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APPS: THE LEGAL SIDE

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The following cases illustrate the intellectual property disputes common in the growing field of applications on smartphones and other third-party platforms.

So Many Lawsuits… So Little Time

A. GENERAL PRINCIPLES

TRADE-MARKS: Trade-mark law protects a brand name, such as a word, slogan, logo or design. Protection is based on "use" of the mark. Trade-mark owners can prevent others from using the same or a confusingly similar mark in the same channel of trade. In the app sector, this would include protection of the brand name of the app and its icon. The use of the trade-marks of others without their permission could give rise to liability for trade-mark infringement.

COPYRIGHT: Copyright protects things like books, paintings, music, broadcasts, software, video games, website content, images/pictures, layout of websites. For apps, this would include protection of the underlying app code, and the user interface. Remember that copyright is valid in Canada for the life of the author plus 50 years, after which copyright expires. An important Canadian copyright infringement case involving software is ***Delrina Corporation v. Triolet Systems Inc.***, a 2002 Ontario Court of Appeal decision. In this case, an employee of Delrina wrote an application called Sysview. He then left and started working for a competitor, Triolet. He essentially re-wrote the Sysview program "from scratch" and created a new program called Assess. The allegation was that Assess was an infringing copy of the original Sysview.

This case makes it clear that, under Canadian copyright law, ideas and structures are not protectable by copyright. To answer the question of whether one software program is an infringing copy of another, the court will undergo an exhaustive analysis of the code and the underlying structures. To measure what is "substantial", the Court will disregard parts of the software that are not original, or are dictated by functional considerations (such as underlying structures or architecture), or parts that are otherwise not protectable by copyright (such as

general concepts and ideas). Where function dictates the form of the work, then similarities are to be expected when comparing between two competing functional works, without one being an infringing copy of the other.

Don't forget that the concept of "copying" in the law of copyright clearly goes beyond merely copying from something which is physically before the person who copies. It can include copying from memory, even subconscious memory.

One US case (*Veritas Operating Corp. v Microsoft Corp*., No. 06-0703, 208 US Dist. LEXIS 8166 (W.D. Wash. Feb 4, 2008) made it clear that copying a mere 0.03% of software code (that's 54 lines out of about 160,000 lines) may constitute copyright infringement, if the copied code is critical to the operation of the program. A reproduction of about 5% (the copy comprised five lines out 116 lines of original text) was not considered a "reproduction of a substantial part of the whole" in the 2003 decision in *DoImage v. Erskine*, 2003 CanLII 8350 (ON S.C.), and therefore did not constitute infringement.

PATENTS: Patents provide protection for inventions such as a device, formula, or a method, for a period of 20 years. Generally, there may at some point be patent disputes involving iPhone apps, particularly where a successful app is covered by a pre-existing patent (such as a business method or software patent) owned by a competitor. But these cases will be rare.

B. APP DISPUTES

Claims Against Apple:

1. **Copyright Infringement**: *Psihoyos v. Apple Inc.* 09-cv-7315, U.S. District Court, Southern District of New York (Manhattan). See: http://iphone.click2creation.com/2009/08/the-cove-director-sues-apple-over-image-use-in-iphone-app/

   Louis P. Psihoyos, a National Geographic photographer filed a lawsuit in New York, against Apple Inc., alleging that the "i.TV" iPhone app uses a photograph known as "1000 TVs" without the photographer's permission. He is seeking at least $2 million in damages. The suit alleges that Apple is liable for copyright infringement for the use of the famous image in an iPhone application without Psihoyos' permission. According to Dan Nelson, a copyright attorney in the Nelson Law Firm's New York office, "Apple failed to take steps to ensure that third-party application developers weren't infringing copyrights. Apple was aware that i.TV was making questionable uses of Mr. Psihoyos' famous and iconic photograph, and didn't prevent the developer from placing the photograph in the infringing application."

   If it goes to trial, this lawsuit may test the limits of Apple's liability for the conduct of app developers, since the claim argues that Apple had control over i.TV and should have exercised that control to stop the copyright infringement. According to Psihoyos, "This is one of my most famous photographs. It's shocking to me that Apple would allow it to be displayed in an iPhone application without my permission and then blame their partner in the application." In November, the complaint was amended to add i.TV as a defendant. See: http://www.dannelsonlaw.com/complaint.pdf

