



Supreme Court Justice John Paul Stevens to Retire: An Important Contributor to Copyright, Trademark, and First Amendment Law Steps Aside

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by [Uli Widmaier, Trademark Attorney](#)

Earlier today, Associate Justice John Paul Stevens informed the President of his intention to resign from the U.S. Supreme Court at the end of the current term. It is with utmost respect and admiration that we consider his contributions to the development of intellectual property and Internet law.

A close personal friend of former Pattishall McAuliffe managing partner, Beverly Pattishall (1916-2002), Justice Stevens has written some of the most influential decisions in these areas. Undoubtedly, the most famous of these is his majority opinion in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), which defined the law of contributory copyright infringement for decades to come. Universal challenged Sony's sale of home videotape recorders on the ground that purchasers could use the devices to infringe content providers' copyrights by copying television programs. The facts of the case ensured that the decision would guide the interplay of technology and copyright law through the tumultuous growth of the Internet. *Sony* was a complex and hotly contested case, decided 5-4 with a powerful and lengthy dissent by Justice Blackmun. Nevertheless, its holding can be distilled into a simple but immensely influential formula: selling a technology that may enable third parties to infringe existing copyrights does not give rise to liability for contributory copyright infringement if the technology is "*capable of commercially significant noninfringing uses.*" *Id.* at 442 (emphasis added). Speaking through Justice Stevens, the Supreme Court found that Sony's Betamax videotape technology indeed was capable of such uses; therefore Sony's sale of Betamax equipment did not constitute contributory copyright infringement. *Id.* at 456.

With the rise of the Internet and the concomitant rise of online music and movie piracy, many—music publishers in particular—felt the *Sony* formula was too permissive in shielding infringement-enabling technologies. In *MGM Studios, Inc., v. Grokster, Ltd.*, 545 U.S. 913 (2005), the Supreme



PATTISHALL
McAULIFFE
NEWBURY
HILLIARD &
GERALDSON LLP • 311 South Wacker Drive, Suite 5000 • Chicago IL 60606 • T (312) 554-8000 • F (312) 554-8015 • www.pattishall.com

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Court revisited *Sony's* approach to contributory copyright infringement in the context of the massive trading of pirated music recordings taking place on peer-to-peer ("P2P") file sharing services, such as *Grokster*. The *Grokster* Court supplemented Justice Stevens's "capable of commercially significant noninfringing uses" formula to allow courts to take into account a defendant's intent (the bad faith of some of the P2P services involved in the case was evident from the record). According to Justice Souter, the Supreme Court held in *Grokster* that "one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties." *Id.* at 919. However, *Grokster* did not overrule *Sony*. As Justice Souter emphasized:

Of course, in the absence of other evidence of intent, a court would be unable to find contributory infringement liability merely based on a failure to take affirmative steps to prevent infringement, if the device otherwise was capable of substantial noninfringing uses. Such a holding would tread too close to the *Sony* safe harbor.

Id. at 939 n.12. Thus, Justice Stevens's seminal ruling in *Sony*, as supplemented by *Grokster's* intent test, remains the law of the land today.

In 2003, Justice Stevens authored the Supreme Court's first decision ever to deal with trademark dilution law. The case, *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), concerned the proper interpretation of the Federal Trademark Dilution Act ("FTDA"). President Clinton signed the FTDA into law in 1996, creating the first federal claim against the dilution of famous marks. Unfortunately, the FTDA contained significant drafting flaws, which led to a number of undesirable doctrinal developments and a split amongst the circuit courts of appeal. For example, the FTDA's fame requirement for a plaintiff's mark did not specify whether the mark had to be famous among U.S. consumers generally, or whether fame either in a niche market or limited geographic market sufficed. The courts also disagreed over whether the FTDA protected marks with acquired, rather than inherent, distinctiveness. As Justice Stevens noted in *Moseley*, it was even unclear whether the FTDA recognized tarnishment—long recognized as posing a grave risk of diluting a mark—at all. 537 U.S. at 432. Finally, and most importantly, the appellate courts had reached drastically different views on the type of injury from dilution by blurring that an FTDA plaintiff was required to show to be entitled to relief. Some circuits required direct evidence of actual economic harm, while others permitted dilution claims to go forward upon a mere showing of likelihood of dilution. The Supreme Court dealt with this injury standard in *Moseley*.

