Intellectual Property

2008 SPRING BULLETIN

Illinois District Court Okays Code-passing for Software Clean Room Process

BY MITCHELL ZIMMERMAN

Just as a semiconductor clean room aims to exclude airborne particles that could contaminate wafer layers, so the legal software clean room has sought to protect computer software developers from contaminating "access" to earlier works they might be charged with copying. *Nordstrom Consulting, Inc. v. M&S Technologies, Inc.*, No. 06C3234 2008 U.S. Dist. Lexis 17259 (N.D. Ill. Mar. 4, 2008), considers such clean room procedures.

In certain contexts—such as when a new program must be compatible or interoperable with a competitor's software—it may be necessary to identify and use certain structures from the earlier work. A later developer can legitimately employ or work with such structures, insofar as copyright law treats them as "unprotected ideas" or functional elements. However, copying is presumed when a developer has *access* to an original copyrighted work and the expressive elements of the two works are substantially similar. Learning about an earlier work therefore creates a risk that if the later work is deemed substantially similar to the earlier one in protectable expression, a presumption of copyright infringement will follow.

The clean room process seeks to eliminate this risk by negating the element of "access" to the original work by those preparing a new program. As explained in *Nordstrom Consulting*: "'Clean room' procedure attempts to avoid violations of the copyright laws by using two separate teams of developers to create a competing product. The first team describes the functional aspects of a product to the second team; the second team then uses those descriptions to write the code for a competing product."

The two parties in *Nordstrom* formerly had previously worked together to exploit Nordstrom's visual eye chart software, which they marketed in conjunction with defendant's visual acuity systems. When the parties parted ways, M&S sought to independently create its own software as a substitute for Nordstrom's. "Defendants claim to have instituted a clean room procedure," the court observed, in which M&S's president and an M&S employee named Butler "fulfilled the role of the first team, while the second [clean] team worked offsite and had no access to the program code. If Defendants did indeed follow clean room procedures, then Plaintiffs would be unable to make the necessary showing that Defendants had access to the copyrighted work."

Standard clean room procedures often call for an independent individual to act as gatekeeper between the two teams. In this case, Butler—who was on the first team and had access to Nordstrom's code—communicated directly with the second team on the "clean" side. These communications, Nordstrom maintained, included sending emails containing code and suggestions on how to solve difficulties encountered in writing the new, supposedly "independently-developed" program. M&S countered that Butler's emails contained only pseudocode which the developers used to understand what the new software needed to do.

District Judge Darrah held Nordstrom's showing insufficient to raise a triable issue on substantial similarity. Nordstrom did not offer expert opinion or access on the substantial similarity issue and failed to explain why the opinions of M&S's expert were incorrect, providing an independent basis for summary judgment.

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On the access issue, the court reasoned as follows: "Plaintiffs have not shown that the code or pseudocode suggested by Butler is either identical or substantially similar to a portion of the copyrighted code that was an original expression of Nordstrom and subject to copyright.…Thus, Butler's possible violation of the clean room procedure does not satisfy [plaintiff's burden on] the access requirement.…"

Imposing a requirement that code conveyed to the clean team itself be substantially similar to the copyrighted work in order to prove access seems dubious, particularly on summary judgment, as does the court's apparent failure to address the provision of other assistance to the clean team by an individual (Butler) who had had access to the original work.

The issue, ultimately, is whether two works are so similar that an inference of copying is warranted when someone has had the opportunity to exploit the original work. It is one thing to negate an inference of copying on the basis that the new developers only had access to ideas from the original work. It is another thing for them to have had the benefit of insights on how to solve programming problems, supplied by someone with full access to the original work, insights that may have been derived from the original work.

Whether defendant's employee Butler actually transmitted protectable expression from the original work is difficult to tell on the limited facts set forth in this opinion. However, this possibility perhaps should not have been resolved on summary judgment.

This may be one of those cases that pose the question of just what processes involving use of another's work should be characterized as "copying." If someone eyeballs an original work of authorship and immediately produces another work, identical to the first, we call this copying. If someone eyeballs an original work of authorship and through a somewhat more complex mental process immediately creates a new work substantially similar in protectable expression to the original work, we feel comfortable that this should still be called copying. It is not clear that the result should be any different merely because the intermediate mental process for creating the second work is divided between two persons, one of whom—as a result of seeing the copyrighted work—develops and conveys insight for solving problems relating to expressing the new work, and the other of whom receives and implements that insight. In this case the court resolved the access part of the analysis on summary judgment, seemingly allowing two people to act together in a manner that would have been deemed to constitute access had one of them so acted.

