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Brief of Amici Curiae Intellectual Property Law Professors in Favor of Judgement as a Matter of Law

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Brief of Amici Curiae Intellectual Property Law Professors in Favor of Judgement as a Matter of Law, *Zenimax Media, Inc. v. Oculus VR*, No. 3:14-cv-01849-K, (N.D. Tex. June 8, 2017).

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ZENIMAX MEDIA INC. and)
ID SOFTWARE LLC,)

Plaintiffs)

v.)

OCULUS VR, LLC, PALMER LUCKEY,)
FACEBOOK, INC., BRENDAN IRIBE,)
and JOHN CARMACK,)

Defendants)

CIVIL CASE NO. 3:14-cv-01849-K

**BRIEF OF AMICI CURIAE INTELLECTUAL PROPERTY LAW
PROFESSORS IN FAVOR OF JUDGMENT AS A MATTER OF LAW**

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IDENTITY AND INTEREST OF AMICI CURIAE

Amici Curiae are law professors who teach and write in intellectual property law, particularly trademark law. Amici have no stake in the outcome of this case. Their sole interest is in the orderly development of trademark law in a way that serves the public interest.*

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SUMMARY OF ARGUMENT

Plaintiff’s false designation of origin and false endorsement claims, such as they are, rest on the assertion that defendants falsely represented themselves as the origin of intellectual property on which the Oculus Rift is based. Those claims are barred by *Dastar v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003), which holds that only confusion regarding the origin of *physical* goods is actionable under the Lanham Act.

I. ARGUMENT

A. ZeniMax’s False Designation of Origin Claim is Barred by *Dastar*

The gravamen of ZeniMax’s false designation of origin claim is difficult to discern but appears to rest on the allegation that “Defendants wrongfully held out ZeniMax’s intellectual property as their own” (ECF 968 at 4) when “the Oculus Rift Kickstarter video[] misleadingly attribute[d] Carmack’s work at ZeniMax to Oculus.” (ECF 963 at 20).¹ That claim is plainly barred by *Dastar v. Twentieth Century Fox*, 539 U.S. 23 (2003), because it alleges false designation of the origin

¹ See also Plaintiff’s Memorandum of Law in Support of Their Motion for Entry of Permanent Injunction (“Injunction Brief”) at 1 (characterizing the jury verdict as having found that Defendants falsely designated “ZeniMax’s *technology* as its own”) (emphasis added); *id.* at 6 (suggesting that Defendants built and promoted a business based on ZeniMax’s technology); Plaintiffs’ Opposition to Defendants’ Motion for Judgment as a Matter of Law Under Federal Rule of Civil Procedure 50(b) at 1 (claiming that Defendants stole, copied, and passed off as their own “breakthrough virtual reality (VR) technology” developed by ZeniMax).

of intangible content (intellectual property) rather than of any tangible goods, as the Lanham Act requires. Thus, ZeniMax's false designation of origin claim would be barred even if ZeniMax were right that defendants' presentations falsely suggested that defendants created the technology on which the Oculus Rift devices operate, because any confusion about the origin of the technology is irrelevant for Lanham Act purposes. *Dastar*, 539 U.S. at 32 ("as used in the Lanham Act, the phrase "origin of goods" is in our view incapable of connoting the person or entity that originated the ideas or communications that "goods" embody or contain").

Dastar copied footage from the *Crusade in Europe* television series originally released by Twentieth Century Fox and re-used that footage in its own video series without attributing the footage to Fox. According to Fox, that unattributed use constituted reverse passing off: Dastar was passing off Fox's content as though it were Dastar's own, thereby falsely designating the origin of the video series in violation of § 43(a) of the Lanham Act. *Dastar*, 539 U.S. at 27. That section makes actionable use of

any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or *as to the origin*, sponsorship, or approval *of his or her goods*, services, or commercial activities by another person.