Justice Stevens, writing for the Court, first positioned dilution law in the greater context of U.S. trademark infringement and unfair competition law, quoting from the casebook authored by Pattishall McAuliffe partners Beverly Pattishall, David C. Hilliard, and Joseph N. Welch III. 537 U.S. at 428 (citing B. Pattishall, D. Hilliard, & J. Welch, *Trademarks and Unfair Competition* 2 (4th ed. 2000)). Based on his reading of the FTDA statute, Justice Stevens resolved the circuit split by steering a middle course and holding that the FTDA "unambiguously requires a showing of actual dilution, rather than a likelihood of dilution," while at the same time refusing to require—as the Fourth Circuit had done—a showing of actual loss of sales or profits. 537 U.S. at 433. Undoubtedly, Justice Stevens's interpretation was faithful to the plain statutory text, but it had the consequence of making dilution extremely difficult to prove in practice. The American Bar Association submitted an amicus curiae brief (authored by Pattishall McAuliffe partners Robert W.

Sacoff and Uli Widmaier) to the Supreme Court, urging an attenuated "likelihood of dilution" standard based on a different reading of the statutory text. The ABA's proposed interpretation would have resulted in a reading that would have left the FTDA still workable in practice. Justice Kennedy adopted the ABA's position in his concurrence, but it did not find favor with Justice Stevens.

Fortuitously, though, Justice Stevens's insistence on interpreting federal dilution claims on the basis of a strict reading of the statutory text had a distinctly salutary effect. As drafted, the FTDA was unworkable, meaning that the statute required revision. Shortly after the Court handed down its decision in *Moseley*, Congress began working on a new dilution statute. In 2006, President Bush signed the Trademark Dilution Revision Act ("TDRA") into law. The TDRA resolved many of the FTDA's shortcomings: the statute explicitly recognizes dilution by tarnishment, a plaintiff's mark must be famous among the general consuming public of U.S., and famous marks with acquired distinctiveness are fully protectable. Most importantly, the TDRA remedied the FTDA's main shortcoming, its "actual dilution" requirement. The TDRA now requires a showing of likelihood of dilution by blurring or tarnishment, thus substantially reducing the evidentiary uncertainty the FTDA created. In short, Justice Stevens's interpretation of the FTDA led to a substantial improvement in U.S. dilution law.

The rise of the Internet has reshaped modern intellectual property law decisively. The technological challenges of the digital revolution have tested virtually every facet of trademark and copyright law. Justice Stevens played a substantial role both in furthering that revolution and in shaping the law's response to it. Writing for the majority in *Reno v. ACLU*, 521 U.S. 844 (1997), the first Supreme Court case to rule on the application of the First Amendment to the Internet, Justice Stevens's opinion established the legal backdrop against which courts have treated Internet-related legal issues—including intellectual property issues—ever since. *Reno* held that the First Amendment applies in full force to the Internet and that certain provisions of the Communications Decency Act, 47 U.S.C. § 223, *et seq.*, were unconstitutional. This holding is based in large part on Justice Stevens's positive assessment of the Internet:

It is no exaggeration to conclude that the content of the Internet is as diverse as human thought. . . . The Web is thus comparable, from the readers' viewpoint, to both a vast library including millions of readily available and indexed publications and a sprawling mall offering goods and services. From the publishers' point of view, it constitutes a vast platform from which to address and hear from a worldwide audience of millions of readers, viewers, researchers, and buyers.

Reno, 521 U.S. at 852. Stevens went on, adding that "any person with a phone line can become a town crier with a voice that resonates farther than it could from any soapbox." *Id.* at 870. The Supreme Court's welcoming attitude toward the Internet revolution is crucial background for understanding the recent developments in trademark and copyright law.

Perhaps Justice Stevens's attitude toward intellectual property law—an attitude of great respect for Congress's intent and of commitment to interpreting intellectual property statutes as written—is well expressed in his concluding remarks in *Sony*:

It may well be that Congress will take a fresh look at this new technology, just as it so often has examined has other innovations in the past. But it is not our job to apply laws that have not yet been written. Applying the copyright statute, as it now reads, to the facts as they have been developed in this case, the judgment of the Court of Appeals must be reversed.

Sony, 464 U.S. at 456.

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Uli Widmaier is a partner with [Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP](#), a [leading intellectual property law firm](#) based in Chicago, Illinois. Pattishall McAuliffe represents both plaintiffs and defendants in [trademark](#), [copyright](#), and [unfair competition trials and appeals](#). The firm advises its clients on a broad range of domestic and international intellectual property matters, including [brand protection](#), [Internet](#), and [e-commerce](#) issues. Uli's practice focuses on domestic and international [trademark](#), [copyright](#), [trade dress](#), and [Internet](#) law and litigation.