2. **Trade-mark Infringement**: *Cartier International NV v. Apple, Inc.* 1:2009cv04857 Southern District of New York (Manhattan). Cartier, the luxury watch maker, sued Apple for infringement of trade-marks. The lawsuit alleges that the Digitopolis apps "Fake Watch" and "Fake Watch Gold Edition" used Cartier's trade-marks without permission. The suit attempts to make appel liable, for allowing the apps to be sold in the iTunes App Store. After commencement of the lawsuit, both apps were pulled from the iTunes App Store. Status: Lawsuit withdrawn. Link: http://www.phonesreview.co.uk/2009/05/23/apple-sued-for-trademark-infringement-by-cartier/

Claims Against Developers

3. **Trade-mark Claim:** (BIXI) A ***Montreal company*** has been hit with a ***cease-and-desist letter*** over its launch of an iPhone app that helps users find the city's "Bixi bikes". Bixi is the public-use bicycle system in downtown Montreal. Bixi (contrary to some reports) is not a registered trade-mark, though an application for registration has been filed. There are many iPhone apps which permit users to schedule or locate public services, such as STM mobile (designed for the Montreal transit system), not to mention similar public transit apps for cities all over the world. Apps which locate private companies are also common, such as apps which pinpoint Starbucks (Bucksme), Tim Horton's (timmyme) and banks (TD Finder, Scotiabank Finder, RBC Finder) locations.

   There appears to be a lack of consistency in trade-mark enforcement practices among brand owners: Bucksme was discontinued "for legal reasons" but these apps have been permitted: Find a Starbucks Coffee, Expresso Pro and Lite; Coffee Spot Pro and Lite, and Go Grande. It would be interesting to hear the court's view on whether the use of Bixi in this form would have constituted trade-mark infringement, but the cease-and-desist letter appears to have worked. The ***app site*** contained a French-language notice that says "We understand that it was an error (made in good faith) to use the trade-mark Bixi. We hope to work with Stationnement de Montréal and Bixi to find a solution that will respond to your needs." Then the site went dark. Bixi appeared to backtrack and now Bixou, Bixou Lite, BixMe, Spotcycle, Montreal Bike Map have been launched in the App Store. Other brand owners may be waiting until their own app is available before complaining about existing locator apps.

4. **Copyright Infringement**: Compare the experience of Lawl Mart, an app developer who released "Duck Hunt" in January, 2009, in the App Store, with the experience of the developer of another "Duck Hunt" game the same month. Lawl Mart's game was a complete carbon copy of Nintendo's 1980s classic video game of the same name, in which players shoot at small ducks flying around the screen. The graphics, the sound, the signature taunting dog and even the name were all identical. Status: cease-and-desist, game removed.

   A competing game "Deek's Duck Hunt" is "inspired by" Nintendo's Duck Hunt and has been permitted to remain, presumably since it did not copy the graphics, sound, and other Nintendo design elements. The term "Duck Hunt" is descriptive or generic when applied to a duck-hunting game, so the name of the game arguably does not infringe any of Nintendo's trade-marks. See: http://digital.venturebeat.com/2009/02/03/yep-nintendo-shot-down-duck-hunt-on-the-iphone/

5. **Personality / Likeness** (Electronic Arts / Madden NFL) Can a video game portray a character that looks like you, without your permission? There have been a number of disputes over the right of video-game publishers to use a person's likeness - for example, the dispute over Kurt Cobain's avatar in Guitar Hero 5, or the recent lawsuit over whether the images of certain professional boxers can be used in a video game. In a recent US case (***Brown v. Electronic Arts Inc.***, Case No. 2:09-cv-01598 (US District Court, Central Cal.)), retired football player Jim Brown sued Vancouver-based EA over its use of his likeness in the popular *Madden NFL* game. This isn't the first lawsuit over the use of football players' images - last year, a group of players successfully sued the National Football League Players Association for claims arising out of royalty rates for the use of players' images in EA games. In the Brown decision however, the court rejected Brown's complaint. In the US, video games are a form of protected expression qualifying for a free-speech defense, and EA made a successful free speech defense to this claim. The case turned in part on the fact that the character in the game was one of thousands of "virtual athletes". This particular character may have outwardly resembled Brown to football fans (they would have recognized his jersey number and designation as a running back), but Brown's name was not used in the game or in advertising. If EA had made any of these mistakes - using his name or likeness in advertising - then they likely would have been tripped up by Brown's (US) *Lanham Act* complaint. This claim is based on the idea that an advertiser can't falsely claim that a celebrity has somehow sponsored or endorsed their product. EA did not attempt to signify that Brown endorsed the games, so EA did not get tackled by the *Lanham Act* claim.

