractive option for advertisers looking for ways to reach targeted audiences. Advertising on these sites reaches millions of consumers quickly and easily, and often throughout the workday. Moreover, such advertising can be targeted to the specific interests of the viewers.

70. Each of the Website Plaintiffs has established and enforces standards and policies governing the types of goods and services that may be advertised on their websites and the content and appearance of advertisements that they deem acceptable. Indeed, each of the Website Plaintiffs, as a condition of advertising on their sites, reserves the right to reject any advertisement or the content of any advertisement. Such control over advertising is necessary because online ads are an integral part of the manner in which the website is displayed to the viewer. Moreover, each of the Website Plaintiffs may reject advertising that would be displayed in a position that conflicts with the content on a particular web page. For example, the Website Plaintiffs would likely not display an advertisement for a flight-training school on a web page displaying a story about the September 11th tragedy.

The Business Of Gator Corp.

71. Gator Corp. is in the business of selling online advertising. Thus, it is in direct competition with the Website Plaintiffs. But rather than sell advertising on its own website, Gator Corp. sells pop-up ads on other websites **WITHOUT** the permission of or payment to such websites.

72. Gator Corp.'s unauthorized pop-up advertising scheme is based on a "trojan horse" concept. Gator Corp. gives away a free software application called "Gator." Gator is essentially a "digital wallet" -- it purports to provide users with a mechanism for storing personal information about themselves, passwords, user identification numbers and names and other data that consumers routinely need to input on electronic forms when they shop on the Internet. Gator assists users in filling out such forms without having to retype the previously stored information. Although this appears to be a relatively innocuous software application, in fact, it is a "trojan horse" by which Gator Corp. infiltrates the personal computers of unsuspecting users to perpetrate its unlawful pop-up advertising scheme.

73. On information and belief, Gator Corp.'s pop-up advertising scheme operates as follows:

a. Gator Corp. bundles a software program called "OfferCompanion" together with its Gator digital wallet software program, so that persons who download the Gator application onto their personal computer automatically have OfferCompanion downloaded and installed as well. In addition, anyone who downloads certain popular free software programs, such as KaZaa or AudioGalaxy, have OfferCompanion automatically downloaded and installed onto their personal computer. Because OfferCompanion is bundled with other software programs and automatically downloaded with those other software programs, even sophisticated computer users frequently do not know OfferCompanion has been installed on their personal computer. Since April 2002, Gator Corp. has also engaged in what are known as "drive-by-downloads" to place "OfferCompanion" on PCs. Under this scheme, pop-up ads will appear on certain websites and will attempt to install "OfferCompanion" on the user's PC, sometimes without any action being taken by the PC user (depending on the browser's security settings).

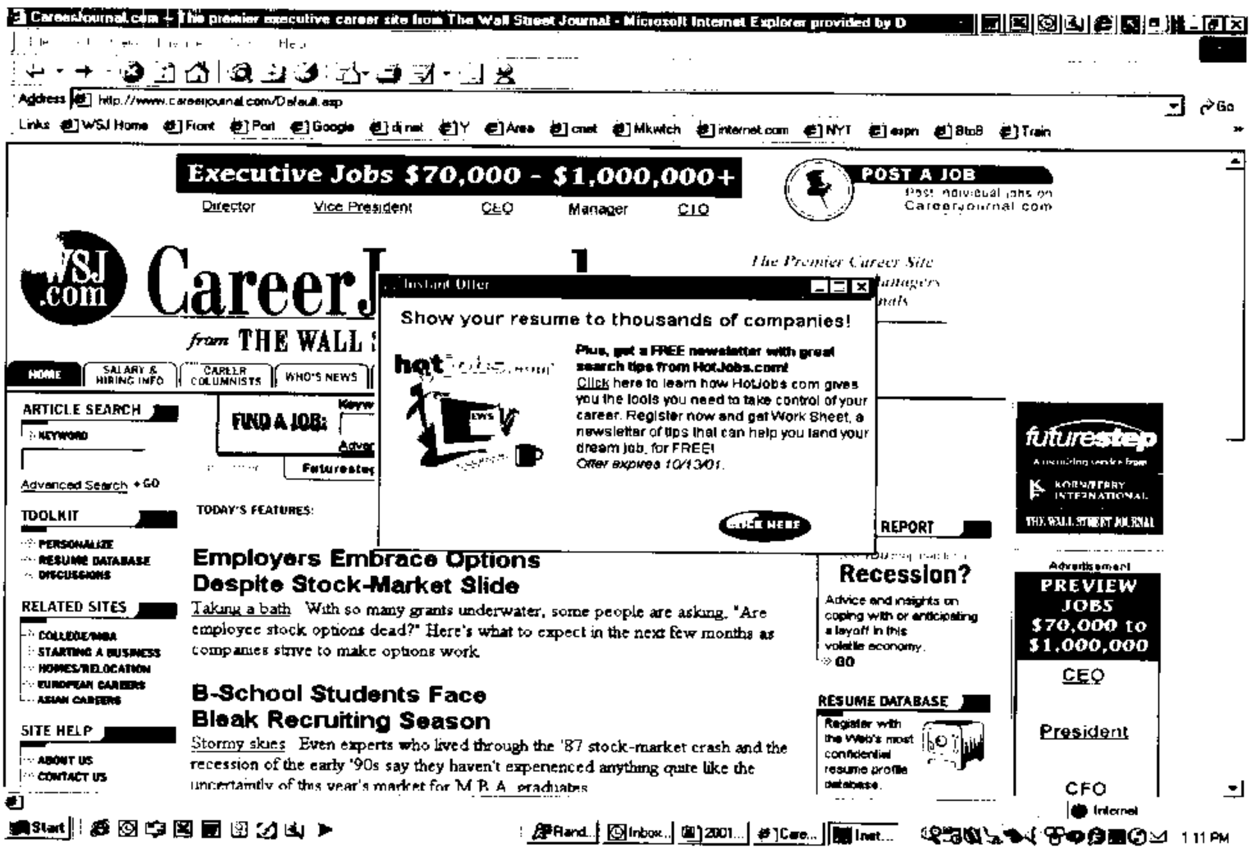
b. Once OfferCompanion is installed on a personal computer, whenever a user initiates a browser-based Internet connection, OfferCompanion automatically launches and communicates frequently with Gator Corp.'s computer servers, monitoring the user's activities on the World Wide Web and transmitting that information over the Internet to Gator Corp. Software that operates in this manner is commonly referred to as "spyware."

c. When a PC user visits certain websites, Gator Corp.'s remote computer systems will transmit to the user's computer one or more unauthorized pop-up advertisements to be displayed directly over the content that the owner of the website intended to be displayed.

d. Gator Corp.'s unauthorized pop-up advertisements typically appear at approximately the same time as the web page that the user has requested. As a result of Gator Corp.'s unauthorized pop-up advertisements, users ordinarily do not see the web page in the manner the website owner intended to display it. Instead, users see the Gator Corp. pop-up advertisement concealing some of the content the website owner intended to be displayed on that particular web page.

e. In order for the PC user to see the web page displayed as intended by the website owner, the user must move their mouse to the pop-up advertisement and click the mouse to close Gator Corp.'s unauthorized pop-up advertisement, thus delaying access to the site's content.

74. In the example below, a Gator Corp. pop-up advertisement for hotjobs.com, a website containing online classified recruitment advertising, appears on the home page for Plaintiff Dow Jones' CareerJournal.com Website, a classified recruitment advertising website that competes with hotjobs.com.



75. The above example of a Gator Corp. pop-up advertisement appeared on the CareerJournal Website without Dow Jones' authorization. On information and belief, Gator Corp. does not seek or obtain the authorization of any website upon which it causes its pop-up advertisements to appear.

76. Gator Corp. asserts that OfferCompanion has been installed 27 million times and that it currently resides on 15 million personal computers.

77. On information and belief, Gator Corp. offers to third-party Internet advertisers the opportunity to "buy" URLs on which OfferCompanion will cause to appear pop-up advertisements for the third-party advertisers. Indeed, Gator Corp. software was designed to allow it to cause advertisements to display on any website -- even the website of a Gator Corp. advertiser's competitor and even websites that do not sell advertising or refuse to permit certain types of advertising. Gator Corp.'s pop-up advertising scheme is designed to divert and lure Internet users from the websites they intend to visit to other websites owned by Gator Corp.'s advertisers. Gator Corp.'s service, however, is not cheap. Rates for such pop-up advertising campaigns cost $25,000 or more. None of this is paid to the websites targeted by Gator Corp. Thus, Gator Corp. profits from free riding on other websites' content.

78. On information and belief, Gator Corp. will also refrain from selling advertising on particular URLs to third-party advertisers if the owner of a particular URL pays a "fee" to Gator Corp. This fee apparently varies, but can be as much as $50,000.

79. Gator Corp.'s pop-up advertising scheme deliberately targets some of the Internet's most popular and highly trafficked websites, including the sites owned and operated by the Website Plaintiffs. Since March 1, 2002, each of the websites identified in Paragraphs 6-21 above or websites bearing the trademarks of the Trademark Plaintiffs have been plagued by unauthorized Gator Corp. pop-up advertisements. Since April 1, 2002, Gator Corp. has specifically targeted several of the Website Plaintiffs' sites in its marketing to advertisers, including the New York Times Website and the Wall Street Journal Website.

80. Gator Corp.'s pop-up advertising scheme is inherently deceptive and misleads users into falsely believing the pop-up advertisements supplied by Gator Corp. are in actuality advertisements authorized by and originating with the underlying website. Factors that

contribute to the inherently deceptive and misleading nature of Gator Corp.'s scheme include, but are not limited to, the following:

a. On information and belief, many people who have OfferCompanion software on their computers are unaware of the presence and operation of that software program, let alone cognizant that its basic function is to place unauthorized pop-up advertisements on websites visited by the user.

b. Gator Corp. does not prominently advise persons who have downloaded OfferCompanion software that unauthorized pop-up advertisements will be systematically delivered to change the display of content on particular websites. Even if Gator Corp. delivered such a warning message, there would be no way to eliminate the inherent confusion created by Gator Corp.'s wrongful conduct.

c. Because they appear on a user's screen simultaneously, or nearly simultaneously, with the downloading and opening of the requested web page of the targeted website, the Gator Corp. pop-up advertisements appear to be an integral and fully authorized part of the original underlying web page.

d. The Gator Corp. pop-up advertisements fail to suggest they are not authorized and supplied by the underlying website.

e. Even if a user of Gator Corp.'s digital wallet software removes Gator from his or her computer using the "uninstall" feature, OfferCompanion is not removed and continues to operate independently in support of Gator Corp.'s pop-up advertising scheme.

Gator Corp.'s Pop-Up Advertising Scheme Harms Plaintiffs

81. Since at least March 1, 2002, Gator Corp. has specifically targeted, and continues to specifically target, the Website Plaintiffs' websites for the delivery of unauthorized pop-up advertising. On information and belief, Gator Corp. targets the Website Plaintiffs' sites because of their fame and popularity.

82. Gator Corp. has already delivered thousands, if not hundreds of thousands, of unauthorized pop-up advertisements to the Website Plaintiffs' websites.

83. All pop-up advertisements that Gator Corp. has displayed on the Website Plaintiffs' websites have been displayed without the authorization or permission of the Website Plaintiffs.

84. In the short term, Gator Corp.'s pop-up advertising scheme deprives both the Website Plaintiffs and their advertisers of the benefits intended to be secured by their advertising contracts.

85. In the long term, if left unchecked, Gator Corp.'s pop-up advertising scheme would erode the attractiveness of advertising on the Website Plaintiffs' websites and disrupt or potentially destroy the ability of the Website Plaintiffs to sell such advertising. This would imperil the economic viability of the Website Plaintiffs' websites.

86. Gator Corp.'s pop-up advertising scheme also fundamentally damages the integrity and value of the Website Plaintiffs' websites in other ways as well. In particular:

a. Because Gator Corp.'s pop-up advertising scheme creates the false impression that the pop-up advertisements originated with the underlying website, Gator Corp. deceptively misleads customers into the false perception that the pop-up advertisements appear with the Website Plaintiffs' authorization and approval.

b. The few (if any) visitors to the Website Plaintiffs' websites who might actually recognize that these unauthorized pop-up advertisements originated with Gator

Corp. are nonetheless likely to have the false perception that Gator Corp.'s pop-up advertising scheme operates in cooperation with, rather than in competition with, the Website Plaintiffs' websites.

c. Gator Corp. delivers pop-up advertisements without regard for the Website Plaintiffs' standards and policies as to the type of advertisements and third-party messages that are allowed to run on the Website Plaintiffs' sites. Thus, the Gator Corp. pop-up advertising scheme destroys Plaintiffs' rights to determine the companies, messages and causes which can be advertised on their sites.

d. Gator Corp.'s pop-up advertisements interfere with and disrupt the carefully designed display of content by the Website Plaintiffs and completely change the "look and feel" of the site that the Website Plaintiffs seek to present.

e. As Gator Corp. itself admits, "many users perceive pop-up ads as intrusive." Gator Corp.'s pop-up advertising scheme undermines the ability of the Website Plaintiffs to calibrate the frequency of pop-up advertisements on their sites to a number that does not annoy visitors and drive them to other websites.

f. Because the Gator Corp. pop-up advertisements are displayed without regard to the underlying content, a potential for serious reputational damage exists. Imagine, for example, if a Gator Corp. pop-up advertisement for a flight-training school appeared over a story about the September 11th tragedy. Gator Corp.'s pop-up advertising scheme undermines the Website Plaintiffs' efforts to coordinate advertising and content to avoid such an embarrassing conflict.

87. Gator Corp.'s pop-up advertising scheme enables Gator Corp, without the permission of the websites it targets and without having to make any investment or exert any effort to create and develop content that attracts and holds viewers, to profit from pop-up

advertisements displayed over websites that have not authorized, do not want and are directly injured by such parasitic interference with the display and appearance of their sites.

88. Gator Corp.'s pop-up advertising scheme operates in direct competition with the sites of the Website Plaintiffs, because Gator Corp. seeks to sell Internet advertising services in the very same marketplace of advertisers to which the Website Plaintiffs sell advertising services. Unlike the Website Plaintiffs, however, Gator Corp. participates in this market without providing valuable news and editorial content to attract visitors to the web pages on which the pop-up advertisements are displayed. Gator Corp. merely free rides on the Plaintiffs' efforts and investment in developing content.

89. To the extent Gator Corp. derives any revenue or profit from its pop-up advertising scheme, it does so solely by unfairly free riding on Plaintiffs' substantial investments to develop and operate their famous websites and on Plaintiffs' valuable copyrights and trademark rights.

90. As of at least June 19, 2002, unauthorized pop-up advertisements from Gator Corp. continue to appear over top of viewers' copies of the Website Plaintiffs' websites.

91. Gator Corp.'s actions have caused damage and irreparable injury to Plaintiffs. Further damage and irreparable injury will result if Gator Corp. is allowed to continue to violate Plaintiffs' rights.

92. Plaintiffs have no adequate remedy at law.

COUNT I – Trademark Infringement
(15 U.S.C. § 1114)

93. Paragraphs 1 through 92 are repeated and realleged as if fully set forth herein.

94. The Trademark Plaintiffs own valid trademarks and/or rights to valid trademarks entitled to protection under the Lanham Act.

95. Gator Corp.'s pop-up advertising scheme and use of the Trademark Plaintiffs' marks in marketing that scheme constitute use in commerce of the Trademark Plaintiffs' trademarks without the approval of the Trademark Plaintiffs.

96. Gator Corp.'s unauthorized use of the Trademark Plaintiffs' trademarks in commerce is likely to cause confusion or mistake among consumers or to deceive consumers regarding the relationship between Gator Corp.'s advertisers and the Plaintiffs.

97. Gator Corp.'s conduct constitutes trademark infringement in violation of Section 32 of the Lanham Act, 15 U.S.C. § 1114(1)(a).

COUNT II – Unfair Competition
(15 U.S.C. § 1125(a))

98. Paragraphs 1 through 97 are repeated and realleged as if fully set forth herein.

99. The Trademark Plaintiffs own valid trademarks and/or rights to valid trademarks entitled to protection under the Lanham Act.

100. Gator Corp.'s pop-up advertising scheme constitutes a false or misleading description or representation of facts. Specifically, it misleads or is likely to mislead consumers into believing that Gator Corp.'s advertisers and Plaintiffs have entered into a contractual relationship entailing sponsorship or approval of Gator Corp.'s advertisers' advertising of goods or services and/or that Plaintiffs and Gator Corp.'s advertisers are otherwise affiliated, connected, or associated with one another.

101. Gator Corp.'s unauthorized use of the Trademark Plaintiffs' trademarks in commerce is likely to cause confusion or mistake among consumers or to deceive consumers as to the affiliation or association between Gator Corp.'s advertisers and Plaintiffs, or as to the origin, sponsorship or approval of the goods and services offered by Gator Corp.'s advertisers.

102. Gator Corp.'s conduct constitutes a false designation of origin and a false or misleading description or representation of fact, in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

COUNT III – Trademark Dilution
(15 U.S.C. § 1125(c))

103. Paragraphs 1 through 102 are repeated and realleged as if fully set forth herein.

104. The Trademark Plaintiffs own valid trademarks and/or rights to valid trademarks entitled to protection under the Lanham Act.

105. The Trademark Plaintiffs' trademarks are famous within the meaning of the Federal Trademark Dilution Act, 15 U.S.C. § 1125(c).

106. Gator Corp.'s pop-up advertising scheme has the effect of blurring the Trademark Plaintiffs' trademarks and thereby diluting the marks' ability to identify Plaintiffs as a source of goods or services. Moreover, the nature of certain of Gator Corp.'s advertisers and the pop-up advertisements displayed by Gator Corp. have the effect of tarnishing the Trademark Plaintiffs' trademarks and thereby diluting the distinctive quality of the Trademark Plaintiffs' famous marks.

107. Gator Corp.'s conduct constitutes trademark dilution in violation of Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c).

COUNT IV – Copyright Infringement
(17 U.S.C. § 106)

108. Paragraphs 1 through 107 are repeated and realleged as if fully set forth herein.

109. The Website Plaintiffs own valid copyrights to the websites identified in Paragraphs 6 - 21 above. The Website Plaintiffs have registered these copyrights with the United States Copyright Office.

110. Gator Corp.'s pop-up advertising scheme constitutes an unauthorized display of the Website Plaintiffs' copyrighted works and the unauthorized preparation of a derivative work based upon the copyrighted works. Gator Corp.'s actions in this regard violates the Website Plaintiffs' exclusive rights in their copyrights.

111. Gator Corp.'s conduct constitutes copyright infringement under the federal Copyright Act, 17 U.S.C. §§ 101, *et. seq.*

COUNT V – Contributory Copyright Infringement
(17 U.S.C. § 106)

112. Paragraphs 1 through 111 are repeated and realleged as if fully set forth herein.

113. The Website Plaintiffs own valid copyrights to the websites identified in Paragraphs 6 - 21 above. The Website Plaintiffs have registered these copyrights with the United States Copyright Office.

114. Gator Corp.'s pop-up advertising scheme facilitates the unauthorized and infringing public display of the Website Plaintiffs' copyrighted works by third parties as well as the creation of unauthorized derivative works by those same third parties. Gator Corp. has engaged in this pop-up advertising scheme knowing, or with reckless disregard, that it was inducing, causing or materially contributing to conduct by third parties that infringed the Website Plaintiffs' exclusive rights in their copyrights.

115. Gator Corp.'s conduct constitutes contributory copyright infringement under the federal Copyright Act, 17 U.S.C. §§ 101, *et. seq.*

COUNT VI – "Hot News" Misappropriation

116. Paragraphs 1 through 115 are repeated and realleged as if fully set forth herein.

117. The Website Plaintiffs have expended, and continue to expend, substantial costs and resources to create, design and maintain their websites. In particular, the Website Plaintiffs expend substantial costs and resources to gather and display the news, information and other content found on their websites.

118. Much of the content on the Website Plaintiffs' sites is highly time sensitive. For example, the Washington Post Website is updated continuously throughout the day, depending on the news of that day. Many such updates are displayed to report breaking news stories as they occur throughout the day.

119. The Website Plaintiffs and Gator Corp. are direct competitors in the business of selling Internet advertising. The value of that business depends entirely on the value of the news and other content appearing on the site on which the advertising will appear.

120. Gator Corp.'s pop-up advertising scheme has wrongfully misappropriated the content and advertising opportunities of the Website Plaintiffs' sites. By selling pop-up advertising on these sites to its own advertisers, Gator Corp. has turned the sites into forums for its own advertisers without making any investment in the sites. Gator Corp.'s actions in this regard constitute free riding on the Website Plaintiffs' costly efforts to generate or collect content on their websites.

121. Gator Corp.'s pop-up advertising scheme constitutes misappropriation under the common law because it takes the entire commercial value of the content of the Website

Plaintiffs' sites and sells it for Gator Corp.'s own profit. If Gator Corp.'s pop-up advertising scheme is allowed to continue, any incentive on the part of the Website Plaintiffs to display content on their websites would be undermined and the continued existence of the websites in their current form would be threatened.

122. The Website Plaintiffs have been damaged by Gator Corp.'s pop-up advertising scheme.

COUNT VII –Interference With Prospective Economic Advantage

123. Paragraphs 1 through 122 are repeated and realleged as if fully set forth herein.

124. The Website Plaintiffs have numerous valid and binding contracts with third-party businesses to advertise on the Website Plaintiffs' sites. It is probable that such third-party advertisers and others will continue to advertise with the Website Plaintiffs in the future. On information and belief, Gator Corp. was aware of the existence of these contracts.

125. Absent Gator Corp.'s intentional and improper interference through its pop-up advertising scheme, it is reasonably certain that the Website Plaintiffs would realize new and/or additional third-party advertising. Gator Corp.'s pop-up advertising scheme, however, has damaged the Website Plaintiffs.

126. Gator Corp.'s pop-up advertising scheme constitutes improper interference with the Website Plaintiffs' prospective economic advantage.

COUNT VIII –Unjust Enrichment

127. Paragraphs 1 through 126 are repeated and realleged as if fully set forth herein.

128. Gator Corp.'s pop-up advertising scheme confers a benefit upon Gator Corp. by and at the expense of the Website Plaintiffs.

129. Gator Corp. knows that its pop-up advertising scheme confers a benefit upon it by

and at the expense of the Website Plaintiffs.

130. Gator Corp. has retained the benefit conveyed to it by its pop-up advertising scheme under circumstances that would render it inequitable for Gator Corp. to retain such benefit without paying for its value.

131. Gator Corp.'s pop-up advertising scheme constitutes unjust enrichment.

COUNT IX – Violation of Va. Business Conspiracy Act (Va. Code § 18.2-500)

132. Paragraphs 1 through 131 are repeated and realleged as if fully set forth herein.

133. Gator Corp.'s pop-up advertising scheme involves a conspiracy between Gator Corp. and its third-party advertisers against the Website Plaintiffs. As such, Gator Corp.'s pop-up advertising scheme constitutes a combination of two or more persons for the purpose of willfully and maliciously injuring the Website Plaintiffs in their businesses.

134. The Website Plaintiffs have been damaged by Gator Corp.'s pop-up advertising scheme.

135. Gator Corp.'s pop-up advertising scheme constitutes a violation of the Virginia Business Conspiracy Act, Va. Code § 18.2-500.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for judgment in their favor and against Gator Corp. and that the Court grant the following relief:

A. A preliminary and a permanent injunction, prohibiting Gator Corp., its agents, servants, employees, officers, and all other persons in active concert or participation with it, from:

1. continuing to perpetrate its pop-up advertising scheme against, or display any other advertising on any website owned by or affiliated with the Plaintiffs without the express consent of the Plaintiffs;

2. altering or modifying, or causing any other entity to alter or modify, any copy of any website owned by or affiliated with the Plaintiffs, in any way, including its appearance or how it is displayed;

3. infringing, or causing any other entity to infringe, Plaintiffs' copyrights;

4. making any designations of origin, descriptions, representations or suggestions that Plaintiffs are the source, sponsor or in any way affiliated with Gator Corp.'s advertisers' websites, services and products;

5. acting in any manner which causes Gator Corp.'s advertisers' products, services, website, or advertisements to be in any way associated with Plaintiffs' products, services, or website, including, but not limited to, any means of marketing, advertising, or agreement with third parties likely to induce the belief that Gator Corp.'s advertisers' websites, advertisements, products or services are in any way associated, connected, or affiliated with, or licensed or authorized by Plaintiffs;

6. infringing, or causing any other entity to infringe, Plaintiffs' trademark and/or service mark rights;

7. unfairly competing with Plaintiffs in any manner whatsoever;

8. acting, or causing another entity to act, in any manner likely to dilute, tarnish, or blur the distinctiveness of the Plaintiff's trademarks;

9. causing a likelihood of confusion or injuries to Plaintiffs' businesses or reputations;

10. misappropriating content on any website owned by or affiliated with the Plaintiffs;

11. interfering with Plaintiffs' contracts with its advertisers; and

12. conspiring with its advertisers to harm Plaintiffs in their businesses.

B. An order directing an accounting to determine all gains, profits, savings, and advantages obtained by Gator Corp. as a result of its wrongful actions;

C. An order directing imposition of a constructive trust over Gator Corp.'s assets;

D. Restitution to Plaintiffs of all gains, profits, savings, and advantages obtained by Gator Corp. as a result of its wrongful actions;

E. An order awarding Plaintiffs all damages caused by Gator Corp.'s wrongful actions;

F. An order awarding Plaintiffs treble the amount of its damages, together with the costs of this suit, including reasonable attorneys' fees and expenses and prejudgment interest;

G. An order awarding Plaintiffs an amount sufficient to conduct a corrective advertising campaign to dispel the effects of Gator Corp.'s wrongful conduct and confusing and misleading advertising;

H. An order directing Gator Corp. to post on its website corrective advertising in a manner and form to be established by the Court;

I. Punitive damages in an amount sufficient to deter other and future similar conduct by Gator Corp. and others; and

J. An order granting Plaintiffs such other and further relief as the Court may deem just.

JURY DEMAND

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure and Local Rule 38, Plaintiffs hereby demand a trial by jury on all issues and claims so triable.

Respectfully Submitted,

Dated: June 25, 2002

Terence P. Ross (VSB# 26408)
Hill B. Wellford, III (VSB# 38983)
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue N.W.
Washington, District of Columbia 20036
Telephone: (202) 955-8500

Attorneys for Plaintiffs

70207834_4.DOC

659191

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,346,367* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *10* YEARS FROM *May 02, 2000*

SAID RECORDS SHOW TITLE TO BE IN:

WASHINGTONPOST.NEWSWEEK INTERACTIVE COMPANY, LLC
A DE LLC

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

E. Bornett

E. BORNETT
Certifying Officer

Int. Cls.: 35 and 42

Prior U.S. Cls.: 100, 101 and 102

Reg. No. 2,346,367

United States Patent and Trademark Office **Registered May 2, 2000**

SERVICE MARK
PRINCIPAL REGISTER

WASHINGTONPOST.COM

WASHINGTONPOST.NEWSWEEK INTERACTIVE COMPANY (DELAWARE CORPORATION)
1560 WILSON BOULEVARD
SUITE 800
ARLINGTON, VA 22209 , BY CHANGE OF NAME DIGITAL INK CO. (DELAWARE CORPORATION) ARLINGTON, VA 22209

FOR: PROVIDING ONLINE MAILING LIST DIRECTORY SERVICES FOR COMPUTER MAIL ADDRESSES; INTERACTIVE CONSUMER SERVICES IN THE NATURE OF PROVIDING INFORMATION ON, AND LINKS TO THE GOODS AND SERVICES OF OTHERS IN THE FIELDS OF NEWS, REPORTING, POLITICS, POLICY, SPORTS, BUSINESS, TECHNOLOGY, ENTERTAINMENT, ARTS, LEISURE, AND TRAVEL, IN CLASS 35 (U.S. CLS. 100, 101 AND 102).

FIRST USE 5-0-1996; IN COMMERCE 5-0-1996.

FOR: ONLINE AND GLOBAL COMPUTER NETWORK SERVICES, NAMELY, PROVIDING ONLINE WEB SITES FEATURING INFORMATION IN A WIDE VARIETY OF FIELDS GENERALLY FOUND IN DAILY NEWSPAPERS AND ALSO INCLUDING NEWS, POLITICS, POLICY, SPORTS, BUSINESS, TECHNOLOGY, ENTERTAINMENT, ARTS, LEISURE, TRAVEL, GAMES, TRIVIA CONTESTS, AND CLASSIFIED ADVERTISING; COMPUTER SERVICES, NAMELY, PROVIDING GENERAL AND CUSTOMIZED INFORMATION IN A WIDE VARIETY OF FIELDS GENERALLY FOUND IN DAILY NEWSPAPERS AND ALSO INCLUDING INFORMATION IN THE FIELDS OF NEWS, POLITICS, POLICY, SPORTS, BUSINESS, TECHNOLOGY, ENTERTAINMENT, ARTS, LEISURE, TRAVEL, GAMES, AND CLASSIFIED ADVERTISING VIA ELECTRONIC MAIL; PROVIDING AN ELECTRONIC BULLETIN BOARD AND INTERACTIVE COMPUTER DATABASE IN THE FIELDS OF NEWS, POLITICS, POLICY, SPORTS, BUSINESS, TECHNOLOGY, ENTERTAINMENT, ARTS, LEISURE, AND TRAVEL, AND INFORMATION GENERALLY FOUND IN DAILY NEWSPAPERS; PROVIDING FACILITIES FOR ONLINE CHAT ROOMS FOR INTERACTION WITH OTHER COMPUTER USERS ON A WIDE VARIETY OF TOPICS, IN CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 5-0-1996; IN COMMERCE 5-0-1996.

OWNER OF U.S. REG. NOS. 1,665,831, 1,851,666 AND OTHERS.

SER. NO. 75-390,194, FILED 11-14-1997.

GARY THAYER, EXAMINING ATTORNEY

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

June 20, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *1,665,832* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *10* YEARS FROM *November 26, 1991*
10th RENEWAL FOR A TERM OF *10* YEARS FROM *November 26, 2001*
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:
Registrant

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

M. LEE
Certifying Officer

Int. Cl.: 16

Prior U.S. Cls.: 37 and 38

Reg. No. 1,665,832

United States Patent and Trademark Office Registered Nov. 26, 1991

TRADEMARK
PRINCIPAL REGISTER

THE WASHINGTON POST

WASHINGTON POST COMPANY, THE (DELAWARE CORPORATION)
1150 15TH STREET, N.W.
WASHINGTON, DC 20071

FOR: NEWSPAPERS, GENERAL INTEREST MAGAZINES, PRINTED INSTRUCTIONAL AND TEACHING MATERIALS AND BOOKS DEALING IN CURRENT AND HISTORICAL AFFAIRS, IN CLASS 16 (U.S. CLS. 37 AND 38).

FIRST USE 12-6-1877; IN COMMERCE 12-6-1877.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "WASHINGTON", APART FROM THE MARK AS SHOWN.

SER. NO. 74-115,495, FILED 11-15-1990.

MICHAEL HICKS, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

June 12, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *1,665,831* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *10* YEARS FROM *November 26, 1991*
1st RENEWAL FOR A TERM OF *10* YEARS FROM *November 29, 2001*
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:
Registrant

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

P. Swain

P. SWAIN
Certifying Officer

Int. Cl.: 16

Prior U.S. Cl.: 38

Reg. No. 1,665,831

United States Patent and Trademark Office Registered Nov. 26, 1991

TRADEMARK
PRINCIPAL REGISTER

The Washington Post

WASHINGTON POST COMPANY, THE (DELAWARE CORPORATION)
1150 15TH STREET, N.W.
WASHINGTON, DC 20071

FOR: NEWSPAPERS, GENERAL INTEREST MAGAZINES, PRINTED INSTRUCTIONAL AND TEACHING MATERIALS AND BOOKS DEALING IN CURRENT AND HISTORICAL AFFAIRS, IN CLASS 16 (U.S. CL. 38).

FIRST USE 12-6-1877; IN COMMERCE 12-6-1877.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "WASHINGTON", APART FROM THE MARK AS SHOWN.

SER. NO. 74-115,494, FILED 11-15-1990.

MICHAEL HICKS, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *1,332,045* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *20* YEARS FROM *April 23, 1985*
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:
GANNETT SATELLITE INFORMATION NETWORK INC.
A DE CORP

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

P. R. Grant

P. R. GRANT
Certifying Officer

.S. Cl.: 38

Reg. No. 1,332,045

ited States Patent and Trademark Office Registered Apr. 23, 1985

TRADEMARK
PRINCIPAL REGISTER

USA TODAY

GANNETT CO., INC. (DELAWARE CORPORATION)
LINCOLN TOWER
ROCHESTER, NY 14604

FOR: DAILY NEWSPAPERS CONTAINING NEWS OF GENERAL INTEREST, IN CLASS 16 (U.S. CL. 38).

FIRST USE 9-15-1982; IN COMMERCE 9-15-1982

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "USA", APART FROM THE MARK AS SHOWN.

SER. NO. 495,905, FILED 8-21-1984.

AMOS T. MATTHEWS, JR., EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 12, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *1,415,845* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *20* YEARS FROM *November 04, 1986*
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:
MEDIA WEST - GSI, INC.
A DELAWARE CORP

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

M.K. Hawkins

M. K. HAWKINS
Certifying Officer

Int. Cl.: 16

Prior U.S. Cl.: 38

United States Patent and Trademark Office Reg. No. 1,415,845
Registered Nov. 4, 1986

TRADEMARK
PRINCIPAL REGISTER

USA TODAY

GANNETT CO., INC. (DELAWARE CORPORATION)
1100 WILSON BLVD.
ARLINGTON, VA 22209

FOR: DAILY NEWSPAPERS CONTAINING NEWS OF GENERAL INTEREST, IN CLASS 16 (U.S. CL. 38).

FIRST USE 9-15-1982; IN COMMERCE 9-15-1982.

OWNER OF U.S. REG. NOS. 1,330,859, 1,388,617 AND OTHERS.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "USA" AND THE GEOGRAPHICAL REPRESENTATION OF NORTH AND SOUTH AMERICA, APART FROM THE MARK AS SHOWN.

THE LINING INSIDE THE GLOBE AND EXTENDING HORIZONTALLY FROM THE GLOBE DESIGN IS A FEATURE OF THE MARK AND DOES NOT INDICATE COLOR. THE MARK IS OTHERWISE LINED FOR THE COLOR BLUE.

SER. NO. 593,921, FILED 4-17-1986.

MARY C. MACK, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 12, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *1,415,846* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *20* YEARS FROM *November 04, 1986*
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:
MEDIA WEST - GSI, INC.
A DELAWARE CORP

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

M. K. Hawkins

M. K. HAWKINS
Certifying Officer

Int. Cl.: 16

Prior U.S. Cl.: 38

United States Patent and Trademark Office **Reg. No. 1,415,846**
Registered Nov. 4, 1986

TRADEMARK
PRINCIPAL REGISTER

USA TODAY

GANNETT CO., INC. (DELAWARE CORPORATION)
1100 WILSON BLVD.
ARLINGTON, VA 22209

FOR: DAILY NEWSPAPERS CONTAINING NEWS OF GENERAL INTEREST, IN CLASS 16 (U.S. CL. 38).

FIRST USE 9-15-1982; IN COMMERCE 9-15-1982.

OWNER OF U.S. REG. NOS. 1,330,859, 1,388,617 AND OTHERS.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "USA" AND THE GEOGRAPHICAL REPRESENTATION OF NORTH AND SOUTH AMERICA, APART FROM THE MARK AS SHOWN.

