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Judge finds 'font' with N.K. Stouffer

Harry Potter lawsuit a fraud

By Mae Cheung

The author who alleged copyright infringement on the part of J.K. Rowling, author of the popular *Harry Potter* series, "perpetrated a fraud on the Court," according to U.S. District Judge Allen G. Schwartz.¹ Nancy Stouffer, who calls herself N.K. Stouffer, brought suit against Rowling, Scholastic, Inc., and Time Warner Entertainment Co. in November 2001, claiming that Rowling stole many ideas from her work. Judge Schwartz rejected Stouffer's claims of trademark infringement, false designation of origin, unfair competition, dilution and copyright infringement. He found not only that Rowling did not steal from Stouffer, but that the documents that Stouffer offered as evidence were fraudulent.

Stouffer's claim was that her book series, which included her 1984 book *The Legend of Rah and the Muggles*, contained names and ideas that later appeared in Rowling's *Harry Potter* series. One infringement claim involved the use of the word "Muggles," which in Stouffer's books are "tiny, hairless creatures with elongated heads, narrow limbs, and plump bellies,"² with the "superhuman"³ ability to "understand all languages, even those of the animals."⁴ In the *Harry Potter* series, how-

ever, muggles "simply [refer to] ordinary human beings."⁵ Stouffer claimed that her books contained characters named Larry and Lilly Potter. "Harry," of course, is very close to "Larry," and Lily Potter is Harry's mother in Rowling's series. On her website,⁶ Stouffer claimed that her book series had a first printing of 100,000 copies each book and that each sold out within one week. While the books do exist, they largely sold on the East Coast of the United States and "evidence in the record indicates that sales . . . were meager at best."⁷ Stouffer claimed that Rowling may have gotten the ideas during her work-study exchange in Baltimore, Maryland, in 1987, though Rowling said she had not been to the United States prior to 1998.⁸

With regard to Stouffer's trademark infringement claim, Judge Schwartz stated that, in his opinion, there was no evidence of any actual confusion between the two works. He further wrote that "there is nothing in the record, beyond Stouffer's conclusory allegations,"⁹ to indicate that Stouffer had received letters from readers noting similarities between her and Rowling's work. No reasonable juror, he said, could find a likelihood of confusion between Larry Potter and Harry Potter,¹⁰ stating the similarities between Stouffer's books and the *Harry Potter* series are "minimal and superficial."¹¹ Judge Schwartz also questioned whether Stouffer had actually used "Larry Potter" in any books published before the litigation commenced.¹²

Rowling, Scholastic and Time Warner moved for sanctions against Stouffer for her alleged submission of falsified evidence. Upon examination of the seven documents, the Court found "by clear and convincing evi-

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dence, that Stouffer [had] perpetrated a fraud on the Court through her submission of fraudulent documents as well as through her untruthful testimony.”¹³ Among the documents were altered copies of two of Stouffer’s books. The alterations included the addition of “Muggles” to the title page of one book and the modification of the only paragraph containing the phrase “Larry Potter” in another. In both cases, undisputed expert testimony indicated that the alterations could not have been made before 1991 and 1993, respectively. The title pages, which were supposedly created in the 1980s, utilized technology not invented until 1985 that could not have been utilized by Stouffer.¹⁴ The Larry Potter paragraph, supposedly written before 1987, was printed in a font

different than the rest of the book—a font that was not available until 1993.¹⁵ Additionally, Judge Schwartz found that Stouffer had produced a forged sales invoice and an advertisement for her works that was modified to include the word “Muggles.” Judge Schwartz fined Stouffer \$50,000 for her fraudulent representations, and awarded the other side attorneys’ fees and costs.¹⁶

The case is *Scholastic, Inc. v. Stouffer*, 221 F.Supp.2d 425 (S.D.N.Y. 2002).

*(Navid Fanaeian and Sarah Fuhrman
also contributed to this article.)*

Princeton professor takes on the record industry and challenges the DMCA

Battling the Digital Millennium Copyright Act

By David Wong

When Congress enacted the Digital Millennium Copyright Act (“DMCA”) in the hopes of making copyrighted music more secure from piracy, it created a firestorm of controversy. Passed in 1998, in the aftermath of the Napster phenomenon, the DMCA prohibits anyone from making or distributing devices that defeat the encryption and protection of copyrighted works. Soon after its enactment, public outcry ensued from music consumers who protested that the DMCA had the potential to contravene the public right to fair use of copyrighted material, for example, by preventing consumers from legitimately creating personal copies of music they bought. Critics of DMCA also objected that it would inhibit free expression and scientific research.

