

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

DAVIDSON & ASSOCIATES, INC., D.B.A.)
BLIZZARD ENTERTAINMENT, and)
VIVENDI UNIVERSAL GAMES, INC.,)

Plaintiffs,)

v.)

Case No. 4:02CV498 CAS

INTERNET GATEWAY, INC., TIM JUNG,)
an individual, ROSS COMBS, an individual,)
and ROB CRITTENDEN, an individual,)

Defendants.)

**PLAINTIFFS' MEMORANDUM IN OPPOSITION TO
DEFENDANTS' MOTION FOR SUMMARY JUDGMENT**

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF AUTHORITIES	i
INTRODUCTION.....	1
ARGUMENT.....	2
I. The Fair Use Defense Does Not Excuse Defendants’ Copyright Violations.....	2
A. The Bnetd Emulator is Not Transformative.....	2
B. Even if Applicable, the Limited Fair Use Defense Does Not Excuse Defendants’ Infringement in Their Finished Product.....	4
C. There is No Question that Defendants’ Final Product Contains Copyrighted Files Stolen From Blizzard.	5
1. The Bnetd emulator contains icons appropriated by defendants.	5
2. Blizzard’s icons are copyrighted and subject to copyright protection.	5
II. Defendants Violated the Express Provisions of the DMCA.	7
A. Defendants Violated the Anti-Circumvention and Anti-Trafficking Provisions of the DMCA.....	8
B. The Exemptions Cited by Defendants are Inapplicable.....	9
III. Blizzard’s End User License Agreements and Battle.net Terms of Use Are Valid and Enforceable.....	12
A. Defendants Formed Valid Contracts with Blizzard.	12
B. Defendants’ Preemption Argument Also Fails.	15
C. The Defense of “Copyright Misuse” is Inapplicable Here.	16
1. Blizzard’s software licenses contain routine restrictions repeatedly upheld by the courts.....	16
2. Even if the copyright misuse defense applied, defendants’ unclean hands prevent them from relying on it.	19
IV. Fact Issues and The Law Show That Summary Judgment is Improper on Blizzard’s Federal Statutory and Common Law Counts for Trademark Infringement, Unfair Competition and Dilution.	20

A.	Blizzard Has a Protectable Right in its Unregistered Mark “Bnet” That May Be Enforced Against Defendants’ Unauthorized Use.	20
B.	Blizzard’s Fact Allegations Support a Fact Based Inquiry Into the Likelihood of Confusion Factors in Support of Blizzard’s Trademark Infringement Claims.	22
C.	Blizzard’s Evidence in Support of its Federal Trademark Dilution Claim raises a Genuine Issue of Material Fact as to the Existence of Actual Dilution.	23
CONCLUSION		24

TABLE OF AUTHORITIES

Cases

<u>A&M Records, Inc. v. Napster, Inc.</u> , 239 F.3d 1004 (9th Cir. 2001)	17, 18
<u>Alcatel USA, Inc. v. DGI Techs., Inc.</u> , 166 F.3d 772 (5th Cir. 1999)	17
<u>Am. Stock Exch., Inc. v. Am. Express Co.</u> , 207 U.S.P.Q. 356 (T.T.A.B. 1980)	21
<u>Antioch Co. v. Scrapbook Borders, Inc.</u> , 20003 U.S. Dist. LEXIS 20892 (D. Minn. 2003)	16
<u>Arizona Retail Sys., Inc. v. Software Link, Inc.</u> , 831 F. Supp. 759 (D. Ariz. 1993)	13
<u>Armstrong Cork Co. v. Armstrong Plastic Cover Co.</u> , 434 F. Supp. 860 (E.D. Mo. 1977).....	23
<u>Assessment Tech. of WI, LLC v. WIREdata, Inc.</u> , 350 F.3d 640 (7th Cir. 2003)	18
<u>Atari Games Corp. v. Nintendo of Am. Inc.</u> , 975 F.2d 832 (Fed. Cir. 1992).....	19
<u>Bowers v. Baystate Techs, Inc.</u> , 320 F.3d 1317 (Fed. Cir.), cert. denied, <u>Baystate Techs, Inc. v. Bowers</u> , 123 S.Ct. 2588 (2003)	14, 15
<u>Campbell v. Acuff-Rose Music, Inc.</u> , 510 U.S. 569 (1994).....	3, 4
<u>Century 21 Real Estate Corp. v. Century Life of Am.</u> , 970 F.2d 874 (Fed. Cir. 1992), cert. denied, 506 U.S. 1034 (1992)	22, 23
<u>Chamberlain Group, Inc. v. Skylink Techs., Inc.</u> , 2003 WL 22697217 (N.D. Ill. Nov. 13, 2003)	8
<u>Coca-Cola Co. v. Busch</u> , 44 F. Supp. 405 (E.D. Pa. 1942)	21, 22
<u>Comb v. PayPal Inc.</u> , 218 F. Supp. 2d 1165 (N.D. Cal. 2002)	12
<u>Contour Chair Lounge Co., Inc. v. True-Fit Chair, Inc.</u> , 48 F. Supp. 704 (E.D. Mo. 1986).....	20
<u>CoStar Group, Inc. v. LoopNet, Inc.</u> , 164 F. Supp. 2d 688 (D. Md. 2001)	15
<u>DSC Comms. Corp. v. DGI Techs., Inc.</u> , 81 F.3d 597 (5th Cir. 1996)	18
<u>Dakota Industrial v. Dakota Sportswear</u> , 946 F.2d 1384 (8th Cir. 1991)	20
<u>Denver Chem. Mfg. Co. v. Lilley</u> , 216 F. 869 (8th Cir. 1914)	21
<u>Forrest v. Verizon Comms., Inc.</u> , 805 A.2d 1007 (D.C. 2002)	13
<u>Home Builders Ass'n of Greater St. Louis v. L & L Exhibition Mgt., Inc.</u> , 226 F.3d 944 (8th Cir. 2000)	20
<u>Hotmail Corp. v. Van\$ Money Pie Inc.</u> , 47 U.S.P.Q. 2d (BNA) 1020, 1998 WL. 388389 (N.D. Cal. April 16, 1998).....	13