THE LINING INSIDE THE GLOBE AND EXTENDING HORIZONTALLY FROM THE GLOBE DESIGN IS A FEATURE OF THE MARK AND DOES NOT INDICATE COLOR.

SER. NO. 593,922, FILED 4-17-1986.

MARY C. MACK, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,120,865* IS CERTIFIED TO BE A TRUE COPY OF THE REGISTRATION ISSUED BY THE UNITED STATES PATENT AND TRADEMARK OFFICE WHICH REGISTRATION IS IN FULL FORCE AND EFFECT.

REGISTERED FOR A TERM OF *10* YEARS FROM *December 16, 1997*
SAID RECORDS SHOW TITLE TO BE IN: *Registrant*

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

E. Bornett

E. BORNETT
Certifying Officer

Int. Cl.: 42

Prior U.S. Cls.: 100 and 101

Reg. No. 2,120,865

United States Patent and Trademark Office **Registered Dec. 16, 1997**

SERVICE MARK
PRINCIPAL REGISTER

The New York Times

NEW YORK TIMES COMPANY, THE (NEW YORK CORPORATION)
229 WEST 43RD STREET
NEW YORK, NY 10036

FOR: COMPUTER ON-LINE SERVICES, NAMELY, PROVIDING A WIDE RANGE OF GENERAL INTEREST NEWS AND INFORMATION VIA A GLOBAL COMPUTER NETWORK, IN CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 1-19-1996; IN COMMERCE 1-19-1996.

OWNER OF U.S. REG. NO. 227,904.

SER. NO. 75-055,911, FILED 2-9-1996.

SUSANA MIRABALLES TUCCILLO, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,078,175* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *10* YEARS FROM *July 08, 1997*

SAID RECORDS SHOW TITLE TO BE IN:
TIMES COMPANY DIGITAL, INC.
A DE CORP

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

P. R. GRANT
Certifying Officer

42

ꞩ. Cls.: 100 and 101

Reg. No. 2,078,175

ꞩtates Patent and Trademark Office **Registered July 8, 1997**

SERVICE MARK
SUPPLEMENTAL REGISTER

BOSTON.COM

BOSTON GLOBE ELECTRONIC PUBLISHING, INC. (MASSACHUSETTS CORPORATION)
ONE EXETER PLAZA
BOSTON, MA 02116

FOR: PROVIDING A WEB SITE FEATURING A WIDE RANGE OF GENERAL INFORMATION WITH PARTICULAR EMPHASIS ON INFORMATION OF INTEREST, OR PERTAINING TO, THE BOSTON, MASSACHUSETTS METROPOLITAN AREA, IN CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 7-10-1995; IN COMMERCE 7-10-1995.

SER. NO. 74-727,285, FILED P.R. 9-11-1995; AM. S.R. 4-24-1997.

GARY THAYER, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *199,556* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *20* YEARS FROM *June 09, 1925*
3rd RENEWAL FOR A TERM OF *20* YEARS FROM *June 09, 1985*
SECTION 8 & 15
REPUBLISHED SECTION 12C
SAID RECORDS SHOW TITLE TO BE IN:
NYT MANAGEMENT SERVICES
A MA BUSINESS TRUST

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

E. Bornett

E. BORNETT
Certifying Officer

Registered June 9, 1925. **Trade-Mark 199,556**

RENEWED
JUN 9 1945

UNITED STATES PATENT OFFICE.

GLOBE NEWSPAPER COMPANY, OF BOSTON, MASSACHUSETTS.

ACT OF FEBRUARY 20, 1905.

Application filed January 2, 1925. Serial No. 207,561.

THE BOSTON GLOBE

STATEMENT.

To the Commissioner of Patents:

Globe Newspaper Company, a corporation duly organized under the laws of the State of Massachusetts, and located at Boston, Massachusetts, and doing business at 244 Washington Street, Boston, Massachusetts, has adopted and used the trade-mark "The Boston Globe," shown in the accompanying drawing, for a DAILY NEWSPAPER, in Class 38, Prints and publications, and presents herewith five facsimiles showing the trademark as actually used by applicant upon the goods, and requests that the same be registered in the United States Patent Office in accordance with the act of February 20, 1905, as amended. The trademark has been continuously used and applied to said goods in applicant's business since 1872. The trademark is applied or affixed to the goods, or to the packages containing the same, by printing the trademark on the first page and elsewhere on the newspaper.

The undersigned hereby appoints Lester L. Sargent, of 524 10th Street, Northwest, Washington, D. C., its attorney, to prosecute this application for registration, to make alterations and amendments therein, to receive the certificate, and to transact all business in the Patent Office connected therewith.

GLOBE NEWSPAPER COMPANY,
By WM. O. TAYLOR,
President.

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *721,044* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *20* YEARS FROM *September 05, 1961*
2nd RENEWAL FOR A TERM OF *10* YEARS FROM *September 05, 2001*
SECTION 8
AMENDMENT/CORRECTION/NEW CERT(SEC7) ISSUED
SAID RECORDS SHOW TITLE TO BE IN:

NYT MANAGMENT SERVICES
A MASSACHUSETTS BUSINESS TRUST

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

P. R. Grant

P. R. GRANT
Certifying Officer

Int. Cl.: 16

Prior U.S. Cl.: 38

United States Patent and Trademark Office

Amended

Reg. No. 721,044
Registered Sep. 5, 1961
OG Date Aug. 21, 1990

TRADEMARK
PRINCIPAL REGISTER

The Boston Globe

GLOBE NEWSPAPER COMPANY (MASSACHUSETTS CORPORATION)
135 WILLIAM T. MORRISSEY BOULEVARD
BOSTON, MA 02125

OWNER OF U.S. REG. NOS 199,549, 199,556 AND OTHERS.

FOR: DAILY NEWSPAPER, IN CLASS 38 (INT. CL. 16).

FIRST USE 4-25-1960; IN COMMERCE 4-25-1960.

SER. NO. 72-108,774, FILED 11-21-1960.

In testimony whereof I have hereunto set my hand and caused the seal of The Patent and Trademark Office to be affixed on Aug. 21, 1990.

COMMISSIONER OF PATENTS AND TRADEMARKS

721,844

1 States Patent Office

Registered Sept. 5, 1961

AVIT SEC. 8 ACCEPTED

AFFIDAVIT SEC 15 RECEIVED 2-20-67

PRINCIPAL REGISTER
Trademark

Ser. No. 108,774, filed Nov. 21, 1960

The Boston Globe

Globe Newspaper Company (Massachusetts corporation)
135 William T. Morrissey Blvd.
Boston, Mass.

For: DAILY NEWSPAPER, in CLASS 38.
First use Apr. 25, 1960; in commerce Apr. 25, 1960; in 1872 in another style.
Owner of Reg. Nos. 199,549, 199,556, and others.

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *1,368,347* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *20* YEARS FROM *October 29, 1985*
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:
DOW JONES, L.P.
A DE CORP

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

P. R. Grant

P. R. GRANT
Certifying Officer

. Cl.: 42

Prior U.S. Cl.: 100

Reg. No. 1,368,347

United States Patent and Trademark Office

Registered Oct. 29, 1985

SERVICE MARK
PRINCIPAL REGISTER

THE WALL STREET JOURNAL

DOW JONES & COMPANY, INC. (DELAWARE CORPORATION)
22 CORTLANDT STREET
NEW YORK, NY 10007

FOR: PROVIDING ACCESS TO AN ELECTRONIC DATABASE WHICH CONTAINS CONTENTS OF A DAILY NEWSPAPER AND SUMMARIES THEREOF, IN CLASS 42 (U.S. CL. 100).

FIRST USE 10-31-1981; IN COMMERCE 10-31-1981.

OWNER OF U.S. REG. NOS. 408,379, 1,220,347 AND OTHERS.

SER. NO. 530,395, FILED 4-3-1985.

H. M. FISHER, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,119,170* IS CERTIFIED TO BE A TRUE COPY OF THE REGISTRATION ISSUED BY THE UNITED STATES PATENT AND TRADEMARK OFFICE WHICH REGISTRATION IS IN FULL FORCE AND EFFECT.

REGISTERED FOR A TERM OF *10* YEARS FROM *December 09, 1997*
SAID RECORDS SHOW TITLE TO BE IN: *Registrant*

PATENT AND TRADEMARK OFFICE

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

E. Bornett

E. BORNETT
Certifying Officer

Int. Cls.: 35, 36 and 42

Prior U.S. Cls.: 100, 101 and 102

Reg. No. 2,119,170

United States Patent and Trademark Office **Registered Dec. 9, 1997**

SERVICE MARK
PRINCIPAL REGISTER

DOW JONES & COMPANY, INC. (DELAWARE CORPORATION)
200 LIBERTY STREET
NEW YORK, NY 10281

FOR: PROVIDING BUSINESS INFORMATION VIA A GLOBAL COMPUTER NETWORK, IN CLASS 35 (U.S. CLS. 100, 101 AND 102).

FIRST USE 4-29-1996; IN COMMERCE 4-29-1996.

FOR: PROVIDING FINANCIAL INFORMATION VIA A GLOBAL COMPUTER NETWORK, IN CLASS 36 (U.S. CLS. 100, 101 AND 102).

FIRST USE 4-29-1996; IN COMMERCE 4-29-1996.

FOR: PROVIDING INFORMATION ON GENERAL NEWS, GOVERNMENT, AND A WIDE RANGE OF INFORMATION VIA A GLOBAL COMPUTER NETWORK, IN CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 4-29-1996; IN COMMERCE 4-29-1996.

SER. NO. 75-132,607, FILED 7-11-1996.

ESTHER A. BORSUK, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,491,623* IS CERTIFIED TO BE A TRUE COPY OF THE REGISTRATION ISSUED BY THE UNITED STATES PATENT AND TRADEMARK OFFICE WHICH REGISTRATION IS IN FULL FORCE AND EFFECT.

REGISTERED FOR A TERM OF *10* YEARS FROM *September 19, 2001*
SAID RECORDS SHOW TITLE TO BE IN: *Registrant*

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

N. WOODSON
Certifying Officer

Int. Cl.: 35

Prior U.S. Cls.: 100, 101, and 102

United States Patent and Trademark Office

Reg. No. 2,491,623
Registered Sep. 18, 2001

SERVICE MARK
SUPPLEMENTAL REGISTER

CAREERJOURNAL

DOW JONES & COMPANY, INC. (DELAWARE CORPORATION)
200 LIBERTY STREET
NEW YORK, NY 10281

FOR: PROVIDING AN ON-LINE INTERACTIVE COMPUTER DATABASE FEATURING EMPLOYMENT PLACEMENT LISTINGS AND EMPLOYMENT-RELATED NEWS AND INFORMATION, IN CLASS 35 (U.S. CLS. 100, 101 AND 102).

FIRST USE 6-27-2000; IN COMMERCE 6-27-2000.

SER. NO. 76-063,944, FILED P.R. 6-2-2000; AM. S.R. 5-7-2001.

AMY LOHR, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,177,037* IS CERTIFIED TO BE A TRUE COPY OF THE REGISTRATION ISSUED BY THE UNITED STATES PATENT AND TRADEMARK OFFICE WHICH REGISTRATION IS IN FULL FORCE AND EFFECT.

REGISTERED FOR A TERM OF *10* YEARS FROM *July 28, 1998*
SAID RECORDS SHOW TITLE TO BE IN: *Registrant*

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

N. Woodson

N. WOODSON
Certifying Officer

Int. Cl.: 42

Prior U.S. Cls.: 100 and 101

Reg. No. 2,177,037

United States Patent and Trademark Office **Registered July 28, 1998**

SERVICE MARK
PRINCIPAL REGISTER

SMARTMONEY

SMARTMONEY (PARTNERSHIP)
1790 BROADWAY
NEW YORK, NY 10019 SMARTMONEY (PARTNERSHIP)

1790 BROADWAY
NEW YORK, NY 10019

FOR: PROVIDING ACCESS TO AN INTERACTIVE COMPUTER DATA BASE IN THE FIELD OF INVESTMENT, BUSINESS AND FINANCIAL NEWS AND INFORMATION FOR THE ADULT INVESTOR; PROVIDING ACCESS TO COMPUTER BULLETIN BOARDS AND ELECTRONIC BULLETIN BOARDS IN THE FIELD OF INVESTMENT, BUSINESS AND FINANCIAL NEWS AND INFORMATION FOR THE ADULT INVESTOR, IN CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 9-1-1997; IN COMMERCE 9-1-1997.

OWNER OF U.S. REG. NOS. 1,419,142 AND 1,730,322.

SN 74-557,948, FILED 8-5-1994.

ANGELA LYKOS, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *771,167* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *20* YEARS FROM *June 09, 1964*
1st RENEWAL FOR A TERM OF *20* YEARS FROM *June 09, 1984*
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:
CHICAGO TRIBUNE COMPANY
A IL CORP

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

P. R. Grant

P. R. GRANT
Certifying Officer

.ed States Patent Office

771,167
Registered June 9, 1964

AVIT SEC. 8
ACCEPTED

PRINCIPAL REGISTER
Trademark

AFFIDAVIT SEC. 15
RECEIVED

Ser. No. 173,984, filed July 29, 1963

CHICAGO TRIBUNE

The Tribune Company (Illinois corporation)
435 N. Michigan Ave.
Chicago, Ill.

For: NEWSPAPER AND NEWSPAPER SUPPLEMENTS, in CLASS 38.

First use Jan. 1, 1963, in commerce Jan. 1, 1963; June 1847 in another display.

Owner of Reg. Nos. 172,059 and 173,669.

United States Patent Office

771,167
Registered June 9, 1964

AFFIDAVIT SEC. 8
ACCEPTED

PRINCIPAL REGISTER
Trademark

AFFIDAVIT SEC. 15
RECEIVED

Ser. No. 173,984, filed July 29, 1963

CHICAGO TRIBUNE

The Tribune Company (Illinois corporation)
435 N. Michigan Ave.
Chicago, Ill.

For: NEWSPAPER AND NEWSPAPER SUPPLEMENTS, in CLASS 38.

First use Jan. 1, 1963, in commerce Jan. 1, 1963; June 1847 in another display.

Owner of Reg. Nos. 172,059 and 173,669.

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,210,150* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *10* YEARS FROM *December 15, 1998*

SAID RECORDS SHOW TITLE TO BE IN:
TRIBLINE LICENSE, INC.
A DELAWARE CORPORATION

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

N. WOODSON
Certifying Officer

Int. Cl.: 42

Prior U.S. Cls.: 100 and 101

Reg. No. 2,210,150

United States Patent and Trademark Office

Registered Dec. 15, 1998

SERVICE MARK
PRINCIPAL REGISTER

LATIMES.COM

TIMES MIRROR LICENSE, INC. (DELAWARE CORPORATION)
220 WEST FIRST ST.
LOS ANGELES, CA 90012, ASSIGNEE OF TIMES MIRROR COMPANY, THE (DELAWARE CORPORATION), DBA LOS ANGELES TIMES LOS ANGELES, CA 90012

FOR: PROVIDING ON-LINE COPIES OF NEWSPAPERS FOR GENERAL CIRCULATION, VIA AN ON-LINE GLOBAL NETWORK, IN CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 4-8-1996; IN COMMERCE 4-8-1996.

OWNER OF U.S. REG. NOS. 987,427 AND 989,634.

SER. NO. 75-243,251, FILED 2-18-1997.

ANGELA LYKOS, EXAMINING ATTORNEY

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

June 18, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *987,427* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *20* YEARS FROM *July 02, 1974*
1st* RENEWAL FOR A TERM OF *10* YEARS FROM *July 02, 1994
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:
TRIBUNE LICENSE, INC.
A DELAWARE CORP.

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

T. Wallace
T. WALLACE
Certifying Officer

Int. Cl.: 16

Prior U.S. Cl.: 39

United States Patent and Trademark Office

Reg. No. 987,427
Registered July 2, 1974

10 Year Renewal

Renewal Term Begins July 2, 1994

TRADEMARK
PRINCIPAL REGISTER

LOS ANGELES TIMES

TIMES MIRROR COMPANY, THE (DELAWARE CORPORATION)
TIMES MIRROR SQUARE
LOS ANGELES, CA 90053, BY ASSIGNMENT AND MERGER AND CHANGE OF NAME FROM TIMES MIRROR COMPANY, THE (CALIFORNIA CORPORATION) LOS ANGELES, CA

APPLICANT DISCLAIMS THE WORDS "LOS ANGELES" APART FROM THE MARK AS SHOWN, WITHOUT WAIVER OF ANY OF ITS COMMON LAW RIGHTS.

FOR: NEWSPAPERS, IN CLASS 39 (INT. CL. 16).

FIRST USE 2-23-1928; IN COMMERCE 2-23-1928.

SER. NO. 72-457,017, FILED 5-10-1973.

In testimony whereof I have hereunto set my hand and caused the seal of The Patent and Trademark Office to be affixed on May 17, 1994.

COMMISSIONER OF PATENTS AND TRADEMARKS

Int. Cl.: 16

Prior U.S. Cl.: 38

United States Patent Office

Reg. No. 987,427
Registered July 2, 1974

TRADEMARK
Principal Register

LOS ANGELES TIMES

The Times Mirror Company (California corporation)
202 W. 1st St.
Los Angeles, Calif. 90012

For: NEWSPAPERS, in CLASS 39 (INT. CL. 16).

First use Feb. 23, 1928; in commerce Feb. 23, 1928; Dec. 4, 1881 in a different form.

Applicant disclaims the words "Los Angeles" apart from the mark as shown, without waiver of any of its common law rights.

Ser. No. 457,017, filed May 10, 1973.

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *989,634* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *20* YEARS FROM *July 30, 1974*
1st* RENEWAL FOR A TERM OF *10* YEARS FROM *July 30, 1994
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:

TRIBLINE LICENSE, INC.
A DELAWARE CORPORATION

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

N. WOODSON
Certifying Officer

Int. Cl.: 16

Prior U.S. Cl.: 38

United States Patent Office

Reg. No. 989,634
Registered July 30, 1974

TRADEMARK
Principal Register

Los Angeles Times

The Times Mirror Company (California corporation)
202 W. 1st St.
Los Angeles, Calif. 90012

For: NEWSPAPERS, in CLASS 38 (INT. CL. 16).
First use Feb. 23, 1928; in commerce Feb. 23, 1928; Dec. 4, 1881 in a different form.

Ser. No. 457,019, filed May 10, 1973.

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,101,017* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *10* YEARS FROM *September 30, 1997*

SAID RECORDS SHOW TITLE TO BE IN:
TRIBLINE LICENSE, INC.
A DELAWARE CORPORATION

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

N. WOODSON
Certifying Officer

Int. Cl.: 42

Prior U.S. Cls.: 100 and 101

Reg. No. 2,101,017

United States Patent and Trademark Office

Registered Sep. 30, 1997

SERVICE MARK
PRINCIPAL REGISTER

NEWSDAY.COM

NEWSDAY, INC. (NEW YORK CORPORATION)
235 PINELAWN ROAD
MELVILLE, NY 117474250

FOR: PROVIDING A WIDE RANGE OF GENERAL INTEREST INFORMATION VIA GLOBAL COMPUTER INFORMATION NETWORKS, IN CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 12-15-1995; IN COMMERCE 12-15-1995.

SER. NO. 75-097,824, FILED 5-2-1996.

ESTHER A. BORSUK, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,047,787* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *10* YEARS FROM *March 25, 1997*

SAID RECORDS SHOW TITLE TO BE IN:

TRIBUNE LICENSE, INC.
A DE CORP

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

P. R. GRANT
Certifying Officer

Cl.: 16

or U.S. Cls.: 2, 5, 22, 23, 29, 37, 38 and 50

Reg. No. 2,047,787

nited States Patent and Trademark Office

Registered Mar. 25, 1997

TRADEMARK
PRINCIPAL REGISTER

NEWSDAY

NEWSDAY, INC. (NEW YORK CORPORATION)
235 PINELAWN ROAD
MELVILLE, NY 117474250

FOR: NEWSPAPERS FOR GENERAL CIRCULATION, IN CLASS 16 (U.S. CLS. 2, 5, 22, 23, 29, 37, 38 AND 50).

FIRST USE 9-3-1940; IN COMMERCE 9-3-1940.

SER. NO. 75-098,989, FILED 3-6-1996.

ESTHER A. BORSUK, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *390,263* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *20* YEARS FROM *September 16, 1941*
3rd* RENEWAL FOR A TERM OF *10* YEARS FROM *September 16, 2001
SECTION 8 & 15
REPUBLISHED SECTION 12C
SAID RECORDS SHOW TITLE TO BE IN:
TRIBLINE LICENSE, INC.
A DELAWARE CORPORATION

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

N. Woodson

N. WOODSON
Certifying Officer

Registered Sept. 16, 1941

Trade-Mark 390,263

UNITED STATES PATENT OFFICE

Harry F. Guggenheim and Alicia Patterson,
Hempstead, N. Y.

Act of February 20, 1905

Application September 20, 1940, Serial No. 436,176

Newsday

STATEMENT

To the Commissioner of Patents:

Harry F. Guggenheim and Alicia Patterson, both citizens of the United States, residing at Sands Point, Long Island, in the county of Nassau and State of New York, and doing business at 283 Main Street, Hempstead, Long Island, county of Nassau, State of New York, and joint owners under the laws of the State of New York, have adopted and used the trade-mark shown in the accompanying drawing, for NEWSPAPERS, in Class 38, Prints and publications, and present herewith five (5) specimens showing the trade-mark as actually used by the applicants upon the goods and request that the same be registered in the United States Patent Office in accordance with the act of February 20, 1905. The trade-mark has been continuously used and applied to said goods in the applicants' business since September 3, 1940.

This trade-mark is applied to the goods by printing thereon as shown in the accompanying specimens.

HARRY F. GUGGENHEIM.
ALICIA PATTERSON.

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

June 11, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,021,477* IS CERTIFIED TO BE A TRUE COPY OF THE REGISTRATION ISSUED BY THE UNITED STATES PATENT AND TRADEMARK OFFICE WHICH REGISTRATION IS IN FULL FORCE AND EFFECT.

REGISTERED FOR A TERM OF *10* YEARS FROM *December 03, 1996*
SAID RECORDS SHOW TITLE TO BE IN: *Registrant*

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

N. WOODSON
Certifying Officer

Int. Cl.: 42

Prior U.S. Cls.: 100 and 101

Reg. No. 2,021,477

United States Patent and Trademark Office **Registered Dec. 3, 1996**

SERVICE MARK
PRINCIPAL REGISTER

EPICURIOUS

ADVANCE MAGAZINE PUBLISHERS INC. (NEW YORK CORPORATION)
350 MADISON AVE
NEW YORK, NY 10017

FOR: PROVIDING ACCESS TO AN INTERACTIVE COMPUTER DATABASE INFORMATION FEATURING INFORMATION ABOUT FOOD, WINE, BEVERAGES, COOKING, BAKING, ENTERTAINING, RECIPES, DIET, NUTRITIONAL ADVICE, DINING AND RESTAURANT INFORMATION, KITCHEN DESIGN, EQUIPMENT AND ACCESSORIES, ETIQUETTE AND TRAVEL, FORUMS AND POLLS, IN CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 9-0-1995; IN COMMERCE 9-0-1995.

SN 75-975,440, FILED 9-2-1994.

GARY THAYER, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 12, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,533,692* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *10* YEARS FROM *January 29, 2002*

SAID RECORDS SHOW TITLE TO BE IN:
AMERICAN CITY BUSINESS JOURNALS, INC.
A DELAWARE CORP

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

M.K. Hawkins

M. K. HAWKINS
Certifying Officer

Int. Cl.: 35

Prior U.S. Cls.: 100, 101 and 102

Reg. No. 2,533,692

United States Patent and Trademark Office Registered Jan. 29, 2002

SERVICE MARK
PRINCIPAL REGISTER

bizjournals.com

BIZJOURNALS.COM, INC. (DELAWARE CORPORATION)
120 WESTMOREHEAD STREET
SUITE 400
CHARLOTTE, NC 28202

FOR: PROVIDING BUSINESS INFORMATION, NAMELY, PROVIDING ORIGINAL CONTENT AND INFORMATION FROM BUSINESS PUBLICATIONS VIA A GLOBAL COMPUTER NETWORK, IN CLASS 35 (U.S. CLS. 100, 101 AND 102).

FIRST USE 4-11-2000; IN COMMERCE 4-11-2000.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "BIZJOURNALS.COM", APART FROM THE MARK AS SHOWN.

SER. NO. 76-048,020, FILED 5-15-2000.

VENUS GRIFFITH, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

June 12, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *2,547,361* IS CERTIFIED TO BE A TRUE COPY OF THE REGISTRATION ISSUED BY THE UNITED STATES PATENT AND TRADEMARK OFFICE WHICH REGISTRATION IS IN FULL FORCE AND EFFECT.

REGISTERED FOR A TERM OF *10* YEARS FROM *March 12, 2002*
SAID RECORDS SHOW TITLE TO BE IN: *Registrant*

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

M. K. Hawkins

M. K. HAWKINS
Certifying Officer

Int. Cl.: 42

Prior U.S. Cls.: 100 and 101

Reg. No. 2,547,361

United States Patent and Trademark Office Registered Mar. 12, 2002

SERVICE MARK
PRINCIPAL REGISTER

CLEVELAND.COM

CLEVELAND LIVE, INC. (OHIO CORPORATION)
700 WEST ST. CLAIRE AVE.
SUITE 414
CLEVELAND, OH 44113

FOR: COMPUTER SERVICES, NAMELY, PROVIDING DATABASES FEATURING GENERAL, LOCAL, NATIONAL AND INTERNATIONAL NEWS AND INFORMATION OF INTEREST TO SPECIFIC GEOGRAPHIC AREAS , IN CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 3-20-2001; IN COMMERCE 3-20-2001.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "CLEVELAND", APART FROM THE MARK AS SHOWN.

SER. NO. 76-290,230, FILED 7-26-2001.

JOYCE A. WARD, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 12, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *1,609,779* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *10* YEARS FROM *August 14, 1990*
1st RENEWAL FOR A TERM OF *10* YEARS FROM *August 14, 2000*
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:

KR U.S.A., INC.
A DELAWARE CORP

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

M. K. Hawkins

M. K. HAWKINS
Certifying Officer

Int. Cl.: 16

Prior U.S. Cl.: 38

Reg. No. 1,609,779
Registered Aug. 14, 1990

United States Patent and Trademark Office

TRADEMARK
PRINCIPAL REGISTER

THE MIAMI HERALD

KNIGHT-RIDDER INC. (FLORIDA CORPORATION), DBA THE MIAMI HERALD PUBLISHING COMPANY
1 HERALD PLAZA
MIAMI, FL 331321693

FOR: NEWSPAPERS AND GENERAL INTEREST MAGAZINES AND BOOKS, IN CLASS 16 (U.S. CL. 38).

FIRST USE 12-1-1910; IN COMMERCE 1-0-1946.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "MIAMI", APART FROM THE MARK AS SHOWN.

SER. NO. 74-010,444, FILED 12-13-1989.

DAVID C. REIHNER, EXAMINING ATTORNEY

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

June 18, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *1,609,777* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *10* YEARS FROM *August 14, 1990*
1st RENEWAL FOR A TERM OF *10* YEARS FROM *August 14, 2000*
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:
KR U. S. A., INC.
A DELAWARE CORP.

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

T. Wallace
T. WALLACE
Certifying Officer

Int. Cl.: 16

Prior U.S. Cl.: 38

Reg. No. 1,609,777

United States Patent and Trademark Office Registered Aug. 14, 1990

TRADEMARK
PRINCIPAL REGISTER

The Miami Herald

KNIGHT-RIDDER INC. (FLORIDA CORPORATION), DBA THE MIAMI HERALD PUBLISHING COMPANY
1 HERALD PLAZA
MIAMI, FL 331321693

FOR: NEWSPAPERS AND GENERAL INTEREST MAGAZINES AND BOOKS, IN CLASS 16 (U.S. CL. 38).

FIRST USE 12-1-1910; IN COMMERCE 1-0-1946.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "MIAMI" , APART FROM THE MARK AS SHOWN.

SER. NO. 74-010,350, FILED 12-13-1989.

DAVID C. REIHNER, EXAMINING ATTORNEY

659196

THE UNITED STATES OF AMERICA

TO ALL TO WHOM THESE PRESENTS SHALL COME:

UNITED STATES DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

June 18, 2002

THE ATTACHED U.S. TRADEMARK REGISTRATION *270,787* IS CERTIFIED TO BE A TRUE COPY WHICH IS IN FULL FORCE AND EFFECT WITH NOTATIONS OF ALL STATUTORY ACTIONS TAKEN THEREON AS DISCLOSED BY THE RECORDS OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.

REGISTERED FOR A TERM OF *20* YEARS FROM *May 13, 1930*
_4th_ RENEWAL FOR A TERM OF *10* YEARS FROM *May 13, 2000*
SECTION 8 & 15
SAID RECORDS SHOW TITLE TO BE IN:

FR U. S. A. INC.
A DELAWARE CORP.

By Authority of the
COMMISSIONER OF PATENTS AND TRADEMARKS

T. Wallace
T. WALLACE
Certifying Officer

Int. Cl.: 16

Prior U.S. Cl.: 38

United States Patent and Trademark Office **Reg. No. 270,787**
10 Year Renewal **Registered May 13, 1930**
Renewal Approved May 3, 1990

TRADEMARK
PRINCIPAL REGISTER

The Philadelphia Inquirer

PHILADELPHIA NEWSPAPERS, INC. (PENNSYLVANIA CORPORATION) 400 NORTH BROAD ST. PHILADELPHIA, PA, ASSIGNEE BY MESNE ASSIGNMENT PHILADELPHIA INQUIRER CO., THE (DELAWARE CORPORATION) PHILADELPHIA, PA

FOR: DAILY NEWSPAPER, IN CLASS 38 (INT. CL. 16).

FIRST USE 3-0-1889; IN COMMERCE 3-0-1889.

SER. NO. 71-294,739, FILED 1-13-1930.

In testimony whereof I have hereunto set my hand and caused the seal of The Patent and Trademark Office to be affixed on June 12, 1990.

COMMISSIONER OF PATENTS AND TRADEMARKS

[redacted]

Registered May 13, 1930 **Trade-Mark 270,787**

Renewed, May 13, 1950 to Triangle Publications, Inc., of Philadelphia, Pennsylvania.

UNITED STATES PATENT OFFICE

THE PHILADELPHIA INQUIRER CO., OF PHILADELPHIA, PENNSYLVANIA

ACT OF FEBRUARY 20, 1905

Application filed January 13, 1930. Serial No. 294,739.

The Philadelphia Inquirer

STATEMENT

To the Commissioner of Patents:

The Philadelphia Inquirer Co., a corporation duly organized under the laws of the State of Delaware, and located at Philadelphia, Pa., and doing business at Elverson Building, Philadelphia, Pa., has adopted and used the trade-mark "The Philadelphia Inquirer," shown in the accompanying drawing, for a DAILY NEWSPAPER, in Class 38, Prints and publications, and presents herewith five specimens showing the trade-mark as actually used by applicant upon the goods, and requests that the same be registered in the United States Patent Office in accordance with the act of February 20, 1905. The trade-mark has been continuously used and applied to said goods in applicant's business since March, 1889. The trade-mark is applied or affixed to the goods or to the packages containing the same by printing the trade-mark on the cover and elsewhere on the newspaper.

The undersigned hereby appoints Lester L. Sargent, whose postal address is 1115 K Street N. W., Washington, D. C., its attorney, to prosecute this application for registration, to make alterations and amendments therein, to receive the certificate and to transact all business in the Patent Office connected therewith.

THE PHILADELPHIA INQUIRER CO.,
By H. C. TURNER,
Secretary.

Washingtonpost.Newsweek Interactive Co.
v.
Gator Corp.
(Transcript of Hearing on Motions)
United States District Court,
Eastern District of Virginia
July 12, 2002
2002 ILRWeb (P&F) 1733
Civil Action No. 02-909-A
IC 2.2, IC 10, IP 1.1, IP 2.1 — Third-party pop-up advertisements likely violated trademarks on plaintiffs' sites.
At the hearing preceding the court's entry of a preliminary injunction [2002 ILRWeb (P&F) 1731] halting defendant's placement of pop-up advertisements on plaintiffs' web sites, the judge concludes that there is a sufficient showing of trademark infringement. The plaintiff news organizations had argued that defendant's pop-up advertising service uses plaintiffs' trademarks in its advertising and in the delivery of pop-up ads when users access plaintiffs' URLs. Plaintiffs also argued that the placement of the ads on top of plaintiffs' web sites constituted copyright infringement. — **Washingtonpost.Newsweek Interactive Co. v. Gator Corp. (Transcript of Hearing on Motions), 2002 ILRWeb (P&F) 1733 [ED Va, 2002].**

HEARING ON MOTIONS
JULY 12, 2002
Before: Claude M. Hilton, Judge
APPEARANCES:
Terence P. Ross, Hill B. Wellford, III and *Claudia Osorio*, Counsel for the Plaintiffs.
Janet L. Cullum, Michael J. Klisch, Thomas J. Friel, Jr., Brian Mitchell and *L. Scott Primak*, Counsel for the Defendant.
THE CLERK: Civil action 02-909-A, Washingtonpost.newsweek Interactive Company, et al. versus The Gator Corporation.
MR. KLISCH: Good morning, Your Honor. Mike Klisch on behalf of the defendant. And after everyone introduces themselves, I have just got a couple of very brief preliminary matters to take up with you, if you don't mind.
THE COURT: All right.
MS. CULLUM: Good morning, Your Honor. Janet Cullum, also on behalf of the defendant, The Gator Corporation.
MR. PRIMAK: L. Scott Primak, also on behalf of The Gator Corporation, general counsel as well.
MR. FRIEL: Good morning, Your Honor. Tom Friel, also from Cooley Godward on behalf of Gator Corporation.
THE COURT: Good morning.
MR. MITCHELL: Good morning, Your Honor. Brian Mitchell, also with Cooley Godward for The Gator Corporation.
MR. ROSS: Good morning, Your Honor. Terence Ross with Gibson, Dunn & Crutcher for the plaintiffs.
THE COURT: Mr. Ross.
MR. WELLFORD: Good morning, Your Honor. Hill Wellford from Gibson, Dunn, also for the plaintiffs.
THE COURT: Good morning. There is one more introduction.
MR. KLISCH: Oh, I am sorry.

MS. OSORIO: Good morning, Your Honor. Claudia Osorio from Gibson, Dunn, also for plaintiffs.

THE COURT: All right. Good morning.

MR. KLISCH: Your honor, just before you, shortly before you came on the bench this morning we did receive an order from Judge Poretz on the defendant's oral emergency motion for a temporary protective order concerning some for-attorneys-eyes-only designations which the defendant had made in its brief and which appeared in the reply brief. And Judge Poretz has issued an order sealing those temporarily.

And you have that financial information, Your Honor. And we see no reason why in court today counsel for the plaintiffs has to make direct reference to the specific numbers in making his argument. Certainly if he believes that he has to do that, we ask that Your Honor take that up at the bench.

THE COURT: All right.

MR. ROSS: Your Honor, since it goes to the central issue, the balance of harms, I don't see how I can't not address it. And, quite frankly, it would be inappropriate under the Fourth Circuit, United States Supreme Court precedent to close the courtroom, which is essentially what they are asking. The information has already —

THE COURT: Well, I am not going to enter a judgment for anybody this morning, so why do the exact numbers make any difference at all?