6. **Class-Action – Privacy Breach** (*Turner v Storm8*) – US federal class action alleged that app developer collected players' phone numbers without their knowledge. The lawsuit alleges that Storm8, creator of "iMobster" and "Vampires Live," wrote its software to collect phone numbers automatically when players download the games. Storm8 acknowledged on Aug. 26 that it used backdoor methods to get the phone numbers, according to the complaint. Strom8 blamed the information collection on a bug, and characterized it as an oversight. The complaint demands damages and restitution wants Storm8 ordered to delete their personal information. (Complaint: http://www.boingboing.net/lawsuits/Complaint_Storm_8_Nov_04_2009.pdf)

Disputes Between Developers

7. **Trade-mark** In the (now notorious) Colorado case of ***InfoMedia, Inc. v. Air-O-Matic Inc.*** (Court Case Number: 1:09-cv-00302-ZLW), two makers of rival iPhone applications are in a trade-mark battle over the use of the phrase "Pull My Finger" in association with an application for the mobile device. InfoMedia uses the phrase "pull my finger" in its marketing and is seeking a declaration that the phrase is generic when applied to the product, and cannot function to distinguish Air-O-Matic. Air-O-Matic counters that InfoMedia is riding its coat-tails by using the phrase. Air-O-Matic has ***applied for registration*** of the phrase as a trade-mark, in association with "Computer application software for mobile phones", though the application is encountering trouble because of the specimen that was filed. (They should have taken a screen-shot from iTunes.) In any event they're both enjoying some additional press, which may have been the whole point to the dispute in the first place.
http://www.wired.com/images_blogs/threatlevel/files/fartdeclaratory.pdf

8. **Copyright** (Atari vs. RIM) Atari has accused the Blackberry maker of infringing copyright in two video games: Breakout and Asteroid. Both games first went to market in the 1970s. Atari alleges that the copyright in these games was infringed in the creation of RIM's games BrickBreaker and Meteor Crusher, both of which were created for bored executives on their handhelds…executives who probably used to play Atari's ***Breakout*** in 1977. Atari's lawyers issued a series of threats last year, and RIM decided to take the initiative by suing Atari in Ontario in October 2006. Atari quickly registered copyright in the two games and responded by trying to move the case the US. In an Ontario decision released earlier this month ***Research in Motion Limited v. Atari Inc.***, 2007 CanLII 33987 (ON S.C.) Atari suffered a set-back when the court sided with RIM in this initial skirmish.

9. **Copyright**: iBeer vs iPint. This case (*Hottrix LLC v. Coors*, U.S District Court for the Central District of California), pits Hottrix's iBeer against iPint, both of which use a combination of sound and animated images to make it appear that the holder is drinking beer out of their iPhone. Complaint alleges that by copying the "look and feel" of iBeer, Coors infringed on copyright-protected content owned by Hottrix. The case also alleges unfair competition and infringement of trade dress. Hottrix alleges that Coors initially contacted Hottrix to negotiate a license of the iBeer app. Negotiations broke down and no license was finalized. Coors created their own iPhone app. An idea cannot be protected by copyright and this case illustrates the "idea-expression dichotomy". An author can copyright the expression of an idea, but not the idea itself.

10. **Trade-mark Dispute**: In a case pitting an old trade-mark against new iPhone apps, Mr. Langdell and his company, the owner of the trade-mark EDGE (registered in 1999), has sent cease-and-desist letters to Mobigames and others for use of the mark EDGE in association with iPhone apps. Initially, Mobigames' Edge app was taken out of App store then re-introduced it as "Edge by Mobigames". Other app and game developers have also received cease-and-desist letters from Langdell, including Electronic Arts (over EA's Mirror's Edge). The latest twist is EA's petition to cancel Langdell's US marks. See: http://en.wikipedia.org/wiki/EDGE_Games

11. **Trade-Secret** *Zynga vs. Playdom*.

    Zynga sued Playdom and a number of ex-employees in California state court. Among the causes of action were: misappropriation of trade secrets, breach of contract, breach of the duty of loyalty, tortious interference with contracts and unfair competition. Zynga alleges that Playdom hired away four key employees who allegedly took with them key information and planning documents when they left Zynga, including "The Zynga Playbook" which would contain valuable trade secret information for a competitor like Playdom. The court granted an initial request for a temporary restraining order against Playdom and the other defendants. Those defendants are prohibited from destroying any of the files allegedly misappropriated. See: http://www.techcrunch.com/2009/09/10/zynga-v-playdom-the-documents/

These materials are intended to provide background information and general guidance on a particular legal matter. Readers are advised to seek specific legal advice on the particular issue concerning them. We would be pleased to assist you at your request. Please contact us at your convenience.