Giving Another Look to Patent Reexaminations

BY JENNIFER R. BUSH AND RAJIV P. PATEL

For many years, the U.S. Patent and Trademark Office (USPTO) has offered a procedure for reexamining issued patents. However, neither patent owners nor potential defendants used the reexamination procedures very often. Patent owners knew that they enjoyed a strong presumption of validity and a high evidentiary standard to overcome that presumption in court. Potential defendants were reluctant to use the procedure because they didn't get to argue about the meaning of a reference as in court. In recent years, a new *inter partes* procedure gave potential defendants a right to comment on the patentee's statements to the USPTO. As a result, there is some indication reexaminations are becoming more popular among those accused of patent infringement. Recent case law, as well as recently published statistics, suggests that patent reexaminations are poised to experience a further surge in popularity.

With the potential risk and costs of patent litigation, patent owners are increasingly turning to reexaminations as a means to strengthen patents. At the same time, defendants are turning to reexaminations as a less costly way to challenge patents. While reexamination is a tool available for either side, the risks and benefits of the tool must be carefully weighed by any party initiating a reexamination.

There are two types of reexamination: *ex parte* and *inter partes*. *Ex parte* patent reexamination, in which the reexamination proceedings are primarily between an examiner at the USPTO and a patent owner, was first introduced in 1981. Congress introduced *ex parte* reexamination to settle validity disputes more quickly and less expensively than litigation and to allow greater USPTO involvement in patent validity questions. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985). *Inter partes* examinations came about in 1999 as part of the American Inventors Protection Act in an effort to expand public participation in this process.

As between the examiner and the patent owner, most of the *ex parte* reexamination process is very similar to the examination of a patent application, with the examiner issuing one or more office actions and the patent owner responding. Once the claims are acceptable to the examiner, the USPTO issues a reexamination certificate that shows which claims were reexamined and their present scope.

The number of *ex parte* reexaminations requested each year has been slowly but steadily increasing since the introduction of the process in 1981. While reexamination is not without risk, patent owners may look upon it favorably because they maintain some control over the process; they may amend their claims, present arguments to the examiner, and interview the examiner during the process. In addition, *ex parte* reexamination for patent owners may represent a less threatening environment than a judicial proceeding for determining the validity and scope of their patents.

In fact, considering the potential risk to their existing patents, patent owners initiate *ex parte* reexaminations at a relatively high rate. According to the USPTO, a full thirty-nine percent of *ex parte* reexaminations are initiated by patent owners. One attractive feature of the process is that, for the most part, the patent owner is the only party who is involved in making substantive arguments in *ex parte* reexamination, which means that the only potentially "adverse" party is the USPTO.

There are three possible outcomes for reexaminations: (1) all the claims of a patent may be affirmed, (2) the patent may be affirmed but with amended claims or (3) all of the claims may be cancelled. Affirmation of all claims is the ultimate goal of the patent owner. If all, or even most, claims are affirmed over new art, a patent is strengthened. The real world effect may be that competitors are deterred from later attempts to challenge the patent via litigation. If a patent owner instead receives an unfavorable outcome from the reexamination, he or she still may appeal the decision to the Board of Patent Appeals and Interferences (BPAI), and then through the federal court system.

In any reexamination, two significant risks loom for patent owners: (1) a substantial narrowing of patent claims such that potential infringers avoid infringement and (2) is invalidation of all patent claims. In *ex parte* reexamination cases as a whole, the numbers favor the patent owner. All claims are affirmed in twenty-six percent of *ex parte* cases, the claims are changed but affirmed in sixty-four percent of cases, and all claims are cancelled in just ten percent of cases. Thus, the patent owner's risk of having all claims cancelled in *ex parte* cases is just one in ten; nine out of ten times some or all claims are affirmed. For reexaminations initiated by patent owners, the numbers are slightly better; in only seven percent of cases are all claims cancelled, with twenty-three percent resulting in all claims being confirmed and seventy percent in which the claims are affirmed but the scope is changed. The statistics do not paint a complete picture, however, as there is a broad range of changes possible in the scope of such claims.