MR. ROSS: There actually aren't any exact numbers, there is only a range.

THE COURT: Well then, what could be — what could be private or —

MR. ROSS: I agree, Your Honor, there is nothing private at all.

THE COURT: — anything about a range of numbers that needs to be under seal?

Let's go forward and we will see. You can object if you hear something coming out that you don't like.

MR. KLISCH: Thank you, Your Honor.

Secondly, Your Honor, I would like to move the admission of two of my partners, Janet Cullum and Tom Friel, partners in our California offices, both members in good standing of the State Bar of California and, as you have seen from our application, members of several federal courts. And I fully endorse their admission to this court.

THE COURT: All right. Your motion is granted.

MR. KLISCH: Thank you, Your Honor.

THE COURT: All right. Let me hear why you–all need a preliminary injunction.

MR. ROSS: Yes, Your Honor. Plaintiffs are a group of seven news organizations who also use web sites to disseminate their news.

I would like to not reiterate the arguments in our case, but I am going to start off by setting the stage by showing the Court exactly what is going on here.

If you had gone on line on Monday, Your Honor, Monday afternoon and looked at USA Today on line at usatoday.com, this is exactly what you would have seen. It is very carefully designed, it is very carefully laid out. Enormous investment is made in this by USA Today, by Gannett.

Now, if you had had The Gator software on your computer, instead of seeing that, at the exact same moment that that was being seen by a person without Gator software, you would have seen this screen.

And you note the significant difference, this large pop-up advertisement in the middle of the screen covering up the headlines, covering up a portion of an advertiser's advertisement who actually paid to be there.

It is undisputed that this was put here by Gator Corp. without the permission of the web site or USA Today, without paying any money. Indeed, they collected money from this particular advertiser to do that to our web site.

That is the factual predicate for this case. We are asking for a preliminary injunction to stop that from happening during the pendency of this litigation.

The *Blackwelder* test is quite clear. We start off with the balance of hardships. And let's look at the balance of hardships in this case. The Gator Company's harms are virtually nonexistent. And to the extent they have any harm, it is monetary harms.

Their chairman put a public press release on June 27 saying that these sites that are owned by the plaintiffs constitute less than, and this is a quote, less than one-third of 1 percent of the revenues of the company. Less than one-third of 1 percent of their revenues.

We are not asking to have this company shut down. We are not asking to stop them doing these advertisements on any sites other than 16 sites that we own. They can do this on the millions of other sites on the web. And as their chairman said publicly, that is less than one third of 1 percent of our business.

Now, in their opposition brief they say, well, it is going to cause advertiser flight. People will stop advertising with them.

They don't have a lot of evidence of that. What they have is two e-mails that seem to indicate that two contracts for advertising were cancelled. But in both of those e-mails the advertiser said, we are cancelling because of the bad press about Gator. There is no mention of an injunction. And they happened last week before the injunction.

The case law is quite clear, that sort of harm that has nothing to do with the injunction does not flow from the injunction, is not cognizable for the balance of hardships test.

Now, they alsohave three, a fax and two other e-mails that say, well, we were sort of thinking about doing business with you in the future, but we are just going to suspend those talks. That is too speculative to count as a harm.

But again, it predated the injunction. They don't mention anything about the injunction. Those are harms that don't flow from the injunction and, therefore, cannot be considered by the Court in the balance of hardships test.

Anything else, for example, the notion that somehow this will call into question the viability of Gator as a company, is just mere speculation and clearly wrong when the CEO of the company, a man who should know best, says that this injunction is only going to impact one-third of 1 percent of our revenues.

Now, they also put out a second type of harm, First Amendment. They say this is some sort of prior restraint of speech.

Well, the Supreme Court and every Circuit Court that has ever considered this has rejected that out of hand. They say the copyright statute has embedded into it the First Amendment because of the dichotomy between ideas and expressions. You only copyright expressions, not ideas, and because of the fair use doctrine. Therefore, there is absolutely no need for a Court to consider the First Amendment in a copyright matter. And, therefore, that's not a cognizable harm to them.

So, what are they left with? By their own admission, they are left with the loss of revenue of one-third of 1 percent of their revenue, which is not considered for purposes of this sort of analysis because it is reconcilable with money.

Now, with respect to this notion that they might lose their business. The courts have said over and over and over again, if you build a business on infringing activity, you cannot come in in opposition to a preliminary injunction and say, we will be put out of business, because you should have known in building a business on infringing conduct, that that might happen. And that's the case here.

Now, that's that side of the scales, Your Honor, and it is a virtually-no-harm scale.

Now, let's go over to the plaintiff's harm, the other side of the scale here. And the very first harm is damage to intellectual property. These are valuable trademark and copyright rights. And what do the courts say, including this court? You have to presume that is a harm.

So, the scale immediately starts tipping in out favor.

The second type of harm is consumer confusion. Our survey indicates that there are 66 percent of the consumers, 66 percent think that the plaintiffs have something to do with those pop-up ads. That's overwhelming. In this circuit you only need to show 10 percent confusion.

Even if you chop that in half to 33 percent, that would be three times what the Fourth Circuit requires. And what this court has said over and over again is, consumer confusion is a grounds for a preliminary injunction.

And so, that scale gets even heavier. But that's not the end of the harms.

These are news organizations. They live and die by their reputation for integrity in reporting the news. And when they lose control of their sites, as they have here, their integrity is at risk.

What if instead of that being a mortgage ad, it was an ad for a porno site or a casino site? Or, as we put in our brief, what happens in connection with an article about the September 11 tragedy if all of a sudden a pop-up ad for a flight school appeared?

What happens if we are investigating the WorldCom scandal, we have an article and it pops up an ad for MCI? People will start thinking we are taking money from MCI, our coverage must be biased.

We can't afford to lose control of our site. And so, that's another harm. And all of a sudden it gets like this. And that's what the courts call dipping decidedly in favor of the plaintiffs.

And so, that takes us to the merits, likelihood of success on the merits. We no longer have to, with that sort of imbalance, show a likelihood of success. We just have to raise a grave question that goes to the merits. But I think we have demonstrated in our briefs a likelihood of success on the merits.

And let's start with the trademark claims. They are registered trademarks. We have submitted them. There can be no question about them. Their only defense is they didn't use them in commerce.

Let me show you another blowup here, Your Honor. This is from an advertising brochure that they put out to all the people they want to advertise.

Now, I have circled down here, New York Times, Wall Street Journal. Those are our trademarks. They are being used in advertising.

If you look at Section 45 of the Lanham Act, which defines use in commerce, it says, if you use a mark in advertising, that's a use in commerce.

How could that not be a use in commerce? They are giving this out. And actually if you read this whole page, page 4, what it says is that it is suggesting to people to go on our sites.

Let me show you one other blowup, Your Honor. They keep saying that they are not placing and not telling people that they are not placing ads on our sites, they are just displaying it over. Well, look here — And if I may, with the Court's permission, come a little bit closer with this one. Let me just step around.

This is off of their web site, and it is the portion of the web site that they pitch to advertisers. And what does it say here, the second bullet point? Delivering your message on any site on the web. And yet they would say in their brief they don't deliver it to the web. This is what they are telling the advertisers, that they can deliver your message on any site on the web. Their own words, not mine.

They also use the marks in commerce by putting them in close proximity to ours. These are trademarks, USA Today. How, if you see this, could you not come away thinking that this is part of the USA Today?

The analogy I would give in real life is this, Your Honor. You go into a store and there is a big blowup, a full-size figure of Tiger Woods selling his Nike golf balls. And there is a bin of golf balls right there and Tiger Woods smiling and pointing like this.

And then the Titleist people come along and put their bin of golf balls right in front of the Nike golf balls. So, as you walk by, you see Tiger Woods pointing to the Titleist golf balls. So, you scoop up a bunch of Titleist golf balls and buy them assuming that Tiger Woods plays with them.

That's what is going on here. People are assuming that that USA Today stamp, that trademark up there, somehow is affiliated with this and has preapproved and prescreened it. And that is use in commerce.

Finally, in order to get that to our site, they have to program their computer with our URL. The URL is the www.usatoday.com, which is trademarked.

So, they are using it in commerce. This is like the metatag cases of a couple years ago. All those cases said the same thing, you put somebody's trademark in your metatag, you are using it in commerce.

So, this defense of theirs on trademarks is just gone. It is just not there. And that means we are likely to succeed. And that was their only defense.

On hot news misappropriation, Your Honor. They simply make a fundamental error about the law. The United States Supreme Court, something we can't argue with, has said this cause of action exists. And it doesn't exist just in New York. It says it is a federal cause — a federal common law cause of action. This Court does not have the choice to reject that.

And since that was their only defense, we are likely to prevail on that.

Finally, there is the copyright causes of action. And again, they simply misunderstand the current law of copyright.

Last year the United Sates Supreme Court in *Tasini [8 ILR (P&F) 1]* said, in analyzing a digital copyrighted work, you have to start from the perspective of the viewer, how does the viewer perceive the situation.

And let me again put this up. That means the PC user is the viewer. And what does he perceive? He perceives an ad right there in the middle. There is no choice in how to look at this, that's what the Supreme Court says. And they base that on Section 102 of the Copyright Act, which indeed says, from which any form of expression can be perceived.

And it is not different from the old, cases, Your Honor, that you have handled in which you applied the audience test. You know, you have to look at it from the audience's perspective as to whether a musical work or a television work are copied.

It is really a very traditional point of view. You just have to take the point view of the viewer. And what the viewer sees is a modification. The viewer was intended to see this, but instead he sees this. And what the viewer sees is a modification. That's a violation of both the display right and the derivative right.

So, therefore, we are likely to succeed on the merits, Your Honor. And given that combination, this heavy tilting of the balance in our favor and the likelihood of success in the merits, under *Blackwelder* a preliminary injunction is virtually mandated here, Your Honor.

THE COURT: All right.

MR. ROSS: Thank you.

MS. CULLUM: Good morning, Your Honor. I suppose what is most striking after the recitation of the plaintiffs' position here, particularly with respect to the harms that the plaintiffs are suffering, they are severe and disruptive, interfering with their ability to present their sites to the viewers, it is striking to me that the behavior that my client engaged in, the advertising services that it provides, didn't begin yesterday or two weeks ago or a month ago. We have been serving ads in the way we serve them for well over a year.

If there was so much pain and disruption and loss of business and all of these harms to their reputations, how come they didn't notice it until, by their own admission, sometime in the spring of this year? And then they had to take time and go to a survey and build their case before they came in to this Court asking for the relief that they have asked for.

It is one thing in a trademark infringement case to not have evidence of actual confusion to support your position when a product is just launched in the marketplace or, indeed, as is sometimes the case in trademark situations where there has just been an announcement that a product is coming and a mark is going to be used which is alleged to be infringing. It is another thing, and courts have routinely recognized, that when there has been coexistence in the marketplace for an extended period of time without any actual confusion — And we have to assume, Your Honor, that there is none here because there is none, no evidence of it in the record. That suggests that there is no harm going on deriving from the confusion.

If I might, Your Honor, I wanted to spend the time that you have given me this morning to just briefly talk about the reply brief because I think that reply brief that was filed recently by the plaintiffs speaks very loudly to some issues here, both in terms of admissions that are made there as well as omissions that are in those papers that compel the conclusion that the plaintiffs have not met their burden here in terms of what they need to show for seeking a preliminary injunction.

I just mention one of them, and that is the issue on the balance of harms, Your Honor. And the omission there is really the evidence of any actual harm to them.

They came out in their papers and indeed began their argument today by pointing out that there is an economic consequence to them. In their reply they came back, desperate to show that there is some irreparable harm, so they started talking about the harms to their reputation and there [sic] intellectual property.

What is striking is that even though they put in nine more declarations from their plaintiffs, only two of those mention harm to reputation. So, I don't know if the other seven weren't experiencing it, but I think we have to conclude that. And they go no further than that.

So, what we have on this record in terms of irreparable harm to the plaintiffs is the legal fiction that they derive from the presumption. Which, of course, they are not entitled to until they actually prove up those claims. And I submit they can't, Your Honor. And two, these very conclusory statements of harm to their reputation.

Now —

THE COURT: You think they are not entitled to the presumption that there is harm at the preliminary injunction stage of the proceedings?

MS. CULLUM: I do think that the law provides for a presumption of irreparable harm if you are able to state a claim for intellectual property violations. And that means more than just say the words, here we have a copyright claim. It means, provide evidence on a preliminary injunction —

THE COURT: Well, those charts that I looked at, isn't that sufficient that you are using their mark when you put that up on their —

MS. CULLUM: I am sorry, Your Honor?

THE COURT: Don't the charts that they just showed me indicate that your client is using their mark?

MS. CULLUM: No, Your Honor, they don't. And that's actually something that I was going to turn to next. And that is, what is undisputed in the record before this Court is the manner in which my client's technology works.

We have the declaration of Barabara Fredrickson, and it is unrefuted, and also it is actually admitted from their own expert, Mr. Edelman, that says, my client's software is downloaded onto the user's personal computer. The ads that my client serves are delivered to the user's personal computer. Those ads bear our marks. They don't bear any of the plaintiffs' marks. We are not using any of the plaintiffs' marks.

And actually what is really interesting is that in their reply brief, they actually point out this isn't a trademark infringement because Mr. Edelman in his declaration, the new one, has an exhibit there, 5, where he shows MSN Messenger, who also is delivering pop-up windows to the user's personal computer.

And there you have on that page 5, I don't think Your Honor will be able to see it from here, I don't have the benefit of a blowup, but it is actually quite misleading because in order for Mr. Edelman to prepare this exhibit, what he had to do is alter the computer screen. Which, of course, we take the position the users have the right to do that. He had to shrink down the portion of the page that shows the Washington Post page so he would have a blank column over here to put the MSN Messenger Instant Message.

Well, there you have the MSN Messenger trademark there, Washington Post trademark there. And what does Mr. Edelman say about that? He says, and I quote: Because the MSN Messenger window clearly identifies its source, as do our pop-up ads, and because computer users ordinarily specifically and manually download instant messenger programs directly from their providers, it is my opinion that users are not likely to be confused regarding the source or sponsorship.

THE COURT: Now, that little diagram you have, maybe you ought to pass it up so I can look at it. You are saying that what they have shown me is a distortion of what comes up on the screen?

MS. CULLUM: Yes, Your Honor, what I am saying is that in order to have that exhibit, in order for Mr. Edelman to create that exhibit, he had to modify the screen display on the computer he was using. Because as we saw from the exhibits that opposing counsel held up, typically, and the ones that they have created for their exhibits, they have their webpage take up the whole screen display. Hear [sic] you can see that they have modified it so that the Washington Post only takes up a portion of the screen display, leaving a blank column on one side. And in that blank column they have put the MSN Messenger pop-up window.

So, Your Honor, our position is very simply, and it is the key and pervasive issue I believe in this case, the user has the right to control his or her own computer screen display.

And if that user wants to download The Gator software or the MSN Messenger software or any other software and have that software deliver pop-up windows to it, that is the user's right.

And the fact that the user installs that software and invites those pop-up windows to occur and that they then occur temporarily overlaying something else that is there, whether it is a plaintiff's page, whether it is a document from some other web site, that's the user's choice. And there is no infringement because the user has the right to control that screen display.

THE COURT: If I am using your software and I am on my computer and I pull up USA Today, do I get your ad just as they have it on those posters?

MS. CULLUM: You may or you may not.

THE COURT: What would — What would I have to do in order not to get that?

MS. CULLUM: Well, you would have to not have the Gator software on your computer. And so, you could take it off.

THE COURT: All right. So, if I had the Gator software on there, any time I pulled up USA Today to look at it, I would get your ad right in the middle of it just like the poster shows?

MS. CULLUM: Not any time, Your Honor. In fact, one of the —

THE COURT: Do you move it around from time to time, is that —

MS. CULLUM: It doesn't come up — Certainly it doesn't come up every time for every user. In fact, one of the things we have pointed out in our paper, and this goes to the harm issue, that of all the page views that they have of their various sites, a user viewing one of those pages would see a Gator served ad less than .02 percent of the time because the ad isn't triggered by the mere — by the web site itself. It is triggered by what the user is doing in terms of going to various locations on the Internet. That's what our software does.

It is not — It doesn't care what is on the user's computer screen. It cares what the behavior is that the user is engaged in.

So, we would actually call your attention, Your Honor, to a case called *Playboy versus Netscape [6 ILR (P&F) 197]*, which is probably as close to what we are about here as any other case that is out there. And that's a case where a search engine also used what the user entered in terms of a search term, a URL, knowing that a user was going somewhere and thereby indicating their interest in something, to then show an advertisement.

And the Court in that case in the Central District of California, said, well, that's not trademark use, that's not unfair, that's just paying attention to what users are doing so that you can then target advertising for them.

THE COURT: Well, that's a little different than what you-all are doing though, isn't it? You are not saying you may go somewhere and look at advertising. What you are putting up is your ad. And if it doesn't come up all the time, at least part of the time it is coming up under somebody else's mark.

MS. CULLUM: Well, it is coming up on the user's computer screen overlaying what is on that screen, triggered by the user having gone to a particular URL.

But, for example, Your Honor, one of the things we point out in our paper is that a user may well put in a URL that would act as a trigger for us to send an advertisement. And that user could type that in and then while waiting for that page to load, could pull up a Word document and start working on that Word document. And if the ad came up at that point, the ad wouldn't appear over that webpage that had loaded. It would appear over the Word document because our ads don't care what's in the background. They are background ambivalent.

THE COURT: Well, maybe that's the problem. Maybe your ads have to come up when there is nobody's mark in the background.

Ms. CULLUM: Well, Your Honor —

THE COURT: That could be done too. I mean, if somebody wants to pull up USA Today, why you could pop the USA Today up and then the screen goes blank and then up comes your ad. And then you go back to USA Today or do a variety of things. But you wouldn't have your message there under somebody else's mark.

Ms. CULLUM: But our message isn't under somebody else's mark, Your Honor. It is no different than the MSN Messenger that is sitting there on the screen next to it because the user knows that they have computer software loaded that is going to serve ads to that user. And that window comes up in response to what the user has done and in response to the user having downloaded this software.

So, mere juxtaposition in this context is no different than juxtaposition in many other contexts where there would not be confusion.

THE COURT: All right. Well, I understand your position.

MS. CULLUM: All right. Can I address just briefly a couple of claims, the copyright and trademark claims? Just a couple of points.

THE COURT: All right. Give me 30 seconds.

MS. CULLUM: 30 seconds, okay. On the copyright claim, Your Honor, I think it is very significant that there is no evidence in the record of the copyrighted work. There is no evidence here that we copy anything. Copying is fundamental to copyright infringement claims.

On the trademark claim, there is no evidence, as I pointed out, of actual confusion. All they have is their survey. That survey should be deemed inadmissible. Under the clear case law, a trademark confusion survey has to replicate the market conditions.

They don't cite any authority for that. All they say is that they couldn't do it. Your Honor, the fact that they couldn't do it doesn't make an unreliable survey reliable.

THE COURT: All right.

MS. CULLUM: Thank you, Your Honor.

THE COURT: I understand your position. Do you want to give me 30 seconds now?

MR. ROSS: Could I have a minute?

THE COURT: No, 30 seconds. I have probably heard enough already.

MR. ROSS: Thank you, Your Honor. Let me just start with the grand proposition, she says that somehow Gator and a PC user can agree to violate the copyright laws. That's like me saying to Mr.

Wellford, let's agree there is no red light on Duke Street. I run the red light. The cop pulls me over. I go, what are you doing, Officer? Mr. Wellford and I agreed there is no red light there. That's their argument, that they can somehow conspire to agree to violate the copyright laws. And that simply is nonsense.

As far as use. Your Honor, I want to make it perfectly clear before you leave the bench. This is an advertising brochure. They are using our mark.

If you look at 15 USC 1127, the definition in the Lanham Act, 15 USC 1127, it says, the use of a mark in the sale or advertising is use of the mark.

This is use of the mark in advertising. Clearly the mark is being used.

THE COURT: All right.

MR. ROSS: As to the harm. What can I say —

THE COURT: You have already told me about that.

MR. ROSS: Thank you, Your Honor.

THE COURT: Well, I find that there is a sufficient showing here that there is a violation of the mark in this advertising coming up. Irreparable harm is presumed in the violation of that mark. And I find that the plaintiff are entitled to the entry of a preliminary injunction that pending this suit there will be no violation of the mark.

Now, there has been a rather lengthy order presented to me here, which I really haven't looked over. I will look over that. I don't know, you will get from me an order as to what this preliminary injunction covers, and it is probably going to be Monday before I get that done.

MR. ROSS: Thank you, Your Honor.

MS. CULLUM: Thank you, Your Honor. If I may, will we have an opportunity to submit to you affidavits on the amount of the bond? We could do that by Monday.

Washingtonpost.Newsweek Interactive Co.
v.
Gator Corp.
(Order Granting Preliminary Injunction)
United States District Court,
Eastern District of Virginia
July 16, 2002
2002 ILRWeb (P&F) 1731
Civil Action No. 02-909-A

[The court's reasoning behind the order for preliminary injunction is available in a transcript of its July 12, 2002, proceedings located at 2002 ILRWeb (P&F) 1733. The plaintiffs' complaint is posted at 2002 ILRWeb (P&F) 1444, and their motion for preliminary injunction appears at 2002 ILRWeb (P&F) 1446. — Ed.]

IC 2.2, IC 10, IP 1.1, IP 2.1 — Third-party pop-up advertisements enjoined.
A company that places pop-up advertisements for third parties on plaintiffs' web sites, without plaintiffs' permission, is preliminarily enjoined from continuing that practice. As alleged in plaintiffs' motion for preliminary injunction [2002 ILRWeb (P&F) 1446], this practice likely constitutes, at a minimum, trademark infringement, unfair competition, copyright infringement, and/or contributory copyright infringement and misappropriation. — **Washingtonpost.Newsweek Interactive Co. v. Gator Corp. (Order Granting Preliminary Injunction), 2002 ILRWeb (P&F) 1731 [ED Va, 2002].**

ORDER

This matter comes before the Court on Plaintiff's Motion for a Preliminary Injunction against Defendant, The Gator Corporation. For the reasons stated from the bench, it is hereby,
ORDERED that Plaintiff's Motion for a Preliminary Injunction is GRANTED; and Defendant is ENJOINED from any of the following acts:

1.Causing its pop-up advertisements to be displayed on any website owned by or affiliated with the Plaintiffs without the express consent of the Plaintiffs;
2.Altering or modifying, or causing any other entity to alter or modify, any part of a any website owned by or affiliated with the Plaintiffs, in any way, including its appearance or how it is displayed;
3.Infringing, or causing any other entity to infringe Plaintiffs' copyrights;
4.Making any designations of origin, descriptions, representations or suggestions that Plaintiffs are the source, sponsor or in any way affiliated with Defendant's advertisers or their web sites, services and products, and;
5.Infringing or causing any other entity to infringe, Plaintiff's trademark and/or other service mark rights, and;

The Plaintiff SHALL post a bond in the amount of $250,000 and this injunction SHALL remain in effect until further order of this Court.
Claude M. Hilton
Chief United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division

WASHINGTONPOST.NEWSWEEK INTERACTIVE COMPANY, LLC, *et al.*, Plaintiffs, v. THE GATOR CORPORATION, Defendant.	Civil Action No. ____________________

MEMORANDUM IN SUPPORT OF
PLAINTIFFS' MOTION FOR PRELIMINARY INJUNCTION

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IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division

WASHINGTONPOST.NEWSWEEK INTERACTIVE COMPANY, LLC, *et al.*, Plaintiffs, v. THE GATOR CORPORATION, Defendant.	Civil Action No. ____________________

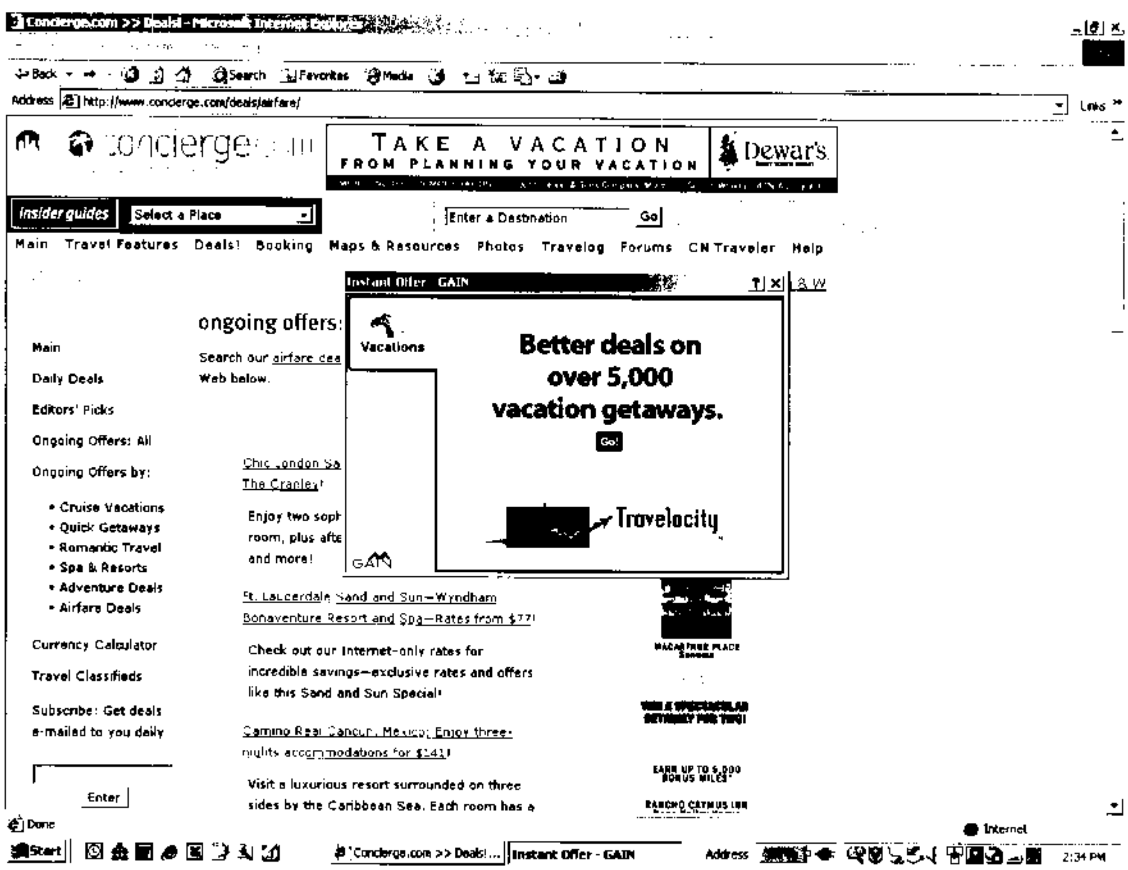
MEMORANDUM IN SUPPORT OF PLAINTIFFS' MOTION FOR PRELIMINARY INJUNCTION

The Plaintiffs[1] and Defendant, The Gator Corporation ("Gator Corp."), are competitors in the business of selling Internet advertising. The value of that business depends largely upon the value of the news and other content appearing on the site on which the Internet advertising will appear. The better the content, the more the site will be visited by Internet users, the more advertisers will want to advertise on the site and the higher the advertising rate that can be charged. The Plaintiffs have been successful in this business because they are among the world's foremost providers of news, information and editorial content and are able to use that content to create some of the most popular, informative and entertaining sites on the World Wide Web -- sites that advertisers want to advertise on.

[1] A full listing and detailed description of the Plaintiffs is set forth in a supplement appended hereto as Exhibit ("Exh.") A.

In sharp contrast to the significant original content on the Plaintiffs' websites,[2] Gator Corp. is essentially a parasite on the web that free rides on the content of others. Unlike the Plaintiffs that sell advertising on their own websites, Gator Corp. makes money, not by selling advertising on its own site, but by selling advertising for placement on the Plaintiffs' websites without Plaintiffs' authorization.

Thus, in the example below, a Gator Corp. advertisement for travelocity.com, a discount travel website, appeared on the homepage of Plaintiff CondeNet's concierge.com website, an online travel magazine that, among other things, offers discount travel deals and sells advertising to travel companies. It appeared, however, without Plaintiff CondeNet's permission.



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2 A representative listing of the Plaintiffs' websites known at this time to have been victimized by Gator Corp. is set forth in a supplement appended hereto as Exh. B.

Quite simply, Gator Corp. sells advertising space on the Plaintiffs' websites without Plaintiffs' authorization and pockets the profits from such sales. Put into other words, Gator Corp. free rides on the valuable intellectual property rights of the Plaintiffs and the substantial investments Plaintiffs have made, and continue to make, in their websites. This scheme by Gator Corp. constitutes, at a minimum, trademark infringement, unfair competition, copyright infringement and/or contributory copyright infringement and misappropriation. The fact that this wrongful conduct by Gator Corp. takes place on the Internet, rather than more traditional advertising media, such as billboards or newspapers, does not change the applicable law or remedies. And, because the harm caused by Gator Corp. to the Plaintiffs is irreparable, the entry of a preliminary injunction to prevent additional injury to Plaintiffs is mandated.

FACTUAL BACKGROUND

The Internet And The World Wide Web

The Internet is a global network of millions of interconnected computers. The World Wide Web is a portion of the Internet especially suited to displaying images and sound in addition to text. *See* Declaration of Benjamin G. Edelman ("Edelman Decl."), ¶ 6 (appended hereto as Exh. C). Much of the information on the World Wide Web is stored in the form of "web pages," which can be accessed through a computer connected to the Internet (available through commercial Internet service providers or "ISPs"), and viewed using a computer program called a "browser," such as Microsoft Internet Explorer and Netscape Navigator. *Id.* "Websites" are locations on the World Wide Web containing a collection of web pages. A webpage is identified by its unique Uniform Resource Locator or "URL" (*e.g.*, http://www.usatoday.com), and a URL ordinarily incorporates its site's "domain name" (*e.g.*, usatoday.com). *Id.*

The vast majority of Internet websites that deliver news and editorial content, including each of the websites operated by the Plaintiffs, depend in significant part, if not entirely, on revenues from advertisers who pay for advertisements that appear on the pages of the websites, directly adjacent to the content appearing on the same page. *See* Declaration of Caroline H. Little ("Little Decl."), ¶ 9 (appended hereto as Exh. D); Declaration of Jeffrey Webber ("Webber Decl."), ¶ 8 (appended hereto as Exh. E); Declaration of Lincoln Millstein ("Millstein Decl."), ¶ 14 (appended hereto as Exh. F); Declaration of Scott D. Schulman ("Schulman Decl."), ¶ 11 (appended hereto as Exh. G); Declaration of Christopher L. Lambiase ("Lambiase Decl."), ¶ 7 (appended hereto as Exh. H); Declaration of David D. Hiller ("Hiller Decl."), ¶ 7 (appended hereto as Exh. I); Declaration of Sarah Chubb ("Chubb Decl."), ¶ 8 (appended hereto as Exh. J); Declaration of Ray Shaw ("Shaw Decl."), ¶ 8 (appended hereto as Exh. K); Declaration of Eliza Wing ("Wing Decl."), ¶ 7 (appended hereto as Exh. L); Declaration of Robert Ryan ("Ryan Decl."), ¶ 3 (appended hereto as Exh. M). Even those websites that charge subscription fees, such as the Wall Street Journal Website, depend in part upon such advertisements. *See* Schulman Decl., ¶ 11 (Exh. G). In this respect, such websites are analogous to network television news broadcasts, which depend almost entirely on revenues from advertisers who pay for commercials that appear during television programs.[3]

A variety of advertising products are available on the Internet today in a variety of sizes and shapes. The most traditional form of advertising on the Internet, including on the sites operated by the Plaintiffs, is the "banner advertisement." *See* Millstein Decl., ¶ 12 (Exh. F). Banners are portions of web pages in which advertising appears. *Id.* Banner advertisements typically appear on web pages as rectangular blocks positioned either above, below or to the side

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[3] Internet advertising has grown tremendously in the last few years. During 2001, total online advertising revenue reached $7.2 billion. *See* Internet Advertising Bureau, *Internet Advertising Revenue Totaled $1.7 Billion for Q4 2001* (May 2002), *at* http://www.iab.net/. These advertising revenues help keep the overwhelming majority of websites on the World Wide Web free to computer users.

of the content on the pages. *Id.*

Another form of Internet advertising is the pop-up advertisement. *Id.* at ¶ 13. Typically, pop-up advertisements are triggered automatically when Internet users visit particular web pages. *Id.* Pop-up advertisements typically appear on web pages as square or rectangular blocks, but rather than appearing above, below or to the side of the content on the pages, as with banner advertisements, pop-up advertisements appear over or on top of the web page's content, obscuring at least a portion of the content from the viewer. *Id.* The Gator Corp. advertisement on page 2 is an example of a pop-up advertisement. Moreover, unlike banner advertisements, in order to view the content on the web page being visited, a viewer must take the affirmative act of closing the window with the pop-up advertisement by clicking the mouse. *Id.*

The Business Of The Plaintiffs

The Plaintiffs operate websites to deliver news and other content in a timely fashion to Internet users. *See* Little Decl., ¶ 10 (Exh. D); Webber Decl., ¶ 9 (Exh. E); Millstein Decl., ¶ 15 (Exh. F); Schulman Decl., ¶ 12 (Exh. G); Lambiase Decl., ¶ 8 (Exh. H); Hiller Decl., ¶ 7 (Exh. I); Chubb Decl., ¶ 9 (Exh. J); Shaw Decl., ¶ 9 (Exh. K); Wing Decl., ¶ 8 (Exh. L); Ryan Decl., ¶ 4 (Exh. M). Owing in large measure to the superior quality of the Plaintiffs' content, their websites are among the most popular on the Web, making them attractive to a wide variety of advertisers who wish to reach a large, informed and well-educated audience.[4] *Id.*

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4 According to the Nielsen//NetRatings Internet Report, in March 2002 alone, www.nytimes.com served more than 193 million page views, www.washingtonpost.com served more than 99 million page views, www.usatoday.com served more than 98 million page views, www.boston.com served more than 43 million page views, www.chicagotribune.com served more than 26 million page views, www.wsj.com served more than 24 million page views, www.smartmoney.com served more than 16 million page views, www.latimes.com served more than 24 million page views, www.epicurious.com served more than 24 million page views, www.miami.com served more than 13 million page views, www.philly.com served more than 9.4 million page views, www.newsday.com served

[Footnote continued on next page]

The Plaintiffs deliberately design their websites to display their content in a manner that will be visually attractive and easy for site visitors to navigate. Moreover, Plaintiffs take great care and enormous effort to present their content with a specific "look and feel" that will encourage site visitors to remain at the site, delve into the content on the site, and return to the site in the future. Internet users also place a high value on the easy accessibility of a website. If too many pop-up advertisements appear on a website, viewers will become annoyed and may leave the site and/or not return to it in the future. Therefore, each of the Plaintiffs limits the number of authorized pop-up advertisements that appear on their sites to avoid annoying their visitors. *See* Little Decl., ¶¶ 14-16 (Exh. D); Webber Decl., ¶¶ 13-15 (Exh. E); Millstein Decl., ¶¶ 19-21 (Exh. F); Schulman Decl., ¶¶ 16-18 (Exh. G); Lambiase Decl., ¶¶ 10, 13-14 (Exh. H); Hiller Decl., ¶¶ 11-12 (Exh. I); Chubb Decl., ¶¶ 13-15 (Exh. J); Shaw Decl., ¶¶ 13-15 (Exh. K); Wing Decl., ¶¶ 12-14 (Exh. L); Ryan Decl., ¶¶ 7-9 (Exh. M).