That possibility was highlighted by one of the most remarkable showdowns in the ongoing battle, between the record industry seeking to protect its copyrighted property, and the digerati seeking to preserve the Internet as a free-flowing forum, untrammelled by legal proscriptions. In the much-publicized skirmish, the record industry issued a public challenge to crack the security measures it had designed to protect copyrighted music from illegal copying. Princeton professor Edward Felten accepted the challenge and successfully defeated all of the anti-piracy protections. But when he tried to publicize the results of his research, the record industry threatened legal action against him and—most alarming to many observers—invoked the DMCA as a means to prevent him from publicizing his work.

The story began in December 1998, in the wake of Napster’s striking transformation of the consumer music landscape, when a coalition of corporations led by the record industry and electronics manufacturers banded together to form the Secure Digital Music Initiative (“SDMI”). The primary aim of SDMI was to protect copyrighted work, specifically digital music, from piracy. SDMI’s membership eventually swelled to include over two hundred electronics, music, and telecommunications corporations, with industry giants such as the Recording Industry Association of America, AOL, AT&T, BMG Entertainment, EMI Capitol Music, IBM, Intel, Microsoft, and Sony among its members.

In September 2000, SDMI issued a public challenge to “hack” its latest anti-piracy technology. The promotional contest challenged anyone to defeat the security measures—specifically, a new technique that embedded faint audio watermarks in the music—that SDMI had devised to protect files from illegal copying and distribution. A \$10,000 prize was offered. The contest ran for a month and SDMI received 447 entries.

Princeton University computer scientist and associate professor Edward Felten answered the challenge with the help of some of his students and some researchers at Rice University and the Palo Alto Research Center (PARC), a subsidiary of Xerox Corp. Within three weeks, he along with his team had defeated all six of the security schemes

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with relative ease, remarking that, “[o]nce you know where in the haystack the needle is hidden, it’s pretty easy to reach in there and pull that needle out. All of [the security measures] can be defeated rather easily.”¹⁷

Felten explained that the six security measures had different elements, but the most inscrutable were the ones that involved the watermarks, or faint electronic signatures that had been added to the audio background of the “secure” music recordings. Though the watermarks are inaudible to the human ear, new recording devices would listen for the watermarks and if they were present in the recording, the device would not copy the music.

Felten and his researchers pinpointed the watermarks using advanced signal processing and removed them without sacrificing music quality, which was one condition of the contest. Another condition was that the hacking must be reproducible, meaning that any other hacker could accomplish the same result using the same technique.

Controversy arose after the contest ended when Felten decided to forego the prize money and instead publicize his findings. Under contest rules, a contestant clicked on a confidentiality agreement during registration, promising to keep the details of his or her work private. But Felten refrained from clicking through to the contest agreement on the SDMI website. He passed on the prize money and decided to publicly disclose his findings. He prepared to publish his results and present a paper detailing how his team had defeated the security codes at the Fourth International Information Hiding Workshop in Pittsburgh in April 2001.

But when the Recording Industry Association of American (“RIAA”), one of the principal founders of SDMI, learned of Felten’s plans, it sent him a letter threatening legal action if he publicly disclosed his research findings, and specifically cited the DMCA as a means to stop him. The letter from Matthew Oppenheimer, RIAA’s senior vice president of business and legal affairs, warned Felten that, “[b]ecause public disclosure of your research would be outside the limited authorization of the Agreement, you could be subject to enforcement actions under federal law, including the DMCA.”¹⁸

As a result of RIAA’s warning, Felten refrained from making his presentation at the Pittsburgh conference. The

warning letter and Felten’s subsequent bowing to its pressure provoked public criticism that the DMCA could have a chilling effect on academic research and free speech. Critics touted this incident as one example of how the DMCA’s restrictive provisions stymie technological research on encryption and security methods and hinder the free expression of those who discover ways to circumvent the security measures.

The incident was also a public relations debacle for RIAA, whose letter was seen as bullying and antagonistic to free speech and academic exploration. The group

backed away from its legal threats, and RIAA general counsel Cary Sherman conceded that the letter was a mistake. “We simply weren’t as sensitive as we should have been about how the letter would be perceived,”¹⁹ Sherman told the Associated Press. RIAA officials later said they had no intention of suing Felten. Oppenheimer also issued a public statement asserting that RIAA never intended to sue Felten, declaring that RIAA,

No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title.