Two recent Federal Circuit cases provided additional comfort for patent owners pursuing reexaminations. In both *In re Trans Texas Holdings Corp.*, 498 F.3d 1290 (Fed. Cir. 2007) and *In re Translogic Technology, Inc.*, 504 F.3d 1249 (Fed. Cir. 2007), the Federal Circuit stated that the standard applied in USPTO proceedings, unlike in litigation, gives claims "their broadest reasonable interpretation consistent with the specification." These cases also held that the USPTO is not required to follow claim construction from prior proceeding. In fact, when the Federal Circuit in *Translogic* was faced with conflicting claim construction from a district court and the BPAI, the Federal Circuit followed the USPTO judgment and vacated the district court decision. Thus, even though a patent owner may have some of the numbers in its favor, the potential risks involved in reexamination dictate that a patent owner should carefully examine the pros and cons of the reexamination process and the strength of patents considered for reexamination.

Third parties also may initiate an *ex parte* or *inter partes* reexamination "at any time" (with a few limitations), as long as there is "a substantial new question of patentability" based on a prior art document. In contrast to patent owners, the ultimate goal for the third party is cancellation or substantial narrowing of patent claims, for example, in response to an infringement accusation.

While the patent owner has essentially the same level of participation in *ex parte* and *inter partes* reexaminations, the two processes are quite different for third party participants. In *ex parte* proceedings, third party participation is limited to initiating the request for reexamination. Once the request is submitted, the proceedings are exclusively between the examiner and the patent owner. Some believe this is why *ex parte* reexamination has not been used by third parties as frequently as anticipated. With *inter partes* reexaminations, however, a third party may actively participate in the reexamination process between the examiner and the patent owner, including presenting arguments or evidence and appealing adverse decisions.

Of course, *inter partes* reexaminations have limits and tradeoffs as well. For example, *inter partes* reexaminations are limited to patents filed on or after November 29, 1999, thus excluding a large number of patents as possible *inter partes* reexamination targets. *Inter partes* reexaminations also require more effort and cost on the part of the third party than *ex parte* reexaminations. Moreover, a party must consider the possible estoppel effects, which may preclude the third-party requester from challenging any patent claims finally determined to be valid on grounds that were raised (or could have been raised) in the *inter partes* reexamination. See 35 U.S.C. § 315 (c); 37 C.F.R. §§ 1.907, 1.915.

Despite these shortcomings, the benefits of reexamination may be significant for third parties. Because reexaminations are USPTO proceedings, they allow the third party to challenge a patent in a less costly forum than litigation, where patent defense costs can easily exceed $2 million. Other benefits include the greater likelihood of an informed analysis by a patent examiner (versus judge and/or jury), a quicker resolution than litigation, and a forum in which patents are not presumed valid.

Not surprisingly, third parties are responsible for the bulk of reexamination requests on the whole—more than sixty percent of all reexaminations initiated since 1981, according to the USPTO—but not every reexamination is successful. Only about twelve percent of *ex parte* reexaminations initiated by third parties result in all claims being cancelled, whereas twenty-nine percent result in all claims being confirmed. Again the numbers give only a partial picture, as there are intermediate cases in which the scope of claims are changed but affirmed.

With an eighteen year head start, and some of the factors cited above, there have been far more *ex parte* reexaminations (nearly 9,000) than *inter partes* reexaminations (a little over 300) to date and only eleven *inter partes* cases have had reexamination certificates issued. But it is worth noting that nine of those *inter partes* reexamination certificates resulted in the cancellation of all claims and all claims were affirmed in just one case. The small number of *inter partes* reexamination results make it difficult to reach broad conclusions about the effectiveness of the procedure, but if the proportion of cases in which all claims are cancelled remains high, *inter partes* reexamination could see a spike in use by third parties.

Quick Updates

Preliminary Injunctions in Patent Cases Face Uphill Battle

In a trio of rulings in the first quarter of 2008, the Federal Circuit vacated preliminary injunctions against three patent infringement defendants. Because these cases were vacated on different grounds, there does not appear to be any specific clarification of the law that the Federal Circuit is providing. Nonetheless, it is clear that the Federal Circuit is scrutinizing preliminary injunctions carefully, cautioning district courts against issuing them without complete and accurate analysis.

In *Erico Int'l Corp. v. Vutec Corp.,* the Federal Circuit vacated an order granting preliminary injunctive relief against defendant Doc's Marketing Corp. 516 F.3d 1350 (2008). Erico accused Doc's of infringing a method of use claim in a patent for "J-Hook" fasteners for supporting electrical and communications cables in commercial buildings. Doc's had conceded copying of Erico's J-Hook fasteners. The district court granted the injunction after applying the requisite four balancing factors test, in which it emphasized that Erico had shown a likelihood of infringement of a valid claim of the J-Hook patent. In granting the injunction, the district court found Doc's assertions of patent invalidity, based on inequitable conduct, on-sale bar, and obviousness, were likely to fail.