<u>i.LAN Systems, Inc. v. NetScout Service Level Corp.</u> , 183 F.Supp. 2d 328 (D. Mass. 2002)	13, 14
<u>Infinity Broad. Corp. v. Kirkwood</u> , 150 F.3d 104 (2d Cir. 1998).....	2
<u>Lasercomb Am., Inc. v. Reynolds</u> , 911 F.2d 970 (4th Cir. 1990)	17
<u>Lexmark Int’l Inc. v. Static Control Components, Inc.</u> , 253 F. Supp. 2d 943 (E.D. Ky. 2003)	8, 10, 16
<u>Microsoft Corp. v. Compusource Distribs., Inc.</u> , 115 F. Supp. 2d 800 (E.D. Mich. 2000).....	16
<u>Moseley v. V Secret Catalogue, Inc.</u> , 537 U.S. 418 (2003)	23, 24
<u>Nat’l Car Rental Sys., Inc. v. Computer Assocs. Int’l, Inc.</u> , 991 F.2d 426 (8th Cir. 1993)	14, 15
<u>Nat’l Ass’n of Blue Shield Plans v. United Bankers Life Ins. Co.</u> , 362 F.2d 374 (5th Cir. 1966)	23
<u>Nat’l Cable Television Ass’n, Inc. v. Am. Cinema Editors, Inc.</u> , 937 F.2d 1572 (Fed. Cir. 1991).....	20
<u>Newton v. Diamond</u> , 349 F.3d 591 (9th Cir. 2003)	6
<u>Pollstar v. Gigmania Ltd.</u> , 170 F. Supp. 2d 974 (E.D. Cal. 2000).....	16
<u>Practice Mgm.t Info. Corp. v. Am.Med. Ass’n</u> , 121 F.3d 516 (9th Cir. 1997)	17
<u>ProCD, Inc. v. Zeidenberg</u> 86 F.3d 1447 (7th Cir. 1996)	14, 15
<u>RealNetworks, Inc. v. Streambox, Inc.</u> , No. 2:99CV02070, 2000 WL 127311 (W.D. Wash. Jan. 18, 2000)	11, 12
<u>Schoolhouse, Inc. v. Anderson</u> , 2000 U.S. Dist. LEXIS 22524 (D. Minn. 2000), <u>aff’d</u> , 275 F.3d 726 (8th Cir. 2002).....	16
<u>Sega Enters. Ltd v. Accolade, Inc.</u> , 977 F.2d 1510 (9th Cir. 1993)	2, 3, 4
<u>Sheldon v. Metropolitan-Goldwyn Pictures Corp.</u> , 81 F.2d 49 (2d Cir. 1936).....	6
<u>Sherman Corp. v. Heublein, Inc.</u> , 340 F.2d 377 (8th Cir. 1965)	22
<u>Sony Computer Entm’t, Inc. v. Connectix Corp.</u> , 203 F.3d 596 (9th Cir. 2000)	3, 4
<u>SquirtCo v. Seven-Up Co.</u> , 628 F.2d 1086 (8th Cir. 1980)	22
<u>Syncsort Inc. v. Sequential Software, Inc.</u> , 50 F. Supp. 2d 318 (D. N.J. 1999)	16
<u>Triad Sys. Corp. v. Southeastern Express Co.</u> , 64 F.3d 1330 (9th Cir. 1995)	16
<u>Two Pesos, Inc. v. Taco Cabana, Inc.</u> , 505 U.S. 763 (1992)	20
<u>United Tel. Co. of Missouri v. Johnson Publ’g Co., Inc.</u> , 855 F.2d 604 (8th Cir. 1988)	18

<u>Universal City Studios, Inc. v. Reimerdes</u> , 111 F. Supp. 2d 294 (S.D.N.Y. 2000), <u>aff'd Universal City Studios, Inc. v. Corley</u> , 273 F.3d 429 (2d Cir. 2001).....	8, 9, 11
<u>Vault Corp. v. Quaid Software, Ltd.</u> , 847 F.2d 255 (5th Cir. 1998)	6
<u>Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc.</u> , 342 F.3d 191 (3d Cir. 2003).....	17
<u>Westendorf v. Gateway 2000, Inc.</u> , 41 U.C.C. Rep. Serv. 2d 1110 (Del. Ch. 2000)	13

Statutes

54 Fed. Reg. 13,173 (Mar. 31, 1989).....	6
15 U.S.C. § 1125(a)(1).....	20
17 U.S.C. § 107.....	9
17 U.S.C. § 107(a)	2, 9
17 U.S.C. § 1201(a)(1).....	7
17 U.S.C. § 1201(a)(1)(A)	7
17 U.S.C. § 1201(a)(2).....	7
17 U.S.C. § 1201(c)(3).....	11
17 U.S.C. § 1201(f)	10
17 U.S.C. § 1201(f)(1)	10
17 U.S.C. § 1201(f)(1)-(3)	10
17 U.S.C. § 301.....	14

Other Authorities

Copyright Office, <u>Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies; Final Rule</u> , 37 CFR Part 201, 65 Fed. Reg. 64556-01, at 64561	9
Copyright Office, <u>Notice of Registration Decision</u> , 36 Pat. Trademark & Copyright J. (BNA) 152, (1988).....	6
Susan Turcotte, Note, <u>Caught in a Corporate Panty Raid: Moseley v. V Secret Catalogue, Inc.</u> , 40 Hous. L. Rev. 867 (2003)	23, 24
Uniform Commercial Code section 2-207(2)	12

INTRODUCTION

Defendants' memorandum in support of its motion for summary judgment is a glib blend of omission or misstatement of critical fact and misleading recitations of the law. Examples abound: defendants make much of a "right to fair use" to explain away their reverse engineering and copying of Blizzard's copyrighted works, yet omit mentioning that the fair use defense to copyright infringement only applies if the resulting work is transformative of the original work and, even then, only if the copying was a *necessary intermediate step* on the way to creating a non-infringing end product. Here, defendants' work merely seeks to implement the same "user-visible" features provided by Blizzard's Battle.net service, and defendants' end product contains copyrighted files plainly stolen from Blizzard.

Perhaps nowhere is defendants' avoidance of reality more clear than when discussing the statute aimed at preventing precisely their conduct -- the Digital Millennium Copyright Act ("DMCA"). As set out in Blizzard's Memorandum in Support of Its Motion for Partial Summary Judgment, that Act prevents the circumvention of technological measures intended to control access to copyrighted works. Defendants attempt to avoid the clear import of the Act by stating that, "[h]aving legitimately purchased their Blizzard games, Defendants obviously had legal authority to access the Blizzard games." In fact, as counsel well know, defendants did *not* buy Blizzard's games -- they licensed them¹. That license permits access to certain portions of the games (relevant here is Battle.net Mode) only by complying with certain technological measures -- *measures circumvented by the Bnetd Project* in violation of the DMCA.

In sum, defendants urge that what they did was completely innocent -- and akin to what a car club does to improve its favorite make of car. But defendants' car club would let you drive off in your favorite car without paying for it. Instead of improvements, what is being created is a

¹ Licensing (as opposed to selling) computer software is a well accepted means of limiting the manner in which an end user may access the software. See Section III. below.

means of getting around anti-theft devices. Settled law bars defendants' conduct on several grounds.

ARGUMENT

I. The Fair Use Defense Does Not Excuse Defendants' Copyright Violations.

Despite defendants' repeated references to a "right to fair use" through "reverse engineering," fair use is a limited affirmative defense to copyright infringement. Infinity Broad. Corp. v. Kirkwood, 150 F.3d 104, 107 (2d Cir. 1998) (fair use is an affirmative defense to a claim of infringement; the burden of proof is on its proponent). Because defendants' work is not "transformative" and because the copying was not merely a necessary intermediate use, the defense is inapplicable. To the extent the defense applies at all, defendants have repeatedly exceeded its limits.

A. The Bnetd Emulator is Not Transformative.

The parties agree that defendants reverse engineered Blizzard software in order to create their Bnetd emulator. The methods of reverse engineering employed by defendants included decompiling or disassembly of Blizzard games (Fcts. ¶¶ 70-74),² and this decompiling necessarily involved copying of Blizzard's computer code. Sega Enters. Ltd. v. Accolade, Inc., 977 F.2d 1510, 1518 (9th Cir. 1993) (disassembly of computer code "falls squarely within the category of acts that are prohibited by the [Copyright Act]").

Defendants' excuse -- the argument that *all* reverse engineering is excused by the fair use defense to copyright infringement -- is flat wrong. (Def. Br. at 5-6.) In order to determine whether the fair use defense applies, this Court must consider four statutory factors: (1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and

² "(Fcts. ¶ __.)" refers to Blizzard's Statement Of Uncontroverted Facts filed with its summary judgment memorandum. "(Sup. Fcts. ¶ __.)" refers to Blizzard's Supplemental Statement of Uncontroverted Facts, which accompanies this memorandum.

substantiality of the portion used; and (4) the effect of the use upon the potential market for or value of the copyrighted work. See 17 U.S.C. § 107(a). Under the first factor, this Court must determine if the Bnetd emulator “merely supersede[s] the objects of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; [the first factor] asks, in other words, whether and to what extent the new work is ‘transformative.’” Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 579 (1994) (internal quotation marks and citations omitted).