Plaintiffs have also established and enforce standards and policies governing the types of goods and services that may be advertised and the content and appearance of advertisements that they deem acceptable. Indeed, Plaintiffs, as a condition of advertising on their sites, reserve the right to reject any advertisement or the content of any advertisement. Such control over advertising is necessary because online advertisements are an integral part of the manner in which the website is displayed to the viewer. Moreover, the Plaintiffs do not display advertising that would be inappropriate with the content on a particular web page. *See* Little Decl., ¶ 18

[Footnote continued from previous page]
more than 9 million page views, www.cleveland.com served more than 8 million page views, www.bizjournals.com served more than 6.5 million page views, and www.concierge.com served more than 2.5 million page views. These page view numbers, however, understate the actual number of page views for these sites because of the consumer panel methodology employed by the Nielsen//NetRatings Internet Report, which tracks only segments of U.S. users and site activity. *See* Nielsen//NetRatings Internet Report for March 2002 (appended hereto as Exh. O).

(Exh. D); Webber Decl., ¶ 17 (Exh. E); Millstein Decl., ¶ 23 (Exh. F); Schulman Decl., ¶ 20 (Exh. G); Lambiase Decl., ¶ 16 (Exh. H); Hiller Decl., ¶ 14 (Exh. I); Chubb Decl., ¶ 17 (Exh. J); Shaw Decl., ¶ 17 (Exh. K); Wing Decl., ¶ 16 (Exh. L); Ryan Decl., ¶ 11 (Exh. M). For example, the Plaintiffs would likely not display an advertisement for a flight-training school on a web page displaying a story about the September 11th tragedy.

Most of the Plaintiffs also offer users the ability to personalize the services available on their sites. For example, users of the Washington Post Website can indicate what types of news stories they would like to see by registering for mywashingtonpost.com. *See* Little Decl., ¶ 12 (Exh. D). As a result of these and other design efforts, millions of people have developed strong relationships with the Plaintiffs' sites, and return to them time and time again. *See* Little Decl., ¶ 12 (Exh. D); Webber Decl., ¶ 11 (Exh. E); Millstein Decl., ¶ 17 (Exh. F); Schulman Decl., ¶ 14 (Exh. G); Lambiase Decl., ¶ 10 (Exh. H); Chubb Decl., ¶ 11 (Exh. J); Shaw Decl., ¶ 11 (Exh. K); Wing Decl., ¶ 10 (Exh. L).

These websites, however, are expensive to operate. The costs that the Plaintiffs incur include the costs of gathering, preparing, editing and updating the news and editorial content and other features that appear on the sites; the costs of designing and organizing the constantly changing individual web pages that comprise the sites, so that each site may serve as an efficient, effective and graphically pleasing mechanism for conveying vast quantities of information; the costs of acquiring, maintaining and operating sophisticated computer servers and other equipment; and the costs of hiring numerous trained professionals to ensure the smooth and continuous availability of the sites every hour of every day. *See* Little Decl., ¶ 17 (Exh. D); Webber Decl., ¶ 16 (Exh. E); Millstein Decl., ¶ 22 (Exh. F); Schulman Decl., ¶ 19 (Exh. G); Lambiase Decl., ¶ 15 (Exh. H); Hiller Decl., ¶ 13 (Exh. I); Chubb Decl., ¶ 16 (Exh. J); Shaw Decl., ¶ 16 (Exh. K); Wing Decl., ¶ 15 (Exh. L); Ryan Decl., ¶ 10 (Exh. M).

For advertisers looking for ways to reach potential customers, purchasing advertising on websites as popular as those operated by the Plaintiffs is an attractive option. Advertising on these sites reaches millions of consumers quickly and easily, and often throughout the workday.

Plaintiffs' Intellectual Property

The Plaintiffs own numerous United States Registered Trademarks. Several Plaintiffs also own pending trademark applications or common law (unregistered) trademarks. The Plaintiffs' websites are copyrighted and Plaintiffs have applied to register their copyrights with the Copyright Office of the United States Library of Congress. The Plaintiffs' registered trademarks are listed at Exhibit P and the Plaintiffs' copyright applications are listed at Exhibit Q, both appended hereto.

The Business Of Gator Corp.

Gator Corp. is also in the business of selling online advertising. Thus, it is in direct competition with the Plaintiffs. But rather than sell advertising on its own website, Gator Corp. sells pop-up ads on other websites **WITHOUT** the permission of or payment to such websites.

Gator Corp.'s unauthorized pop-up advertising scheme is based on a "trojan horse" concept. Gator Corp. gives away a free software application called "Gator." Gator is essentially a "digital wallet" -- it provides users with a mechanism for storing personal information about themselves, passwords, user identification numbers and names and other data that consumers routinely need to input on electronic forms when they shop on the Internet. *See* Edelman Decl., ¶ 9 (Exh. C). Gator assists users in filling out such forms without having to retype the previously stored information. *Id.* Although this appears to be a relatively innocuous software application, in fact, it is a "trojan horse" by which Gator Corp. infiltrates the personal computers of unsuspecting users to perpetrate its unlawful pop-up advertising scheme.

Gator Corp. bundles a software program called "OfferCompanion" together with its Gator digital wallet software program, so that persons who download the Gator application onto their personal computer have OfferCompanion automatically downloaded and installed as well.[5] Because OfferCompanion is bundled with other software programs and automatically downloaded with those other software programs, even sophisticated computer users frequently do not know OfferCompanion has been installed on their computer.[6] *Id.* at ¶ 10.

Once OfferCompanion is installed on a personal computer, whenever a user initiates a browser-based Internet connection, OfferCompanion automatically launches and communicates frequently with Gator Corp.'s computer servers, monitoring the user's activities on the World Wide Web and transmitting that information over the Internet to Gator Corp. *Id.* at ¶ 11. Such software is called "spyware" or "scumware." *See, e.g.,* http://www.scumware.com.

When a PC user visits certain websites, Gator Corp.'s remote computer systems will transmit to the user's computer one or more unauthorized pop-up advertisements to be displayed directly over the content that the owner of the website intended to be displayed. *Id.* at ¶ 12.

Gator Corp.'s unauthorized pop-up advertisements typically appear at approximately the same time as the web page that the user has requested. As a result of Gator Corp.'s unauthorized

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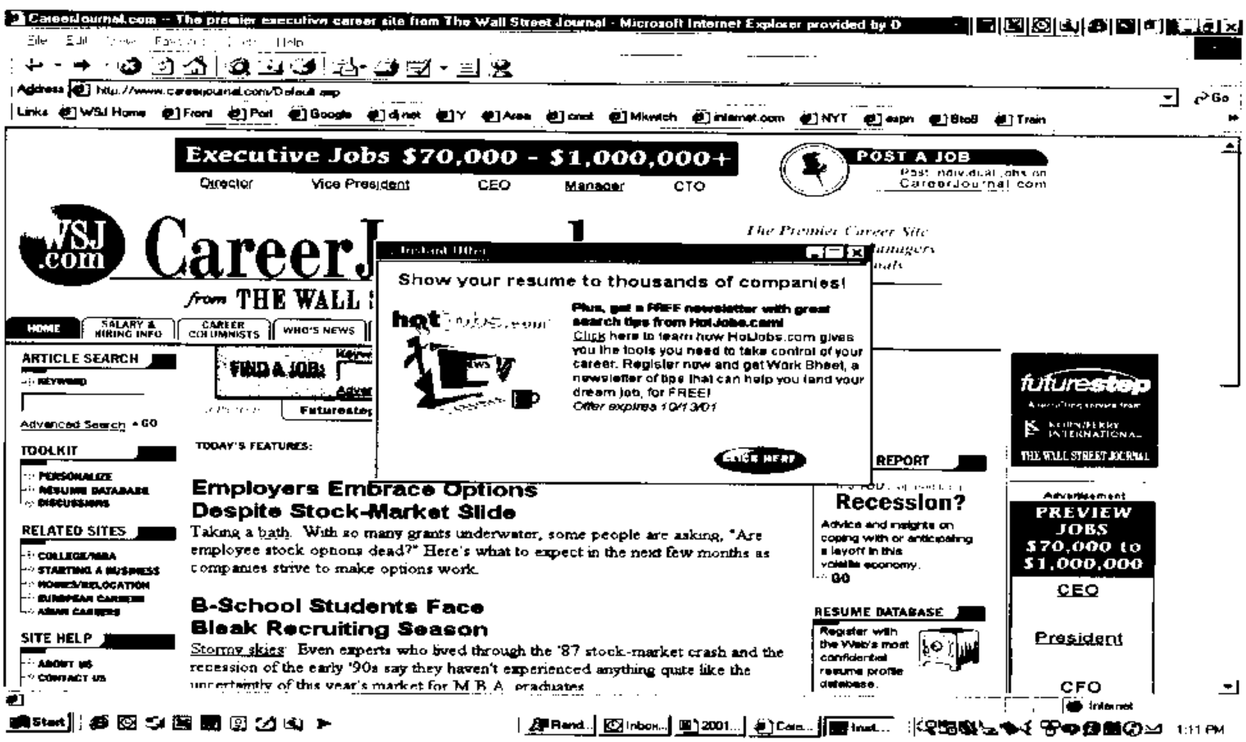
5 In addition, anyone who downloads certain popular free software programs, such as KaZaa or AudioGalaxy, have OfferCompanion automatically downloaded and installed onto their personal computer. *See* Edelman Decl., ¶ 10 (Exh. C). Gator Corp. asserts that OfferCompanion has been installed 27 million times, and that it currently resides on 15 million personal computers.

6 Since April 2002, Gator Corp. has also engaged in what are known as "drive-by-downloads" to place OfferCompanion on PCs. Under this scheme, pop-up advertisements will appear on certain websites and will attempt to install OfferCompanion on the user's PC, sometimes without any action being taken by the PC user (depending on the browser's security settings). *See* Foistware/Spyware- Gator, OfferCompanion, Ticker, GAIN, *available at:* http://www.cexx.org/gator.htm (last visited Jun. 23, 2002).

pop-up advertisements, users ordinarily do not see the web page in the manner the website owner intended to display it. Instead, users see the Gator Corp. pop-up advertisement concealing some of the content the website owner intended to be displayed on that particular web page.[7] *Id.* at ¶ 13.

In the example below, a Gator Corp. pop-up advertisement for hotjobs.com, a website containing online classified recruitment advertising, appears on the home page for Plaintiff Dow Jones' CareerJournal.com Website, a classified recruitment advertising website that competes with hotjobs.com.



The above example of a Gator Corp. pop-up advertisement appeared on the CareerJournal.com Website without Dow Jones' authorization.

7 In order for PC users to see the web page displayed as intended by the website owner, they must move their mouse to the pop-up advertisement and click the mouse to close Gator Corp.'s unauthorized pop-up advertisement, thus delaying access to the site's content. *See* Edelman Decl., ¶ 13 (Exh. C).

Gator Corp.'s software was designed to allow Gator Corp. to cause advertisements to be displayed on any website desired. The Gator Software is capable of placing advertisements even on the websites of Gator Corp.'s advertisers' competitors, and it is equally capable of placing advertisements on websites that do not sell advertising or that refuse to permit certain types of advertising. *See* Edelman Decl. at ¶ 14 (Exh. C). Gator Corp.'s pop-up advertising scheme is designed to divert and lure Internet users from the websites they intend to visit to other websites owned by Gator Corp.'s advertisers.[8]

Gator Corp.'s pop-up advertising scheme deliberately targets some of the Internet's most popular and highly trafficked websites, including the sites owned and operated by the Plaintiffs. Since March 1, 2002, the Plaintiffs' websites have been plagued by unauthorized Gator Corp. pop-up advertisements. *See* Little Decl., ¶ 20 (Exh. D); Webber Decl., ¶ 19 (Exh. E); Millstein Decl., ¶ 25 (Exh. F); Schulman Decl., ¶ 21 (Exh. G); Lambiase Decl., ¶ 17 (Exh. H); Hiller Decl., ¶ 16 (Exh. I); Chubb Decl., ¶ 19 (Exh. J); Shaw Decl., ¶ 18 (Exh. K); Wing Decl., ¶ 18 (Exh. L); Ryan Decl., ¶ 13 (Exh. M). Since April 1, 2002, Gator Corp. has specifically targeted several of the Plaintiffs' sites in its marketing to advertisers, including the New York Times Web Site and the Wall Street Journal Web Site. *See* The Gator Corporation, *The Next Generation in Online Advertising: User-Level Behavior Marketing*, p. 3 (Mar. 2002), *at* http://www.imediaconnection.com/content/features/02ibss/gator.pdf.

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8 Gator Corp.'s service, however, is not cheap. Rates for such pop-up advertising campaigns cost $25,000 or more. *See* The Gator Corp. Website, http://www.gatorcorporation.com/advertise/rates.html (last visited Jun. 23, 2002). None of this is paid to the websites targeted by Gator Corp. Thus, Gator Corp. profits from free riding on other websites' content.

The Confusion Caused By Gator Corp.'s Pop-Up Advertising Scheme

Gator Corp.'s pop-up advertising scheme is inherently deceptive and misleads users into falsely believing the pop-up advertisements supplied by Gator Corp. are in actuality advertisements authorized by and originating with the underlying website. Factors that contribute to the inherently deceptive and misleading nature of Gator Corp.'s scheme include, but are not limited to, the following.

- Many people who have OfferCompanion software on their computers are unaware of the presence and operation of that software program, let alone cognizant that its basic function is to place unauthorized pop-up advertisements on websites visited by the user. *See* Declaration of William D. Neal ("Neal Decl."), ¶ 7 (Exh. R).

- Gator Corp. does not prominently advise persons who have downloaded OfferCompanion software that unauthorized pop-up advertisements will be systematically delivered to change the display of content on particular websites. *See* Edelman Decl., ¶ 15 (Exh. C). Even if Gator Corp. delivered such a warning message, there would be no way to eliminate the inherent confusion created by Gator Corp.'s wrongful conduct.

- Because they appear on a user's screen simultaneously, or nearly simultaneously, with the downloading and opening of the requested web page of the targeted website, the Gator Corp. pop-up advertisements appear to be an integral and fully authorized part of the original underlying web page. *Id.* at ¶ 16.

- The Gator Corp. pop-up advertisements fail to suggest they are not authorized and supplied by the underlying website. *Id.* at ¶ 15.

- Even if a user of Gator Corp.'s digital wallet software or some other software program into which is bundled OfferCompanion removes Gator from his or her computer using the "uninstall" feature, OfferCompanion is not removed and continues to operate independently in support of Gator Corp.'s pop-up advertising scheme. *Id.* at ¶ 17.

This is not mere speculation. Plaintiffs conducted a consumer survey to determine whether Gator Corp.'s pop-up advertising scheme was likely to cause confusion. The survey found a high degree of consumer confusion.[9] Among the survey findings were the following.

- Among survey respondents who had Gator on their computer, 55% did not know that it caused pop-up advertisements to appear on their computers when they visited certain websites. *See* Neal Decl. ¶ 7b (Exh. R).

- Among survey respondents who have experienced pop-up advertisements on their computer, 66% believe that "pop-up advertisements are sponsored by or authorized by the website in which they appear" and 45% believe that "pop-up advertisements have been pre-screened and approved by the website on which they appear." *See id.* ¶ 7c.

- Among survey respondents who had Gator installed on their computers, 16% reported that it had been loaded without their knowledge. Indeed, 13% of survey respondents did not even know that the software was loaded on their computer. *See id* ¶ 7a.

Harm To Plaintiffs

Since at least March 1, 2002, Gator Corp. has specifically targeted, and continues to specifically target, the Plaintiffs' websites for the delivery of unauthorized pop-up advertising. Gator Corp. has already delivered thousands, if not hundreds of thousands, of unauthorized pop-up advertisements to the Plaintiffs' websites. All pop-up advertisements that Gator Corp. has displayed on the Plaintiffs' websites have been displayed without the authorization or permission of the Plaintiffs. *See* Little Decl., ¶ 20 (Exh. D); Webber Decl., ¶ 19 (Exh. E); Millstein Decl., ¶ 25 (Exh. F); Schulman Decl., ¶ 21 (Exh. G); Lambiase Decl., ¶ 17 (Exh. H); Hiller Decl., ¶ 16 (Exh. I); Chubb Decl., ¶ 19 (Exh. J); Shaw Decl., ¶ 18 (Exh. K); Wing Decl., ¶ 18 (Exh. L); Ryan Decl., ¶ 13 (Exh. M).

In the short term, Gator Corp.'s pop-up advertising scheme deprives both the Plaintiffs and their advertisers of the benefits intended to be secured by their advertising contracts. In the long term, if left unchecked, Gator Corp.'s pop-up advertising scheme would erode the

9 *See* Declaration of William D. Neal appended hereto as Exhibit R.

attractiveness of advertising on the Plaintiffs' websites and disrupt or potentially destroy the ability of the Plaintiffs to sell such advertising. This would imperil the economic viability of the Plaintiffs' websites. *See* Little Decl., ¶ 22 (Exh. D); Webber Decl., ¶ 21 (Exh. E); Millstein Decl., ¶ 27 (Exh. F); Schulman Decl., ¶ 23 (Exh. G); Lambiase Decl., ¶ 19 (Exh. H); Ryan Decl., ¶ 15 (Exh. M).

Gator Corp.'s pop-up advertising scheme fundamentally damages the integrity and value of the Plaintiffs' websites in other ways as well.

- Because Gator Corp.'s pop-up advertising scheme creates the false impression that the pop-up advertisements originated with the underlying website, Gator Corp. deceptively misleads customers into the false perception that the pop-up advertisements appear with the Plaintiffs' authorization and approval. *See* Neal Decl., ¶ 4, 7 (Exh. R).

- The few (if any) visitors to the Plaintiffs' websites who might actually recognize that these unauthorized pop-up advertisements originated with Gator Corp. are nonetheless likely to have the false perception that Gator Corp.'s pop-up advertising scheme operates in cooperation with, rather than in competition with, the Plaintiffs' websites. *Id.* at ¶ 4, 7 (Exh. R).

- Gator Corp. delivers pop-up advertisements without regard for the Plaintiffs' standards and policies as to the type of advertisements and third-party messages that are allowed to run on the Plaintiffs' sites. Thus, the Gator Corp. pop-up advertising scheme destroys Plaintiffs' rights to determine the companies, messages and causes which can be advertised on their sites.[10]

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[10] Each of the Plaintiffs has established and enforces standards and policies governing the types of goods and services that may be advertised on their websites and the content and appearance of advertisements that they deem acceptable. Indeed, each of the Plaintiffs, as a condition of advertising on their sites, reserves the right to reject any advertisement or the content of any advertisement. Such control over advertising is necessary because online ads are an integral part of the manner in which the website is displayed to the viewer. *See* Little Decl., ¶ 18 (Exh. D); ¶ Webber Decl., ¶ 17 (Exh. E); Millstein Decl., ¶ 23 (Exh. F); Schulman Decl., ¶ 20 (Exh. G); Lambiase Decl., ¶ 16 (Exh. H); Hiller Decl., ¶ 14 (Exh. I); Chubb Decl., ¶ 17 (Exh. J); Shaw Decl., ¶ 17 (Exh. K); Wing Decl., ¶ 16 (Exh. L); Ryan Decl., ¶ 11 (Exh. M).

- Gator Corp.'s pop-up advertisements interfere with and disrupt the carefully designed display of content by the Plaintiffs and completely change the "look and feel" of the site that Plaintiffs seek to present.

- As Gator Corp. itself admits, "many users perceive pop-up ads as intrusive." *See* The Gator Corporation, *The Next Generation Online Advertising: User-Level Behavior Marketing,* at p. 4. Gator Corp.'s pop-up advertising scheme undermines the ability of the Plaintiffs to calibrate the frequency of pop-up advertisements on their sites to a number that does not annoy visitors and drive them to other websites.

- Because Gator Corp.'s pop-up advertisements are displayed without regard to the underlying content, a potential for serious reputational damage exists. Imagine, for example, if a Gator Corp. pop-up advertisement for a flight-training school appeared over a story about the September 11th tragedy. Gator Corp.'s pop-up advertising scheme undermines the Plaintiffs' efforts to coordinate advertising and content to avoid such an embarrassing conflict.

See Little Decl., ¶ 21 (Exh. D); Webber Decl., ¶ 20 (Exh. E); Millstein Decl., ¶ 26 (Exh. F); Schulman Decl., ¶ 22 (Exh. G); Lambiase Decl. ¶ 18 (Exh. H); Hiller Decl., ¶¶ 17-21 (Exh. I); Chubb Decl., ¶ 20 (Exh. J); Shaw Decl., ¶ 19 (Exh. K); Wing Decl., ¶ 19 (Exh. L); Ryan Decl., ¶ 14 (Exh. M).

Gator Corp.'s pop-up advertising scheme enables Gator Corp, without the permission of the websites it targets and without having to make any investment or exert any effort to create and develop content that attracts and holds viewers, to profit from pop-up advertisements displayed over websites that have not authorized, do not want and are directly injured by such parasitic interference with the display and appearance of their sites.

Gator Corp.'s pop-up advertising scheme operates in direct competition with the sites of the Plaintiffs, because Gator Corp. seeks to sell Internet advertising services in the very same marketplace of advertisers to which the Plaintiffs sell advertising services. *See* Little Decl., ¶ 23 (Exh. D); Webber Decl., ¶ 22 (Exh. E); Millstein Decl., ¶ 28 (Exh. F); Schulman Decl., ¶ 24

(Exh. G); Lambiase Decl., ¶ 20 (Exh. H); Hiller Decl., ¶ 23 (Exh. I); Chubb Decl., ¶ 21 (Exh. J); Shaw Decl., ¶ 20 (Exh. K); Wing Decl., ¶ 20 (Exh. L); Ryan Decl., ¶ 16 (Exh. M). Unlike the Plaintiffs, however, Gator Corp. participates in this market without providing valuable news and editorial content to attract visitors to the web pages on which the pop-up advertisements are displayed. Gator Corp. merely free rides on the Plaintiffs' efforts and investment in developing content. To the extent Gator Corp. derives any revenue or profit from its pop-up advertising scheme, it does so solely by unfairly free riding on Plaintiffs' substantial investments to develop and operate their famous websites and on Plaintiffs' valuable copyrights and trademark rights.

ARGUMENT

The test for a Rule 65(a) motion is well established. *See Blackwelder Furniture Co. v. Seilig Mfg. Co.*, 550 F.2d 189, 193-96 (4th Cir. 1977). When reviewing a motion for a preliminary injunction, the district court must consider the following factors: (1) the likelihood of irreparable harm to the plaintiff if a preliminary injunction is denied; (2) the balance of hardships between the plaintiff and defendant; (3) the likelihood that the plaintiff will succeed on the merits; and (4) whether the public interest is served by granting the requested relief. *E.g., Ciena Corp. v. Jarrard*, 203 F.3d 312, 322 n.2 (4th Cir. 2000) (noting factors taken from *Blackwelder Furniture Co.*, 550 F.2d at 193-96 (4th Cir. 1977)); *Service & Training, Inc. v. Data Gen. Corp.*, 963 F.2d 680, 690 (4th Cir. 1992) (same, in a copyright infringement case).

Moreover, the *Blackwelder* factors must be considered in the context of a sliding scale. Where the balance of hardships tilts decidedly in plaintiff's favor, plaintiff is entitled to an injunction if it demonstrates likelihood of success on the merits *or* if it merely presents "grave or serious questions" that are fair ground for litigation and for more deliberate investigation. *Blackwelder Furniture Co.*, 550 F.2d at 195-96. For this reason, "the balance of harm evaluation should precede the determination of the degree by which the plaintiff must establish the likelihood of success on his part." *Direx Israel, Ltd. v. Breakthrough Medical Corp.*, 952 F.2d 802, 813 (4th Cir. 1992).

I. PLAINTIFFS ARE ENTITLED TO A PRELIMINARY INJUNCTION UNDER *BLACKWELDER*.

A. Irreparable Harm Is Presumed In Trademark And Copyright Cases.

When a plaintiff pleads a *prima facie* case of copyright infringement, it is accorded a presumption of irreparable harm. *E.g.*, *Service & Training, Inc.*, 963 F.2d at 690; *Bourne Co. v. Tower Records*, 976 F.2d 99, 101 (2d Cir. 1992); *Marco v. Accent Publ'g Co.*, 969 F.2d 1547, 1553 (3d Cir. 1992). The same presumption of irreparable harm is accorded when a plaintiff pleads a *prima facie* case of trademark infringement. *E.g.*, *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Virginia, Inc.*, 43 F.3d 922, 938 (4th Cir. 1995) ("[a] finding of irreparable injury ordinarily follows when a likelihood of confusion or possible risk to reputation appears" (citations omitted)); *Fabrication Enters., Inc. v. Hygenic Corp.*, 64 F.3d 53, 61 (2d Cir. 1995); *Opticians Ass'n of Am. v. Independent Opticians of America*, 920 F.2d 187, 196 (3d Cir. 1990). Intellectual property by its very nature is closely associated with its owner, meaning that infringement will directly affect that owner; thus, infringement "gives rise to irreparable injury, in that plaintiff has lost control of its business reputation [and] there is a substantial likelihood of confusion of the purchasing public. . . ." *Long John Silver's, Inc. v. Washington Franchise, Inc.*, 209 U.S.P.Q. 146, 149 (E.D. Va. 1980).

Because this case involves causes of action for both trademark infringement and copyright infringement, irreparable harm is presumed. Thus, the first factor of the *Blackwelder* test favors issuance of a preliminary injunction.

B. The Balance Of Hardships Decidedly Favors Plaintiffs.

The above-described harms[11] suffered and being suffered by Plaintiffs are severe and will continue absent a preliminary injunction. In contrast, the harm to Gator Corp. (if any) would be slight.

The preliminary injunction sought by Plaintiffs is very limited in scope -- it would only bar Gator Corp. from perpetrating its pop-up advertising scheme on Plaintiffs' websites. Gator Corp. would not be forced to suspend operations; it could continue to place pop-up advertisements on any of the millions of other sites on the World Wide Web. Thus, the exclusive possible harm to Gator Corp. is the loss of any profits it might derive from selling pop-up advertisements on the Plaintiffs' websites. And, the mere loss of profits is not cognizable in weighing the balance of hardships. *E.g.*, *Warner-Lambert Co. v. Northside Dev. Co.*, 86 F.3d 3, 8 (2d Cir. 1996) (loss of profits does not merit any weight in the balancing analysis); *Concrete Mach. Co. v. Classic Lawn Ornaments, Inc.*, 843 F.2d 600, 612 (1st Cir. 1988) ("where the only hardship that the defendant will suffer is lost profits from an activity which has been shown likely to be infringing, such argument in defense 'merits little equitable consideration.'") (*quoting Helene Curtis Indus. v. Church & Dwight Co.*, 560 F.2d 1325, 1333 (7th Cir. 1977)).

Thus, the balance of hardships tips decidedly in favor of the Plaintiffs. Accordingly, the second factor of the *Blackwelder* test also supports issuance of a preliminary injunction.

C. Plaintiffs Are Likely To Prevail On The Merits.

Because the balance of hardships tilts decidedly in favor of the Plaintiffs, they need only demonstrate that this lawsuit presents "grave or serious questions" that are fair ground for litigation. *Blackwelder Furniture Co.*, 550 F.2d at 195-96. As discussed below, Plaintiffs

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11 *See supra* pp. 13 - 16.

clearly meet this standard. Indeed, Plaintiffs meet even the higher standard of demonstrating a likelihood of success on the merits.

1. Plaintiffs Are Likely To Prevail On Their Trademark Infringement Claim.

Count I of the Complaint alleges that Gator Corp.'s pop-up advertising scheme infringes Plaintiffs' registered trademarks in violation of Section 32 of the Lanham Act. 15 U.S.C. § 114(1)(a). Confusion as to Plaintiffs' sponsorship of or affiliation with Gator Corp.'s pop-up advertising scheme is actionable as trademark infringement. *See Anheuser-Busch, Inc. v. L&L Wings, Inc.*, 962 F.2d 316, 318 (4th Cir. 1992); *IDV N. Am., Inc. v. S&M Brands, Inc.*, 26 F. Supp. 2d 815, 826 (E.D. Va. 1998) (a likelihood of confusion exists if consumers are likely to believe, mistakenly, that the infringer's goods "are sponsored or approved by" the trademark owner). Gator Corp.'s pop-up advertising scheme uses Plaintiffs' trademarks by inserting its pop-up advertisements on the page views that feature Plaintiffs' trademarks. Indeed, Plaintiffs' trademarks are clearly visible beside Gator Corp. pop-up advertisements, creating an unauthorized association between the two.[12]

The elements of a trademark infringement claim are: ownership of a valid, protectible mark and proof that the defendant's use of the mark in commerce is likely to cause confusion. *E.g., Lone Star*, 43 F.3d at 930; *Teaching Co. Ltd. P'ship v. Unapix Entm't, Inc.*, 87 F. Supp.2d

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[12] Copies of a representative sampling of page views on which Gator Corp. pop-up advertisements were displayed on Plaintiffs' websites are appended hereto as Exhibit S.

567, 575 (E.D. Va. 2000). By virtue of their registered marks,[13] Plaintiffs have established the first element of the infringement test -- ownership of valid and protectible marks.[14]

With respect to the second element -- likelihood of confusion -- the Fourth Circuit requires that consideration be given to seven factors. *See Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir. 1984). Those factors are: the similarity of the two marks, similarity of the two services, similarity of the two facilities or devices, similarity of the advertising used by the two parties, strength or distinctiveness of the plaintiff's mark, the defendant's intent and actual confusion. *Id.* [15] Because Gator Corp. is using the exact marks, services, facilities or devices of the Plaintiffs and is intentionally placing their pop-up advertisements directly on Plaintiffs' websites, the only open issue under the *Pizzeria Uno* test is the issue of confusion.

The Fourth Circuit and this Court recognize appropriate consumer survey evidence as strong evidence of a likelihood of confusion. *E.g., Resorts of Pinehurst, Inc. v. Pinehurst Nat'l Corp.*, 148 F.3d 417, 423 (4th Cir. 1998); *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455,

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13 Certificates of registration for each of Plaintiffs' trademarks are appended hereto as Exhibit T.

14 A certificate of registration of a trademark is "prima facie evidence of (1) the validity of the mark and its registration; (2) the registrant's ownership; and (3) the registrant's 'exclusive right' to use the mark on or in connection with the goods and services specified in the certificate of registration." *America Online, Inc. v. AT&T Corp.*, 243 F.3d 812, 816 (4th Cir. 2001). *See also Glover v. Ampak, Inc.*, 74 F.3d 57, 59 (4th Cir. 1996).

15 In *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455 (4th Cir. 1996), two additional factors were suggested for consideration: the quality of the defendant's product and the sophistication of the consuming public. 81 F.3d at 463-64. Neither of these factors, however, are relevant here. As this Court has noted, "[c]onsideration of the quality of the defendant's product is more appropriate in situations involving the production of cheap copies or so-called 'knockoffs'. . . ." *IDV North America, Inc. v. S&M Brands, Inc.*, 26 F.Supp. 2d 815, 832 (E.D. Va. 1998). Moreover, buyer sophistication will only be relevant when the typical consumer of the product at issue possesses some expertise regarding the product. *Id.* Thus, neither factor is appropriate for consideration here.

467 (4th Cir. 1996); *Teaching Co. Ltd. P'ship,* 87 F. Supp. 2d at 584; *IDV N. Am., Inc.*, 26 F. Supp. 2d at 829; *Black & Decker (U.S.), Inc. v. Pro-Tech Power, Inc.*, 26 F. Supp. 2d 834, 851 (E.D. Va. 1998); *Selchow & Righter Co. v. Decipher, Inc.*, 598 F. Supp. 1489, 1497 (E.D. Va. 1984). Indeed, where confusion as to sponsorship or endorsement is at issue, a survey may be the only available method of showing the public state of mind. *See Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 522 (10th Cir. 1987) (discussing applicability of survey evidence demonstrating likelihood of confusion regarding product source).

In reviewing a consumer survey to determine whether it demonstrates a likelihood of confusion, a district court must focus on what percentage of the surveyed consumers evidenced confusion with respect to the alleged infringing activity. A confusion level of as low as 10% among survey respondents is sufficient to support a finding of likelihood of confusion. *See Sara Lee*, 81 F.3d at 467 n.15. *See also Teaching Co., Ltd. P'ship*, 87 F. Supp.2d at 583-84 (survey evidence showing 16% of respondents were confused supported finding of likelihood of confusion); *Harrods Ltd. v. Sixty Internet Domain Names*, 157 F. Supp.2d 658, 678 (E.D. Va. 2001) (survey evidence showing between 23% and 31% of respondents believed an infringing mark was used, approved, or permitted by the senior user demonstrated that the mark was confusingly similar).

Plaintiffs' consumer survey amply demonstrates the likelihood of consumer confusion arising from Gator Corp.'s pop-up advertising scheme. Among survey respondents who experienced pop-up advertisements, 66% believe that "pop-up advertisements are sponsored by or authorized by the website in which they appear" and 45% believe that "pop-up advertisements have been pre-screened and approved by the website on which they appear." Thus, Plaintiffs' trademark expert, William D. Neal, concluded that "Gator Corp.'s pop-up advertisements are likely to cause confusion, or to cause mistakes, or deceive as to the affiliation, connection or association of such pop-up advertisements with the websites on which the pop-up advertisements appear and are likely to cause confusion as to the origin, sponsorship, or approval of the pop-up advertisements." Neal Decl., ¶ 4 (Exh. R).

2. Plaintiffs Are Likely To Prevail On Their Unfair Competition Claim.

Count II of the Complaint alleges that Gator Corp.'s pop-up advertising scheme constitutes unfair competition in violation of Section 43(a) of the Lanham Act. 15 U.S.C. § 1125(a)(1)(A). Section 43(a) prohibits a broader range of conduct than a claim for trademark infringement under Section 32. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992). Unfair competition involves "any deceptive marketing [or] appropriation of intangible trade values" that tends to mislead the public. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 1(a) (1995).

Section 43(a) is written as if it had Gator Corp.'s pop-up advertising scheme in mind. In the words of the statute, Gator Corp.'s pop-up advertising scheme is a "device, or [a] combination thereof . . . which is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association" of Gator Corp.'s pop-up advertisements with Plaintiffs' websites, and therefore confuse "as to the origin sponsorship, or approval of [Gator Corp.'s] services, or commercial activities by another person." As discussed above, Gator Corp.'s pop-up advertising scheme confuses 66% of respondents to a consumer survey. Quite simply, almost two-thirds of consumers believe that an "affiliation, connection or association" exists between Gator Corp.'s pop-up advertisements and the websites on which they appear. Because this belief is false, Gator Corp. is liable for unfair competition.

3. Plaintiffs Are Likely To Prevail On Their Copyright Claims.

Count IV of the Complaint alleges that Gator Corp.'s pop-up advertising scheme infringes Plaintiffs' copyrights in their websites in violation of the Copyright Act. 17 U.S.C. § 106. Count

V of the Complaint alleges that Gator Corp.'s pop-up advertising scheme constitutes contributory copyright infringement in violation of the Copyright Act. *Id.* More specifically, Counts IV and V of the Complaint allege that Gator Corp.'s pop-up advertising scheme infringes Plaintiffs' exclusive right to display their copyrighted works publicly, 17 U.S.C. § 106(5), and their exclusive right to prepare derivative works based upon the copyrighted work, 17 U.S.C. § 106(2).