15 U.S.C. § 1125(a)(1)(A) (2012) (emphasis added).

Because some lower courts had allowed claims in this sort of context, the Supreme Court was forced to consider the meaning of the phrase “origin of goods” in the Lanham Act. And the Court concluded that “the most natural understanding of ‘origin’ of ‘goods’ – the source of wares – is the producer of the tangible product sold in the marketplace.” *Dastar*, 539 U.S. at 31. The concept of origin “might be stretched,” the Court allowed, “to include not only the actual producer,” but the party who “stood behind production of the physical product.” *Dastar*, 539 U.S. at 31-32. “Origin of goods,” however, is “incapable of connoting the person or entity that originated the ideas or communications that ‘goods’ embody or contain.” *Id.* at 32. Whatever the range of relationships that might legitimately be regarded as those of legal “origin,” they must relate to the physical goods and not merely the intangible content embodied therein.

This case is strikingly similar to *General Universal Systems, Inc. v. Lee*, 379 F.3d 131 (5th Cir. 2004). In that case, General Universal Systems (GUS) sued HAL, two of its officers, and several of HAL’s customers (collectively “HAL”), claiming that HAL infringed its copyright in a freight management system, misappropriated trade secrets, violated the Lanham Act, and breached a contract. *Id.* at 137. More specifically, GUS alleged that the defendants made an unauthorized copy of GUS’s

freight tracking software and marketed that software under the defendant's own mark.²

The Fifth Circuit rejected GUS's false designation of origin claim, noting that the Supreme Court had "carefully distinguished Lanham Act claims from copyright claims"; unlike copyright, Lanham Act claims were "not designed to protect originality or creativity." *Id.* at 149 quoting *Dastar*, 539 U.S. at 37. GUS's false designation of origin claims were barred because GUS had not accused the defendants of "taking tangible copies of its software, removing its trademarks, and selling [the tangible copies] as its own," but instead asserted that defendants had "copied the ideas, concepts, structures, and sequences embodied in" its software. *Id.* at 149. "In sum and substance, GUS's claim [was] simply a claim that [defendants] ha[d] infringed its copyright" in its software. *Id.* As the Fifth Circuit recognized, "*Dastar* makes clear that such claims are not actionable under § 43(a)." *Id.*

General Universal Systems reflects *Dastar*'s central holding: only misrepresentations of the origin of physical goods are actionable under § 43(a)(1)(A). Other sorts of misrepresentations, including but not limited to

² Notably, GUS contended that the defendants' MEPAW software copied GUS's software with only minor modifications, and that Lanham Act claims do not require the sort of *Altai*-style abstraction/filtration analysis required in copyright cases. It therefore contended that it could establish false designation of origin simply on the basis of the alleged similarity of the defendant's software.

misrepresentations of the origin of technology, are not actionable as false designation of origin. *See Kehoe Component Sales Inc. v. Best Lighting Prods., Inc.*, 796 F.3d 576, 586-87 (6th Cir. 2015) (“Boiled down, then, the district court's liability finding on the reverse passing off claim depended upon its conclusion that Pace falsely designated the cloned products’ ‘origin’ by failing to represent to its customers that the products—although manufactured by Pace—stemmed from ideas or intellectual property that were initially brought to the table by Best. But as the Supreme Court has pointed out, the Lanham Act protects the ability to control one’s brand; it does not protect the ability to control one’s inventions or innovations.”); *Geovector Corp. v. Samsung Electronics Co.*, 2016 WL 6662996, at *4 (N.D. Cal. Nov. 16, 2016) (“GeoVector’s Lanham Act claim is based on Samsung’s alleged appropriation of GeoVector’s augmented reality ideas to create and sell its own augmented reality technology. But the Lanham Act does not prohibit conduct of this kind; it applies only to the appropriation of tangible goods, not intellectual property.”).³

³A broader range of misrepresentations (regarding the “the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities”) are actionable as false advertising under § 43(a)(1)(B). 15 U.S.C. § 1125(a)(1)(B). To sustain a false advertising cause of action, the plaintiff must still establish that claims about the origin of technology do in fact pertain to the “nature, characteristics, [or] qualities” of the actual goods. *Cf. Baden Sports, Inc. v. Molten USA, Inc.*, 556 F.3d 1300 (Fed. Cir. 2009) (barring Baden’s Lanham Act false advertising claims, which alleged that Molten had falsely claimed to be the

ZeniMax’s false designation of origin claim clearly fails under this standard. Oculus is unambiguously the origin of the Rift devices; there was therefore nothing remotely false about Oculus designating itself as the origin of those devices. Given *Dastar*, the basis on which ZeniMax defends the false designation of origin verdict—Defendants’ purportedly false claims about inventorship or the origin of technology—is insufficient as a matter of law.