Defendants’ argument that their emulator server is somehow “transformative” rests on two Ninth Circuit cases -- Sega and Sony Computer Entm’t, Inc. v. Connectix Corp., 203 F.3d 596 (9th Cir. 2000). However, in those cases the defendants created a sufficiently transformative final product to trigger the fair use defense. In Sega, defendant Accolade reverse engineered Sega’s Genesis gaming console not to slavishly copy that console, but rather so it could create its own original computer games that would work with the Genesis. Sega, 977 F.2d at 1516. By contrast, defendants’ goal here was not to create a new game, but only to duplicate all of the “user-visible” features of the Battle.net service. (Fcts. ¶ 54.) As defendants concede, the purpose of their emulator was to allow access to Battle.net Mode without accessing Battle.net servers. (Fcts. ¶¶ 52-53.) This activity “merely supersedes the objects of the original creation,” and is exactly the type of non-transformative use cautioned against by the Supreme Court in Acuff-Rose Music.

Defendants fare no better relying on Connectix. In Connectix, Sony created a video game console -- the PlayStation -- and Connectix reverse engineered that console in the process of creating an emulator that would allow users to play PlayStation games on personal computers instead of on PlayStation consoles. Connectix, 203 F.3d at 598. The Ninth Circuit found that the emulator was “modestly transformative,” in part because the emulator “affords opportunities

for game play in new environments, specifically anywhere a Sony PlayStation console and television are not available, but a computer with a CD-ROM drive is.” Id. at 606. Thus, the emulator did not “merely supplant the PlayStation console,” which would not have been a transformative use. See id. at 607.

Unlike the “modestly transformative” PlayStation emulator in Connectix, defendants’ emulator does not allow game play in new environments, nor does it allow for a different user interaction with the game, such as by viewing the game on a television screen or by controlling the game via different inputs. Cf. id. at 606. Indeed, users of Blizzard games accessing Battle.net Mode via defendants’ Bnetd emulator use their personal computers to access and view the game just as they do with Blizzard’s Battle.net service, and control the game in the exact same way as they would when connecting to real Battle.net servers. (Sup. Fcts. ¶ 22.) As defendant Jung has even testified, once game play starts there are no “differences [between Battle.net and the Bnetd emulator] from the standpoint of a user who’s actually playing the game.” (Sup. Fcts. ¶ 21.) Because defendants have not created the “new expression, meaning, or message” required by the Supreme Court in Acuff-Rose Music and by the very Ninth Circuit cases they rely upon, the fair use defense simply does not apply to defendants’ infringement.

B. Even if Applicable, the Limited Fair Use Defense Does Not Excuse Defendants’ Infringement in Their Finished Product.

Even if the fair use defense applied, defendants’ brief leaves the reader with the impression that all copying done as a result of reverse engineering would constitute fair use. This is not the law. In Sega, which forms the core of defendants’ reverse engineering arguments, the Ninth Circuit addressed the permissibility of *intermediate copying* -- specifically, the copying that results from the process of taking apart (decompiling) computer code as a preliminary step in the development of an independently created computer program. See 977 F.2d at 1517-18, 1527. However, as Sega made clear, its “conclusion does not, of course, insulate [defendants]

from a claim of copyright infringement with respect to its finished products.” 977 F.2d at 1528; see also Connectix, 203 F.3d at 606 (noting that “Sony does not claim that the Virtual Game Station itself contains object code that infringes Sony’s copyright”). Even where reverse engineering is permissible under the fair use doctrine, the creation of “finished products” that violate copyright law -- such as Bnetd -- does not qualify as fair use.³

C. There is No Question that Defendants’ Final Product Contains Copyrighted Files Stolen From Blizzard.

1. The Bnetd emulator contains icons appropriated by defendants.

Defendants made wholesale copies of many of Blizzard’s game icons -- images that are displayed when the user of a Blizzard game enters Battle.net Mode -- and distributed copies of those images in the Bnetd emulator program. (Fcts. ¶ 75.) Defendants do not dispute this. In fact, when defendant Crittenden informed defendant Combs that he had discovered the format for Blizzard’s icons, defendant Combs cautioned Crittenden “to be sure that it won’t count as a derivative work.” (Sup. Fcts. ¶ 6.) Crittenden conceded to Combs that the icons in the Bnetd emulator would “likely be derivative from the original Blizzard icons,” and later even testified at deposition that the icons distributed with the emulator were owned by Blizzard. (Sup. Fcts. ¶¶ 7-8.)

2. Blizzard’s icons are copyrighted and subject to copyright protection.

Because Blizzard’s icons were copied wholesale and incorporated into defendants’ emulator program, defendants rely on two arguments to attempt to excuse this copying. First, defendants argue that Blizzard does not have a specific copyright registration in its icons. (Def. Br. at 11.) However, many of the icons at issue were originally distributed as part of Blizzard’s Diablo® game, for which Blizzard has produced a valid copyright registration, and all of the

³ Of course, even defendants’ “intermediate copying” done in the process of reverse engineering was still contractually prohibited by Blizzard’s End User License Agreements, as discussed in greater detail below.

icons at issue are displayed in Blizzard games via the Battle.net server program, for which Blizzard has likewise produced a valid copyright registration. (Sup. Fcts. ¶ 4; Fcts. ¶ 12.) Blizzard is not required to obtain separate, specific registrations for every sub-component of its game software. As the Copyright Office has explained, an applicant may give a general description of software such as “entire work” or “computer program,” and “[t]his ... would cover any copyrightable authorship contained in the computer program code and screen displays” Copyright Office, Notice of Registration Decision, 36 Pat. Trademark & Copyright J. (BNA) 152, 153 (1988); see also 54 Fed. Reg. 13,173 (Mar. 31, 1989).

Second, defendants claim that Blizzard has not “sufficiently identified” the exact files it believes were copied. However, they omit mentioning that in Blizzard’s Supplemental Responses to Defendants’ First Set of Interrogatories, Blizzard specifically stated that its icons formed one of the bases for its copyright infringement claims, and also identified the corresponding infringing file in the Bnetd emulator code. (Sup. Fcts. ¶¶ 9-10.) In fact, the Bnetd program contains copies of over 50 Blizzard icons. (Sup. Fcts. ¶ 11.)

Finally, defendants assert in one sentence that even if the copyright in these files is valid and enforceable, defendants’ use of these files was legal either because Blizzard gave public permission to use them, or because such uses were *de minimis*. (Def. Br. at 11.) These arguments are without support. First, Blizzard gave no public permission to use its icon files.⁴ Second, defendants’ copying was not *de minimis*. In contrast to the three notes or thirty alphanumeric characters that were copied in the cases cited by defendants in support of their argument, see Newton v. Diamond, 349 F.3d 591 (9th Cir. 2003); Vault Corp. v. Quaid Software, Ltd., 847 F.2d 255 (5th Cir. 1998), defendants copied wholesale over 50 complete images that were created by Blizzard. As Judge Learned Hand famously declared, “no plagiarist

⁴ Indeed, there is no statement to the contrary in defendants’ statement of uncontroverted facts.

can excuse the wrong by showing how much of his work he did not pirate.” Sheldon v. Metro-Goldwyn Pictures Corp., 81 F.2d 49, 56 (2d Cir. 1936).