17 USC § 1201(2)(A) (2000)

as “one of the founding members of SDMI, strongly believes in academic freedom and freedom of speech.”²⁰

After this incident, Professor Felten directly challenged the Digital Millennium Copyright Act in federal district court in Trenton, New Jersey. With the assistance of the Electronic Frontier Foundation, a San Francisco-based organization claiming it is interested in preserving individual liberties over the Internet, Felten asked the court to declare his findings a legal expression of free speech so that he could present his work at a conference in August 2001 without worry of its legal consequences. Included as defendants in the lawsuit were RIAA, SDMI, and U.S. Attorney General John Ashcroft, who has the power to criminally enforce violations of the Digital Millennium Copyright Act. Both RIAA and the Department of Justice moved to dismiss the case, which the judge granted without hearing any First Amendment considerations. The Electronic Frontier Foundation plans to appeal the dismissal.

Felten has since partially publicized his results in meetings and conferences. But he knows that his findings

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are already publicly available since they have been leaked and published on Internet websites. Moreover, some computer scientists fail to see what all the fuss is about since they say his findings were never truly unique to begin with, and that similar code-breaking methods have been devised before and are readily available to the public.²¹

Nevertheless, Felten is considered one of the world's foremost experts on Internet and software security. He was the lead computer science expert witness for the Department of Justice in the government's successful lawsuit against Microsoft. Currently, he continues his research work at Princeton and has, of late, been studying

the ways privacy over the Internet and email can be undermined.

SDMI seems to have faded from its once prominent role in the technological discourse. It has been inactive—or “on hiatus” as its website will tell you²²—since May 2001. But a new organization appears to be taking its place. The Digital Media Device Association recently formed with about forty members, with similar aims to develop uniform specifications for digital devices. With the arrival of a new organization to represent the interests of the recording industry, the battle over digital music rights and the potential effects of Digital Millennium Copyright Act will likely continue for years to come.

Intellectual Property at the Supreme Court

By Sarah Fuhrman

Mickey Mouse had his day in Court and got (at least) another twenty years. And Victoria's Secret and Victor's Little Secret argued over “unmentionables” back in November. But with a denial of certiorari in late January, Barbie will just have to live with the Ninth Circuit's decision—and the less-than-flattering hit song she inspired a few years back.

Long live the copyright

The biggest IP case this Term has been *Eldred v. Ashcroft*.²³ The case addressed the constitutionality of the Sonny Bono Copyright Term Extension Act (CTEA), which “enlarges the terms of all existing and future copyrights by 20 years.”²⁴

In a 7-2 decision, the Court held that Congress had not exceeded its powers under the Copyright Clause when it extended existing copyrights under CTEA and that CTEA's extension of existing and future copyrights did not violate the First Amendment.²⁵

In other words, Mickey Mouse and some other famous works have another twenty years of copyright protection. According to Lawrence Lessig, the Stanford law professor who argued CTEA was unconstitutional, Mickey Mouse could be protected for a lot longer, maybe forever.

One of Lessig's arguments turned on whether CTEA violated the “limited times” provision of the Copyright Clause.²⁶ Because Congress can extend copyright terms an unlimited number of times, he argued, Congress can circumvent the “limited times” restriction in the Constitution. Lessig's “novel reading”²⁷ of the clause—that “a

structural limit [is] necessary to assure that what would be an effectively perpetual term not be permitted under the copyright laws”²⁸—was rejected by the Court.

The case is *Eldred v. Ashcroft*, No. 01-618, slip op. (U.S. Jan. 15, 2003).

Victor/Victoria : Is proof of economic harm necessary for relief under the FTDA?