Anyone who violates these exclusive rights of a copyright owner may be held liable as a direct infringer. 17 U.S.C. § 501(a). Anyone who, "with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another," may be held liable as a contributory infringer. *ALS Scan, Inc. v. Remarq Cmtys., Inc.*, 239 F.3d 619, 621 n.1 (4th Cir. 2001) (*quoting Gershwin Publ'g Corp. v. Columbia Artists Mgmt. Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971)). Gator Corp.'s pop-up advertising scheme operates as both direct copyright infringement and contributory infringement. It is direct infringement because Gator Corp. transmits the unauthorized pop-up advertisements to the user's PC where it is displayed over the content of the website being visited. It is contributory infringement to the extent that the PC user's act of initiating a browser-based Internet connection with Gator Corp. software that results in an alteration of the Plaintiffs' websites is itself an act of direct infringement because Gator Corp. materially contributes to that infringing conduct.

Plaintiffs must prove two elements to establish a *prima facie* case for copyright infringement: "(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991).[16]

The creator of a work owns the copyright in the work. 17 U.S.C. § 201(a). As described above, the Plaintiffs are the creators and owners of their websites and the content that appears on them. Accordingly, they own valid copyrights. Therefore, the only remaining element to be proved to establish copyright infringement is whether Gator Corp. has invaded one of the exclusive rights of a copyright owner -- in this case, the exclusive right to display a copyrighted work to the public and the exclusive right to create derivative works.

(a) Gator Corp.'s Pop-Up Advertising Scheme Infringes Plaintiffs' Exclusive Public Display Right.

Use of the Plaintiffs' websites is governed by a "terms and conditions of use." Through these terms and conditions of use, the Plaintiffs grant site visitors a license to use and display the site. They do not grant a license to alter the site or change its appearance. In fact, the terms and conditions of use prohibit commercial use of the content on the site and/or forbid any alteration of the site or its appearance. *See* Little Decl., ¶ 19 (Exh. D); Webber Decl., ¶ 18 (Exh. E); Millstein Decl., ¶ 24 (Exh. F); Hiller Decl., ¶ 15 (Exh. I); Chubb Decl., ¶ 18 (Exh. J); Wing Decl., ¶ 17 (Exh. L); Ryan Decl., ¶ 12 (Exh. M). It is well-settled law that any use of a copyrighted work that exceeds the license granted by the copyright owner is infringement. *See MacLean Assocs., Inc. v. Mercer-Meidinger-Hansen, Inc.*, 952 F.2d 769, 773-74 (3d Cir. 1991) (use of a software application that exceeded the scope of the copyright owner's intended

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16 In this context, "[c]opying . . . is used in the broad sense of invasion of one of the exclusive rights secured to copyright owners under the Copyright Act." *Dynamic Solutions, Inc. v. Planning & Control, Inc.*, 646 F. Supp. 1329, 1337 n.12 (S.D.N.Y. 1986). *See also* 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8.02[A] at 8-27 (2001) ("'Copying' is shorthand for the infringing of any of the copyright owner's five exclusive rights."). In this case, two of the exclusive rights of the copyright owners are at issue -- the exclusive right to display and the exclusive right to prepare derivative works.

permission constituted copyright infringement). *See generally* 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 10.15[A] (2001).

Gator Corp.'s pop-up advertising scheme alters the appearance of Plaintiffs' websites by covering a portion of the content on the web page on which the pop-up advertisements appear. This constitutes infringement because it alters the manner in which that web page is perceived by the visitor to the site. *See New York Times Co. v. Tasini*, 533 U.S. 483, 499 (2001) (in determining whether copyright infringement has occurred, a court must focus on the work "as presented to, and perceptible by, the user."). Quite simply, the copyrighted work is being displayed in a different manner than intended by the copyright owner.[17] Thus, Gator Corp.'s pop-up advertising scheme infringes the Plaintiffs' exclusive right to display publicly their copyrighted websites.

(b) Gator Corp.'s Pop-Up Advertising Scheme Infringes Plaintiffs' Exclusive Right To Prepare Derivative Works.

Gator Corp.'s pop-up advertising scheme, by modifying the Plaintiffs' websites, creates what are known as "derivative works" under the Copyright Act. 17 U.S.C. § 101.[18] Creation of a derivative work can occur whenever additions to, deletions from or edits of copyrighted work occur. *See, e.g., WGN Cont'l Broad. Co. v. United Video, Inc.*, 693 F.2d 622, 626 (7th Cir. 1982) (deletion of text from cable retransmission of television program infringed copyright); *National*

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[17] Section 106 of the Copyright Act accords a copyright owner the exclusive right "to display the copyrighted work *publicly*." 17 U.S.C. § 106(5) (emphasis added). A display can be "public" if it is transmitted "to the public." 17 U.S.C. § 101. Communication of a copyrighted work over the Internet constitutes a transmission "to the public" and, therefore, is a *public* display. *See* R. Anthony Reese, *The Public Display Right: The Copyright Act's Neglected Solution to the Controversy Over RAM Copies*, 2001 U. Ill. L. Rev. 83, 87-92.

[18] A "derivative work" is a work "based upon one or more preexisting works" which consists of "editorial revisions, annotations, elaborations, or other modifications." 17 U.S.C. § 101.

Bank of Commerce v. Shaklee Corp., 503 F. Supp. 533, 544 (W.D. Tex. 1980) (addition of unauthorized advertisements to book constituted infringement); *Gilliam v. American Broad. Cos.*, 538 F.2d 14, 21 (2d Cir. 1976) ("[U]nauthorized editing of the underlying work . . . would constitute an infringement of the copyright in that work similar to any other use of a work that exceeded the license granted by the proprietor of the copyright").

Such a derivative work may not be created without the permission of the copyright owner. One court has summarized this rule succinctly: "if the publisher of a book leaves the inside covers blank the book seller [cannot] inscribe the Lord's Prayer on them in order to broaden the book's appeal." *WGN Cont'l Broad.*, 693 F.2d at 626.

The *National Bank of Commerce* case is particularly instructive here. In that case, the defendant purchased quantities of *All Around the House*, a book by Ms. Heloise Bowles of *"Hints from Heloise"* fame, for use by its distributors as a "give-away" to customers. 503 F. Supp. at 537. After receiving the books, however, the defendant added promotional messages and artwork inside the front and rear covers of the book and interspersed through the text. *Id.* The district court held that "the addition of advertising material to the text of a book . . . was an infringement of the copyright if the addition was done without authority." *Id.* at 544.

Gator Corp.'s pop-up advertising scheme is legally indistinguishable from the *National Bank of Commerce* case. Gator Corp. has added promotional messages to Plaintiffs' copyrighted web pages just as Shaklee added promotional messages to copyrighted pages of Heloise's book. And, just as in *National Bank of Commerce,* Gator Corp. has deprived the Plaintiffs of their right to "have control over the context and manner in which [the copyrighted] work is presented." *National Bank of Commerce,* 503 F. Supp. at 544. Thus, Gator Corp.'s pop-up advertising scheme infringes the Plaintiffs' exclusive right to prepare derivative works.

4. Plaintiffs Are Likely To Prevail On Their "Hot News" Misappropriation Claim.

Count VI of the Complaint alleges that Gator Corp.'s pop-up advertising scheme constitutes "hot news" misappropriation. The Supreme Court has described such misappropriation as the following:

> [actions] amount[ing] to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not[,] with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news.

International News Serv. v. Associated Press, 248 U.S. 215, 240 (1918).

The elements of this tort are: (1) the collection by plaintiff of time-sensitive information; (2) at a cost; and (3) the use of that information in such a manner that constitutes "free riding" on the plaintiff's efforts; (4) by a defendant in direct competition with plaintiff; (5) that so reduces the plaintiff's incentives to produce the product or service such that its existence or quality is substantially threatened. *E.g., National Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 845 (2d Cir. 1997). Plaintiffs clearly can establish each of these elements of a *prima facie* case.

With respect to the first element -- time sensitive news -- much of the content posted on the Plaintiffs' websites is highly time sensitive and represents late breaking news. For example, the Washington Post Web Site is updated continuously throughout the day, depending on the news of that day. Of course, the collection of this information costs money, thus satisfying the second element -- the cost of collection.

As for the third element -- free riding -- Gator Corp. clearly is free riding on the Plaintiffs' websites. Gator Corp.'s pop-up advertising scheme involves no investment in the collection and dissemination of news, but nonetheless Gator Corp. profits from using the Plaintiffs' content. This is the very definition of free riding.

The fourth element -- that Plaintiffs and Gator Corp. be direct competitors -- is also clearly met. Plaintiffs and Gator Corp. both endeavor to make money by selling online advertising.

Finally, as to the fifth element – reduction in the Plaintiffs' incentive to continue publishing -- as discussed above, Plaintiffs have been and will continue to be harmed absent entry of a preliminary injunction. In particular, Gator Corp.'s pop-up advertising scheme undercuts the incentive to operate these websites because Gator Corp., not plaintiffs are deriving the economic benefit from the sites without incurring the expense of operating the site.

* * * * *

Thus, Plaintiffs are likely to succeed on at least five of their causes of action pled in the Complaint, even though they need only meet the lower standard of demonstrating that this suit presents "grave or serious questions." Accordingly, the third factor of the *Blackwelder* test also supports the issuance of a preliminary injunction.

D. The Public Interest Favors Issuance Of A Preliminary Injunction.

Both the Lanham Act and the Copyright Act embody a Congressional statement that the public interest is best served by protection of intellectual property rights. *See Anheuser-Busch, Inc. v. L&L Wings, Inc.*, 962 F.2d 316, 320 (4th Cir. 1992) (Lanham Act); *Lasercomb Am., Inc. v. Reynolds*, 911 F.2d 970, 976 (4th Cir. 1990) (Copyright Act). Quite simply, a preliminary injunction here will serve to protect the public by preventing consumer confusion and by preserving the incentives embodied in the nation's copyright regime to continue publishing the websites being victimized by Gator Corp.'s pop-up advertising scheme. Accordingly, this fourth factor of the *Blackwelder* test also supports the issuance of a preliminary injunction.

CONCLUSION

The World Wide Web has been one of the great boons to the spread of information in modern times. It has made possible the rapid dissemination of news, research and advice to the general benefit of mankind. Unfortunately, some unscrupulous individuals and companies have taken advantage of the World Wide Web to make a fast buck at the expense of others. Gator Corp. is one such parasite on the Web that does nothing more than free ride on the hard work and investments of Plaintiffs and other website owners. Gator Corp.'s pop-up advertising scheme is patently unlawful under any number of legal theories and should be stopped without further delay. Because Plaintiffs have established an entitlement to preliminary relief under Rule 65(a) of the Federal Rules of Civil Procedure and because each of the *Blackwelder* factors favor issuance of a preliminary injunction, the Court should grant this motion.

Respectfully Submitted,

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Supreme Court of the United States

TRAFFIX DEVICES, INC., Petitioner,

v.

MARKETING DISPLAYS, INC.

No. 99-1571.

Argued Nov. 29, 2000.

Decided March 20, 2001.

Manufacturer of "WindMaster" outdoor sign stands brought trademark and trade dress infringement action against competitor that used "WindBuster" mark for its traffic sign stands. The United States District Court for the Eastern District of Michigan, 967 F.Supp. 953, enjoined competitor's use of infringing trademark and dismissed counterclaim, but, 971 F.Supp. 262, granted summary judgment for competitor on trade dress claim. Competitor appealed, and manufacturer cross-appealed. The Court of Appeals for the Sixth Circuit, 200 F.3d 929, affirmed in part, reversed in part, and remanded. Competitor petitioned for certiorari which was granted. The Supreme Court, Justice Kennedy, held that existence of expired utility patents claiming dual- spring design mechanism for keeping outdoor signs upright in adverse wind conditions created strong evidentiary inference of design's functionality, and failure of manufacturer to overcome that inference by showing that design was merely ornamental, incidental, or arbitrary precluded trade dress protection for the design.
Reversed and remanded.

West Headnotes

[1] KeyCite Notes

382 Trade Regulation
  382I Trade-Marks and Trade-Names and Unfair Competition
    382I(A) Marks and Names Subjects of Ownership
      382k43 k. Form, Size, or Shape, of Articles or Containers. Most Cited Cases

The design or packaging of a product may acquire a distinctiveness which serves to identify the product with its manufacturer or source; and a design or package which acquires this secondary meaning, assuming other requisites are met, is a" trade dress" which may not be used by a competitor in a manner likely to cause confusion as to the origin, sponsorship, or approval of the goods.

[2] KeyCite Notes

382 Trade Regulation
382I Trade-Marks and Trade-Names and Unfair Competition
382I(A) Marks and Names Subjects of Ownership
382k43 k. Form, Size, or Shape, of Articles or Containers. Most Cited Cases

Protection for trade dress exists to promote competition.

[3] KeyCite Notes

382 Trade Regulation
382I Trade-Marks and Trade-Names and Unfair Competition
382I(A) Marks and Names Subjects of Ownership
382k43 k. Form, Size, or Shape, of Articles or Containers. Most Cited Cases

Trade dress protection may not be claimed for product features that are functional.

[4] KeyCite Notes

382 Trade Regulation
382I Trade-Marks and Trade-Names and Unfair Competition
382I(A) Marks and Names Subjects of Ownership
382k43 k. Form, Size, or Shape, of Articles or Containers. Most Cited Cases

A prior utility patent is strong evidence that the features therein claimed are functional, and if trade dress protection is sought for those features the strong evidence of functionality based on the previous patent adds great weight to the statutory presumption that features are deemed functional until proved otherwise by the party seeking trade dress protection. Lanham Trade-Mark Act, § 43(a)(3), 15 U.S.C.A. § 1125(a)(3).

[5] KeyCite Notes

382 Trade Regulation
382I Trade-Marks and Trade-Names and Unfair Competition
382I(A) Marks and Names Subjects of Ownership
382k43 k. Form, Size, or Shape, of Articles or Containers. Most Cited Cases

Where an expired utility patent claimed the feature for which trade dress protection is claimed, the party seeking to establish such protection must carry the heavy burden of showing that the feature is not functional, for instance by showing that it is merely an ornamental, incidental, or arbitrary aspect of the device.

[6] KeyCite Notes

382 Trade Regulation
382I Trade-Marks and Trade-Names and Unfair Competition
382I(G) Actions

382I(G)3 Evidence
382k571 Presumptions
382k571.1 k. In General. Most Cited Cases

Existence of expired utility patents claiming dual-spring design mechanism for keeping outdoor signs upright in adverse wind conditions created strong evidentiary inference of design's functionality, and failure of manufacturer to overcome that inference by showing that design was merely ornamental, incidental, or arbitrary precluded trade dress protection for the design.

[7] KeyCite Notes

382 Trade Regulation
382I Trade-Marks and Trade-Names and Unfair Competition
382I(A) Marks and Names Subjects of Ownership
382k43 k. Form, Size, or Shape, of Articles or Containers. Most Cited Cases

Although a functional feature not entitled to trade dress protection is one the exclusive use of which would put competitors at a significant non-reputation- related disadvantage, competitive necessity is not a necessary test for functionality; rather, a feature is also functional when it is essential to the use or purpose of the device or when it affects the cost or quality of the device.

*****1256* Syllabus** [FN*]

FN* The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.,* 200 U.S. 321, 337, 26 S.Ct. 282, 50 L.Ed. 499.

****23*** Respondent, Marketing Displays, Inc. (MDI), holds now-expired utility patents for a "dual-spring design" mechanism that keeps temporary road and other outdoor signs upright in adverse wind conditions. MDI claims that its sign stands were recognizable to buyers and users because the patented design was visible near the sign stand's base. After the patents expired and petitioner TrafFix Devices, Inc., began marketing sign stands with a dual- spring mechanism copied from MDI's design, MDI brought suit under the Trademark Act of 1964 for, *inter alia,* trade dress infringement. The District Court granted TrafFix's motion for summary judgment, holding that no reasonable trier of fact could determine that MDI had established secondary meaning in its alleged trade dress, *i.e.,* consumers did not associate the dual-spring design's look with MDI; and, as an independent reason, that there could be no trade dress protection for the design because it was functional. The Sixth Circuit reversed. Among other things, it suggested that the District Court committed legal error by looking only to the dual-spring design when evaluating MDI's trade dress because a competitor had to find some way to hide the design or otherwise set it apart from MDI's; explained, relying on *Qualitex Co. v. Jacobson Products Co.,* 514 U.S. 159, 165, 115 S.Ct. 1300, 131 L.Ed.2d 248, that exclusive use of a feature must put competitors at a significant non- reputation-related disadvantage before trade dress protection is denied on functionality grounds; and noted a split among the Circuits on the issue whether an expired utility patent forecloses the possibility of trade dress protection in the product's design.

Held: Because MDI's dual-spring design is a functional feature for which there is no trade dress protection, MDI's claim is barred. Pp. 1259-1263.

****1257*** (a) Trade dress can be protected under federal law, but the person asserting such protection in an infringement action must prove that the matter sought to be protected is not functional, 15 U.S.C. § 1125(a)(3). Trade dress protection must subsist with the recognition that in many instances there is no prohibition against copying goods and products. An expired utility patent has vital significance in resolving a trade dress claim, for a utility patent is strong evidence that the features therein claimed are functional. The central advance claimed in the expired utility ***24*** patents here is the dual-spring design, which is an essential feature of the trade dress MDI now seeks to protect. However, MDI did not, and cannot, carry the burden of overcoming the strong evidentiary inference of functionality based on the disclosure of the dual-spring design in the claims of the expired patents. The springs are necessary to the device's operation, and they would have been covered by the claims of the expired patents even though they look different from the embodiment revealed in those patents, see *Sarkisian v. Winn- Proof Corp.,* 697 F.2d 1313. The rationale for the rule that the disclosure of a feature in a utility patent's claims constitutes strong evidence of functionality is well illustrated in this case. The design serves the important purpose of keeping the sign upright in heavy wind conditions, and statements in the expired patent applications indicate that it does so in a unique and useful manner and at a cost advantage over alternative designs. Pp. 1259-1261.

(b) In reversing the summary judgment against MDI, the Sixth Circuit gave insufficient weight to the importance of the expired utility patents, and their evidentiary significance, in establishing the device's functionality. The error was likely caused by its misinterpretation of trade dress principles in other respects. " 'In general terms a product feature is functional,' and cannot serve as a trademark, 'if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.' " *Qualitex, supra,* at 165, 115 S.Ct. 1300 (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844, 850, n. 10, 102 S.Ct. 2182, 72 L.Ed.2d 606). This Court has expanded on that meaning, observing that a functional feature is one "the exclusive use of [which] would put competitors at a significant non- reputation-related disadvantage," *Qualitex, supra,* at 165, 115 S.Ct. 1300, but that language does not mean that competitive necessity is a necessary test for functionality. Where the design is functional under the *Inwood* formulation there is no need to proceed further to consider competitive necessity. This Court has allowed trade dress protection to inherently distinctive product features on the assumption that they were not functional. *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 774, 112 S.Ct. 2753, 120 L.Ed.2d 615. Here, however, beyond serving the purpose of informing consumers that the sign stands are made by MDI, the design provides a unique and useful mechanism to resist the wind's force. Functionality having been established, whether the design has acquired secondary meaning need not be considered. Nor is it necessary to speculate about other design possibilities. Finally, this Court need not resolve here the question whether the Patent Clause of the Constitution, of its own force, prohibits the holder of an expired utility patent from claiming trade dress protection. Pp. 1261-1263.

200 F.3d 929, reversed and remanded.

****25*** KENNEDY, J., delivered the opinion for a unanimous Court.

John G. Roberts, Washington, DC, for petitioner.

Lawrence G. Wallace, Washington, DC, for United States as amicus curiae, by special leave of the Court.
John A. Artz, Southfield, MI, for respondent.
For U.S. Supreme Court Briefs See:
2000 WL 1218795 (Pet.Brief)
2000 WL 1521620 (Resp.Brief)
2000 WL 1154057 (Amicus.Brief)
2000 WL 1214721 (Amicus.Brief)
2000 WL 1218785 (Amicus.Brief)
2000 WL 1236015 (Amicus.Brief)
2000 WL 1236028 (Amicus.Brief)
2000 WL 1475536 (Amicus.Brief)
2000 WL 1509942 (Amicus.Brief)
For Transcript of Oral Argument See:
2000 WL 1808274 (U.S.Oral.Arg.)

Justice KENNEDY delivered the opinion of the Court.
Temporary road signs with warnings like "Road Work Ahead" or "Left Shoulder Closed" must withstand strong gusts of wind. An inventor named Robert Sarkisian obtained two utility patents for a mechanism built upon two springs (the dual-spring design) to keep these and other outdoor signs upright despite adverse wind conditions. The holder of the now-expired Sarkisian patents, respondent Marketing Displays, Inc. (MDI), established a successful business in the manufacture and sale of sign stands incorporating the patented feature. MDI's stands for road signs were recognizable to buyers and users (it says) because the dual-spring design was visible near the base of the sign.
***26** This litigation followed after the patents expired and a competitor, TrafFix Devices, Inc., sold sign stands with a visible spring mechanism that looked like MDI's. MDI and TrafFix products looked alike because they were. When TrafFix started in business, it sent an MDI product abroad to have it reverse engineered, that is to say copied. Complicating matters, TrafFix marketed its sign stands under a name similar to MDI's. MDI used the name "WindMaster," while TrafFix, its new competitor, used "WindBuster."
MDI brought suit under the Trademark Act of 1964 (Lanham Act), 60 Stat. 427, as amended, 15 U.S.C. § 1051 *et seq.,* against TrafFix for trademark infringement (based on the similar names), trade dress infringement (based on the copied dual-spring design) and unfair competition. TrafFix counterclaimed on antitrust theories. After the United States District Court for the Eastern District of Michigan considered cross-motions for summary judgment, MDI prevailed on its trademark claim for the confusing similarity of names and was held not liable on the antitrust counterclaim; and those two rulings, affirmed by the Court of Appeals, are not before us.

I

We are concerned with the trade dress question. The District Court ruled against MDI on its trade dress claim. 971 F.Supp. 262 (E.D.Mich.1997). After determining that the one element of MDI's trade dress at issue was the dual-spring design, *id., at 265,* it held that "no reasonable trier of fact could determine that MDI has established secondary meaning" in its alleged trade dress, *id., at 269.* In other words, consumers did not associate the look of the dual-spring design with MDI. As a second, independent reason to grant summary judgment in favor of TrafFix, the District Court determined the dual-spring design was functional. On this rationale secondary meaning is irrelevant because there can be no trade dress protection in any event. In ruling on the functional aspect of the design, the District Court ***27** noted that Sixth Circuit precedent indicated that the burden was on MDI to prove that its trade dress was nonfunctional, and not on TrafFix to show that it was functional (a rule since adopted by Congress, see 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V)), and then went on to consider MDI's arguments that the dual-spring design was subject to trade dress protection. Finding none of MDI's contentions persuasive, the District Court concluded MDI had not "proffered sufficient evidence which would enable a reasonable trier of fact to find that MDI's vertical dual-spring design is *non*-functional." *Id.,* at 276. Summary judgment was entered against MDI on its trade dress claims.

The Court of Appeals for the Sixth Circuit reversed the trade dress ruling. 200 F.3d 929 (1999). The Court of Appeals held the District Court had erred in ruling MDI failed to show a genuine issue of material fact regarding whether it had secondary ****1259** meaning in its alleged trade dress, *id.,* at 938, and had erred further in determining that MDI could not prevail in any event because the alleged trade dress was in fact a functional product configuration, *id.,* at 940. The Court of Appeals suggested the District Court committed legal error by looking only to the dual-spring design when evaluating MDI's trade dress. Basic to its reasoning was the Court of Appeals' observation that it took "little imagination to conceive of a hidden dual-spring mechanism or a tri or quad-spring mechanism that might avoid infringing [MDI's] trade dress." *Ibid.* The Court of Appeals explained that "[i]f TrafFix or another competitor chooses to use [MDI's] dual-spring design, then it will have to find *some other way* to set its sign apart to avoid infringing [MDI's] trade dress." *Ibid.* It was not sufficient, according to the Court of Appeals, that allowing exclusive use of a particular feature such as the dual-spring design in the guise of trade dress would "hinde[r] competition somewhat." Rather, "[e]xclusive use of a feature must 'put competitors at a *significant* non-reputation-related disadvantage' before trade ***28** dress protection is denied on functionality grounds." *Ibid.* (quoting *Qualitex Co. v. Jacobson Products Co.,* 514 U.S. 159, 165, 115 S.Ct. 1300, 131 L.Ed.2d 248 (1995)). In its criticism of the District Court's ruling on the trade dress question, the Court of Appeals took note of a split among Courts of Appeals in various other Circuits on the issue whether the existence of an expired utility patent forecloses the possibility of the patentee's claiming trade dress protection in the product's design. 200 F.3d, at 939. Compare *Sunbeam Products, Inc. v. West Bend Co.,* 123 F.3d 246 (C.A.5 1997) (holding that trade dress protection is not foreclosed), *Thomas & Betts Corp. v. Panduit Corp.,* 138 F.3d 277 (C.A.7 1998) (same), and *Midwest Industries, Inc. v. Karavan Trailers, Inc.,* 175 F.3d 1356 (C.A.Fed.1999) (same), with *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.,* 58 F.3d 1498, 1500 (C.A.10 1995) ("Where a product configuration is a significant inventive component of an invention covered by a utility patent ... it cannot receive trade dress protection"). To resolve the conflict, we granted certiorari. 530 U.S. 1260, 120 S.Ct. 2715, 147 L.Ed.2d 981 (2000).

II

[1] [2] [3] It is well established that trade dress can be protected under federal law. The design or packaging of a product may acquire a distinctiveness which serves to identify the product with its manufacturer or source; and a design or package which acquires this secondary meaning, assuming other requisites are met, is a trade dress which may not be used in a manner likely to cause confusion as to the origin, sponsorship, or approval of the goods. In these

respects protection for trade dress exists to promote competition. As we explained just last Term, see *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.,* 529 U.S. 205, 120 S.Ct. 1339, 146 L.Ed.2d 182 (2000), various Courts of Appeals have allowed claims of trade dress infringement relying on the general provision of the Lanham Act which provides a cause of action to one who is injured when a person uses "any word, term name, symbol, or device, or any ***29** combination thereof ... which is likely to cause confusion ... as to the origin, sponsorship, or approval of his or her goods." 15 U.S.C. § 1125(a)(1)(A). Congress confirmed this statutory protection for trade dress by amending the Lanham Act to recognize the concept. Title 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V) provides: "In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional." This burden of proof gives force to the well-established rule that trade dress protection may not be claimed for product features that are functional. ****1260** *Qualitex, supra,* at 164-165, 115 S.Ct. 1300; *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 775, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992). And in *Wal-Mart, supra,* we were careful to caution against misuse or over-extension of trade dress. We noted that "product design almost invariably serves purposes other than source identification." *Id.,* at 213, 120 S.Ct. 1339. Trade dress protection must subsist with the recognition that in many instances there is no prohibition against copying goods and products. In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying. As the Court has explained, copying is not always discouraged or disfavored by the laws which preserve our competitive economy. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.,* 489 U.S. 141, 160, 109 S.Ct. 971, 103 L.Ed.2d 118 (1989). Allowing competitors to copy will have salutary effects in many instances. "Reverse engineering of chemical and mechanical articles in the public domain often leads to significant advances in technology." *Ibid.*

[4] [5] The principal question in this case is the effect of an expired patent on a claim of trade dress infringement. A prior patent, we conclude, has vital significance in resolving the trade dress claim. A utility patent is strong evidence that the features therein claimed are functional. If trade dress protection is sought for those features the strong evidence ***30** of functionality based on the previous patent adds great weight to the statutory presumption that features are deemed functional until proved otherwise by the party seeking trade dress protection. Where the expired patent claimed the features in question, one who seeks to establish trade dress protection must carry the heavy burden of showing that the feature is not functional, for instance by showing that it is merely an ornamental, incidental, or arbitrary aspect of the device.

[6] In the case before us, the central advance claimed in the expired utility patents (the Sarkisian patents) is the dual-spring design; and the dual-spring design is the essential feature of the trade dress MDI now seeks to establish and to protect. The rule we have explained bars the trade dress claim, for MDI did not, and cannot, carry the burden of overcoming the strong evidentiary inference of functionality based on the disclosure of the dual- spring design in the claims of the expired patents.

The dual springs shown in the Sarkisian patents were well apart (at either end of a frame for holding a rectangular sign when one full side is the base) while the dual springs at issue here are close together (in a frame designed to hold a sign by one of its corners). As the District Court recognized, this makes little difference. The point is that the springs are necessary to the operation of the device. The fact that the springs in this very different-looking device fall within the claims of the patents is illustrated by MDI's own position in earlier litigation. In the late 1970's, MDI engaged in a long-running intellectual property battle with a company known as Winn-Proof. Although the precise claims of the Sarkisian patents cover sign stands with springs "spaced apart," U.S. Patent No. 3,646,696, col. 4; U.S. Patent No. 3,662,482, col. 4, the Winn-Proof sign stands (with springs much like the sign stands at issue here) were found to infringe the patents by the United States District Court for the District of Oregon, and the Court of Appeals for the ***31** Ninth Circuit affirmed the judgment. *Sarkisian v. Winn-Proof Corp.,* 697 F.2d 1313 (1983). Although the Winn- Proof traffic sign stand (with dual springs close together) did not appear, then, to infringe the literal terms of the patent claims (which called for " spaced apart" springs), the Winn-Proof sign stand was found to infringe the patents under the doctrine of equivalents, which allows a finding of patent infringement even when the accused product does not fall within the literal terms of the claims. *Id.,* at 1321-1322; see generally ****1261** *Warner- Jenkinson Co. v. Hilton Davis Chemical Co.,* 520 U.S. 17, 117 S.Ct. 1040, 137 L.Ed.2d 146 (1997). In light of this past ruling--a ruling procured at MDI's own insistence--it must be concluded the products here at issue would have been covered by the claims of the expired patents.

The rationale for the rule that the disclosure of a feature in the claims of a utility patent constitutes strong evidence of functionality is well illustrated in this case. The dual-spring design serves the important purpose of keeping the sign upright even in heavy wind conditions; and, as confirmed by the statements in the expired patents, it does so in a unique and useful manner. As the specification of one of the patents recites, prior art "devices, in practice, will topple under the force of a strong wind." U.S. Patent No. 3,662,482, col. 1. The dual-spring design allows sign stands to resist toppling in strong winds. Using a dual-spring design rather than a single spring achieves important operational advantages. For example, the specifications of the patents note that the "use of a pair of springs ... as opposed to the use of a single spring to support the frame structure prevents canting or twisting of the sign around a vertical axis," and that, if not prevented, twisting "may cause damage to the spring structure and may result in tipping of the device." U.S. Patent No. 3,646,696, col. 3. In the course of patent prosecution, it was said that "[t]he use of a pair of spring connections as opposed to a single spring connection ... forms an important part of this combination" because it ***32** "forc[es] the sign frame to tip along the longitudinal axis of the elongated ground-engaging members." App. 218. The dual-spring design affects the cost of the device as well; it was acknowledged that the device "could use three springs but this would unnecessarily increase the cost of the device." App. 217. These statements made in the patent applications and in the course of procuring the patents demonstrate the functionality of the design. MDI does not assert that any of these representations are mistaken or inaccurate, and this is further strong evidence of the functionality of the dual-spring design.

III

[7] In finding for MDI on the trade dress issue the Court of Appeals gave insufficient recognition to the importance of the expired utility patents, and their evidentiary significance, in establishing the functionality of the device. The error likely was caused by its misinterpretation of trade dress principles in other respects. As we have noted, even if there has been no previous utility patent the party asserting trade dress has the burden to establish the nonfunctionality of alleged trade dress features. MDI could not meet this burden. Discussing trademarks, we have said " '[i]n general terms, a product feature is functional,' and cannot serve as a trademark, 'if it is essential to the use or purpose of the article or if it affects the cost or

quality of the article.' " *Qualitex,* 514 U.S., at 165, 115 S.Ct. 1300 (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844, 850, n. 10, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982)). Expanding upon the meaning of this phrase, we have observed that a functional feature is one the "exclusive use of [which] would put competitors at a significant non- reputation-related disadvantage." 514 U.S., at 165, 115 S.Ct. 1300. The Court of Appeals in the instant case seemed to interpret this language to mean that a necessary test for functionality is "whether the particular product configuration is a competitive necessity." 200 F.3d, at 940. See also *Vornado,* 58 F.3d, at 1507 ("Functionality, by contrast, has been defined ***33** both by our circuit, and more recently by the Supreme Court, in terms of competitive need"). This was incorrect as a comprehensive definition. As explained in *Qualitex, supra,* and *Inwood, supra,* a feature is also functional when it is essential to the use or purpose of the device or when it affects the cost or quality of the device. The *Qualitex* decision did not purport to displace this ****1262** traditional rule. Instead, it quoted the rule as *Inwood* had set it forth. It is proper to inquire into a "significant non-reputation-related disadvantage" in cases of aesthetic functionality, the question involved in *Qualitex.* Where the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is a competitive necessity for the feature. In *Qualitex,* by contrast, aesthetic functionality was the central question, there having been no indication that the green-gold color of the laundry press pad had any bearing on the use or purpose of the product or its cost or quality.

The Court has allowed trade dress protection to certain product features that are inherently distinctive. *Two Pesos,* 505 U.S., at 774, 112 S.Ct. 2753. In *Two Pesos,* however, the Court at the outset made the explicit analytic assumption that the trade dress features in question (decorations and other features to evoke a Mexican theme in a restaurant) were not functional. *Id.,* at 767, n. 6, 112 S.Ct. 2753. The trade dress in those cases did not bar competitors from copying functional product design features. In the instant case, beyond serving the purpose of informing consumers that the sign stands are made by MDI (assuming it does so), the dual-spring design provides a unique and useful mechanism to resist the force of the wind. Functionality having been established, whether MDI's dual-spring design has acquired secondary meaning need not be considered.

There is no need, furthermore, to engage, as did the Court of Appeals, in speculation about other design possibilities, such as using three or four springs which might serve the same purpose. 200 F.3d, at 940. Here, the functionality of the spring design means that competitors need not explore ***34** whether other spring juxtapositions might be used. The dual-spring design is not an arbitrary flourish in the configuration of MDI's product; it is the reason the device works. Other designs need not be attempted.

Because the dual-spring design is functional, it is unnecessary for competitors to explore designs to hide the springs, say by using a box or framework to cover them, as suggested by the Court of Appeals. *Ibid.* The dual-spring design assures the user the device will work. If buyers are assured the product serves its purpose by seeing the operative mechanism that in itself serves an important market need. It would be at cross-purposes to those objectives, and something of a paradox, were we to require the manufacturer to conceal the very item the user seeks.