The Federal Circuit vacated the order, finding that Doc's obviousness challenge had "cast enough doubt" on the validity of the asserted J-Hook patent claim to negate a likelihood of success on the merits of Erico's infringement claim. The court found that the combination of two prior art references raised a "substantial question of invalidity" that the asserted J-Hook method claim was obvious (but affirmed the district court's rejections of Doc's inequitable conduct and on-sale bar defenses). Using the *de novo* standard of review, the court found that it was "reasonable to see" that a person of ordinary skill could be "implicitly motivate[d]" to combine prior art fasteners with an Electronics Industries Alliance spacing standard to achieve the patent's method of supporting cable with a run sag of no more than thirty centimeters between the fasteners. The court also pointed to inventor testimony, saying that too showed the claim was "vulnerable based on invalidity."

Judge Newman dissented, opining that "cast[ing] doubt" on a claim's validity is not sufficient to reverse the district court's preliminary injunction and criticizing the majority's disregard of the lower court's application of equitable factors.

On the same day, the Federal Circuit vacated and remanded an order granting a preliminary injunction against a defendant accused of infringing a patent for improved security in garage door openers. *Chamberlain Group, Inc. v. Lear Corp.*, 516 F.3d 1331 (2008). The Federal Circuit held that the district court applied an erroneous claim construction to find a likelihood of the patentee's success in proving infringement. According to the Federal Circuit, the district court applied a broader meaning of the term "binary code" than was supported by the patent specification. Reliance on an erroneous claim construction in granting injunctive relief is legal error that may constitute an abuse of discretion reversible on appeal. When remanding the case, the court noted that "a correct claim construction is almost always a prerequisite for imposition of a preliminary injunction."

In a third, non-precedential order, the Federal Circuit vacated and remanded a preliminary injunction granted against Trainman Lantern Company, the manufacturer of signaling lanterns used in the railroad industry. *A. G. Design & Assocs. v. Trainman Lantern Co.*, No. 2007-1481, 2008 WL 786909 (Mar. 24, 2008). The district court found a likelihood of success of an infringement finding under the doctrine of equivalents, but no literal infringement. The Federal Circuit vacated the decision, finding that narrowing amendments made during prosecution gave rise to prosecution history estoppel and precluded a finding of infringement under the doctrine of equivalents. The court also found that the district court erred in reaching its conclusion that a prior art prototype lantern did not raise a substantial question of invalidity.

Disclosure of Pricing Information in Government Contract Prevented Under FOIA Exemption

The Freedom of Information Act (FOIA) allows citizens to request access to federal agency information and so permits citizens to keep a closer eye on their government. However, a recent case showed how "reverse-FOIA" actions can be used to bar disclosure of information that a company wants to protect as a trade secret. *Canadian Commercial Corp. v. Dep't of the Air Force*, 514 F.3d 37 (D.C. Cir. 2008).

In 2002, the Air Force awarded Canadian Commercial Corporation (CCC) with a three year, extendable contract for the repair of J85 turbojet engines. Sabreliner, a competing company that also bid on the contract, subsequently filed a FOIA request to obtain a copy of the contract. CCC objected, stating that the contract contained CCC's trade secret pricing information. When the Air Force rejected CCC's arguments against disclosure of the contract, CCC filed a reverse-FOIA action against the Air Force in district court to enjoin the disclosure.

A reverse-FOIA action is one in which the submitter of information, usually a corporation or other business entity that has supplied an agency with data on its policies, operations or products, seeks to prevent the agency that collected the information from revealing it to a third party. Typically, reverse-FOIA actions are brought in response to a FOIA request. On occasion, they have been brought by parties challenging other types of disclosures.

One basis for sustaining a reverse-FOIA action is when an agency disclosure would include "commercial or financial information" that is "privileged or confidential." 5 U.S.C. § 552(b)(4). Under this "Exemption 4," information that was required to be submitted to an agency is protected as "confidential" if disclosure would (1) impair the Government's ability to obtain necessary information in the future, or (2) cause substantial harm to the competitive position of the person from whom the information was obtained. The district court found in favor of CCC and enjoined disclosure of line-item prices in the contract on the basis that CCC's pricing information constituted confidential information.