B. ZeniMax’s Claims Based on Use of Trademarks Within the Slide Deck
Fail

ZeniMax refers in passing to Defendants’ use of ZeniMax’s trademarks within the slide deck Defendants presented to potential investors, implying that it was those

origin of “innovative” technology in its basketballs); *see also OptoLum, Inc. v. Cree, Inc.*, 122 U.S.P.Q.2d 1208 (D. Ariz. 2017) (“A contrary holding—that is, a finding that false claims to inventorship are actionable under § 43(a)—impermissibly ‘could create overlap between the Lanham and Patent Acts.’”) (citation omitted); *Smartix Int’l Corp. v. MasterCard Int’l LLC*, No. 06 CV 5174 (GBD), 2008 WL 4444554, at *6 (S.D.N.Y. Sept. 30, 2008) (collecting cases) (failure to acknowledge “originating source of the technology underlying defendants’ affinity card programs[] is not a misrepresentation as to the inherent ‘nature, characteristics [or] quality’ of the programs themselves.”). A plaintiff asserting false advertising causes of action must, moreover, establish elements that do not apply false designation of origin claims. Most notably, such plaintiffs must “prove materiality by establishing ‘that the defendant’s deception is likely to influence the purchasing decision.’” *Forest Grp., Inc. v. Bon Tool Co.*, No. CIV.A. H-05-4127, 2008 WL 2962206, at *7 (S.D. Tex. July 29, 2008) (quoting *North Amer. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1226 (11th Cir. 2008) (internal quotations and citations omitted)), *vacated in part on other grounds*, 590 F.3d 1295 (Fed. Cir. 2009).

uses that falsely designated the origin of the Oculus Rift and/or constituted false endorsement. Injunction Brief at 10-11, ¶¶ 19-26; Opposition to Motion for Judgment as a Matter of Law at 5-6.

To the extent ZeniMax's false designation of origin claim is based on Defendants' use of ZeniMax's video game trademarks in their presentations to potential investors, that claim is indistinguishable from the trademark infringement claim on which the jury awarded zero damages despite being charged that ZeniMax had recognized trademarks in those marks. Court's Charge to the Jury, p. 62. The Court's jury instructions distinguished false designation of origin and trademark infringement precisely on the basis that a party can recover for false designation of origin even though the person is not the owner of a trademark. *Compare* Court's Charge to the Jury, p. 61 (requiring proof of ownership of legally protectable trademarks for trademark infringement claim) and p. 65 (allowing false designation of origin claim even though no ownership of protectable trademarks). ZeniMax attempts to recharacterize its trademark infringement claim as false designation of origin to avoid the jury's conclusion that it was not entitled to damages for Defendants' use of ZeniMax's marks, even though the substantive elements of a false designation of origin claim (other than the presence of a registered trademark)

are the same as for violation of §32 of the Lanham Act, which provides remedies for infringement of registered trademarks.⁴

On these facts, the doctrine of nominative fair use also overlaps with the teaching of *Dastar*. The nominative fair use doctrine finds certain uses of trademarks nonactionable because their use is truthful and nonconfusing as a matter of law. *See Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010). To the extent ZeniMax’s claims are based on Defendants’ use of ZeniMax’s marks within the slide deck, such use was purely nominative; Defendants used the marks to identify ZeniMax’s products and to indicate that those games were compatible with