In a case where a manufacturer seeks to protect arbitrary, incidental, or ornamental aspects of features of a product found in the patent claims, such as arbitrary curves in the legs or an ornamental pattern painted on the springs, a different result might obtain. There the manufacturer could perhaps prove that those aspects do not serve a purpose within the terms of the utility patent. The inquiry into whether such features, asserted to be trade dress, are functional by reason of their inclusion in the claims of an expired utility patent could be aided by going beyond the claims and examining the patent and its prosecution history to see if the feature in question is shown as a useful part of the invention. No such claim is made here, however. MDI in essence seeks protection for the dual-spring design alone. The asserted trade dress consists simply of the dual-spring design, four legs, a base, an upright, and a sign. MDI has pointed to nothing arbitrary about the components of its device or the way they are assembled. The Lanham Act does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity. The Lanham Act, furthermore, does not protect trade dress in a functional design simply ***35** because an investment has been made to encourage the public to associate a particular functional ****1263** feature with a single manufacturer or seller. The Court of Appeals erred in viewing MDI as possessing the right to exclude competitors from using a design identical to MDI's and to require those competitors to adopt a different design simply to avoid copying it. MDI cannot gain the exclusive right to produce sign stands using the dual-spring design by asserting that consumers associate it with the look of the invention itself. Whether a utility patent has expired or there has been no utility patent at all, a product design which has a particular appearance may be functional because it is "essential to the use or purpose of the article" or " affects the cost or quality of the article." *Inwood,* 456 U.S., at 850, n. 10, 102 S.Ct. 2182.

TrafFix and some of its *amici* argue that the Patent Clause of the Constitution, Art. I, § 8, cl. 8, of its own force, prohibits the holder of an expired utility patent from claiming trade dress protection. Brief for Petitioner 33-36; Brief for Panduit Corp. as *Amicus Curiae* 3; Brief for Malla Pollack as *Amicus Curiae* 2. We need not resolve this question. If, despite the rule that functional features may not be the subject of trade dress protection, a case arises in which trade dress becomes the practical equivalent of an expired utility patent, that will be time enough to consider the matter. The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

U.S.,2001.

Traffix Devices, Inc. v. Marketing Displays, Inc.

121 S.Ct. 1255, 532 U.S. 23, 149 L.Ed.2d 164, 69 USLW 4172, 58 U.S.P.Q.2d 1001, 1 Cal. Daily Op. Serv. 2223, 2001 Daily Journal D.A.R. 2796, 14 Fla. L. Weekly Fed. S 135, 2001 DJCAR 1496

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146 L.Ed.2d 182, 54 U.S.P.Q.2d 1065, 00 Cal. Daily Op. Serv. 2270, 2000 Daily Journal D.A.R. 3057

Supreme Court of the United States

WAL-MART STORES, INC., Petitioner,

v.

SAMARA BROTHERS, INC.

No. 99-150.

Argued Jan. 19, 2000.

Decided March 22, 2000.

Children's clothing designer and manufacturer brought action against retailer that sold "knockoff" copies of designer's clothes, alleging infringement of unregistered trade dress. After jury returned verdict in favor of designer, the United States District Court for the Southern District of New York, Denny Chin, J., 969 F.Supp. 895, denied retailer's motion for judgment as matter of law (JMOL) and its request for a new trial. Retailer appealed. The Court of Appeals, 165 F.3d 120, affirmed denial of JMOL and retailer appealed. After granting certiorari, the Supreme Court, Justice Scalia, held that product design is entitled to protection as unregistered trade dress only if it has acquired secondary meaning.
Judgment of Court of Appeals reversed and case remanded.

West Headnotes

[1] KeyCite Notes

382 Trade Regulation
382I Trade-Marks and Trade-Names and Unfair Competition
382I(A) Marks and Names Subjects of Ownership
382k43 k. Form, Size, or Shape, of Articles or Containers. Most Cited Cases

Trade dress constitutes "symbol" or "device" for purposes of Lanham Act provision protecting unregistered symbol or device if use is likely to cause confusion. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

[2] KeyCite Notes

382 Trade Regulation
382I Trade-Marks and Trade-Names and Unfair Competition
382I(A) Marks and Names Subjects of Ownership
382k10 k. Distinctiveness and Novelty. Most Cited Cases

382 Trade Regulation
382I Trade-Marks and Trade-Names and Unfair Competition

382I(E) Infringement
382k334 Confusion or Deception of Public
382k334.1 k. In General. Most Cited Cases

An unregistered mark can be "distinctive," for purposes of a Lanham Act provision protecting unregistered marks if their use is likely to cause confusion, if its intrinsic nature serves to identify a particular source, so that it is inherently distinctive, or if it has acquired a secondary meaning, so that, in the minds of the public, the primary significance of the mark is to identify the source of the product rather than the product itself. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

[3] KeyCite Notes

382 Trade Regulation
382I Trade-Marks and Trade-Names and Unfair Competition
382I(A) Marks and Names Subjects of Ownership
382k43 k. Form, Size, or Shape, of Articles or Containers. Most Cited Cases

382 Trade Regulation
382I Trade-Marks and Trade-Names and Unfair Competition
382I(F) Unfair Competition
382I(F)2 Use of Trade-Marks or Trade-Names
382k478 k. Secondary Meaning. Most Cited Cases

Product design, like color, is not inherently distinctive, and, thus, is entitled to protection under Lanham Act as unregistered trade dress only upon showing that it has acquired secondary meaning; product design almost invariably serves purposes other than source identification, and, if any design were inherently source-identifying but had not yet acquired secondary meaning, producer could ordinarily secure design patent or copyright. Lanham Trade-Mark Act, § 43(a), 15 U.S.C.A. § 1125(a).

*****1340** Syllabus* [FN*]

FN* The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.,* 200 U.S. 321, 337, 26 S.Ct. 282, 50 L.Ed. 499.

Respondent Samara Brothers, Inc., designs and manufactures a line of children's clothing. Petitioner Wal-Mart Stores, Inc., contracted with a supplier to manufacture outfits based on photographs of Samara garments. After discovering that Wal-Mart and other retailers were selling the so-called knockoffs, Samara brought this action for, *inter alia,* infringement of unregistered trade dress under § 43(a) of the Trademark Act of 1946 (Lanham Act). The jury found for Samara. Wal-Mart then renewed a motion for judgment as a matter of law, claiming that there was insufficient evidence to support a conclusion that Samara's clothing designs could be legally protected as distinctive trade dress for purposes of § 43(a). The District Court denied the motion and awarded Samara relief. The Second Circuit affirmed the denial of the motion.

Held: In a § 43(a) action for infringement of unregistered trade dress, a product's design is distinctive, and therefore protectible, only upon a showing of secondary meaning. Pp. 1342-1346.

(a) In addition to protecting registered trademarks, the Lanham Act, in § 43(a), gives a producer a cause of action for the use by any person of "any ... symbo[l] or device ... likely to cause confusion ... as to the origin ... of his or her goods." The breadth of the confusion-producing elements actionable under § 43(a) has been held to embrace not just word marks and symbol marks, but also "trade dress"--a category that originally included only the packaging, or "dressing," of a product, but in recent years has been expanded by many Courts of Appeals to encompass the product's design. These courts have correctly assumed that trade dress constitutes a "symbol" or "device" for Lanham Act purposes. Although § 43(a) does not explicitly require a producer to show that its trade dress is distinctive, courts have universally imposed that requirement, since without distinctiveness the trade dress would not "cause confusion ... as to ... origin," as § 43(a) requires. In evaluating distinctiveness, courts have differentiated between marks that are inherently distinctive--*i.e.,* marks whose intrinsic nature serves to identify their particular source--and marks that have acquired distinctiveness through secondary meaning--*i.e.,* marks whose primary significance, in the minds of the public, is to identify the product's source rather than ***206** the product itself. This Court has held, however, that applications of at least one category of mark--color--can *never* be inherently distinctive, although they can be protected upon a showing of secondary meaning. *Qualitex Co. v. Jacobson Products Co.,* 514 U.S. 159, 162-163, 115 S.Ct. 1300, 131 L.Ed.2d 248. Pp. 1342-1344.

*****1341*** (b) Design, like color, is not inherently distinctive. The attribution of inherent distinctiveness to certain categories of word marks and product packaging derives from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive package, is most often to identify the product's source. Where it is not reasonable to assume consumer predisposition to take an affixed word or packaging as indication of source, inherent distinctiveness will not be found. With product design, as with color, consumers are aware of the reality that, almost invariably, that feature is intended not to identify the source, but to render the product itself more useful or more appealing. Pp. 1344-1345.

(c) *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 112 S.Ct. 2753, 120 L.Ed.2d 615, does not foreclose the Court's conclusion, since the trade dress there at issue was restaurant decor, which does not constitute product *design,* but rather product packaging or else some *tertium quid* that is akin to product packaging and has no bearing on the present case. While distinguishing *Two Pesos* might force courts to draw difficult lines between product-design and product-packaging trade dress, the frequency and difficulty of having to distinguish between the two will be much less than the frequency and difficulty of having to decide when a product design is inherently distinctive. To the extent there are close cases, courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning. Pp. 1345-1346.

165 F.3d 120, reversed and remanded.

SCALIA, J., delivered the opinion for a unanimous Court.

William D. Coston, Washington, DC, for petitioner.
Lawrence G. Wallace, Washington, DC, for United States as amicus curiae, by special leave of the Court.
207 Stuart M. Riback, New York City, for respondent.
For U.S. Supreme Court Briefs See:
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1999 WL 1045132 (Amicus.Brief)
1999 WL 1045127 (Amicus.Brief)
1999 WL 1045126 (Amicus.Brief)
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Justice SCALIA delivered the opinion of the Court.
In this case, we decide under what circumstances a product's design is distinctive, and therefore protectible, in an action for infringement of unregistered trade dress under § 43(a) of the Trademark Act of 1946 (Lanham Act), 60 Stat. 441, as amended, 15 U.S.C. § 1125(a).

I

Respondent Samara Brothers, Inc., designs and manufactures children's clothing. Its primary product is a line of spring/summer one-piece seersucker outfits decorated with appliques of hearts, flowers, fruits, and the like. A number of chain stores, including JCPenney, sell this line of clothing under contract with Samara.
Petitioner Wal-Mart Stores, Inc., is one of the Nation's best known retailers, selling among other things children's clothing. In 1995, Wal-Mart contracted with one of its suppliers, Judy-Philippine, Inc., to manufacture a line of children's outfits for sale in the 1996 spring/summer season. Wal-Mart sent Judy-Philippine photographs of a number of garments from Samara's line, on which Judy-Philippine's garments were to be based; Judy-Philippine duly copied, with ***208*** only minor modifications, 16 of Samara's garments, many of which contained copyrighted elements. In 1996, Wal-Mart briskly sold the so- called knockoffs, generating more than $1.15 million in gross profits.
In June 1996, a buyer for JCPenney called a representative at Samara to complain that she had seen Samara garments ****1342*** on sale at Wal-Mart for a lower price than JCPenney was allowed to charge under its contract with Samara. The Samara representative told the buyer that Samara did not supply its clothing to Wal-Mart. Their suspicions aroused, however, Samara officials launched an investigation, which disclosed that Wal-Mart and several other major retailers--Kmart, Caldor, Hills, and Goody's--were selling the knockoffs of Samara's outfits produced by Judy-Philippine.
After sending cease-and-desist letters, Samara brought this action in the United States District Court for the Southern District of New York against Wal- Mart, Judy-Philippine, Kmart,

Caldor, Hills, and Goody's for copyright infringement under federal law, consumer fraud and unfair competition under New York law, and--most relevant for our purposes--infringement of unregistered trade dress under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). All of the defendants except Wal-Mart settled before trial.

After a weeklong trial, the jury found in favor of Samara on all of its claims. Wal-Mart then renewed a motion for judgment as a matter of law, claiming, *inter alia,* that there was insufficient evidence to support a conclusion that Samara's clothing designs could be legally protected as distinctive trade dress for purposes of § 43(a). The District Court denied the motion, 969 F.Supp. 895 (S.D.N.Y.1997), and awarded Samara damages, interest, costs, and fees totaling almost $1.6 million, together with injunctive relief, see App. to Pet. for Cert. 56-58. The Second Circuit affirmed the denial of the motion for judgment as a matter of law, 165 F.3d 120 (1998), and we granted certiorari, 528 U.S. 808, 120 S.Ct. 308, 145 L.Ed.2d 35 (1999).

***209** II

The Lanham Act provides for the registration of trademarks, which it defines in § 45 to include "any word, name, symbol, or device, or any combination thereof [used or intended to be used] to identify and distinguish [a producer's] goods ... from those manufactured or sold by others and to indicate the source of the goods...." 15 U.S.C. § 1127. Registration of a mark under § 2 of the Lanham Act, 15 U.S.C. § 1052, enables the owner to sue an infringer under § 32, 15 U.S.C. § 1114; it also entitles the owner to a presumption that its mark is valid, see § 7(b), 15 U.S.C. § 1057(b), and ordinarily renders the registered mark incontestable after five years of continuous use, see § 15, 15 U.S.C. § 1065. In addition to protecting registered marks, the Lanham Act, in § 43(a), gives a producer a cause of action for the use by any person of "any word, term, name, symbol, or device, or any combination thereof ... which ... is likely to cause confusion ... as to the origin, sponsorship, or approval of his or her goods...." 15 U.S.C. § 1125(a). It is the latter provision that is at issue in this case.

[1] The breadth of the definition of marks registrable under § 2, and of the confusion-producing elements recited as actionable by § 43(a), has been held to embrace not just word marks, such as "Nike," and symbol marks, such as Nike's "swoosh" symbol, but also "trade dress"--a category that originally included only the packaging, or "dressing," of a product, but in recent years has been expanded by many Courts of Appeals to encompass the design of a product. See, *e.g., Ashley Furniture Industries, Inc. v. Sangiacomo N. A., Ltd.,* 187 F.3d 363 (C.A.4 1999) (bedroom furniture); *Knitwaves, Inc. v. Lollytogs, Ltd.,* 71 F.3d 996 (C.A.2 1995) (sweaters); *Stuart Hall Co., Inc. v. Ampad Corp.,* 51 F.3d 780 (C.A.8 1995) (notebooks). These courts have assumed, often without discussion, that trade dress constitutes a "symbol" or "device" for purposes of the relevant sections, and we conclude likewise. "Since human beings might use as a 'symbol' ***210** or 'device' almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive." ****1343** *Qualitex Co. v. Jacobson Products Co.,* 514 U.S. 159, 162, 115 S.Ct. 1300, 131 L.Ed.2d 248 (1995). This reading of § 2 and § 43(a) is buttressed by a recently added subsection of § 43(a), § 43(a)(3), which refers specifically to "civil action[s] for trade dress infringement under this chapter for trade dress not registered on the principal register." 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V).

The text of § 43(a) provides little guidance as to the circumstances under which unregistered trade dress may be protected. It does require that a producer show that the allegedly infringing feature is not "functional," see § 43(a)(3), and is likely to cause confusion with the product for which protection is sought, see § 43(a)(1)(A), 15 U.S.C. § 1125(a)(1)(A). Nothing in § 43(a)

explicitly requires a producer to show that its trade dress is distinctive, but courts have universally imposed that requirement, since without distinctiveness the trade dress would not "cause confusion ... as to the origin, sponsorship, or approval of [the] goods," as the section requires. Distinctiveness is, moreover, an explicit prerequisite for registration of trade dress under § 2, and "the general principles qualifying a mark for registration under § 2 of the Lanham Act are for the most part applicable in determining whether an unregistered mark is entitled to protection under § 43(a)." *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 768, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992) (citations omitted).
[2] In evaluating the distinctiveness of a mark under § 2 (and therefore, by analogy, under § 43(a)), courts have held that a mark can be distinctive in one of two ways. First, a mark is inherently distinctive if "[its] intrinsic nature serves to identify a particular source." *Ibid.* In the context of word marks, courts have applied the now-classic test originally formulated by Judge Friendly, in which word marks that are "arbitrary" ("Camel" cigarettes), "fanciful" ("Kodak" film), or "suggestive" ("Tide" laundry detergent) are held to be inherently ***211** distinctive. See *Abercrombie & Fitch Co. v. Hunting World, Inc.,* 537 F.2d 4, 10-11 (C.A.2 1976). Second, a mark has acquired distinctiveness, even if it is not inherently distinctive, if it has developed secondary meaning, which occurs when, "in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself." *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.,* 456 U.S. 844, 851, n. 11, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982). [FN*]

> FN* The phrase "secondary meaning" originally arose in the context of word marks, where it served to distinguish the source-identifying meaning from the ordinary, or "primary," meaning of the word. "Secondary meaning" has since come to refer to the acquired, source-identifying meaning of a nonword mark as well. It is often a misnomer in that context, since nonword marks ordinarily have no "primary" meaning. Clarity might well be served by using the term "acquired meaning" in both the word-mark and the nonword-mark contexts--but in this opinion we follow what has become the conventional terminology.

The judicial differentiation between marks that are inherently distinctive and those that have developed secondary meaning has solid foundation in the statute itself. Section 2 requires that registration be granted to any trademark "by which the goods of the applicant may be distinguished from the goods of others"--subject to various limited exceptions. 15 U.S.C. § 1052. It also provides, again with limited exceptions, that "nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce"--that is, which is not inherently distinctive but has become so only through secondary meaning. § 2(f), 15 U.S.C. § 1052(f). Nothing in § 2, however, demands the conclusion that *every* category of mark necessarily includes some marks "by which the goods of the applicant may be distinguished from the goods of others" *without* secondary meaning--****1344** that in every category some marks are inherently distinctive.
Indeed, with respect to at least one category of mark--colors--we have held that no mark can ever be inherently distinctive. See *Qualitex, supra,* at 162-163, 115 S.Ct. 1300. In *Qualitex,* ***212** petitioner manufactured and sold green-gold dry-cleaning press pads. After respondent began selling pads of a similar color, petitioner brought suit under § 43(a), then added a claim

under § 32 after obtaining registration for the color of its pads. We held that a color could be protected as a trademark, but only upon a showing of secondary meaning. Reasoning by analogy to the *Abercrombie & Fitch* test developed for word marks, we noted that a product's color is unlike a "fanciful," "arbitrary," or "suggestive" mark, since it does not "almost *automatically* tell a customer that [it] refer[s] to a brand," 514 U.S., at 162-163, 115 S.Ct. 1300, and does not "immediately ... signal a brand or a product 'source,' " *id.,* at 163, 115 S.Ct. 1300. However, we noted that, "over time, customers may come to treat a particular color on a product or its packaging ... as signifying a brand." *Ibid.* Because a color, like a "descriptive" word mark, could eventually "come to indicate a product's origin," we concluded that it could be protected *upon a showing of secondary meaning. Ibid.*

[3] It seems to us that design, like color, is not inherently distinctive. The attribution of inherent distinctiveness to certain categories of word marks and product packaging derives from the fact that the very purpose of attaching a particular word to a product, or encasing it in a distinctive packaging, is most often to identify the source of the product. Although the words and packaging can serve subsidiary functions--a suggestive word mark (such as "Tide" for laundry detergent), for instance, may invoke positive connotations in the consumer's mind, and a garish form of packaging (such as Tide's squat, brightly decorated plastic bottles for its liquid laundry detergent) may attract an otherwise indifferent consumer's attention on a crowded store shelf--their predominant function remains source identification. Consumers are therefore predisposed to regard those symbols as indication of the producer, which is why such symbols "almost *automatically* tell a customer that they refer to a brand," *id.,* at 162-163, 115 S.Ct. 1300, and "immediately ... signal a brand ***213** or a product 'source,' " *id.,* at 163, 115 S.Ct. 1300. And where it is not reasonable to assume consumer predisposition to take an affixed word or packaging as indication of source-- where, for example, the affixed word is descriptive of the product ("Tasty" bread) or of a geographic origin ("Georgia" peaches)--inherent distinctiveness will not be found. That is why the statute generally excludes, from those word marks that can be registered as inherently distinctive, words that are "merely descriptive" of the goods, § 2(e)(1), 15 U.S.C. § 1052(e)(1), or "primarily geographically descriptive of them," see § 2(e)(2), 15 U.S.C. § 1052(e)(2). In the case of product design, as in the case of color, we think consumer predisposition to equate the feature with the source does not exist. Consumers are aware of the reality that, almost invariably, even the most unusual of product designs--such as a cocktail shaker shaped like a penguin--is intended not to identify the source, but to render the product itself more useful or more appealing.

The fact that product design almost invariably serves purposes other than source identification not only renders inherent distinctiveness problematic; it also renders application of an inherent-distinctiveness principle more harmful to other consumer interests. Consumers should not be deprived of the benefits of competition with regard to the utilitarian and esthetic purposes that product design ordinarily serves by a rule of law that facilitates plausible threats of suit against new entrants based upon alleged inherent distinctiveness. How easy it is to mount a plausible suit depends, of course, upon the ****1345** clarity of the test for inherent distinctiveness, and where product design is concerned we have little confidence that a reasonably clear test can be devised. Respondent and the United States as *amicus curiae* urge us to adopt for product design relevant portions of the test formulated by the Court of Customs and Patent Appeals for product packaging in *Seabrook Foods, Inc. v. Bar-Well Foods, Ltd.,* 568 F.2d 1342 (1977). That opinion, in determining the inherent distinctiveness of a product's packaging, considered, among ***214** other things, "whether it was a 'common' basic shape or design, whether it was unique or unusual in a particular field, [and] whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods." *Id.,* at 1344 (footnotes omitted). Such a test would rarely provide the basis for summary disposition of an anticompetitive strike suit. Indeed, at oral argument, counsel for the United States quite understandably would not give a definitive answer as to whether the test was met in this very case, saying only that "[t]his is a very difficult case for that purpose." Tr. of Oral Arg. 19.

It is true, of course, that the person seeking to exclude new entrants would have to establish the nonfunctionality of the design feature, see § 43(a)(3), 15 U.S.C. § 1125(a)(3) (1994 ed., Supp. V)--a showing that may involve consideration of its esthetic appeal, see *Qualitex, supra,* at 170, 115 S.Ct. 1300. Competition is deterred, however, not merely by successful suit but by the plausible threat of successful suit, and given the unlikelihood of inherently source-identifying design, the game of allowing suit based upon alleged inherent distinctiveness seems to us not worth the candle. That is especially so since the producer can ordinarily obtain protection for a design that *is* inherently source identifying (if any such exists), but that does not yet have secondary meaning, by securing a design patent or a copyright for the design--as, indeed, respondent did for certain elements of the designs in this case. The availability of these other protections greatly reduces any harm to the producer that might ensue from our conclusion that a product design cannot be protected under § 43(a) without a showing of secondary meaning.

Respondent contends that our decision in *Two Pesos* forecloses a conclusion that product-design trade dress can never be inherently distinctive. In that case, we held that the trade dress of a chain of Mexican restaurants, which the plaintiff described as "a festive eating atmosphere having ***215** interior dining and patio areas decorated with artifacts, bright colors, paintings and murals," 505 U.S., at 765, 112 S.Ct. 2753 (internal quotation marks and citation omitted), could be protected under § 43(a) without a showing of secondary meaning, see *id.,* at 776, 112 S.Ct. 2753. *Two Pesos* unquestionably establishes the legal principle that trade dress can be inherently distinctive, see, *e.g., id.,* at 773, 112 S.Ct. 2753, but it does not establish that *product-design* trade dress can be. *Two Pesos* is inapposite to our holding here because the trade dress at issue, the decor of a restaurant, seems to us not to constitute product *design.* It was either product packaging--which, as we have discussed, normally *is* taken by the consumer to indicate origin--or else some *tertium quid* that is akin to product packaging and has no bearing on the present case.

Respondent replies that this manner of distinguishing *Two Pesos* will force courts to draw difficult lines between product-design and product- packaging trade dress. There will indeed be some hard cases at the margin: a classic glass Coca-Cola bottle, for instance, may constitute packaging for those consumers who drink the Coke and then discard the bottle, but may constitute the product itself for those consumers who are bottle collectors, or part of the product itself for those consumers who buy Coke in the classic glass bottle, rather than a can, because they think it more ****1346** stylish to drink from the former. We believe, however, that the frequency and the difficulty of having to distinguish between product design and product packaging will be much less than the frequency and the difficulty of having to decide when a product design is inherently distinctive. To the extent there are close cases, we believe that courts should err on the side of caution and classify ambiguous trade dress as product design, thereby requiring secondary meaning. The very closeness will suggest the existence of relatively small utility in adopting an inherent-distinctiveness principle, and relatively great consumer benefit in requiring a demonstration of secondary meaning.

****216*** * * *

We hold that, in an action for infringement of unregistered trade dress under § 43(a) of the Lanham Act, a product's design is distinctive, and therefore protectible, only upon a showing of secondary meaning. The judgment of the Second Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

U.S.,2000.

Wal-Mart Stores, Inc. v. **Samara** Bros., Inc.

120 S.Ct. 1339, 529 U.S. 205, 146 L.Ed.2d 182, 54 U.S.P.Q.2d 1065, 00 Cal. Daily Op. Serv. 2270, 2000 Daily Journal D.A.R. 3057

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Supreme Court No. S102588

IN THE
SUPREME COURT OF CALIFORNIA

DVD COPY CONTROL ASSOCIATION, INC.,	Court of Appeal No. H021153
Plaintiff/Respondent,	Superior Court No. CV 786804
v.	
ANDREW BUNNER,	
Defendant/Appellant.	

After a Decision of the Court of Appeal, Sixth District,
Reversing a Judgment of the Superior Court,
Santa Clara County, Hon. William J. Elfving

BRIEF OF MICROSOFT CORPORATION, FORD MOTOR COMPANY, THE BOEING COMPANY, SEARS, ROEBUCK & CO., THE PROCTER & GAMBLE COMPANY, AOL TIME WARNER INC., BELLSOUTH CORPORATION, THE COCA-COLA COMPANY, AND THE NATIONAL ASSOCIATION OF MANUFACTURERS AS *AMICI CURIAE* SUPPORTING PLAINTIFF/RESPONDENT

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INTEREST OF *AMICI*

This case presents questions of profound importance concerning the proper reconciliation between trade secret law, as it has developed over the centuries, and the guarantees of free speech contained in the First Amendment to the U.S. Constitution and the Liberty of Speech Clause of the California Constitution. These issues are brought to the fore by the Court of Appeal's unprecedented holding that an injunction prohibiting an Internet web site operator from disclosing trade secrets violates his right to free speech.

The *amici* – Microsoft Corporation, Ford Motor Company, The Boeing Company, Sears, Roebuck & Co., The Procter & Gamble Company, AOL Time Warner Inc., BellSouth Corporation, The Coca-Cola Company, and the National Association of Manufacturers ("NAM")[1] – represent a wide range of large American corporations and businesses spanning the software, automotive, aerospace, retail, consumer-products, internet access, entertainment, telecommunications, food-and-beverage, and manufacturing industries, all of which rely on trade secret law to protect valuable and sensitive information. During the past year alone, *amici*'s combined sales, not even counting those of NAM's membership, totaled more than $410 billion. *Amici* are alarmed that if the lower court's decision is upheld, its consequences will extend well beyond the unlawful publication of trade secrets in this case to include a much broader array of

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[1] NAM is the nation's largest industrial trade association. The NAM represents 14,000 members (including 10,000 small and medium-sized companies) and 350 member associations serving the manufacturers and employees in every industrial sector and all 50 states. Its members employ 18 million people in manufacturing enterprises throughout the United States.

situations in which the intellectual property of American business is embedded in trade secrets.[2] If the decision is affirmed, businesses will no longer be able to rely on California courts to preserve a wide range of trade secrets, from customer lists to blueprints to industrial know-how – even the secret formula for Coca-Cola. The loss to California will be that valuable trade secrets will not be protected against unlawful misappropriation and disclosure, and the State could become a haven for intellectual property thieves.

The sweep of the issues before this Court is profound. Eliminating trade secret protection whenever the First Amendment is invoked will reduce the productivity of businesses, which will have negative effects on the overall rate of innovation. In today's digital age, as this case demonstrates, the loss of effective judicial protection for trade secrets means that processes developed and employed by U.S. companies could easily be disseminated worldwide, destroying a principal advantage of U.S. companies in the global marketplace.

For this reason, *amici* believe it is imperative that courts issue injunctions – as they have always done – to protect the value of intellectual property, including patents, copyrights, trademarks, *and* trade secrets. Contrary to Defendant Bunner's arguments, the First Amendment is

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[2] Although employees of *amici* Microsoft and AOL Time Warner (through its subsidiary, Warner Bros.) currently serve on the board of plaintiff DVDCCA, those employees serve only in their personal capacities. In any event, Microsoft and AOL Time Warner write here to address their much broader and independent interest in the scope of protection for their trade secrets. The ramifications of the Court of Appeal's decision extend far beyond the specific trade secret of DVDCCA to the trade secret rights of all companies who might find their valuable intellectual property misappropriated by someone in the State of California.

entirely compatible with intellectual property owners' rights to seek injunctive relief, and the Constitution does not require an unwise disruption of settled commercial expectations. Indeed, the decision below is squarely at odds with *Universal City Studios, Inc. v. Corley* (2d Cir. 2001) 273 F.3d 429, in which the court gave persuasive reasons for sustaining, against a First Amendment challenge, an injunction issued under the Digital Millennium Copyright Act, 17 U.S.C. § 1201 et seq. (Supp. V 1999).

SUMMARY OF FACTS

Plaintiff offers a technology known as the Content Scramble System ("CSS") that protects commercial movies released in DVD format from unlawful copying. To achieve this end, CSS uses secret encryption keys in combination with certain algorithms to protect DVD titles from unauthorized access and copying. Norwegian Jon Johansen obtained access to CSS and one of its keys through a process the lower courts assumed at this stage of the proceedings to be improper.[3] He used that information to create a computer program known as "DeCSS" that decrypts DVD titles without authorization. Andrew Bunner, the defendant in this case, obtained DeCSS and posted it on his website.

Plaintiff is not in a position to alter its CSS system in response to DeCSS because its members have already sold hundreds of millions of CSS-encoded DVDs and consumers have spent billions of dollars to purchase CSS-compatible DVD equipment. The lower courts assumed at this stage of the proceedings that when Bunner posted DeCSS on his web

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[3] Hence, the issue of how Johansen acquired the trade secret, including the propriety of reverse engineering, is not implicated at this stage of the proceedings, and this brief takes no position on the issue.

site he knew, or had reason to know, that it had been illegally obtained. The only secure and effective relief for this misappropriation of a trade secret is an injunction, which, as issued by the trial judge, prohibited

> [p]osting or otherwise disclosing or distributing, on their websites or elsewhere, the DeCSS program, the master keys or algorithms of the Content Scrambling System ("CSS"), or any other information derived from this propriety information.

In view of the potential free speech issues presented, the trial judge narrowed the injunction's scope to accommodate the defendant's legitimate First Amendment interest in discussing aspects of CSS:

> Nothing in this Order shall prohibit discussion, comment or criticism, so long as the proprietary information identified above is not disclosed or distributed.

INTRODUCTION AND SUMMARY OF THE ARGUMENT

1. Trade secrets are recognized as private property under the laws of every State, *see* Restatement First of Torts § 757 (1939), and the U.S. Supreme Court has held that trade secrets are a form of private property protected under the Fifth Amendment of the U.S. Constitution. Trade secret protection applies in circumstances in which other forms of intellectual property rights are inadequate or unavailable, and thus trade secrets are indispensable in any regime of intellectual property rights. The Supreme Court has emphatically held that nothing in the federal law of copyrights and patents preempts the state law of trade secrets. *See Kewanee Oil Co. v. Bicron Corp.* (1974) 416 U.S. 470, 473-74 [94 S. Ct. 1879, 1882-84, 40 L. Ed. 2d 315, 320-22].

2. In most cases the misappropriator of trade secrets is a competitor of the trade secret owner, and thus has no incentive to publicize his wrongdoing; accordingly, the First Amendment and trade secret law typically do not overlap. In a limited but growing number of cases, however, a party who obtains a trade secret is intent not upon its illegal commercial use, but upon its destruction, which it seeks to achieve by placing the trade secret into the public domain. In such cases, an injunction against publication is often the only way a court can prevent destruction of the trade secret. With rare exceptions, such injunctions, which are issued on viewpoint neutral grounds, do not violate the First Amendment.

In some First Amendment contexts, courts typically refuse to issue injunctions and require the plaintiff to be content with a damages remedy. In defamation cases, for example, the risks of censorship are manifest. It is often difficult to determine whether a given statement is true or false, or even whether it is a protected statement of opinion. An injunction therefore runs the risk of denying the public information about matters of political, social, or intellectual importance.

In contrast, the issuance of injunctions against the unauthorized republication of copyrighted material is entirely consistent with the First Amendment. Injunctions against copyright infringement serve to promote interests in creating expression, while a "fair use" privilege ensures that copyrighted speech is not insulated from comment. In contrast to defamation, the equities involved in a copyright infringement generally are not difficult for a court to determine, so the risk of censoring speech that is important to the public debate is minimized. Vigorous counterspeech offers some protection against defamation, but is useless when intellectual property infringement is concerned.

In determining whether injunctions may issue consistent with the First Amendment, trade secrets are more like copyrighted materials than defamatory statements. As with copyrights, there are no public gains from the publication of encryption technologies, customer lists, blueprints, or industrial know-how. Moreover, damages frequently are wholly ineffective when it comes to protecting the value of a trade secret to its owner. Finally, in sharp contrast with defamation, counterspeech does nothing to diminish the impact of the loss. Violations of trade secrets frustrate the private communication of others. No citizen has a right to demand that a stranger release his trade secrets to the public. Nor should any person who knowingly receives a trade secret from a thief be able to disclose that information with impunity.

Trade secret cases are not about preserving the right to criticize government officials, public figures, or public policy, nor in the typical case do they aid the search for truth in the marketplace of ideas. Save in the most exceptional case (and certainly not this one), the vindication of trade secrets through injunctive relief does nothing to frustrate a compelling interest in public disclosure or to impair any legitimate First Amendment value. Indeed, in a parallel context, the matter was so clear to the Second Circuit in *Corley* that it upheld an injunction against publication of DeCSS without so much as mentioning Supreme Court decisions, such as *New York Times Co. v. United States* (1971) 403 U.S. 713 [91 S. Ct. 2140, 29 L. Ed. 2d 822], that rejected prior restraints of publications on matters of vital public concern.

The Court of Appeal's suggestion that injunctions are appropriate in copyright cases but not in trade secret cases is unpersuasive. It hardly matters that copyrights are created under federal law, while trade secret protection primarily arises under state law. Both are valuable property interests. Likewise, the copyright privilege of fair use makes no sense in the context of trade secrets, given that *any* disclosure may result in the immediate and permanent loss of a trade secret. For First Amendment purposes, moreover, it cannot matter that copyrights are protected for only "limited times," when that limited period is several decades and the dangers of prior restraint, when applicable, increase with each *day* of postponed publication.

3. Nor in the unusual but increasingly common circumstances where the trade secret has been improperly disseminated by others (as has happened in this case) should injunctive relief be denied solely on that basis. If the plaintiff's interest is diminished by contemporaneous publication of the trade secret, then the same is necessarily true of the defendant's interest, for he only seeks to disseminate the identical material already in the public domain, and thus adds nothing to the common discourse. Where dissemination is widespread, although it is true that an injunction against defendants in a single action may not prevent *all* wrongful disclosures, injunctive relief may still prevent substantial unauthorized redistribution, help preserve the economic value of the trade secret, and serve as a deterrent to other misappropriators.

ARGUMENT

I. TRADE SECRETS ARE AN ESSENTIAL FEATURE OF MODERN SOCIAL AND ECONOMIC LIFE THAT DESERVE FULL AND EFFECTIVE LEGAL PROTECTION.

Trade secrets occupy a central place in the modern economic life of the Nation. Large amounts of industrial know-how and other types of business information are held in the form of trade secrets, and courts have been uniformly steadfast in protecting these trade secrets from misappropriation by competitors and other individuals who seek to compromise their value. As the Seventh Circuit has recognized, "trade secret protection is an important part of intellectual property, a form of property that is of growing importance to the competitiveness of American industry. Patent protection is at once costly and temporary, and therefore cannot be regarded as a perfect substitute." *Rockwell Graphic Systems, Inc. v. DEV Industries, Inc.* (7th Cir. 1991) 925 F.2d 174, 180.