On appeal, the parties focused on the second prong of "confidentiality" under Exemption 4. CCC argued the disclosure would cause substantial harm to their competitive position by allowing competitors to match or undercut their pricing. The Air Force might thus choose not exercise its option to extend CCC's contract, but to instead work with CCC's competitors. The Air Force countered that switching contractors would involve such high transaction costs that the Air Force was almost certain to exercise the option to extend CCC's contract even if competitors submitted lower bids. The court seemed to discount these assertions as dubious, questioning why the Air Force would have negotiated an option in the first place, rather than simply negotiating a longer contract term with CCC. Moreover, the Air Force provided no data supporting its argument regarding the supposed high transaction costs.

The Air Force also argued that line-item pricing information should be categorically excluded from Exemption 4 as inconsistent with the purposes of FOIA. However, the court looked to recent reverse- FOIA cases in reaffirming that line-item pricing is protected so long as it meets the confidentiality requirements of Exemption 4, "whatever may be the desirable policy course." *McDonnell Douglas Corp. v. United States Dep't of the Air Force*, 375 F.3d 1182 (D.C. Cir. 2004); *McDonnell Douglas Corp. v. NASA*, 180 F.3d 303 (D.C. Cir. 1999). In a concurring opinion, Judge Tatel echoed the Air Force's sentiment and questioned whether prices paid by the government should be protected as confidential information when FOIA's fundamental purpose is to inform citizens of "what their government is up to." Permitting disclosure of such pricing information in a competitive bidding environment "may well save money for the government and the taxpayers who fund it." Nonetheless, the court concluded that the line-item prices met the requirements of Exemption 4 and affirmed the district court's injunction.

Copyright Co-owners at the Hotel California: They Can Check Out Any Time They Like, But They Can Never Leave

The Ninth Circuit has issued a decision that significantly restricts a co-owner of a copyright from transferring its interest in the work without the agreement of the other owner(s) and which also leaves many who currently believe themselves to be co-owners of copyrights with troubling doubts about the validity of their assignments. *Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137 (9th Cir. 2008).

The district court had granted a motion to dismiss Sybersound's First Amended Complaint and Sybersound appealed. That complaint had alleged that TVT Music Publishing, which was a co-owner of nine composition copyrights, had "entered into a written assignment agreement whereby TVT Music Publishing transferred and assigned to Sybersound its ownership interest in the musical compositions listed below…." The Ninth Circuit, construing the allegations in the complaint in the light most favorable to Sybersound, might have been expected to hold that whatever interest TVT Music Publishing had was transferred to Sybersound, giving Sybersound the right to enforce its co-owned copyright interests.

Copyrights often are held by co-owners, and the default relationship between co-owners is a tenancy in common. The House Report on the Copyright Act of 1976 states that co-owners of a copyright generally are treated as tenants in common, with each co-owner having an independent right to use or license the use of a work, subject to a duty of accounting to the other co-owners. *See* H.R. Rep. No. 94-1476, at 121 (1976).

However, a co-owner cannot purport to grant a license for more than he has; the other co-owners retain their rights to exploit the work and can independently provide non-exclusive licenses to others. Co-owners of copyrights also have a long history of transferring their co-owned copyright interests. As Nimmer writes, "one joint owner may always transfer his interest in the joint work to a third party, subject only to the general requirements of a valid transfer of copyright." 1 Melville B. Nimmer & David Nimer, Nimmer on Copyright § 6.11 (Supp. 2006).

Instead of holding that whatever interest TVT Music Publishing had was transferred to Sybersound, the Ninth Circuit concluded that "unless all the other co-owners of the copyright joined in granting an exclusive right to Sybersound, TVT, acting solely as a co-owner of the copyright, could grant only a nonexclusive license to Sybersound because TVT may not limit the other co-owners' independent rights to exploit the copyright." According to the court: "We also consider whether the transfer of an interest in a divisible copyright interest from a copyright co-owner to Sybersound, unaccompanied by a like transfer from the other copyright co-owners, can be an assignment or exclusive license that gives the transferee a co-ownership interest in the copyright. We hold that it cannot."

The prohibition against a co-owner granting an exclusive license to the co-owned right is sensible, given that other co-owners may grant non-exclusive licenses to other third parties, thus making it impossible to ensure that the first license grant really is exclusive. However, the language quoted above suggests that a co-owner cannot even divest itself of its undivided ownership interest independent of any other co-owners. This would be an extraordinary result. The difficulty hinges on the word "exclusive;" even though a co-owner of a copyright doesn't "exclusively" hold whatever right he/she holds in the work, the co-owner still holds an undivided interest in at least one of the "exclusive" rights of copyright found in 17 U.S.C. § 106. That is, if TVT and EMI were co-owners of the exclusive right of reproduction, then while neither of them "exclusively" holds the right of reproduction, they both hold an undivided interest in one of the "exclusive" rights of copyright, each is entitled to license its interest in that "exclusive" right with only a duty of accounting, and each is entitled to transfer its interest without the consent of the other co-owner. Because co-owners hold an undivided interest in an exclusive right, a transfer of a co-owner's share *is* the transfer of an "exclusive" right in a copyright, and thus satisfies the definition in 17 U.S.C. § 101 of "transfer of copyright ownership" that the court focuses on.