⁴ *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 780 (1992) (“whether we call a violation infringement, unfair competition, or false designation of origin, the test is identical—is there a likelihood of confusion?”) (Stevens, J., concurring); *Audi AG v. D’Amato*, 469 F.3d 534, 542 (6th Cir. 2006) (courts “use the same test to decide whether there has been trademark infringement, unfair competition, or false designation of origin: the likelihood of confusion between the two marks.”); *Marathon Mfg. Co. v. Enerlite Prod. Corp.*, 767 F.2d 214, 216-217 (5th Cir. 1985) (analyzing both claims together); *New West Corp. v. NYM Co. of Cal., Inc.*, 595 F.2d 1194, 1201 (9th Cir. 1979) (“Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical.”); *Applause Prod. Grp., L.L.C. v. Showtime Events Inc.*, 2017 WL 1906588 (D. Md. May 4, 2017) (“The Lanham Act specifies that the test of liability for a false designation of origin claim is the same ‘likelihood of confusion analysis’ arising in a traditional trademark infringement claim.”) (citing J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 27:18 (4th ed. 2003, March 2017 update); *Philip Morris USA, Inc. v. Lee*, 547 F. Supp. 2d 667, 674 (W.D. Tex. 2008) (“The elements of trademark infringement and false designation of origin [under the Lanham Act] are identical, and the same evidence will establish both claims.”)).

the Oculus Rift, not to claim that ZeniMax stood behind Defendants' product. Importantly, the error with respect to the *Dastar*-barred false designation of origin claim contaminated the jury's verdict even though the Court instructed the jury on nominative fair use. As the Court's instruction noted, nominative fair use requires that the defendant (1) make a use to refer to the plaintiff, (2) use "only so much of the trademarks as was reasonably necessary," and (3) do nothing else to suggest sponsorship or endorsement of the defendant's product by the plaintiff. Court's Charge to the Jury, p. 67. Both factors (2) and (3) are profoundly affected by the conflation of origin of goods or services with the origin of ideas or technology.

C. ZeniMax Cannot Avoid *Dastar* by Characterizing its Claims in False Endorsement Terms

Perhaps recognizing the legal inadequacy of its false designation of origin claim, ZeniMax suggests in its most recent Opposition brief that Defendants' conduct amounted to false designation of origin and/or trademark infringement because it falsely suggested that ZeniMax was endorsing Oculus's product. *See* Plaintiffs' Opposition to Defendants' Motion for Judgment as a Matter of Law Under Federal Rule of Civil Procedure 50(b) at 2, 5-6. False endorsement is, of course, a distinct Lanham Act theory, and one on which the jury was not charged. *See* Court's Charge to the Jury at 53-56 (charging on unfair competition claims), 61-71 (charging on trademark infringement and false designation claims). But regardless, to the

extent ZeniMax's claims depend on the allegation that Defendants' conduct suggested that Defendants, rather than ZeniMax, had created virtual reality technology or the VR demo, those claims are barred by *Dastar* however they are denominated. *See Appjigger GmbH v. BLU Prods., Inc.*, 2016 WL 4119720 at *4 (S.D. Fla. March 7, 2016) ("A defendant does not violate the Lanham Act's false advertising provisions by promoting its product while failing to properly attribute the source of the underlying technology embodied in the product."). ZeniMax cannot escape that result by characterizing the conduct as falsely suggesting and endorsement rather than falsely designating the origin of the technology. *See Rudovsky v. West Publ. Corp.*, 2010 WL 2804844 at *2 (E.D. Pa. July 15, 2010) (rejecting plaintiff's false advertising and false endorsement claims based on false designation of authorship); *Antidote Int'l Films, Inc. v. Bloomsbury Publ'g, PLC*, 467 F.Supp.2d 394, 398 (S.D.N.Y. 2006) (rejecting plaintiff's claim that misrepresentations of authorship falsely suggested the affiliation or sponsorship of the true author, and noting that the "holding necessarily applies with equal force to any claim for "false ... representation[s]" with respect to the "affiliation ... of [one] person with another person," where, as here, one person is the publisher of a novel and the other is the author of the novel, because the holding of *Dastar* would be meaningless if a false authorship claim could be recast in this manner").

II. CONCLUSION

For the foregoing reasons, the Court should enter judgment as a matter of law in favor of Defendants.

RESPECTFULLY SUBMITTED,

By: _____

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CERTIFICATE OF SERVICE

I hereby certify that on June ____, 2017, I electronically filed the foregoing with the clerk of court for the US. District Court, Northern District of Texas, using the CMECF system which will send notification to case participants registered for electronic notice. I further certify that I have served all case participants not registered for electronic notice by another manner authorized by Federal Rule of Civil Procedure 5(b)(2).

By: _____
John A. Conway