In sum, defendants admittedly made wholesale copies of Blizzard’s copyrighted works, and distributed those works in their final product. At minimum, the issue of defendants’ incorporation of Blizzard’s copyrighted files into the Bnetd emulator presents a fact issue for the jury, making summary judgment inappropriate.⁵ Similarly, defendants also merely assert -- without providing any evidence to the contrary -- that Blizzard’s claims not involving direct infringement fail for a demonstrated lack of evidence. Not so.⁶ These fact issues preclude summary judgment on Blizzard’s copyright claims, and defendants’ motion should be denied as to Count I.

II. Defendants Violated the Express Provisions of the DMCA.

Blizzard’s Summary Judgment brief⁷ illustrated that defendants’ conduct also falls squarely within the prohibitions of the Digital Millennium Copyright Act (“DMCA”), 17 U.S.C. § 1201 et seq. Defendants violated both the anti-circumvention provisions of 17 U.S.C. § 1201(a)(1)(A) and the anti-trafficking provisions of 17 U.S.C. § 1201(a)(2).

⁵ Defendants’ copying was so blatant as to also include the replication of a programming error or “bug” in an algorithm used by Blizzard. Because discovery has revealed substantial evidence of other direct copying in defendant’s Bnetd program, the issue of copyright infringement of this algorithm, including the bug and other copied material, or other Blizzard files such as bnsrvr.ini or bnsrvr-D2DV.ini (Sup. Fcts. ¶ 12) need not be reached at this stage to find a sufficient factual dispute on the copyright claims to preclude summary judgment.

⁶ For example, defendants baldly assert that “Blizzard also has no evidence of [defendants’] knowledge of specific direct infringement or even evidence of direct infringement” (Defs. Br. at 11), conveniently omitting the fact that one of the defendants *himself* directly infringed Blizzard’s game copyright by using a pirated version of a Blizzard game with the Bnetd server program. (Fcts. ¶ 89.)

⁷ Blizzard’s Memorandum in Support of Its Motion for Partial Summary Judgment and all supporting filings are incorporated herein as if fully set out.

A. Defendants Violated the Anti-Circumvention and Anti-Trafficking Provisions of the DMCA.

Defendants devote a scant two paragraphs to the issue of liability under Sections 1201(a)(1)(A) and 1201(a)(2). First they argue that they are not liable under Section 1201(a)(1)(A), prohibiting circumvention of technological measures that effectively control access to a copyrighted work, because they “obviously had legal authority to access the Blizzard games.” (Def. Br. at 13.) This statement to the Court is wrong as a matter of fact and of law. First, at least one defendant, Rob Crittenden, admits that he made unauthorized copies of Blizzard games during the course of developing the Bnetd emulator. (Fcts. ¶ 79.) Second, defendants fail to mention that, even in those instances where defendants did pay for their copy of Blizzard software, they did not “purchase Blizzard games,” they licensed them -- and those licenses contained limitations on access to portions of Blizzard’s works. See Section III. A., below.

Defendants’ reliance on Chamberlain Group, Inc. v. Skylink Techs., Inc. -- a case involving automatic garage door openers -- is not only misplaced, but actually illustrates Blizzard’s point. In Chamberlain, the court held that a consumer had a legal expectation of being permitted to replace lost or broken garage door opener remotes. 2003 WL 22697217, at *5 (N.D. Ill. Nov. 13, 2003). In so doing, the court specifically noted that the garage door opener manufacturer did not attempt to restrict the use of third-party garage door opener remotes via a license, and distinguished those facts from situations where a software owner distributes its software pursuant to license restrictions. Id., citing Universal City Studios, Inc. v. Reimerdes, 111 F. Supp. 2d 294, 317 (S.D.N.Y. 2000), aff’d, Universal City Studios, Inc. v. Corley, 273 F.3d 429 (2d Cir. 2001), and Lexmark Int’l, Inc. v. Static Control Components, Inc., 253 F. Supp. 2d 943 (E.D. Ky. 2003). Like the cases distinguished by Chamberlain, the use of Blizzard’s software is subject to license restrictions that specifically prohibit defendants’ acts.

With respect to defendants' violations of the DMCA Section 1201(a)(2) prohibitions against trafficking in technology that (a) is primarily designed for the purpose of circumventing a protected copyrighted work; (b) has limited commercially significant purpose other than such circumvention; or (c) is marketed for use in such circumvention, defendants merely assert -- unsupported in their brief by any facts or law -- that their activities do not fall under these prohibitions. Blizzard has addressed each of these points extensively in its opening brief (see Section III. A. therein) and will not repeat those points here.

Defendants' only potentially substantive argument on trafficking liability, raised in a footnote, is the somewhat confusing assertion that "Blizzard has admitted that BATTLE.NET is the only work protected under their DMCA theory." (Def. Br. at 13 n.41.) This argument presumably suggests that Blizzard's Battle.net® servers, rather than the components of the Battle.net service that are part of the Blizzard games, are the only works protected by Blizzard's "secret handshake." This is untrue. The key point behind the secret handshake is not to protect Blizzard's servers -- which reside in secure facilities -- but to control the ways in which Blizzard's copyrighted games are accessed to prevent piracy. Blizzard's games cannot access Battle.net Mode, and users cannot access game screens specific to Battle.net Mode, unless those games complete the secret handshake. (Fcts. ¶¶ 28-36.) Defendants circumvented this secret handshake and then distributed the means for others to do the same, in violation of the clear prohibitions of the DMCA.

B. The Exemptions Cited by Defendants are Inapplicable.

Not surprisingly, defendants claim that the Ninth Circuit's interpretation of fair use in Sega absolves them of liability under the DMCA as well. As an initial matter, fair use defenses do not preclude liability under the DMCA, which was passed *after* Sega. Fair use under 17 U.S.C. § 107 is a defense only to actions for copyright infringement, not to liability under

Section 1201. See Reimerdes, 111 F. Supp. 2d at 322 (“If Congress had meant the fair use defense to apply to such actions, it would have said so. Indeed, as the legislative history demonstrates, the decision not to make fair use a defense to a claim under Section 1201(a) was quite deliberate”). See also Copyright Office, Exemption to Prohibition on Circumvention of Copyright Protection Systems for Access Control Technologies; Final Rule, 37 CFR Part 201, 65 Fed. Reg. 64556-01, at 64561 (“fair use ... is not a defense to the cause of action created by the anticircumvention prohibition of section 1201”). Thus, the Ninth Circuit’s much earlier decision in Sega, discussing a fair use defense to copyright infringement, does not apply to the DMCA. Rather, the DMCA creates a specific, limited exemption for reverse engineering under 17 U.S.C. § 1201(f).

As discussed in Blizzard’s Summary Judgment brief, however, this limited exemption also does not excuse defendants’ conduct. The first part of the statutory exemption is limited to those who have “lawfully obtained the right to use a copy of a computer program.” 17 U.S.C. § 1201(f)(1). Here, not only did defendants not lawfully obtain the right to take apart Blizzard’s games, but even explicitly agreed not to reverse engineer Blizzard’s games when they agreed to Blizzard’s license agreements and/or the Battle.net Terms of Use. These contracts are valid and enforceable, as discussed in Section III below.