The strong legal protection afforded to trade secrets advances multiple interests. Most obviously, the protection eliminates "the unfairness inherent in obtaining a competitive advantage through a breach of confidence." Restatement Third of Unfair Competition § 39, comment *a* (1995). Legal protection of trade secrets is also "justified as a means to encourage investment in research by providing an opportunity capture the returns from successful innovations." *Id*. These gains are themselves increased when the holder of a trade secret is able to enter into confidentiality agreements with others for whom the trade secret is of value. Thus, trade secrets are useful in "facilitating disclosure to employees, agents, licensees, and others who can assist in their use." *Id*.

Consistent with this objective, the trend for both federal and state law has been to strengthen the protection accorded to trade secrets. Most notably, the U.S. Supreme Court in *Ruckelshaus v. Monsanto Co*. (1984) 467 U.S. 986, 1003-04 [104 S. Ct. 2862, 2872-74, 81 L. Ed. 2d 815, 832-34], held that trade secrets are a form of private property protected by the Constitution. As the *Ruckelshaus* Court observed, *id.* at 1001-1002 [104 S. Ct. at 2871-73, 81 L. Ed. 2d at 831-33], trade secrets have the key characteristics of property rights: they are assignable, may serve as the res for a trust, and pass to a trustee in bankruptcy.

Though trade secrets are a form of property created by state law, Congress itself has recognized the significant value of trade secrets to the American economy and enacted legislation to protect them by criminalizing their misappropriation under federal law. *See* Economic Espionage Act of 1996, 18 U.S.C. § 1832. Congress has also taken steps to ensure that trade secrets shared with the U.S. Government remain confidential. *See generally* Freedom of Information Act ("FOIA"), 5 U.S.C. § 552(b)(4) (trade secret exemption against disclosure). Further, Congress has built specific protections for trade secrets into many federal statutes. *See, e.g.*, Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. § 136h; 10 U.S.C. §§ 2320-21 (protection of trade secrets by Department of Defense).

It is widely understood that damages, although surely useful, are insufficient by themselves to protect trade secrets. Defendants may be insolvent or incapable of compensating plaintiffs for destruction of trade secrets of immense value. Moreover, it is often difficult to quantify the precise harm to the plaintiff, or benefit to the wrongdoer, that results from misappropriation of a trade secret. Injunctions protect the often immense value of trade secrets without having to quantify that value, or the extent to which it has been diminished. Owing to the inadequacy of damage remedies, "a defendant's continuing or threatened use or disclosure of a trade secret normally justifies an award of injunctive relief." Restatement Third of Unfair Competition § 44, comment *b* (1995); *see also* 18 U.S.C. § 1836 (availability of injunctive relief under Economic Espionage Act).

Significantly, trade secrets are protected not merely as contract rights, but as a form of private property. Section 1 of the Uniform Trade

Secrets Act ("UTSA") broadly defines misappropriation to include acquisition of trade secrets from individuals who themselves used improper means to acquire the information, as well as by inducing a breach of a confidentiality agreement. This provision is critical to American business – it ensures that trade secrets are not lost simply because they are transferred by someone who is in privity of contract with the holder of the trade secret to a third party who is not. This result is consistent with the general principle, applicable to other forms of property, that any person who takes property with notice that it belongs to another holds it in trust for the owner and can be made to disgorge the property. In the context of trade secrets, it is of course both futile and unnecessary to order the "return" of a trade secret, since the trade secret holder never lost the information in the first place. But by the same token it is critical to prevent the person in wrongful possession of the trade secret from making any use of it, which is why injunctive relief lies at the very heart of trade secret protection.

The need for injunctive relief is even more pressing in the digital age, when the time between unlawful conversion of a trade secret and its transmission to a third party can be measured in nanoseconds. Whatever may be the type or form of the trade secret, once converted into digital form it can be disseminated quickly all over the world. Every recipient is capable of retransmitting it, as this case demonstrates so clearly, and those subsequent recipients are themselves capable of retransmitting it, and so on, and so on. Given the Internet, the ramifications of a trade secret violation increase "exponential[ly] rather than linear[ly]." *Corley*, *supra*, 273 F.3d at 452.

In the digital world, therefore, the equities often tilt more sharply toward the grant of an injunction given both the immediacy and the potentially unlimited extent of unlawful disclosure, and the significant injury to the commercial interests of trade secret owners that can result.

II. THE USE OF INJUNCTIVE RELIEF TO PROHIBIT THE PUBLICATION OF TRADE SECRETS DOES NOT VIOLATE THE FIRST AMENDMENT.

A. Conduct Involving Mixed Speech and Non-Speech Receives Only Limited First Amendment Protection.

Without doubt, the constitutional protection of free speech plays a vital role in the development and preservation of a free society and a free people. Freedom of speech contributes to "the pursuit of truth, the accommodation among interests, the achievement of social stability, the exposure and deterrence of abuses of authority, personal autonomy and personality development, or the functioning of a democracy." *Commodity Futures Trading Commission v. Vartuli* (2d Cir. 2000) 228 F.3d 94, 111, citing Kent Greenawalt (1989) *Free Speech Justifications*, 89 Colum. L. Rev. 119. As companies representing a diverse cross-section of the American economy, *amici* firmly embrace these principles.

The right to speak is not unlimited, however. Each free speech claim must be weighed against legitimate or compelling interests of the government. Our Nation's laws permit criminalization of, or injunctive relief against, speech that is threatening, fraudulent, or furthers criminal action. In such cases, the courts apply the intermediate standard of review, as set forth in *United States v. O'Brien* (1968) 391 U.S. 367 [88 S. Ct. 1673, 20 L. Ed. 2d 672], and *Turner Broadcasting System, Inc. v.* FCC (1994) 512 U.S. 622 [114 S. Ct. 2445, 129 L. Ed. 2d 497]. This test only "requires … that the means chosen do not 'burden substantially more speech than is necessary to further the government's legitimate interests.'"

Turner Broadcasting, 512 U.S. at 662 [114 S. Ct. at 2469, 129 L. Ed. 2d at 530].

Similarly, merely invoking the First Amendment against a suit to enjoin a trade secret misappropriation does not end the case. Whether trade secret law in general or the issuance of an injunction in a particular case satisfies the First Amendment standard should be assessed under the *O'Brien* standard.

The State of California has a long standing and legitimate interest in safeguarding trade secrets, in order to foster the innovation and competition that they further. Corporations have engaged in substantial amounts of business activity in California in the expectation that California courts would recognize significant investments made in the development and use of trade secrets. By contrast, the misappropriation of trade secrets generally raises no compelling interest in favor of disclosure that would trample the interests and expectations in enforcing well-established property rights.[4] Typically, as here, no one challenges the importance of political debate or artistic and literary expression, or the importance of "a marketplace of ideas" in which citizens and consumers can make informed decisions about their public and personal choices.

The specific facts here, involving the use of computer code, also present very different issues, because they involve the intimate admixture of speech and non-speech conduct. For a trade secret plaintiff to prevail in

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4 Indeed, in this case the relevant balance is sharply in the opposite direction, since any state-authorized destruction of a trade secret counts as a presumptive taking of private property in violation of the Fifth Amendment to the United States Constitution under the Supreme Court's decision in *Ruckelshaus*, *supra*, 467 U.S. 986 [104 S. Ct. 2862, 81 L. Ed. 2d 815].

a case, it need not show that the underlying trade secret, such as the source and object codes here, does not contain *any* speech component. No one can doubt that both source and object code have the capacity to transmit information and so count as a form of speech. *See Corley, supra*, 273 F.3d at 446-48. Yet the fact that source code and object code are within the zone of constitutional protection does not eliminate the need for a more focused inquiry that distinguishes, as the court failed to do here, the transmission of *someone else's* code for *functional* purposes from the use or transmission of *one's own* code for the lawful *exposition of ideas*.[5]

The central fallacy in the defendant's brief is that it fails to address the question whether the government's legitimate interests should be outweighed by the disclosure in this (or any other) case. Instead, it collects snippets about the importance of protecting "speech" under the First Amendment in contexts that are far removed from the present reality of the

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[5] On this point, the Second Circuit rightly drew the necessary contextual distinctions by emphasizing the functional capabilities of DeCSS in overriding the legitimate CSS protection afforded to copyrighted materials:

> Unlike a blueprint or a recipe, which cannot yield any functional result without human comprehension of its content, human decision-making, and human action, computer code can instantly cause a computer to accomplish tasks and instantly render the results of those tasks available throughout the world via the Internet. The only human action required to achieve these results can be as limited and instantaneous as a single click of a mouse. These realities of what code is and what its normal functions are require a First Amendment analysis that treats code as combining nonspeech and speech elements, i.e., functional and expressive elements.

Corley, *supra*, 273 F.3d at 451.

development and use of trade secrets in American business. In some cases, Bunner ignores important differences in the nature of the protected form of speech. Thus, at the very outset he writes that "[t]hese constitutional protections encompass information and ideas about 'all subjects'," Resp. Brief. at 11, as if trade secrets (including the source and object code at issue in this case) are necessarily covered in full. But the principal case he cites for this sweeping conclusion, *Gerawan Farming, Inc. v. Lyons* (2000) 24 Cal. 4th, 468, 493 [101 Cal. Rptr. 2d 470, 487-89, 12 P.3d 720, 736], stands only for the much narrower proposition that California affords commercial speech greater protection than it receives under the First Amendment. It is a vast leap from the *Gerawan Farming* court's general pronouncements about free speech rights to the specific trade secret and computer code issues raised in this case.

Likewise, general statements that the Constitution "shields painting of Jackson Pollock, music of Arnold Schoenberg, [and] Jabberwocky verse of Lewis Carroll," *Hurley v. Irish-American Gay, Lesbian & Bisexual Group* (1995) 515 U.S. 557, 569 [115 S. Ct. 2338, 2345, 132 L. Ed. 2d 487, 501], have little bearing on the types of judicial relief available to a party whose trade secrets are compromised when they are posted on the web. Any First Amendment analysis must take into account the applicable constitutional tests and the fundamental interests in preserving trade secrets, as well as the dual nature – speech and nonspeech – of the defendant's activities here.

B. An Injunction Against the Dissemination and Distribution of the Trade Secret at Issue Does Not Constitute an Impermissible Prior Restraint.

Bunner's argument that an injunction would constitute an unlawful prior restraint is unavailing. The core application of the prior restraint doctrine, "as historically conceived and guaranteed," concerns matters of public criticism and debate: "The fact that, for approximately one hundred and fifty years, there has been almost an entire absence of attempts to impose previous restraints upon publications *relating to the malfeasance of public officers* is significant of the deep-seated conviction that such restraints would violate constitutional rights." *Near v. Minnesota* (1931) 283 U.S. 697, 718 [51 S. Ct. 625, 632, 75 L. Ed. 2d 1357, 1369] (emphasis supplied). Indeed, in one sense even this articulation of the protection is too narrow, in that it makes no explicit reference to criticisms, however scurrilous, of public figures, or even comments about matters of public interest and concern. But there is not the slightest sense that anything the Court said in *Near* on matters of defamatory speech would apply to the wholly different question whether the First Amendment renders injunctive relief unavailable to protect intellectual property rights. As shown below, an injunction frequently is the *only* remedy effective for curbing trade secret violations.

That an injunction issued against the unauthorized disclosure of a trade secret is even less likely to run afoul of *Near* is demonstrated by the fact that the act of misappropriating a trade secret is usually committed for purposes of using it or, more recently, for the purposes of harming the interests of the trade secret owner, and not for any expressive value that the trade secret communicates. The value to most misappropriators is in the commercial value of utilizing the information that constitutes the trade secret, not in the speech that it communicates. Where an injunction, as here, is directed narrowly to the use and disclosure of the trade secret – rather than speech about the trade secret – the relief does not burden more speech than is necessary to further the government interest.

An injunction is appropriate in this case, and many trade secret cases, because damages are difficult to calculate and virtually impossible to collect. Counterspeech is of no benefit in cases of commercial appropriation, unlike those in which it is possible to have spirited disagreement in the marketplace of ideas. Finally, as is the case with Bunner, a trade secret defendant may retain the right to articulate his views where a limited injunction is granted.

If this were a nuisance, patent (35 U.S.C. § 283), or copyright (17 U.S.C. § 502) case, an injunction would routinely issue upon the proper showing having been made to the court. Injunctive relief is routinely accorded in trade secret cases to prevent any "actual or threatened" misappropriation of a trade secret. *See* UTSA § 2; *see also* 18 U.S.C. § 1836. The tiny free-speech tail in this case should not be allowed to wag the trade-secret dog. The injunction in this case is narrowly tailored to target the instrumental use of code in the operation of computer programs, where it functions no differently from a bag of burglar's tools that allow illegal entry into forbidden places.

In passing on a similar request for injunctive relief against the dissemination of the same computer code, the Second Circuit in *Corley* applied *Turner Broadcasting* and treated the restraint on publication as a content-neutral restriction governed by the intermediate standard of review. The Second Circuit found that the test had been met because (a) there was no way to narrow the injunction further, and (b) the government has legitimate and highly important interests in preventing the systematic violation of copyright law. No different approach is warranted with respect to injunctions against violations of trade secrets. They, too, are needed to preserve investments in developing valuable intellectual property.

Bunner insists that the injunction is content-based because it is directed only to what the code says and is not limited to "time, place and manner" regulations. There is no question that time, place and manner regulations fall into the content-neutral category. *See, e.g.*, *Kovacs v. Cooper* (1949) 336 U.S. 77 [69 S. Ct. 448, 93 L. Ed. 2d 513]; *Ward v. Rock Against Racism* (1989) 491 U.S. 781 [109 S. Ct. 2746, 105 L. Ed. 2d 661]. But the test for content-neutral restrictions also applies in other contexts – including, in particular, to cases like this one in which speech and conduct are inextricably linked. Thus, in *United States v. O'Brien* (1968) 391 U.S. 367 [88 S. Ct. 1673, 20 L. Ed. 2d 672], the U.S. Supreme Court upheld criminal sanctions against war protestors who had burned their draft cards on the steps of the South Boston Courthouse. That passionate symbolic protest contained far more dramatic communicative elements than the republication of plaintiff's trade secret on Bunner's website. But the *O'Brien* Court rebuffed it in these terms: "This Court has held that when 'speech' and 'non-speech' elements are combined in the same course of conduct, a sufficiently important governmental interest in regulating the nonspeech can justify incidental limitations on First Amendment freedoms." *Ibid*. at 376 [88 S. Ct. at 1678-79, 20 L. Ed. 2d at 679-80]. The Court then held that the Government had carried its burden by showing that the draft certificate established proof of registration and facilitated communication between the registrant and the selective service. *Ibid*. at 378 [88 S. Ct. at 1680, 20 L. Ed. 2d at 680-681].

In contrast, the action of Bunner – like that of most trade secret defendants – had no appreciable symbolic speech component. The injunction here, as is true of most injunctions issued in trade secret cases, serves not to skew or distort the debate on any public issue, but to provide the only effective remedy against misappropriation of a trade secret. Indeed both here and in *Corley,* the case for enforcing the law is even stronger than in *O'Brien*, for in this case the government did not act on its own initiative, but only in response to a request for an injunction by a private party. *Corley*, *supra*, 273 F.3d at 450-51. Any and all speech about the role and desirability of CSS as a trade secret, or the role and purpose of DeCSS, lies outside the scope of the injunction, and may be pursued vigorously in any forum by Bunner.

Indeed, it appears that even if laws granting protection against the unauthorized misappropriation of trade secrets (including DeCSS) were classified as content-based regulations, this injunction would satisfy the more exacting conditions of strict scrutiny, which allows restrictions "only if they serve compelling state interests and do so by the least restrictive means available." *Corley*, *supra*, 273 F.3d at 450. No narrower form of relief is available: damages do not begin to remedy the wrong; porous injunctions are useless; and counterspeech is wholly ineffective. The tailoring here is virtually perfect. And even with this injunction, vast arenas of alternative speech are left, by design, completely open. The state's interest in the protection of intellectual property counts as compelling under the First Amendment, especially given that trade secrets are protected as property under both state and federal law.

Bunner also makes much of language in some Supreme Court cases to urge that the actual and threatened harm to plaintiff is too contingent and uncertain to justify prompt interference. Thus, Bunner's brief cites precedents holding that speech is protected even though it may have the "potential" to lead to the commission of an unlawful act. For example, *Brandenburg v. Ohio* (1969) 395 U.S. 444 [89 S. Ct. 1827, 23 L. Ed. 2d 430], struck down the Ohio Syndicalism Act on the ground that "the statute's bald definition of the crime [of syndicalism] in terms of mere advocacy is not distinguished from incitement to imminent lawless action." *Ibid.* at 448-49 [89 S. Ct. at 1830, 23 L. Ed. 2d at 434]. Similarly, *Ashcroft v. Free Speech Coalition* (2002) 535 U.S. ___, 122 S. Ct. 1389 [152 L. Ed. 2d 403], invalidated the Child Pornography Prevention Act of 1996 ("CPPA"), 18 U.S.C. § 2256(8), insofar as the CPPA prohibited the creation of "virtual" child pornography. The Court rejected the position that the government could halt speech on the ground that "virtual child pornography whets the appetites of pedophiles and encourages them to engage in illegal conduct" and noted that "[t]he mere tendency of speech to encourage unlawful acts is not a sufficient reason for banning it." *Ibid.* at 1403 [152 L. Ed. 2d at 403].

To be sure, these decisions are pillars of First Amendment law in the areas they govern. But they do not govern this case or any other ordinary trade secret case. In *Brandenburg* and *Ashcroft*, the key element in the Court's reasoning was its ability to identify the clear gap in time between the dissemination of the information to some third party and the potential performance of some subsequent independent lawless action that it might induce. In light of the substantive speech interests involved, the state therefore can be asked to wait until the illegal act is being committed, or until some unambiguous conspiracy or attempt has crystallized. Accordingly, these statutory provisions were invalidated in their entirety because other remedies could protect the state's legitimate interests, so that the narrower question of injunctive relief and prior restraints never arose cleanly at all.

In the case of the misappropriation of a trade secret (including this case), by contrast, where the trade secret can be (and was) disseminated rapidly on the Internet, the judgment on immediacy runs in the opposite direction. Dissemination of the trade secret itself is the act that has caused and will continue to cause harm. It is utterly impracticable to think that a trade secret owner facing such destruction of the value of its property could track down the countless individuals who aided in its destruction. Either disseminations of trade secrets are enjoined in such cases or the immediate harm arising from such disseminations will be realized. "Watchful waiting" is an option for political or artistic speech, but not trade secrets. Every element of a trade secrets case such as this calls for the issuance of an injunction.

C. Injunctions to Protect Trade Secrets Should Routinely Issue So Long as the Material Protected Does Not Contain Information of Significant Public Interest and Concern.

The dominance of the nonspeech over the speech elements present in the instant case removes all principled objections to plaintiff's request for injunctive relief. But trade secrets arise in many forms apart from secret computer code, including recipes, formulas, customer lists, industrial know-how and the like. In some of those cases, it may not be possible – as it is here – to justify injunctive relief on the ground that the primary object of the injunction is the suppression of illegal nonspeech conduct.

Accordingly, it is useful to address whether injunctions may be entered to protect against the misappropriation by publication of trade secrets that (unlike DeCSS) do not function predominantly as tools.

Any discussion of this issue begins with the decision of the U.S. Supreme Court in the Pentagon Papers case, *New York Times Co. v. United States* (1971) 403 U.S. 713 [91 S. Ct. 2140, 29 L. Ed. 2d 822], which strongly affirmed the indispensable role that private criticism of public action has not only in peacetime but also in times of war or other national crisis. If permitted to conceal its own misdeeds under a veil of secrecy, government can arrogate to itself powers that are not committed to it under our constitutional form of government. But even when First Amendment values are highest, the prohibition against prior restraint is not applied reflexively. When the nation is "at war," the Court has acknowledged, "no one would question but that [the] government might prevent … publication of the sailing dates of transports or the number and location of troops." *New York Times*, 403 U.S. at 726 (Brennan, J. concurring), quoting *Near, supra,* 283 U.S. at 716 [51 S. Ct. at 631, 75 L. Ed. at 1357]. Such information could be considered a type of "governmental trade secret" necessary to give it a comparative advantage in its military operations.

This essential feature of *New York Times* does not disappear when the trade secrets in question belong to a private organization; if anything, the First Amendment concerns are considerably less weighty here. A firm's customer list or unannounced product designs are not grist for public debate. Indeed, in many contexts, such as medical records, which themselves may be analogized to "personal" trade secrets, extensive efforts have been made to ensure their privacy and protection from unauthorized publication, so that it is inconceivable that a medical center would be helpless if one of its employees decided to disclose all its medical records on the web – or sent the medical records to a friend who was prepared to do so. *See* 42 U.S.C. § 702(a) & 45 C.F.R. § 160.103 (2002) (broad definition of "health information").

At present, the U.S. Supreme Court has not yet passed definitively on the question whether it is permissible to enjoin publication of some or all trade secrets. Nonetheless, its latest pronouncements strongly suggest that it would approve the use of injunctions in most trade secret cases. The most recent opinion of importance on the matter is *Bartnicki v. Vopper* (2001) 532 U.S. 514 [121 S. Ct. 1753, 149 L. Ed. 2d 787]. The defendant, Vopper, played on his radio show a tape of an electronic cell-phone conversation that a third party had intercepted between the plaintiffs, leaders of the local teachers union, during its contentious negotiations with the local school board. These conversations hinted at possible criminal conduct relating to a matter of substantial public concern: "If they're not gonna move for three percent, we're gonna have to go to their, homes … to blow off their front porches." The defendant received a recording of the conversation from a third-party and broadcast it even though he knew that the recording had been illegal under federal and state law. Notwithstanding that Vopper's conduct fell squarely within the statutory prohibition, a four-member plurality held that this disclosure was, on the authority of the Pentagon Papers case, protected against criminal prosecution. Notably, the plurality then stated: "We need not decide whether that interest is strong enough to justify the application of § 2511(c) to disclosures of trade secrets or domestic gossip or other information of purely private concern." *Id.* at 533 [121 S. Ct. at 1764, 149 L. Ed. 2d at 787].

Although the plurality in *Bartnicki* postponed consideration of the trade secret question, Justice Breyer's concurrence (for himself and Justice O'Connor) made clear that his willingness to supply First Amendment protection rested on the more particularized inquiry that Vopper's publication related to the potential commission of a wrongful act, for which there is a general privilege of disclosure and which, of course, represents a matter of public concern. *Bartnicki*, 532 U.S. at 539, citing Restatement Third of Unfair Competition § 40, comment *c* (1995). Chief Justice Rehnquist's dissent (for himself and Justices Scalia and Thomas) argued that the statutory prohibition should have remained in place on the ground that it protects and thus promotes the speech of ordinary users. *Bartnicki*, 532 U.S. at 533-34. There is every reason to expect that these Justices would extend the same protection to the dissemination, in a non-news setting, as is the case here, of a trade secret where there is no matter of public interest and concern justifying the publication of the trade secret and the destruction of a protected property interest.

A similar analysis applies to many of the cases on which Bunner relies. In *CBS, Inc. v. Davis* (1994) 510 U.S. 1315 [114 S. Ct. 912, 127 L. Ed. 2d 358], Justice Blackmun, speaking only for himself on circuit, refused to enjoin the publication of a TV show that purported to make "public dissemination of [plaintiff's] confidential and proprietary practices and processes [that] would likely cause irreparable injury to plaintiff." Exactly what trade secrets, if any, were involved in the disclosure was never stated. But even if some trade secret claim could have been made out, CBS's investigation into allegedly unsanitary practices at a meat-packing plant implicated far more powerful public interests than are involved here. And, further, the harm to the plaintiff there was minimal, given that the story did not identify the plaintiff's plants by name.

In *CBS*, Justice Blackmun observed that prior restraint was an extraordinary remedy, but he also recognized that it would be allowed "only where the evil that would result from the reportage is both great and certain and cannot be militated by less intrusive measures." *Id*. at 1318 [114 S. Ct. at 914, 127 L. Ed. 2d at 358]. The danger of prior restraint in investigative reporting cases is that it lacks the panoply of protections that a criminal trial affords. Trade secret cases seldom involve "reportage" of any sort, and the real necessity lies with the need for prompt preliminary injunctions, for otherwise the value contained in the trade secret will be lost. It would be anomalous to allow any wrongdoer to nullify the elaborate set of protections afforded under trade secrets law simply by transferring the information to a third party who, with actual or constructive knowledge of the theft, is then able to disclose it, no matter what its content. These are indeed extraordinary situations, and the disclosure should be allowed only where what is posted is a matter of substantial public concern, as most trade secrets, like those here, are not.

The decisions of lower courts do little to advance Bunner's arguments. The odd fact-pattern in *The Procter & Gamble Co. v. Bankers Trust* (6th Cir. 1996) 78 F.3d 219, stemmed from an injunction that prohibited *Business Week* magazine from publishing routine legal pleadings and papers arising from the high-profile litigation arising out of Bankers Trust's alleged fraud in the sale of derivatives to P&G. The documents in question had been leaked to the magazine by mistake after the district court judge had improperly subjected them to an "unusual" protective order, which had in fact been lifted before the appeal was decided. No trade secrets were involved, and the story was without question "on a matter of public concern." *Id.* at 225. This prior restraint of "pure speech" was lifted, *id.* at 221, precisely because no compelling interest could be found to justify the restraint. The balance of interests is precisely the opposite of what is found here and the vast majority of trade secret cases that courts are called upon to decide.

Only one decision, from a federal district court in Michigan, even remotely could be said to truly support Bunner's argument: the ill-considered opinion in *Ford Motor Co. v. Lane* (E.D. Mich. 1999) 67 F. Supp. 2d 745, which involved the publication on the web of a variety of Ford Motor Company trade secrets. The court acknowledged that only some of the information disclosed (namely information about issues with certain engines and approaches to emission standards) could be regarded as directed to matters of public concern. Information regarding unannounced product designs, and other like information, was identified as of primary interest to Ford's competitors, and not as a subject of public concern. The release of such confidential information put Ford at a substantial disadvantage against its competitors. It is agreed that Ford could discipline or dismiss any of its employees who release this information and could also obtain injunctive relief if Ford learned of the violation before it occurred. It simply cannot be the case that the First Amendment should require Ford or any other party in possession of trade secrets to play games of "cat and mouse" with any person who acts in deliberate violation of Ford's rights. The decision in *Lane* that the doctrine of prior restraint prevents injunctions of any publication of a trade secret, whether or not it is a matter of public concern, has been rightly questioned, *see* 3 Roger M. Milgrim (2d ed. 2000) *Milgrim on Trade Secrets* § 14.01[2][a], at 14-26, and its overbroad interpretation of the First Amendment should not be followed in this case. Rather, this Court should follow the lead of all other courts that have recognized that the First Amendment does not authorize what amounts to the effective destruction of intellectual property.

Nor are Bunner's attempted distinctions between trade secrets, which largely arise under state law, and copyrights, which are based upon federal law, availing. In other contexts, property rights receive the same constitutional protection whether they are created under state or federal law. Thus, in *Ruckelshaus,* the Supreme Court explicitly recognized "the basic axiom that '[property] interests ... are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law,'" 467 U.S. at 1000 [104 S. Ct. at 2872, 81 L. Ed. 2d at 831], which included trade secrets under Missouri law, as defined under § 757, Comment *b*, of the Restatement of Torts. The obvious implication is that the question of prior restraint depends on the nature of the right asserted, not the law of its creation.

Bunner also argues that trade secrets differ from copyrights in that the former are of indefinite duration while the latter only exist for a limited term. Only copyrights, therefore, are certain to fall within the public domain at some future time. But the point bears no relevance to the propriety of granting injunctive relief. In those cases where the First Amendment values are highest, even a delay of a matter of *days* is heavily suspect. The copyright term of several decades is for these purposes an eternity and does not provide a reasoned basis to distinguish injunctions for copyright violations from injunctions for trade secret violations.

Finally, it makes no difference that trade secrets are not formally subject to a privilege of fair use. A privilege to quote protected materials makes sense in the world of copyright, for criticism of literary works requires the ability to reproduce material from the work under review. It is only the rare instance in which disclosure of the specific content of a trade secret is necessary to further public debate regarding the social consequences of its existence. But the fair use privilege does not allow the critic to quote so extensively as to enter into competition with the holder of the copyright work. *See Harper & Row, Publishers, Inc. v. Nation Enterprises*, (1985) 471 U.S. 539, 560-69 [105 S. Ct. 2218, 2230-35, 85 L. Ed. 2d 588]. There is no justification for a privilege permitting the disclosure of trade secrets in instances, as here, in which the disclosure serves no purpose other than to destroy the trade secret.

The First Amendment "is not a license to trammel on legally recognized rights in intellectual property" of any kind. *Dallas Cowboys Cheerleaders, Inc. v. Scoreboard Posters, Inc.*, (5th Cir. 1979) 600 F.2d 1184, 1186. Copyrights and trade secrets function in different ways because they fill different niches in the landscape of intellectual property. But, for all their differences, each requires the extensive use of injunctive relief to afford full protection for the underlying right.

D. Injunctive Relief Is Available Against Third Parties Who Acquire A Trade Secret With Knowledge That It Has Been Misappropriated.

In cases involving tangible property, no one stands lower in the legal hierarchy than the bad faith purchaser or bad faith donee. Although the bona fide purchaser for value often receives protection even against the true owner, the bad faith purchaser is universally required to return the property to its original owner. *See* Saul Levmore (1987) *Variety and Uniformity in the Treatment of the Good-Faith Purchaser* 16 J. Legal Stud. 43. In cases of intellectual property, the "return" of stolen information cannot be achieved by any transfer of any tangible document or thing. The essential feature of information allows it to be retained by a thief even as it is returned (*e.g.*, in the form of a specific document) to its owner. Only an injunction against the use of the information ensures that the bad faith taker surrenders his illicit interest, and allows the lawful owner to regain the exclusive right to use the trade secret.

That outcome makes eminently good sense here. High speed transmissions enable wrongdoers to violate confidentiality agreements instantaneously – and often anonymously – by transmitting trade secrets to other wrongdoers who are well aware of the illicit source of the information. If the law fails to protect against this obvious subterfuge, then ultimately it strips trade secret owners of effective legal protection in the digital age. Bad faith takers must stand in the shoes of the original wrongdoer, and be subject to the same set of legal sanctions, including injunctive relief. It hardly makes sense to allow the entire structure of intellectual property law, including that of trade secrets, to be subverted by the simple expedient of having one wrongdoer enlist a second into the service of the same illicit cause. If the initial wrongdoer is entitled to disclose information because it contains matters of public interest and concern, then the third party can inherit that privilege. But that exception does not apply in ordinary trade secret cases, and certainly not in this case. The third party who takes in bad faith, as the lower courts assumed Bunner did here, is bound by the same rules that govern the original thief.

In order to escape this logic, Bunner insists that "publication of a trade secret by a party who isn't bound by the contract … certainly ought to be protected against a preliminary injunction." Mark A. Lemley & Eugene Volokh (1998) *Freedom of Speech and Injunctions in Intellectual Property Cases*, 48 Duke L.J. 147, 230), cited in Resp. Brief at 23. For the opposite position, see Richard A. Epstein (2000) *Privacy, Publication, and the First Amendment: The Dangers of First Amendment Exceptionalism*, 52 Stan. L. Rev. 1003, 1035-1046.

Lemley and Volokh's argument might have some plausibility if trade secrets were mere creations of contract, which do not normally bind strangers. But in this context their argument is subject to two fatal objections. First, it proves too much. If trade secrets were only creatures of contract, then they could never bind third parties as a matter of state law. Second, trade secrets are not created by contract. Rather, they are property rights created by invention, labor, and discovery which thereafter can be transferred and licensed by contract, just like real estate, copyrights, and patents. A single person can create and possess a trade secret, and surely does not do so by contract. The protection afforded trade secrets against confiscation offers yet further evidence, if any is needed, that trade secrets are property rights. The entire structure of the misappropriation provisions presupposes that trade secrets are protected even after they are illicitly transferred to third hands. One might as well say that "fences" are entitled to protection of their stolen property under the Takings Clause. Nothing in the First Amendment requires such a radical restructuring of fundamental property law concepts.

III. THE CONTEMPORANEOUS PUBLICATION OF A TRADE SECRET DOES NOT RENDER INJUNCTIVE RELIEF INAPPROPRIATE.

In many traditional trade secret cases, the plaintiff secures an injunction against publication before the trade secret is released to the public. In the run of trade secret cases, moreover, the trade secret is of value to a competitor, and, therefore, a court will not issue an injunction once the competitor has learned the secret. In this case, however, a potential harbinger of future fact patterns, the dynamics of the marketplace are quite different. The deliberate publication of DeCSS is not designed to neutralize a competitive advantage of one firm relative to others. Rather, as the court held in *Corley*, it is intended to allow vast numbers of consumers to obtain copyrighted material without paying the copyright owner to obtain a lawful copy. In this case, the rate of illegal copying (the ability to limit such copying being the source of economic value of CSS) will vary according to the ease with which potential copiers are able to gain access to plaintiff's trade secrets. Thus, the removal of the program after it has been posted on the web still has enormous economic value to the owners of copyrighted material that is protected by CSS. Since these parties cannot change CSS to counteract the code, injunctive relief remains critical in this case.

The usual test of whether injunctive relief should be granted asks the court to balance the equities. In trade secret cases such as this one, the equities surely favor the innocent plaintiffs who suffer further injury with every posting of their trade secret. The point is made by considering two scenarios. In the first, the distribution of a trade secret such as DeCSS is quite limited. In this case, the injunctive relief is effective so there is no reason to displace the usual rule on injunctive relief. The major gains to the plaintiff overwhelm any scintilla of speech interest of the defendant. Alternatively, if distribution of a trade secret is broader, the injunction is less effective than before, so that the plaintiffs' interest in its trade secret is somewhat reduced. But by the same token, the defendant's speech interest reduces to zero. What interest does a defendant have in disclosing a trade secret that is identical to that which is, by hypothesis, already widely available in the marketplace? Either way the balance between the two interests remains the same. Widespread publication of a trade secret does not reverse the balance of equities; it only reduces the effectiveness of the injunction. Yet even that can be improved if similar injunctions issue against the posting of trade secrets on other web sites. For that reason, it is all the more important that injunctions be granted in timely fashion whenever a party – be it a confidentiality agreement violator or a bad faith acquirer – intends to disseminate a misappropriated trade secret. In *Underwater Storage, Inc. v. United States Rubber Co.* (D.C. Cir. 1966), 371 F.2d 950, 955, the court said: "[W]e do not believe that a misappropriator or his privies can 'baptize their wrongful actions by general publication of the secret.'" Just so. No one, the defendant here included, should be permitted to profit from his or her own wrong.

CONCLUSION

For these reasons, the judgment of the Court of Appeal should be reversed and the injunction of the trial court reinstated.

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I, Linda Jesus, certify and declare as follows:

I am over the age of 18 years, and not a party to this cause and employed in the county where the mailing took place. My business address is 601 California Street, 19th Floor, San Francisco, California 94108. On July 11, 2002, I served the foregoing **Brief of Microsoft Corporation, Ford Motor Company, The Boeing Company, Sears, Roebuck & Co., The Procter & Gamble Company, AOL Time Warner Inc., BellSouth Corporation, The Coca-Cola Company, and the National Association of Manufacturers as *Amici Curiae* Supporting Plaintiff/Respondent** by placing a true copy in a sealed envelope and served to each party herein by overnight delivery via **Federal Express** to:

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I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct that this declaration was executed at San Francisco, on July 11, 2002.