Victor Moseley and his wife Cathy opened a “gift and novelty” shop in Elizabethtown, Kentucky, in February 1998. In addition to lingerie, jewelry and incense, the store also sold adult videos and novelties in an “adults-only” back room. The shop was originally called “Victor's Secret” but was changed to “Victor's Little Secret” after the Moseleys received a “cease and desist” letter from The Limited Inc., which claimed infringement of its famous “Victoria's Secret” mark.²⁹

When the name change failed to satisfy Victoria's Secret, the company filed suit against the Moseleys in June 1998, alleging trademark infringement, dilution and unfair competition/false designation of origin. The U.S. District Court for the Western District of Kentucky found in favor of Victoria's Secret on the trademark dilution count and granted an injunction against Victor's Little Secret,³⁰ which the Sixth Circuit upheld.³¹

Dilution refers to the “lessening of the capacity of a famous mark to identify and distinguish goods or ser-

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NOTES

Harry Potter

- ¹ Scholastic, Inc. v. Stouffer, 221 F.Supp.2d 425, 444 (S.D.N.Y. 2002).
² *Id.* at 428.
³ *Id.* at 434.
⁴ *Id.* at 428.
⁵ *Id.* at 434.
⁶ See <http://realmuggles.com>, which on January 28, 2003, claimed it had received 261,076 visitors.
⁷ *Stouffer*, 221 F.Supp.2d at 437.
⁸ *Id.* at 439.
⁹ *Id.* at 434 n.5.
¹⁰ *Id.* at 435.
¹¹ *Id.* at 437.
¹² *Id.* at 435.
¹³ *Id.* at 444.
¹⁴ *Id.* at 429.
¹⁵ *Id.* at 430.
¹⁶ *Id.* at 444.

Battling the DCMA

- ¹⁷ Ron Harris, *Professor Talks About Tech Secrets Music Industry Wants To Hide*, ASSOCIATED PRESS NEWSWIREs, May 18, 2001, available at <http://www.usatoday.com/life/cyber/tech/review/2001-05-18-sdmi-professor.htm> (last visited Feb. 6, 2003).
¹⁸ Janelle Brown, *Is the RIAA Running Scared? A Fumbled Attempt To Silence a Princeton Professor Backfires on the Recording Industry*, SALON.COM, Apr. 26, 2001, at <http://dir.salon.com/tech/log/2001/04/26/felten/index.html> (last visited Feb. 6, 2003).
¹⁹ Harris, *supra* note 17.
²⁰ Brown, *supra* note 18.
²¹ Jeffrey Bair, *Professor Opts Against Presentation on Foiling Music Security*, ASSOCIATED PRESS NEWSWIREs, Apr. 26, 2001 (“One computer scientist who was not part of the team said [Felten’s] work confirms what has been done before and is already widely available.”), available at <http://www.usatoday.com/life/cyber/tech/review/2001-04-26-sdmi-professor.htm> (last visited Feb. 6, 2003).
²² SDMI’s website address is <http://www.sdmi.org>.

Supreme Court – Eldred

- ²³ In fact, this case is so big, IPLS plans to feature it in an upcoming edition of the Standard. As a result, only a brief overview of the case is provided here.
²⁴ *Eldred v. Ashcroft*, No. 01-618, slip op. at 4 (U.S. Jan. 15, 2003).
²⁵ *Id.* at 7.
²⁶ “The Congress shall have 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.
²⁷ *Eldred*, No. 01-618, at 17.
²⁸ Transcript of Oral Argument at 10, *Eldred*, No. 01-618, (argued Oct. 9, 2002), available at http://www.supremecourtus.gov/oral_arguments/argument_transcripts/01-618.pdf (last accessed Feb. 6, 2003).

Supreme Court – Victoria’s Secret

- ²⁹ Petitioners’ Brief on the Merits at *3–*5 (filed July 24, 2002), Brief for Respondents at *4 (filed Aug. 25, 2002), *Moseley v. V Secret Catalogue*, 2001 LEXIS U.S. Briefs 1015 (No. 01-1015).
³⁰ *V Secret Catalogue v. Moseley*, 2000 U.S. Dist. LEXIS 5215 (W.D.Ky. 2000) (memorandum opinion).
³¹ *V Secret Catalogue v. Moseley*, 259 F.3d 464 (6th Cir. 2001), *cert. granted*, 122 S.Ct. 1536 (2002) (No. 01-1015).
³² 15 U.S.C. § 1127 (2000).
³³ Brief for Respondents, *supra* note 29, at *10.
³⁴ Transcript of Oral Argument at 9, *Moseley*, No. 01-1015 (argued Nov. 12, 2002), available at http://www.supremecourtus.gov/oral_arguments/argument_transcripts/01-1015.pdf (last accessed Feb. 6, 2003).
³⁵ *Id.* at 37–38.