Second, defendants did not circumvent for “the sole purpose” of *identifying* and *analyzing* those elements of the program that are necessary to interoperate with independently created computer programs, as required by 17 U.S.C. § 1201(f)(1). Rather, defendants reverse engineered as part of a process of *copying* and *distributing* Blizzard computer files that were completely unnecessary to achieve interoperability with the Blizzard games. Cf. Lexmark, 253 F. Supp. 2d at 970-71 (wholesale copying not permitted under Section 1201(f) even if done for the purpose of interoperability). Third, defendants did not even produce an “independently

created computer program,” as required to meet this exemption. They merely replicated Blizzard’s Battle.net service, implementing all of its “user-visible” features, and in so doing impermissibly copied portions of Blizzard’s copyrighted works. Thus, the Section 1201(f) exemptions are inapplicable to defendants. See generally 17 U.S.C. § 1201(f)(1)-(3) (reverse engineering exemptions not available when activities “constitute infringement under [copyright law]”).

Finally, even if the Bnetd program had been developed without violating the DMCA, defendants still would face liability for disseminating the Bnetd emulator to the public. As the court in Reimerdes explained, “The right to make the information available [under 1201(f)] extends only to dissemination ‘solely for the purpose’ of achieving interoperability as defined in the statute. It does not apply to public dissemination of means of circumvention”

Reimerdes, 111 F. Supp. 2d at 320.

Defendants also fail to fit within the “no mandate” exemption (17 U.S.C. § 1201(c)(3)), which provides “[n]othing in this section shall require that the design of ... [a] computing product provide for a response to any particular technological measure ...”, as long as the computing product “does not otherwise fall within the prohibitions [of the DMCA anti-trafficking prohibitions].” Defendants’ Bnetd emulator does not merely ignore or choose not to respond to the authentication sequence initiated by the Blizzard game. Rather, Bnetd deliberately interacts with Blizzard’s technological measure in order to circumvent it, by always sending the Blizzard game an affirmative “okay reply” in response to the CD Key information provided by the game, even if the game does not transmit valid CD Key information. (Fcts. ¶¶ 86-87.) To apply the no-mandate exemption to defendants’ conduct would gut the DMCA. See RealNetworks, Inc. v. Streambox, Inc., No. 2:99CV02070, 2000 WL 127311, at *9 (W.D. Wash. Jan. 18, 2000) (“If the statute meant what [defendant] suggests, any manufacturer of

circumvention tools could avoid DMCA liability simply by claiming it chose not to respond to the particular protection that its tool circumvents.”). In addition, as is clear from the statutory language itself, “[the no-mandate exemption] does not provide immunity for products that circumvent technological measures in violation of Section[] 1201(a)(2)” Id. (citing 1 Nimmer on Copyright (1999 Supp.), § 12A.05[C]).

In short, the DMCA provides an independent basis for defendants’ liability, and there are more than ample undisputed facts to support summary judgment in favor of Blizzard on its DMCA claims.

III. Blizzard’s End User License Agreements and Battle.net Terms of Use Are Valid and Enforceable.

A. Defendants Formed Valid Contracts with Blizzard.

Each individual defendant installed one or more legitimate Blizzard games, viewed the End User License Agreement for the game, and indicated his assent to that license agreement by clicking on a button clearly labeled “I Agree.”⁸ (Fcts. ¶¶ 55-56, 58.) Defendants Crittenden and Jung similarly logged on to the Battle.net service, viewed the Battle.net® Terms of Use, and similarly manifested assent to the Terms of Use by clicking on a button labeled “Agree.” (Fcts. ¶¶ 57, 59.) Defendants dispute none of this. Rather, defendants’ sole argument to avoid the obvious formation of a contract is that the precise terms of the EULAs and Terms of Use were not disclosed to defendants when they purchased copies of the game CD-ROM.⁹

⁸ This type of license agreement, known as a “click-wrap” license, is so named because the user is presented with the terms of the software license in a screen display, and must indicate assent to the terms by “clicking” on a button provided by the software in order to proceed.

⁹ Each of the defendants’ affidavits misleadingly states that when defendants purchased Blizzard videogame products, “there was nothing on the product packaging describing the terms of the products’ EULAs or the Battle.net service TOU.” (Combs Aff. ¶ 9; Crittenden Aff. ¶ 7; Jung Aff. ¶ 10.) While it is technically true that the *terms* of the licenses were not described, the packaging of each Blizzard game at issue (except Diablo) states that the use of the game is subject to an End User License Agreement and that use of the Battle.net service is subject to the Battle.net terms of use. (Sup. Fcts. ¶ 13.)

Defendants argue generally that Uniform Commercial Code (“UCC”) section 2-207(2) (the so-called “battle of the forms” provision) does not countenance the sequence of “money now, terms later” in contract formation. As an initial matter, this argument does not even apply to the Battle.net® Terms of Use. Battle.net® is a free service -- no money changes hands. Anyone with a valid copy of a Blizzard game can play on the Battle.net service provided that he or she agrees to the terms of use presented by clicking on the “Agree” button, as two of the defendants admittedly did. Accordingly, there is no question that the Battle.net® Terms of Use agreement is a valid license. See, e.g., Comb v. PayPal Inc., 218 F. Supp. 2d 1165 (N.D. Cal. 2002) (enforcing arbitration clause in click-wrap agreement where user clicked on “I agree” button); i.LAN Systems, Inc. v. NetScout Serv. Level Corp., 183 F. Supp. 2d 328 (D. Mass. 2002) (contract formed when user of software manifested assent by clicking box stating “I agree”); Hotmail Corp. v. Van\$ Money Pie Inc., 47 U.S.P.Q.2d (BNA) 1020, 1998 WL 388389, at *1 (N.D. Cal. April 16, 1998) (granting preliminary injunction on breach of contract claim based on click-wrap agreement); Forrest v. Verizon Communications, Inc., 805 A.2d 1007 (D.C. 2002) (enforcing click-wrap agreement and observing that “[a] contract is no less a contract simply because it is entered into via a computer”).

With respect to the enforceability of Blizzard’s EULAs governing use of its games, defendants cite only to one case involving a license for computer software -- a District of Arizona decision issued in 1993.¹⁰ As the intervening decade made clear, when the user views the terms of shrinkwrap and “click-wrap” license agreements subsequent to purchase and then

¹⁰ See Arizona Retail Sys., Inc. v. Software Link, Inc. 831 F. Supp. 759 (D. Ariz. 1993).

clearly manifests assent to the terms, such agreements are valid and enforceable.¹¹ See click-wrap cases, supra; see also Bowers v. Baystate Techs., Inc., 320 F.3d 1317 (Fed. Cir.), cert. denied, Baystate Techs., Inc. v. Bowers, 123 S. Ct. 2588 (2003) (shrinkwrap agreement prohibiting all reverse engineering of software is enforceable); ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996) (enforcing shrinkwrap prohibition on reverse engineering and holding that shrinkwrap licenses included with software are enforceable under the UCC unless their terms are objectionable on grounds applicable to contracts in general).

In fact, the court in i.LAN Systems specifically rejected the 1993 case relied on by defendants, noting that while it was based on leading cases discussing shrinkwrap licenses at the time, the acknowledged modern leading authority on such licenses is ProCD. 183 F. Supp. 2d at 337. As the court explained, “[m]oney now, terms later’ is a practical way to form contracts, especially with purchasers of software. If ProCD was correct to enforce a shrinkwrap license agreement, where any assent is implicit, then it must also be correct to enforce a clickwrap license agreement, where the assent is explicit.” Id. at 338. Thus, Blizzard’s agreements are valid and enforceable.¹²

¹¹ In his declaration accompanying defendants’ summary judgment brief, defendant Combs claims that the only Blizzard game for which he agreed to the EULA was a gift from a friend. Combs Dec. ¶¶ 7, 10. This does not absolve him of contract liability. See Westendorf v. Gateway 2000, Inc., 41 U.C.C. Rep. Serv. 2d 1110 (Del. Ch.), judgment summarily aff’d, 763 A.2d 92 (Del. 2000) (rejecting argument that computer owner who received computer as gift from friend was not bound by the shrinkwrap agreement contained inside the computer box because computer owner was intended beneficiary of friend’s computer purchase and accepted the benefits of that purchase).