____

CERTIFICATE OF COMPLIANCE

I certify that this brief complies with the type-volume limitation of the California Rules of Court Rule 14(c)(1).

Exclusive of the exempted portions in California Rules of Court Rule 14(c)(3), the brief contains 9067 words.

Court of Appeal, Sixth District, California.

DVD COPY CONTROL ASSOCIATION, Plaintiff and Respondent,
v.
Andrew BUNNER, Defendant and Appellant.

No. H021153.

Nov. 1, 2001.
Review Granted Feb. 20, 2002.

Trade association of movie industry businesses that licensed decryption technology to manufacturers of hardware and software for playing digital versatile disks (DVDs) sought injunction against Internet web-site operators to prevent future disclosure or use of trade secret contained in computer program consisting of computer source code describing a method for playing encrypted DVD on DVD player or drive that did not contain association's decryption technology. The Superior Court, Santa Clara County, CV786804, William J. Elfving, J., issued a preliminary injunction against Internet web-site operator, and an operator appealed. The Court of Appeal, Premo, Acting P.J., held that prohibition of future disclosures of computer program was an impermissible prior restraint on web-site operator's First Amendment right to publish program.

Reversed.

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PREMO, Acting P.J.

This appeal arises from an action for injunctive relief brought under the Uniform Trade Secrets Act, Civil Code section 3426 et. seq. After learning that its trade secret had been revealed in DVD decryption software published on the Internet, plaintiff DVD Copy Control Association (DVDCCA) sought an injunction against defendant Andrew Bunner and numerous other Internet web-site operators to prevent future disclosure or use of the secret. The trial court granted a preliminary injunction, which required the defendants to refrain from republishing the program or any information derived from it. Bunner appeals from that order, contending that the First Amendment to the United States ***341** Constitution protects his publication of the information as an exercise of free speech. [FN1]

FN1. Although there were numerous defendants below, only Bunner has appealed.

FACTUAL BACKGROUND

A DVD is a thin disk five inches in diameter which can store a large amount of digital data. Each DVD can hold the data necessary to display a full-length motion picture. Motion pictures stored on DVDs are protected from unauthorized use by means of encryption using a "content scramble system" (CSS). CSS is designed to restrict the playback of an encrypted (scrambled) DVD to a CSS-equipped DVD player or DVD drive, which is capable of decrypting (unscrambling) the DVD. CSS is primarily composed of algorithms and 400 "master keys." Every CSS-encrypted DVD contains all 400 master keys, one of which is the trade secret at issue in this case.

DVDCCA, a trade association of businesses in the movie industry, controls the rights to CSS. DVDCCA licenses the CSS decryption technology to manufacturers of hardware and software for playing DVDs. Each licensee is assigned one or more master keys unique to that licensee.

In October 1999, a computer program entitled "DeCSS" was posted on the Internet allegedly by Jon Johansen, a 15 year old resident of Norway. DeCSS consists of computer source code [FN2] which describes a method for playing an encrypted DVD on a non-CSS-equipped DVD player or drive. Soon after its initial publication on the Internet, DeCSS appeared on numerous web sites throughout the world, including the web site of defendant Andrew Bunner. In addition, many individuals provided on their web sites "links" to copies of DeCSS on other web sites without republishing DeCSS themselves.

FN2. "Source code" is the language in which computer programmers write their computer programs.

PROCEDURAL BACKGROUND

1. *DVDCCA's Complaint for Injunctive Relief*

On December 27, 1999, DVDCCA initiated an action under the Uniform Trade Secrets Act (UTSA or "Act") against Bunner and numerous other named and unnamed individuals who had allegedly republished or "linked" to DeCSS. DVDCCA alleged that DeCSS "embodies, uses, and/or is a substantial derivation of [DVDCCA's] confidential proprietary information." DVDCCA had protected this proprietary information by limiting its disclosure to those who had signed licensing agreements prohibiting disclosure to others. DVDCCA alleged that the proprietary information contained in DeCSS had been "obtained by willfully 'hacking' and/or improperly reverse engineering" CSS software created by plaintiff's licensee Xing Technology Corporation (Xing). Xing had allegedly licensed its software to users exclusively under a license agreement that prohibited reverse engineering. According to DVDCCA, defendants "knew or should have known" that by posting DeCSS or providing "links" to the program, they were "misusing proprietary confidential information gained through improper means."

In the complaint DVDCCA sought an injunction to prevent any future disclosures of DeCSS. [FN3] The specific relief requested by DVDCCA was an order "restraining

Defendants ... from making any further use or otherwise disclosing or ***342** distributing ... or 'linking' to other web sites which disclose, distribute or 'link' to any proprietary property or trade secrets relating to the CSS technology and specifically enjoining Defendants ... from copying ... distributing, publishing ... or otherwise marketing the DeCSS computer program and all other products containing, using, and/or substantially derived from CSS proprietary property or trade secrets."

FN3. DVDCCA's action sought solely injunctive relief and did not allege any cause of action for damages.

DVDCCA also requested a temporary restraining order (TRO). On December 27, 1999, DVDCCA sent to defendants by electronic mail a copy of the complaint and a notice of its application for a TRO. DVDCCA's attorney submitted a declaration stating that Bunner immediately responded by telephone and "indicated ... that he would take his web site down." On December 29, 1999, the trial court denied DVDCCA's request for a TRO but issued an order to show cause on DVDCCA's request for a preliminary injunction. A hearing was set for January 14, 2000. On January 12, 2000, one of DVDCCA's attorneys submitted a declaration in support of the request for a preliminary injunction in which he stated, "Defendants Bunner [and some of his co-defendants] ... appear to have removed DeCSS from its original location. It is not known whether these files were deleted or just posted elsewhere."

2. *DVDCCA's Evidence and Arguments*

DVDCCA submitted a declaration of its president, John Hoy. Hoy explained that DeCSS "embodies, uses, and/or is a substantial derivation of [DVDCCA's] confidential proprietary information." Hoy stated that he had tested DeCSS and determined that it contained a "master key" which DVDCCA had licensed to Xing. Hoy further asserted that "[t]o my knowledge," all of the end user licenses from DVDCCA's licensees prohibited reverse engineering. The agreement between DVDCCA and its CSS licensees prohibited those licensees from reverse-engineering CSS.

A former Xing employee declared that "Xing employed technical means to prevent the reading of its software program in clear text in order to deny unauthorized access to the underlying CSS keys and algorithms." Xing's "End-User License Agreement," which would appear on the screen during installation of Xing's software DVD player, stated that the "Product in source code form" was a "confidential" "trade secret" and the user "may not attempt to reverse engineer ... any portion of the Product." Thus, the user's assent to the agreement was obtained only through the installment process and was therefore a "click wrap" license agreement.

DVDCCA argued that it had a minimal evidentiary burden. DVDCCA suggested that it had no burden to show that [Johansen's conduct was] unlawful under Norwegian law; instead, it needed only to show that "improper means" under California law had been used. It argued that it could prevail even if it could not demonstrate that Johansen's conduct was unlawful *or* that defendants knew or had reason to know of the allegedly wrongful origin of DeCSS. It also asserted that "under California law, if a trade secret violation is established, irreparable harm is presumed" and "need not be shown."

DVDCCA conceded that "computer code is speech," but it argued it was entitled to a preliminary injunction because it had shown "a reasonable possibility" that it would prevail at trial and because the harm it would suffer would be "severe and irreparable." DVDCCA maintained that, even if defendants had not initially known that DeCSS contained a trade secret that had been acquired by improper means, they clearly were aware of that once ***343** DVDCCA initiated the action and therefore were required to refrain from disclosing the trade secret.

3. *Bunner's Evidence and Arguments*

Bunner argued that injunctive relief would violate his First Amendment rights. He also asserted that there was no evidence that he knew or should have known that DeCSS had been created by improper use of any proprietary information.

Bunner asked the court to take judicial notice of a Norwegian law that permitted reverse engineering of computer software for the purpose of achieving "interoperability" and prohibited any agreement to the contrary. According to Bunner, Johansen had reverse-engineered Xing's software to create DeCSS so that CSS-encrypted DVDs could be played on computers that run under a computer operating system known as Linux. Even if Johansen had agreed not to reverse-engineer Xing's software, the Norwegian law invalidated that term of the license agreement. Hence, Johansen's reverse engineering was not "improper means" within the meaning of the UTSA. [FN4]

FN4. Civil Code section 3426.1 of the Act defines "improper means" of acquiring a trade secret to include "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means. Reverse engineering or independent derivation alone shall not be considered improper means."

In support of his position Bunner submitted a declaration from an expert on Norwegian intellectual property law stating that no Norwegian criminal law or other legal precedent prohibited reverse engineering of computer software. DVDCCA, however, objected to Bunner's request for judicial notice of Norwegian law. Aided by the declaration of its own expert in Norwegian law, it maintained that reverse engineering of a decryption program was in fact unlawful in Norway.

Bunner also produced a declaration from Frank Stevenson, a computer programmer in Norway who was an expert in cryptography. Stevenson declared that the "master keys" on a CSS-encrypted DVD could be independently derived solely from a CSS-encrypted DVD itself without any unauthorized use of CSS decryption technology.

In addition, Bunner submitted a declaration by David Wagner, a University of California cryptography researcher. Wagner believed that the publication of information about "flaws in supposedly secure systems serves a vital public interest" by notifying the public of these flaws. In Wagner's view, the DeCSS "high-level" source code "made it possible to analyze the security of the DVD security system without undertaking any tedious reverse engineering work."

Bunner also submitted a declaration by John Gilmore, an expert on computer security and encryption. Gilmore explained that widespread copying of DVDs was not currently feasible because the removable media commonly available today lacked the capacity for the "enormous file size" necessary to hold a complete movie.

Finally, Bunner submitted his own declaration. He admitted that he had become aware of DeCSS by "reading and participating in discussions held on a news web site entitled 'slashdot.org.' " He stated that he had republished the DeCSS source code on his web site so that other programmers could modify and improve DeCSS and so that Linux users could use DeCSS to play DVDs. Bunner asserted that, at the time he republished DeCSS, he "had no information suggesting" that DeCSS "contained any trade secrets" or "involved any misappropriation of trade secrets," and he continued ***344** to believe that DeCSS had been either "properly reverse engineered or independently created without [the] appropriation of any trade secrets." Consequently, Bunner maintained that there was no evidence that he had reason to know that Johansen had used "improper means" to obtain the trade secret that had allegedly been incorporated into DeCSS.

Bunner objected to DVDCCA's failure to define precisely what it was that had been "substantially derived from proprietary information property or trade secrets of the CSS." He also asserted that the disclosure of the alleged trade secret throughout the world over the Internet had caused it to "become a matter of public knowledge" which had lost any trade secret status.

4. *The Trial Court's Order*

The trial court heard DVDCCA's request for a preliminary injunction on January 17, 2000. No evidence was introduced at the hearing. Instead, the matter was submitted on the written declarations and the arguments of the parties.

On January 21, 2000, the trial court issued a preliminary injunction. The order enjoined defendants from "[p]osting or otherwise disclosing or distributing, on their web sites or elsewhere, the DeCSS program, the master keys or algorithms of the Content Scrambling system ('CSS'), or any other information derived from this proprietary information." The court expressly refused to enjoin the defendants from linking to other web sites that contained protected information, because the links were indispensable to Internet access and a web-site owner could not be held responsible for the content of other web sites. The court further stated that "[n]othing in this Order shall prohibit discussion, comment or criticism, so long as the proprietary information identified above is not disclosed or distributed."

In reaching its decision the court made the following findings. First, DVDCCA had established that CSS was its trade secret, and DVDCCA had exerted reasonable efforts to maintain the secrecy of the program. Second, the evidence was "fairly clear that the trade secret was obtained through reverse engineering." The trial court acknowledged that the UTSA recognized reverse engineering as "proper means." Thus, "[t]he only way in which the reverse engineering would be considered 'improper means' herein would be if whoever did the reverse engineering was subject to the click licence [*sic*] agreement which preconditioned installation of DVD software or hardware, and prohibited reverse engineering."

On this point the court observed that "[p]laintiff's case is problematic at this pre-discovery stage. Clearly they have no direct evidence at this point that Mr. Jon Johansen did the reverse engineering, and that he did so after clicking on any licence [*sic*] agreement." Nevertheless, the court concluded that "[t]he circumstantial evidence, available mostly due to the various defendants' inclination to boast about their disrespect for the law, is quite compelling on both the issue of Mr. Johansen's improper means [and] th[e] Defendants' knowledge of impropriety." [FN5]

FN5. There was no evidence that Bunner himself had ever contributed any of these writings indicating disrespect for the law.

The trial court declined to decide whether Norwegian law prohibited Johansen's alleged reverse engineering. "This Court is not well positioned to interpret Norwegian Law, and Defendant's own expert, even if this Court could consider expert ***345** testimony on a question of legal interpretation, states that the issue has not been conclusively decided in Norway. Defendants have not sufficiently supported their argument that the licence [*sic*] agreement, like the one at issue here, would be disallowed by Norwegian Law, although they may at some point be able to do so."

The court further determined that the balance of hardships favored DVDCCA. "Most compelling in this matter is the relative harm to the parties. At this point in the proceeding, the harm to the Defendants is truly minimal. They will simply have to remove the trade secret information from their web sites. They may still continue to discuss and debate the subject as they have in the past in both [*sic*] an educational, scientific, philosophical and political context. Defendants have not provided evidence of any economic harm which an injunction could currently cause, although if such an injunction were not granted it is quite possible that this could change which could potentially shift the burden of harm in Defendants' favor. [¶] On the other hand, the current and prospective harm to the Plaintiff, if the Court does not enjoin the display of their trade secret, will be irreparable."

The trial court recognized that continued exposure of DVDCCA's trade secret on the Internet would result in the loss of the secret, but it was not convinced that the posting that had already occurred had destroyed the secret. The court acknowledged the "many potential enforcement problems," but it concluded that these problems did not preclude relief so long as DVDCCA was otherwise entitled to relief.

DISCUSSION

1. *Standard of Review*

[1][2] Preliminary injunctions are ordinarily reviewed under the deferential abuse-of-discretion standard. We consider only whether the trial court abused its discretion in evaluating two interrelated factors. " ' "The first is the likelihood that the plaintiff will prevail on the merits at trial. The second is the interim harm that the plaintiff is likely to sustain if the injunction [is] denied as compared [with] the harm the defendant is likely to suffer if the preliminary injunction [is] issued." ' " (*People ex rel. Gallo v. Acuna* (1997) 14 Cal.4th 1090, 1109, 60 Cal.Rptr.2d 277, 929 P.2d 596.)

[3][4][5][6] However, not all restraining preliminary injunctions are entitled to such deferential review. [FN6] "[A]ny prior restraint *on expression* bears a heavy presumption against its constitutional validity." ***346**(*Wilson v. Superior Court* (1975) 13 Cal.3d 652, 657, 119 Cal.Rptr. 468, 532 P.2d 116, italics added.) "[T]he reviewing court in free speech cases must make an *independent* examination of the whole record." (*L.A. Teachers Union v. L.A. City Bd. of Ed.* (1969) 71 Cal.2d 551, 557, 78 Cal.Rptr. 723, 455 P.2d 827, italics added.) "[I]n cases raising First Amendment issues we have repeatedly held that an appellate court has an obligation to 'make an independent examination of the whole record' in order to make sure that 'the judgment does not constitute a forbidden intrusion on the field of free expression.' " (*Bose Corp. v. Consumers Union of U.S., Inc.* (1984) 466 U.S. 485, 499, 104 S.Ct. 1949, 80 L.Ed.2d 502.)

FN6. The trial court's preliminary injunction purported in part to be more than a restraining injunction. It stated that defendants "will simply have to remove the trade secret information from their web sites." Removal of information from a web site would appear to be an affirmative act which would change the status quo. "Where, as here, the preliminary injunction mandates an affirmative act that changes the status quo, we scrutinize it even more closely for abuse of discretion. 'The judicial resistance to injunctive relief increases when the attempt is made to compel the doing of affirmative acts. A preliminary mandatory injunction is rarely granted, and is subject

> to stricter review on appeal.' " *(Board of Supervisors v. McMahon* (1990) 219 Cal.App.3d 286, 295, 268 Cal.Rptr. 219, fn. omitted [preliminary injunction ordering state to pay AFDC (Aid to Families with Dependent Children)]; *Shoemaker v. County of Los Angeles* (1995) 37 Cal.App.4th 618, 625, 43 Cal.Rptr.2d 774 [preliminary injunction ordering reinstatement of employee to administrative posts from which he had been removed].)
> Since the record before us reflects that Bunner had already removed DeCSS from his web site and neither party argues that the trial court's injunction was a mandatory injunction, it is appropriate to view the trial court's order, at least as to Bunner, as simply a restraining injunction.

Thus, in order to determine the appropriate standard of review, we must first decide whether the restraint imposed by the trial court's preliminary injunction implicated Bunner's First Amendment right to free expression. If so, we exercise independent review.

2. *The Uniform Trade Secrets Act*

California has enacted a version of the UTSA that is designed to protect economically valuable trade secrets from misappropriation. (Civ.Code, § 3426.1 et. seq.) Under this statute, a trade secret is misappropriated if a person (1) acquires a trade secret knowing or having reason to know that the trade secret has been acquired by "improper means," (2) discloses or uses a trade secret the person has acquired by "improper means" or in violation of a nondisclosure obligation, (3) discloses or uses a trade secret the person knew or should have known was derived from another who had acquired it by improper means or who had a nondisclosure obligation or (4) discloses or uses a trade secret after learning that it is a trade secret but before a material change of position. (Civ.Code, § 3426.1, subd. (b).)

"Improper means" is defined by the Act to include "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means." (Civ.Code, § 3426.1 subd. (a).) The Act expressly states that "[r]everse engineering or independent derivation alone shall not be considered improper means." (Civ.Code, § 3426.1, subd. (a).) The Act allows for injunctive relief against "[a]ctual or threatened misappropriation" of a trade secret. (Civ.Code, § 3426.2.)

[7][8] Computer software can constitute a trade secret. "[C]omputer software can qualify for trade secret protection under the UTSA. [Citation.] However, a plaintiff who seeks relief for misappropriation of trade secrets must identify the trade secrets and carry the burden of showing that they exist." *(MAI Systems Corp. v. Peak Computer, Inc.* (9th Cir.1993) 991 F.2d 511, 522.)

DVDCCA argues that "this case is (and always has been) about theft of intellectual property." Yet DVDCCA's complaint did not allege that Bunner was involved in any "theft" or other improper acquisition of intellectual property. Instead, DVDCCA alleged that Bunner's republication of DeCSS violated the Act because (1) DeCSS disclosed one of DVDCCA's trade secret "master keys," (2) the master key had been obtained by improper means, and (3) Bunner had reason to know both that DeCSS contained the master key and that the master key had been obtained by improper means. Thus, while Bunner did not use improper means to *acquire* DVDCCA's proprietary information, he *disclosed* DeCSS when he knew or should have known that DeCSS had been "created through the unauthorized use of proprietary CSS information, which was illegally 'hacked.' " The allegation that Bunner had actual or constructive knowledge that ***347** DeCSS had been created by improper means was premised on Bunner's alleged knowledge of postings on the Internet which indicated that DeCSS was illicit.

We will assume for purposes of our discussion that the trial court correctly concluded that DVDCCA had established a "reasonable probability" that it could prove these allegations and had shown that the relative burden of harms favored issuance of injunctive relief. While the trial court's conclusions, if correct, would justify preliminary injunctive relief in the absence of any free-speech concerns, we must first consider whether the order can withstand scrutiny under the First Amendment.

3. *Applicability of the First Amendment*

[9] Bunner contends that the injunction violates his First Amendment rights because it constitutes a prior restraint on his freedom of speech. DVDCCA responds that Bunner had no First Amendment right to disclose a trade secret in violation of the UTSA.

[10][11] The first question we consider is whether DeCSS is "speech" that is within the scope of the First Amendment. The application of the First Amendment does not depend on whether the publication occurred on the Internet or by traditional means. (*Reno v. American Civil Liberties Union* (1997) 521 U.S. 844, 870, 117 S.Ct. 2329, 138 L.Ed.2d 874.) Likewise, it makes no difference that Bunner is a republisher rather than the original author of DeCSS. "It would be anomalous if the mere fact of publication and distribution were somehow deemed to constitute 'conduct' which in turn destroyed the right to freely publish." (*Wilson v. Superior Court, supra,* 13 Cal.3d at p. 660, 119 Cal.Rptr. 468, 532 P.2d 116.) "[A] naked prohibition against disclosures is fairly characterized as a regulation of pure speech." (*Bartnicki v. Vopper* (2001) 532 U.S. 514, 526, 121 S.Ct. 1753, 1761, 149 L.Ed.2d 787 (*Bartnicki*).) [FN7] Nor does it matter that the disclosure was made by an individual on his web site rather than a media publication in a newspaper. The right to freedom of speech "does not restrict itself 'depend[ing] upon the identity' or legal character of the speaker, 'whether corporation, association, union, or individual.' " (*Gerawan Farming, Inc. v. Lyons* (2000) 24 Cal.4th 468, 485, 101 Cal.Rptr.2d 470, 12 P.3d 720; *Bartnicki v. Vopper, supra,* 532 U.S. at p. 526 [121 S.Ct. at p. 1760], fn. 8.)

FN7. Both parties have submitted supplemental briefs addressing *Bartnicki.* In this recent case the United States Supreme Court considered the extent to which the First Amendment protected a third-party publisher who was constructively aware that the published information had been unlawfully obtained. The United States Supreme Court ruled that the First Amendment precluded imposition of post-publication damages on the third party. (532 U.S. at pp. 518-526, 121 S.Ct. at pp. 1756-1760.) *Bartnicki* did not involve the disclosure of trade secret information, and the court expressly declined to consider whether the same result would have been reached in such a case. (532 U.S. at p. 532, 121 S.Ct. at p. 1764.) *Bartnicki* also did not involve a prior restraint. The parties agree that the plurality opinion in *Bartnicki* does not resolve the issues before us in this case.

DVDCCA has not alleged that Bunner engaged in any expressive "conduct" by posting DeCSS on his web site. Nor is there any indication in the record that Bunner engaged in conduct mixed with speech. DVDCCA does suggest, however, that DeCSS is insufficiently expressive because it is composed of source code and has a functional aspect. "The issue of whether or not the First Amendment protects encryption source code is a difficult one because source code has both an expressive feature and a functional feature. The United States does not dispute that it ***348** is possible to use encryption source code to represent and convey information and ideas about cryptography and that encryption source code can be used by programmers and scholars for such informational purposes. Much like a mathematical or scientific formula, one can describe the function and design of encryption software by a prose explanation; however, for individuals fluent in a computer programming language, source code is the most efficient and precise means by which to communicate ideas about cryptography. [¶] ... The fact that a medium of expression has a functional capacity should not preclude constitutional protection. [¶] ... [¶] ... [C]omputer source code, though unintelligible to many, is the preferred method of communication among computer programmers. [¶] Because computer source code is an expressive means for the exchange of information and ideas about computer programming, we hold that it is protected by the First Amendment." (*Junger v. Daley* (6th Cir.2000) 209 F.3d 481, 484-485.)

Like the CSS decryption software, DeCSS is a writing composed of computer source code which describes an alternative method of decrypting CSS- encrypted DVDs. Regardless of who authored the program, DeCSS is a written expression of the author's ideas and information about decryption of DVDs without CSS. If the source code were "compiled" to create object code, we would agree that the resulting composition of zeroes and ones would not convey ideas. (See generally *Junger v. Daley, supra,* 209 F.3d at pp. 482-483.) That the source code is capable of such compilation, however, does not destroy the expressive nature of the source code itself. Thus, we conclude that the trial court's preliminary injunction barring Bunner from disclosing DeCSS can fairly be characterized as a prohibition of "pure" speech.

4. *Protection of Source Code Containing a Trade Secret*

[12] The First Amendment protects a "wide range of expression" from pure entertainment to political speech. (*Schad v. Mount Ephraim* (1981) 452 U.S. 61, 65, 101 S.Ct. 2176, 68 L.Ed.2d 671.) "All ideas having even the slightest redeeming social importance--unorthodox ideas, controversial ideas, even ideas hateful to the prevailing climate of opinion--have the full protection of the guaranties, unless excludable because they encroach upon the limited area of more important interests." [FN8] (*Roth v. United States* (1957) 354 U.S. 476, 484, 77 S.Ct. 1304, 1 L.Ed.2d 1498.)

FN8. Even "commercial speech" is entitled to some level of First Amendment protection though less than "noncommercial speech." (*Gerawan Farming, Inc. v. Lyons, supra,* 24 Cal.4th at pp. 485-486, 101 Cal.Rptr.2d 470, 12 P.3d 720.) Commercial speech is, at its "core," speech that proposes a commercial transaction, and it may extend also to speech " 'related solely to the economic interests of the speaker and its audience.' " (*Cincinnati v. Discovery Network, Inc.* (1993) 507 U.S. 410, 422, 113 S.Ct. 1505, 123 L.Ed.2d 99.)

The parties recognize that First Amendment protection is not without limits. Obscenity, libel, and "fighting words" have long been recognized as falling outside the scope of the First Amendment because they lack any social value. (*Roth v. United States, supra,* 354 U.S. at pp. 484-485, 77 S.Ct. 1304.) "[I]t is well understood that the right of free speech is not absolute at all times and under all circumstances. There are certain well-defined and narrowly limited classes of speech, the prevention and punishment of which have never been thought to raise any Constitutional problem. These include the lewd and obscene, the profane, the libelous, and the insulting or 'fighting' words ... It has been well observed that such utterances are no essential part of any exposition of ***349** ideas, and are of such slight social value as a step to truth that any benefit that may be derived from them is clearly outweighed by the social interest in order and morality." (*Chaplinsky v. New Hampshire* (1942) 315 U.S. 568, 571-572, 62 S.Ct. 766, 86 L.Ed. 1031, fns. omitted.)

DeCSS does not fall into any of these established exceptions: it is not lewd, profane, obscene, or libelous, nor did it involve any fighting words. DVDCCA does not ask this court to create a new judicial exception for software containing a misappropriated trade secret, and we decline to do so here. Although the social value of DeCSS may be questionable, it is nonetheless pure speech.

[13] DVDCCA maintains, however, that courts "routinely enjoin trade secret misappropriation," even over a First Amendment defense. The cases on which it relies, however, are not comparable to the situation presented here, as they involved the actual use of a secret or the breach of a contractual obligation. In both *Courtesy Temporary Service, Inc. v. Camacho* (1990) 222 Cal.App.3d 1278, 1291, 272 Cal.Rptr. 352 and *American Credit Indemnity Co. v. Sacks* (1989) 213 Cal.App.3d 622, 638, 262 Cal.Rptr. 92, for example, the orders enjoined the use of confidential information to solicit customers. In *Garth v. Staktek Corp.* (Tex.App.1994) 876 S.W.2d 545 the injunction was necessary to preclude the improper sale and use of trade secret technology. And in *Cherne Indus., Inc. v. Grounds & Associates* (Minn.1979) 278 N.W.2d 81 the defendants were enjoined from using confidential customer information obtained from their former employer in violation of their contractual duty not to use or disclose the information or take it with them when they left the company. The enforcement of a contractual nondisclosure obligation does not offend the First Amendment. A voluntary agreement not to disclose a trade secret ordinarily waives any First Amendment protection for an ensuing disclosure.

[14] California's Trade Secrets Act, like the laws enacted in many other states to protect trade secrets, does not merely enhance the enforcement of contractual nondisclosure obligations but sweeps far more broadly. It is within this broad sweep that DVDCCA seeks to place Bunner. Yet the scope of protection for trade secrets does not override the protection offered by the First Amendment. The First Amendment prohibits the enactment of any law "abridging the freedom of speech...." The California Legislature is free to enact laws to protect trade secrets, but these provisions must bow to the protections offered by the First Amendment. None of the trade secret cases cited by DVDCCA holds to the contrary.

[15] DVDCCA also relies heavily on cases that upheld injunctions in copyright infringement cases. Protections for trade secrets, however, are not comparable to protections for copyrights with respect to the First Amendment. First, since both the First Amendment and the constitutional authority underlying the Copyright Act are contained in the United States Constitution, the resolution of a conflict between free speech and copyright involves a delicate balancing of two federal constitutional protections. Article I of the United States Constitution explicitly grants Congress the power "To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." (U.S. Const., art. I, § 8, cl. 8.) The UTSA, on the other hand, lacks any constitutional foundation. Consequently, a clash between the trade secrets law and the First Amendment does not involve ***350** a balancing between two constitutional interests.

Second, injunctions in copyright infringement cases have been upheld "on the ground that First Amendment concerns are protected by and coextensive with the [Copyright Act's] fair use doctrine." (*Nihon Keizai Shimbun, Inc. v. Comline Business Data* (2nd Cir.1999) 166 F.3d 65, 74.) The "fair use" exception permits copying and use of a copyrighted work "for purposes such as criticism, comment, news reporting, teaching ..., scholarship, or research" under certain circumstances. (17 U.S.C., § 107.) It "offers a means of balancing the exclusive rights of a copyright holder with the public's interest in dissemination of information affecting areas of universal concern, such as art, science and industry. Put more graphically, the doctrine distinguishes between 'a true scholar and a chiseler who infringes a work for personal profit.' " *(Wainwright Sec. v. Wall Street Transcript Corp.* (1977) 558 F.2d 91, 94.) In contrast, the UTSA contains no exception for "fair use" or any other vehicle for safeguarding First Amendment concerns. The Act prohibits even speech that is scholarly, addresses legitimate concerns, and seeks no profit for the speaker, while the Copyright Act's fair-use doctrine would permit copyright infringement in those circumstances. Consequently, one of the primary justifications for issuing injunctions in these copyright infringement cases is not present in trade secret cases.

Third, the statutory prohibition on disclosures of trade secrets is of infinite duration rather than "for *limited* Times." While the limited period of copyright protection authorized by the United States Constitution ensures that copyrighted material will eventually pass into the public domain, thereby serving the public interest by increasing its availability to the general public, the UTSA bars disclosure of a trade secret for a potentially infinite period of time, thereby ensuring that the trade secret will never be disclosed to the general public.

Thus, the availability of injunctive relief against copyright infringement is supported by justifications that are inapplicable to trade secrets. Both the First Amendment and the Copyright Act are rooted in the United States Constitution, but the UTSA lacks any constitutional basis. The prohibition on disclosure of a trade secret is of infinite duration while the copyright protection is strictly limited in time, and there is no "fair use" exception as there is for copyrighted material. These significant distinctions between copyright and trade secret protections explain why courts have concluded that the First Amendment is not a barrier to injunctive relief in copyright infringement cases.

[16] We must conclude that Bunner's republication of DeCSS was "pure speech" within the ambit of the First Amendment. It is therefore necessary for us to apply independent review to the trial court's issuance of a preliminary injunction.

5. *Prior Restraint*

[17][18] The trial court's prohibition of future disclosures of DeCSS was a prior restraint on Bunner's First Amendment right to publish the DeCSS program. A prior restraint is generally defined as an administrative or judicial order " 'forbidding certain communications when issued in advance of the time that such communications are to occur.' " *(Alexander v. United States* (1993) 509 U.S. 544, 550, 113 S.Ct. 2766, 125 L.Ed.2d 441, italics omitted.) The "special vice" of a prior restraint is that it suppresses expression not only directly, but also by "inducing excessive caution in the speaker." ***351***(Pittsburgh Press Co. v. Human Rel. Comm'n* (1973) 413 U.S. 376, 390, 93 S.Ct. 2553, 37 L.Ed.2d 669.)

[19] Prior restraints on pure speech are highly disfavored and presumptively unconstitutional. *(Hurvitz v. Hoefflin* (2000) 84 Cal.App.4th 1232, 1241, 101 Cal.Rptr.2d 558.) "In the case of a prior restraint on pure speech, the hurdle is substantially higher [than for an ordinary preliminary injunction]: publication must threaten aninterest more fundamental than the First Amendment itself. Indeed, the Supreme Court has never upheld a prior restraint, even faced with the competing interest of national security or the Sixth Amendment right to a fair trial." *(Procter & Gamble Co. v. Bankers Trust Co.* (6th Cir.1996) 78 F.3d 219, 226-227; cf. *Nebraska Press Assn. v. Stuart* (1976) 427 U.S. 539, 563, 96 S.Ct.

2791, 49 L.Ed.2d 683 [the Sixth Amendment right of a criminal defendant to a fair trial does not outrank the First Amendment right of the press to publish information]; *New York Times Co. v. United States* (1971) 403 U.S. 713, 718-726, 91 S.Ct. 2140, 29 L.Ed.2d 822 ["national security" interest in suppressing classified information in the Pentagon Papers did not outrank First Amendment right of press to publish classified information].) "[I]t is clear that few things, save grave national security concerns, are sufficient to override First Amendment interests." (*United States v. Progressive, Inc.* (1979) 467 F.Supp. 990, 992 [court issued prior restraint on publication of technical information about hydrogen bomb only because it found that such information was analogous to information about troop movements which posed a grave threat to national security].) "If a threat to national security was insufficient to warrant a prior restraint in *New York Times Co. v. United States,* the threat to plaintiff's copyrights and trade secrets is woefully inadequate." (*Religious Technology Center v. Lerma* (E.D.Va.1995) 897 F.Supp. 260, 263.)

DVDCCA's statutory right to protect its economically valuable trade secret is not an interest that is "more fundamental" than the First Amendment right to freedom of speech or even on equal footing with the national security interests and other vital governmental interests that have previously been found insufficient to justify a prior restraint. Our respect for the Legislature and its enactment of the UTSA cannot displace our duty to safeguard the rights guaranteed by the First Amendment. Accordingly, we are compelled to reverse the preliminary injunction.

We express no opinion as to whether permanent injunctive relief may be obtained after a full trial on the complaint, as that issue is not before us. [FN9] We further have no occasion to decide whether damages for Bunner's disclosure would be appropriate in these circumstances. DVDCCA may, of course, bring an action for damages or even injunctive relief against anyone who violates the Act by *conduct* rather than speech. In addition, a person who exposes the trade secret may be liable for damages if he or she was bound by a contractual obligation to safeguard the secret. And anyone who infringes ***352** a copyright held by DVDCCA or by any DVD content provider may be subject to an action under the Copyright Act. We hold only that a preliminary injunction cannot be used to restrict Bunner from disclosing DeCSS.

FN9. Whether a permanent injunctionmay constitute a prior restraint is unclear. (Compare *Alexander v. United States, supra,* [prior restraint encompasses permanent as well as preliminary injunctions] with *Pittsburgh Press Co. v. Human Rel. Comm'n, supra,* 413 U.S. at p. 390, 93 S.Ct. 2553 [prior restraints suppress speech "before an adequate determination that it is unprotected by the First Amendment"]; see also *Aguilar v. Avis Rent A Car System, Inc.* (1999) 21 Cal.4th 121, 138, 87 Cal.Rptr.2d 132, 980 P.2d 846 (lead opn of George, C.J.) [injunction *after* judicial finding of employment discrimination is not an invalid prior restraint, but only precludes continuation of unlawful activity].)

DISPOSITION

The order granting a preliminary injunction is reversed. Defendant Andrew Bunner shall recover his appellate costs.

WE CONCUR: ELIA, J., and MIHARA, J.

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