Supreme Court – Barbie

- ³⁶ *Mattel, Inc. v. RCA Records, Inc.*, 296 F.3d 894, 894 (9th Cir. 2002), *cert. denied*, 2003 U.S. LEXIS 920 (U.S. Jan. 27, 2003).
³⁷ *Id.* at 902–03.
³⁸ *Id.* at 899, 906–08.
³⁹ *Id.* at 908.

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vices, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception.³² As Victoria's Secret argued:

The essence of a trademark is distinctiveness. A designation qualifies for protection as a mark only if it has the power to distinguish its owner's products or services from others by calling to mind an association with the owner's reputation. The greater a mark's distinctiveness, the more power it has to evoke its owner's product and reputation. The distinctiveness of the mark, in other words, is essential to its selling power, and to the extent of its protection.³³

The case revolves around the issue of whether the owner of a famous mark—such as Victoria's Secret—must show “actual injury to the economic value” of the mark to be entitled to relief under the Federal Trademark Dilution Act (FTDA). Following a Fourth Circuit ruling, Victor's Little Secret argues that some type of objective proof—for example, a consumer survey demonstrating the dilution of the mark—must be provided before relief can be granted while Victoria's Secret favors the subjective “likelihood of dilution” standard, adopted by the Second Circuit.

In April 2002, the Supreme Court granted certiorari to resolve the circuit split, and oral arguments were heard on November 12, 2002. The Moseleys argued that “the plaintiff in a dilution case needs to show objective proof of dilution, and that necessarily has an economic component with it.”³⁴ Victoria's Secret, on the other hand, suggested that the “economic injury . . . may not be identifiable . . . until it's too late to rectify the harm that has been

done [to the mark, i.e., its loss of singularity and status as a famous mark].”³⁵

The case is *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001), *cert. granted*, 122 S.Ct. 1536 (2002) (No. 01-1015).

Editor's note: In a unanimous decision, the Court held that the FTDA requires proof of actual dilution. *Moseley v. V Secret Catalogue*, No. 01-1015, slip op. at 14 (U.S. Mar. 4, 2003). In a concurring opinion, Justice Kennedy noted that this decision “does not foreclose injunctive relief if respondents on remand present sufficient evidence of either blurring or tarnishment.” *Id.* at 2 (Kennedy, J., concurring).

Cert denied in Barbie case

In January, the Court dashed Mattel's hopes of a Supreme Court Barbie, denying certiorari without comment in a case described as “Speech-Zilla meets Trademark Kong.”³⁶

Mattel brought suit against MCA Records after Danish band Aqua produced the novelty hit song “Barbie Girl” in 1997. The song refers to Barbie as a “blonde bimbo girl,” which, Mattel argued, “tarnishes the mark because the song is inappropriate for young girls.”³⁷ The Ninth Circuit, however, affirmed the district court's ruling that the song is a parody of the doll and is, thus, protected by the First Amendment.³⁸

The opinion, authored by Circuit Judge Alex Kozinski, also “advised [the parties] to chill” with regard to the defamation counterclaims.³⁹

The case is *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002), *cert. denied*, 2003 U.S. LEXIS 920 (U.S. Jan. 27, 2003).

WHEN IS A CONSUMER CONFUSED? ASK POLAROID

The “likelihood of consumer confusion” was central to four of the six counterclaims made by Nancy Stouffer against J.K. Rowling over the *Harry Potter* series. To prevail on her trademark infringement, false designation of origin and unfair competition claims, Stouffer had to show that Rowling “used the intellectual property at issue in a manner likely to cause consumer confusion.” To determine the likelihood of consumer confusion, courts often look to the eight-factor *Polaroid* test.

Those factors, articulated in *Polaroid v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961), include:

- The strength of the claimant's mark;
- The degree of similarity between the claimant's and defendant's marks;
- The proximity of the products;
- The likelihood that either party will “bridge the gap” and use the mark on products closer to the other's areas of commerce;
- The sophistication of the buyers;
- The quality of the defendant's product;
- Actual confusion; and
- The defendant's good or bad faith.

Though the *Stouffer* court did not need to apply these factors individually to make a determination, the Court of Appeals for the Second Circuit noted a lower court's “careful analysis” of these factors in a case which should be familiar to 1Ls in Professor Jay Tidmarsh's Civil Procedure class. See *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 2003 U.S. App. LEXIS 614, *16-*23 (2d Cir. 2003).