¹² The judge in i.LAN Systems described the situation -- and legal result -- in clear terms:

Has this happened to you? You plunk down a pretty penny for the latest and greatest software, speed back to your computer, tear open the box, shove the CD-ROM into the computer, click on “install” and, after scrolling past a license agreement which would take at least fifteen minutes to read, find yourself staring at the following dialog box: “I agree.” Do you click on the box? You probably do not agree in your heart of hearts, but you click anyway, not about to let some pesky legalese delay the moment for which you’ve been waiting. Is that “clickwrap” license agreement enforceable? Yes

183 F. Supp. 2d at 329.

B. Defendants' Preemption Argument Also Fails.

Because Blizzard's EULAs and Terms of Use are enforceable, defendants next argue that those contracts must be preempted by the Copyright Act, 17 U.S.C. § 301. However, as the Eighth Circuit has held, there is "no general rule holding breach of contract actions [for violations of computer software licenses] preempted" by the Copyright Act. Nat'l Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc., 991 F.2d 426, 431-32 (8th Cir. 1993) (finding computer software license not preempted even though computer program that was the subject of the license was "within the subject matter of copyright"). In fact, defendants' argument for preemption of Blizzard's prohibition on reverse engineering because some reverse engineering may be a defense to copyright infringement already was rejected by the Federal Circuit when defendants' own counsel raised it as an amicus there. In Bowers v. Baystate Techs, Inc., the Federal Circuit observed that "[c]ourts respect freedom of contract and do not lightly set aside freely-entered agreements." Id. at 1323. Noting that "most courts to examine this issue have found that the Copyright Act does not preempt contractual constraints on copyrighted articles," the court called special attention to the Seventh Circuit's decision in ProCD. Id. at 1324-25. As explained in ProCD, the mutual assent and consideration that are required by a contract claim "render that claim qualitatively different from copyright infringement." Id. at 1325 (citing ProCD, 86 F.3d at 1454). Accord Nat'l Car Rental, 991 F.2d at 432 ("We conclude that the contractual restriction on use of the programs constitutes an additional element making this cause of action not equivalent to a copyright action."). Because "private parties are free to contractually forego the limited ability to reverse engineer a software product under the exemptions of the Copyright Act," shrinkwrap licenses that "broadly prohibit[] any 'reverse engineering' of the subject matter covered by the shrink-wrap agreement," are not preempted. Bowers, 320 F.3d at 1325-26. This Court may therefore apply the Eighth Circuit precedent in

Nat'l Car Rental consistently with Seventh Circuit and Federal Circuit precedent to find no preemption here.

C. The Defense of “Copyright Misuse” is Inapplicable Here.

Defendants’ final attempt to seek summary judgment on Blizzard’s contract claims is based on alleged copyright misuse -- an equitable defense to copyright infringement. Copyright misuse is a limited doctrine “which is rarely asserted,” CoStar Group, Inc. v. LoopNet, Inc., 164 F. Supp. 2d 688, 708 (D. Md. 2001) (rejecting misuse defense), and which “has rarely been upheld as a defense to a claim of copyright infringement,” Lexmark, 253 F. Supp. 2d at 965 (rejecting misuse defense). When raised in defense to claims such as breach of contract, at least one court has flatly rejected the copyright misuse defense. Pollstar v. Gigmania Ltd., 170 F. Supp. 2d 974, 982 (E.D. Cal. 2000). See also Schoolhouse, Inc. v. Anderson, 2000 U.S. Dist. LEXIS 22524, at *23 (D. Minn. 2000), aff’d, 275 F.3d 726 (8th Cir. 2002) and Antioch Co. v. Scrapbook Borders, Inc., 2003 U.S. Dist. LEXIS 20892, at *59-60 (D. Minn. 2003) (rejecting purported assertion of copyright misuse as claim rather than defense). Defendants’ reliance on copyright misuse as a defense to breach of contract is thus entirely misguided.

1. Blizzard’s software licenses contain routine restrictions repeatedly upheld by the courts.

Even if copyright misuse were permitted as a defense to contract claims, defendants fail to meet the basic requirements of a copyright misuse defense, since they cannot and do not assert incontrovertible facts demonstrating that Blizzard’s EULAs and Terms of Use illegally extended its monopoly beyond the scope of its copyrights or violated the public policies underlying copyright law. See Microsoft Corp. v. Compusource Distributions, Inc., 115 F. Supp. 2d 800, 811 (E.D. Mich. 2000) (rejecting copyright misuse defense). Blizzard’s contract terms are routine copyright license terms that limit the manner in which game players may use Blizzard’s copyrights, to prevent use of Blizzard’s copyrights to compete against Blizzard. See, e.g.,

Syncsort Inc. v. Sequential Software, Inc., 50 F. Supp. 2d 318, 336-37 (D. N.J. 1999) (no copyright misuse where software manufacturer contractually prohibited “reverse engineering, reverse assembly or reverse competition” and also prohibited use of the software to “develop[] and/or market[] a product competitive with” the software); Triad Sys. Corp. v. Southeastern Express Co., 64 F.3d 1330, 1337 (9th Cir. 1995) (affirming summary judgment rejecting defendant’s copyright misuse defense where plaintiff’s contract restricted copying and third-party use). As these cases have held, copyright owners may contractually restrict copying as long as the limitations do not prohibit others from independently developing their own software. Here, Blizzard’s agreements do not restrict defendants from independently developing their own software in the area of online games, nor from developing an online gaming service for those games. But defendants did not want to create their own independent product that competes with Blizzard or any other entertainment software company -- they merely created a product to duplicate Blizzard’s service.

Defendants’ citations to cases in which the courts *declined* to apply copyright misuse as a defense in an infringement action in fact provide further support for the rejection of their misuse here. See, e.g., Video Pipeline, Inc. v. Buena Vista Home Entm’t, Inc., 342 F.3d 191, 206 (3d Cir. 2003) (holding that license agreements were not so restrictive to avail defendant of copyright misuse defense); A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1026-27 (9th Cir. 2001) (copyright misuse defense rejected because plaintiffs’ actions, unrelated to license agreements, did not seek to control areas outside of their grant of monopoly).

In those cases cited by defendants that actually accepted a copyright misuse defense based on unduly restrictive license agreements, the restrictions in the copyright licenses were egregiously anticompetitive, unlike those here. For example, one of the disfavored restrictions “prevent[ed] the licensee from participating *in any manner*” in the “*writing, development,*

production, or sale” of an entire software market. Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 976-78 (4th Cir. 1990) (quoting license and applying copyright misuse defense where plaintiff’s license agreement “forbids the licensee to develop or assist in developing *any* kind of computer-assisted die-making software” for a period of 99 years) (emphasis added); see also Practice Mgmt. Info. Corp. v. Am. Med. Ass’n., 121 F.3d 516, 521 (9th Cir. 1997) (applying copyright misuse defense where plaintiff’s license agreement limited licensee’s rights to even use competitors’ products); DSC Communications Corp. v. DGI Techs, Inc., 81 F.3d 597, 601-02 (5th Cir. 1996) (affirming limited preliminary injunction and noting that plaintiff’s possible restriction of licensees from developing a competing microprocessor card might enable the defendant to prevail on its copyright misuse defense); Alcatel USA, Inc. v. DGI Techs, Inc., 166 F.3d 772, 793-95 (5th Cir. 1999) (allowing copyright misuse defense where plaintiff’s license gave plaintiff commercial control over microprocessor cards for which plaintiff held no copyright). Indeed, even in the recent decision in Assessment Techs. of WI, LLC v. WIREdata, Inc., 350 F.3d 640, 647 (7th Cir. 2003) (discussing potential applicability of copyright misuse defense where plaintiff claimed infringement based on use of data held by municipalities), the Seventh Circuit reaffirmed that “a copyright owner can by contract limit copying beyond the right that a copyright confers” because “[t]he scope of a copyright is given by federal law, but the scope of contractual protection is, at least prima facie, whatever the parties to the contract agreed to.” Id. at 646. In stark contrast to the actions of the copyright owners in defendants’ cases, Blizzard’s actions here simply do not rise to a level that would justify the application of the copyright misuse defense.