The unfettered transfer of interests in co-owned copyrights is such a business necessity that entities that co-own copyrights will have little choice but to ignore this decision and to continue transacting business as they always have. The court's suggestion that copyright co-owners, in order to transfer their own interest, should be required to get like transfers from all their co-owners is both a business impossibility and (at least used to be) contrary to the law.

The Fourth Circuit Finds that a Successful Parody Does Not Dilute Famous Mark

Louis Vuitton Malletier bore the brunt of the joke when the Fourth Circuit found that Haute Diggity Dog's parody use of "Chewy Vuiton" on dog toys does not dilute its famous LOUIS VUITTON mark. *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007). This is the first appellate case to consider the issue of parody under the relatively new Trademark Dilution Revision Act (TDRA). The Fourth Circuit ultimately affirmed the district court's decision in favor of the parody, but employed a different analysis on the claim of trademark dilution by blurring, sinking its teeth into the issue of whether the association between Haute Diggity Dog's marks and LVM's marks is likely to impair the distinctiveness of Louis Vuitton Malletier's famous marks.

Louis Vuitton Malletier (LVM) provides luxury fashion products, including handbags, under its LOUIS VUITTON mark and associated trade dress. LVM was not amused by plush doggie chew toys made by Haute Diggity Dog (HDD) in the shape of small "Chewy Vuiton" handbags, designed to imitate – and mock – Louis Vuitton handbags. Therefore, LVM chased HDD to court, suing for several causes of action, including trademark dilution. The district court threw HDD a bone by ruling in its favor on all claims, and LVM, not one to roll over, appealed to the Fourth Circuit.

The TDRA sets forth several defenses to trademark dilution claims. One defense is fair use, which includes parody, so long as the mark is not used as its own designation of source, or in other words, as a trademark. Therefore, a "parody is not automatically a complete *defense* to a claim of dilution." The appellate court found that HDD used "Chewy Vuiton" as a trademark, and therefore it did not qualify for the fair use defense. So, the appellate court turned to the issue of whether HDD's use impaired the distinctiveness of LVM's marks.

It was undisputed that LVM's marks are famous and distinctive and that HDD's dog toys create an "association" with LVM's marks. In other words, consumers were likely to think of the famous mark, LOUIS VUITTON, when encountering the junior user's mark, "Chewy Vuiton." However, the crux of this case was whether that association was likely to impair the distinctiveness of LVM's famous mark, which ultimately turned on the fame of LVM's mark and the success of HDD's parody.

The Fourth Circuit noted that "in the context of blurring, distinctiveness refers to the ability of the famous mark uniquely to identify a single source and thus maintain its selling power." Because LVM's mark is strong and famous, the court reasoned, "it is more likely that a parody will not impair the distinctiveness" of LVM's mark. Rather, "by making the famous mark an object of the parody, a successfully parody might actually enhance the famous mark's distinctiveness by making it an icon. The brunt of the joke becomes yet more famous."

The appellate court found that HDD's parody was successful because "the furry little 'Chewy Vuiton' imitation, as something to be *chewed by a dog*, pokes fun at the elegance and expensiveness of a LOUIS VUITTON handbag, which must *not* be chewed by a dog." While HDD's use of "Chewy Vuiton" clearly mimicked the LOUIS VUITTON mark and handbag, it also clearly distinguished its own mark and product so that the differences were obvious. Since this left LOUIS VUITTON intact as a unique identifier of its source, there was no dilution by blurring.

Nevertheless, the appellate court was careful to explain that there could be dilution by blurring if HDD used LVM's actual marks. However, since HDD spoofed the famous marks and did not actually use LVM's marks, the appellate court found that "these uses by [HDD] were not so similar as to be likely to impair the distinctiveness of LVM's famous marks," resulting in no dilution.

It is unknown how other courts will run around the issue of parody under the TDRA. Until then, if a company wants to make fun of a famous mark, it should sit up, take notice, and obediently follow this ruling, making sure the parody is successful.

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