Blizzard’s reasonable contractual restrictions prohibiting reverse engineering, hosting, matchmaking and commercialization of its copyrighted works are squarely within the scope of protecting its copyrights. Blizzard’s restrictions do not prevent defendants from competing with

Blizzard by creating their own games or game service, but just provide that defendants may not use Blizzard's copyrighted works to do so. See United Tel. Co. of Missouri v. Johnson Publ'g Co., Inc., 855 F.2d 604, 612 (8th Cir. 1988) (rejecting copyright misuse defense where defendant failed to show that there was any effort by plaintiff to restrain competition in the area for competing works). See also Napster, 239 F.3d at 1027 (concluding that there is nothing wrong with "plaintiffs seek[ing] to control reproduction and distribution of their copyrighted works, [which are] exclusive rights of copyright holders").

At the end of the day, defendants want this Court to exercise its powers in equity to nullify their contracts not so they can compete with Blizzard's software, but so they can supplant it -- all while using Blizzard's own software to do so. But the copyright misuse defense does not dictate that an author give up freedom of contract merely because he or she created a work in electronic form. Defendants' reliance on the copyright misuse defense is entirely without merit here.

2. Even if the copyright misuse defense applied, defendants' unclean hands prevent them from relying on it.

There is no "statutory entitlement to a copyright misuse defense," which "is solely an equitable doctrine." Atari Games Corp. v. Nintendo of Am. Inc., 975 F.2d 832, 846 (Fed. Cir. 1992). Accordingly, any party seeking equitable relief on the basis of the copyright misuse defense must come to this Court with "clean hands." Id. Here, at least two defendants violated copyright laws even apart from the activities described in Section I above. For example, defendant Crittenden made and used unauthorized copies of Blizzard games. (Fcts. ¶¶ 79, 89.) Crittenden did so not only to illegally reap the benefits of using the software, but also to aid in the development of the Bnetd emulator. (Fcts. ¶ 79.) Moreover, defendants Crittenden and Jung have made, used, and distributed unauthorized copies of computer software. (Sup. Fcts. ¶¶ 23-26.) As defendant Jung testified, he has probably used between fifty and one hundred different

pirated software programs. (Sup. Fcts. ¶ 23.) These defendants' lack of respect for the proper bounds of all copyright precludes them from seeking equitable relief under copyright law.

Defendants entered into contracts with Blizzard, and then violated the express terms of those contracts. These facts are not in dispute. None of the arguments raised in defendants' brief provide any justifications for their breach, and summary judgment as to Blizzard's contract claims is appropriate.

IV. Fact Issues and The Law Show That Summary Judgment is Improper on Blizzard's Federal Statutory and Common Law Counts for Trademark Infringement, Unfair Competition and Dilution.

Blizzard's trademark claims in Counts III, IV, V, and VI all raise genuine issues of material fact concerning defendants' liability for unauthorized use of Blizzard's moniker, BNET, in defendants' name, Bnetd. Blizzard's claims of infringement of its registered and unregistered trademarks, and its claim of unfair competition under Missouri common law, turn on federal statutory trademark and unfair competition principles. Missouri courts look to federal law as authority in shaping its common law trademark infringement jurisprudence. See, e.g., Contour Chair Lounge Co., Inc. v. True-Fit Chair, Inc., 648 F. Supp. 704, 714 (E.D. Mo. 1986). Under federal trademark law, Blizzard has alleged sufficient facts to create genuine issues of material fact under each of these Counts.

A. Blizzard Has a Protectable Right in its Unregistered Mark "Bnet" That May Be Enforced Against Defendants' Unauthorized Use.

Blizzard's "BNET" mark is protectable as an abbreviation or nickname for Blizzard's federally registered BATTLE.NET trademark. Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A), provides a vehicle for the assertion of infringement of an unregistered trademark. See Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768 (1992) ("[I]t is common ground that § 43(a) protects qualifying unregistered trademarks"); see also Home Builders Ass'n of Greater St. Louis v. L & L Exhibition Mgmt., Inc., 226 F.3d 944, 947 (8th Cir. 2000) (following

Two Pesos); Dakota Indus., Inc. v. Dakota Sportswear, Inc., 946 F.2d 1384, 1388 n.1 (8th Cir. 1991) (§ 43(a) “does not require a registered mark and simply prohibits false designations of origin”). Blizzard has shown sufficient facts to support its allegation that it has a protectable right in its unregistered “BNET” mark.

The public and Blizzard have shortened Blizzard’s trademark into “BNET,” and that nickname is entitled to independent legal protection as a mark that identifies Blizzard. Federal statutory and Missouri common law trademark principles afford legal protection to abbreviations and nicknames of recognized trademarks. See, e.g., Denver Chem. Mfg. Co. v. Lilley, 216 F. 869, 870-71 (8th Cir. 1914) (recognizing trademark rights in nicknames given by general public, but finding that disputed nickname was not first applied to plaintiff’s product); see also Nat’l Cable Television Ass’n., Inc. v. Am. Cinema Editors, Inc., 937 F.2d 1572 (Fed. Cir. 1991) (ACE nickname held to be identified with American Cinema Editors’ trade name and its awards); Am. Stock Exch., Inc. v. Am. Express Co., 207 U.S.P.Q. 356 (T.T.A.B. 1980) (AMEX nickname); Coca-Cola Co. v. Busch, 44 F. Supp. 405 (E.D. Pa. 1942) (protecting nickname COKE).

Blizzard has asserted more than sufficient facts to present a colorable fact-based inquiry such that summary judgment would be improper on its trademark infringement claims. Many Battle.net users refer to the “BATTLE.NET” mark as “BNET,” a term recognized in the online gaming community as a shortened form of Battle.net. (Sup. Fcts. ¶ 15.) Moreover, Blizzard itself has used “BNET” as a logo in both the Battle.net user interface in Blizzard games as well as on the www.battle.net website. (Sup. Fcts. ¶ 16.) In addition, the interchangeable use of “BNET” and “BATTLE.NET” has been shown in the Battle.net forums section on the www.battle.net website, on Battle.net chat servers, by customers contacting Blizzard, and in multiple locations on the Internet. (Sup. Fcts. ¶¶ 17-20.) If there is any question of whether the public has come to refer to BATTLE.NET as “BNET,” it is a question of fact for trial.

B. Blizzard’s Fact Allegations Support a Fact-Based Inquiry Into the Likelihood of Confusion Factors in Support of Blizzard’s Trademark Infringement Claims.

Assessment of likelihood of confusion, the keystone of trademark infringement, is necessarily a fact-based inquiry that requires the careful weighing of several factors. See SquirtCo v. Seven-Up Co., 628 F.2d 1086, 1091 (8th Cir. 1980). Contrary to defendants’ claims, evidence of actual confusion is not necessary to establish likelihood of confusion. See id.; David Sherman Corp. v. Heublein, Inc., 340 F.2d 377, 379 (8th Cir. 1965). Further, Blizzard need not prove every single factor of the likelihood of confusion analysis to establish trademark infringement liability. The resolution of the likelihood of confusion question rests on a weighing of numerous factors, not one of which is singly determinative, and all of which call for findings of fact. SquirtCo, 628 F.2d at 1091. In any event, contrary to defendants’ claims, Blizzard has provided evidence of actual confusion. Individuals have contacted Blizzard exhibiting confusion between Blizzard’s BATTLE.NET and BNET marks and defendants’ use of “Bnetd” by seeking support from Blizzard for their use of Bnetd, or by referring to Bnetd as “Battle.net.” (Sup. Fcts. ¶¶ 19-20.)

There are ample facts in the record which can lead to a finding of likelihood of confusion by a reasonable jury. For instance, defendants adopted the name “BNETD,” which combines Blizzard’s mark “BNET” with the letter “D,” for the generic word “daemon,” a type of computer program. Defendants’ infringing term is substantially similar in sight, sound and meaning to Blizzard’s mark, just as “Koke-Up” was held confusingly similar to Coca-Cola’s nickname, “Coke.” Coca-Cola, 44 F. Supp. at 410. Similarity of the marks is one factor that strongly supports a finding of likelihood of confusion. See SquirtCo, 628 F.2d at 1091; see also Century 21 Real Estate Corp. v. Century Life of Am., 970 F.2d 874, 877 (Fed. Cir. 1992), cert. denied,

506 U.S. 1034 (1992) (holding that where the *goods are identical*, “the degree of similarity [between the marks] necessary to support a conclusion of likely confusion declines”).

The close proximity of defendants’ product to Blizzard’s products in features and function is a further indication of facts that support likelihood of confusion. Century 21 Real Estate Corp., 970 F.2d at 877. Defendants admittedly attempted to copy as much of Blizzard’s gaming service as possible. As noted above, the goal of the Bnetd Project was to implement all of the ‘user-visible’ features of the Battle.net service. As a result, there are no “differences [between Battle.net and the Bnetd emulator] from the standpoint of a user who’s actually playing the game.” (Sup. Fcts. ¶ 21.)

Further, a jury could reasonably conclude that defendants copied Blizzard’s marks with the bad faith intent to trade off Blizzard’s good will and rights in the “BATTLE.NET” and “BNET” marks, another strong factor in support of a finding of likelihood of confusion. See Armstrong Cork Co. v. Armstrong Plastic Covers Co., 434 F. Supp. 860, 871 (E.D. Mo. 1977) (holding that defendants’ use of plaintiff’s mark and slogans established defendants’ intent to infringe); see also Nat’l Ass’n of Blue Shield Plans v. United Bankers Life Ins. Co., 362 F.2d 374, 377-78 (5th Cir. 1966) (finding likelihood of confusion because defendant’s purpose “was to use marks as close as possible to those of [the plaintiff], so as to appropriate the good will and good name ... [w]here such a purpose appears, the courts will ... find a likelihood of confusion”). Indeed, the likelihood of confusion analysis in Counts III, IV and VI turns on many such questions of fact, the resolution of which must be given to a reasonable jury, and not settled at the summary judgment stage.

C. Blizzard’s Evidence in Support of its Federal Trademark Dilution Claim raises a Genuine Issue of Material Fact as to the Existence of Actual Dilution.

While a recent United States Supreme Court decision requires evidence of actual dilution to establish a claim of federal trademark dilution, see Moseley v. V Secret Catalogue, Inc., 537

U.S. 418 (2003), the Moseley case does not dictate the manner in which actual dilution must be shown. See Susan Turcotte, Note, Caught in a Corporate Panty Raid: Moseley v. V Secret Catalogue, Inc., 40 Hous. L. Rev. 867 (2003) (concluding that the Supreme Court's recent decision has largely left the question of proof of "actual" dilution unanswered). Since the law in this area is still being developed in the wake of Moseley, the question of actual dilution is a factual question that a reasonable jury can and should determine. Blizzard has alleged sufficient facts to at least raise the issue of whether defendants' use of "BNETD" has actually lessened and will continue to lessen the ability of Blizzard's marks "BATTLE.NET" and "BNET" to identify its Battle.net service. Under Moseley, a dilution plaintiff need not prove the consequences of the dilution, such as an actual loss of sales or profits. Moseley, 537 U.S. at 433. In fact, in Moseley the Court noted that the existence of identical marks may provide circumstantial evidence of actual dilution, id. at 434, and here defendants' nearly identical mark is much more similar to Blizzard's mark than were the marks in Moseley. Further, unlike in Moseley, defendants used Blizzard's mark to identify a service which they promoted as a direct replacement or substitute for Blizzard's services. As such, Blizzard's evidence is sufficient to raise genuine issues of material fact concerning the existence of actual dilution even after Moseley so as to preclude summary judgment on Blizzard's federal trademark dilution claim, Count V.

CONCLUSION

For the foregoing reasons, Blizzard asks that this Court deny defendants' motion for summary judgment in its entirety and grant Blizzard's Motion for Partial Summary Judgment on Count II (Circumvention of Copyright Protection Systems and Trafficking in Circumvention Technology Under the Copyright Act § 1201(a)) and Count VII (Breach of End User License Agreements and Battle.Net® Terms of Use) of its Second Amended Complaint.

Dated: January 26, 2004

Respectfully submitted,

/s/

Stephen H. Rovak, #4218
Kirill Y. Abramov, #109139
SONNENSCHNEN NATH & ROSENTHAL LLP
One Metropolitan Square
Suite 3000
St. Louis, Missouri 63102
Telephone: (314) 241-1800
Facsimile: (314) 259-5959

Carol Anne Been, *pro hac vice*
Gerald E. Fradin, *pro hac vice*
S. Roberts Carter III, *pro hac vice*
SONNENSCHNEN NATH & ROSENTHAL LLP
233 South Wacker Drive
8000 Sears Tower
Chicago, Illinois 60606
Telephone: (312) 876-8000
Facsimile: (312) 876-7934

Attorneys for Plaintiffs Davidson & Associates,
Inc., D.B.A. Blizzard Entertainment, and Vivendi
Universal Games, Inc.

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CERTIFICATE OF SERVICE

The undersigned, an attorney, hereby certifies that he caused a copy of the foregoing PLAINTIFFS' MEMORANDUM IN OPPOSITION TO DEFENDANTS' MOTION FOR SUMMARY JUDGMENT to be served by operation of the Court's electronic filing system on January 26, 2004 upon the following:

Mark Sableman
Matthew A. Braunel
Thompson Coburn LLP
One US Bank Plaza
St. Louis, MO 63101-1611

Robert M. Galvin
Paul S. Grewal
Richard C. Lin
Day Casebeer Madrid & Batchelder, L.L.P.
20300 Stevens Creek Boulevard, Suite 400
Cupertino, CA 95014

Jason M. Schultz
Electronic Frontier Foundation
454 Shotwell Street
San Francisco, CA 94110

/s/

Kirill Y. Abramov, #109139
SONNENSCHNEIN NATH & ROSENTHAL LLP
One Metropolitan Square
Suite 3000
St. Louis, Missouri 63102

Attorney for Plaintiffs Davidson & Associates, Inc.,
D.B.A. Blizzard Entertainment, and Vivendi
Universal Games, Inc.