

# manatt

November 19, 2008

## ADVERTISING LAW @MANATT

NEWSLETTER OF THE ADVERTISING, MARKETING & MEDIA PRACTICE GROUP OF MANATT, PHELPS & PHILLIPS, LLP

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### Reminder – We'll See You in Chicago on November 20 at the 30th Annual PMA Law Conference

Most of our clients and friends are aware that the PMA Law Conference is this week. Linda Goldstein, chair of Manatt's Advertising, Marketing & Media Division, Kerrie Campbell, chair of the firm's Consumer Product Safety Group, and the entire Manatt team look forward to seeing you there.

Linda will lend her highly sought-after legal and marketing acumen to the program once again. Always informative and engaging, this year Linda will reveal everything you need to know to create successful and lawful sweepstakes, games, and contests and present solutions to the complex challenges in text messaging, fee-based skill contests, user-generated content, new hybrid models, and more.

The recently enacted Consumer Product Safety Improvement Act means coming to grips with many new regulatory requirements and enforcement initiatives. Kerrie will help guide you through the complexities.

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### UPCOMING EVENTS

**November 19, 2008**  
**Future of Television Conference**

**Topic:**  
"Distribution Strategies for Online Video: What does the Future Hold?"

**Speaker:** [Kenneth M. Kaufman](#)

New York, NY  
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**November 20-21, 2008**  
**PMA's 30th Annual Promotion Marketing Law Conference**

**Topic:**

registration fee by using promotion code **SPR150**.

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## Google Settles Book Search Copyright Dispute

Google Inc. has settled a long-standing class-action lawsuit with the Association of American Publishers and the Authors Guild over its plan to post millions of copyrighted books online for users to view and print for a fee.

Google has agreed to pay \$125 million to settle the three-year-old lawsuit that alleged willful violation of copyright law for scanning books without permission. Authors and publishers will also receive royalties and a percentage of the ad revenue generated on the service, called Book Search. In exchange, the two groups will allow Google to post millions of out-of-print and in-print books. The agreement will add considerably to the excerpts of about 7 million books already posted.

Under the settlement, consumers will be able to view book excerpts for free and entire copies for a fee. They can also purchase hard copies or print unlimited pages for a per-page fee. Schools and libraries will be able to buy subscriptions providing greater access.

The lawsuit has been closely followed by companies seeking to capitalize on the potential of digitizing books, as is happening with music, film, and television. Last fall Amazon.com introduced its Kindle e-book reader, and other companies are marketing similar products.

The settlement suggests that companies looking to make electronic copies of copyrighted books publicly available online will need to get permission from the copyright owners in advance.

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## White House Seeks to Finalize Online Betting Ban

In the eleventh hour of its eight-year tenure, the Bush Administration is moving to finalize rules enforcing a controversial law aimed at banning online gambling.

Democratic lawmakers and the online gambling industry were

"Navigating the Potholes: The Evolving Landscape for Sweepstakes, Games & Contests"

**Speaker:** [Linda Goldstein](#)

**Topic:**

"Consumer Product Safety: Hear from the Regulators How the New Laws Affect Your Promotion"

**Speaker:** [Kerrie L. Campbell](#)

Marriott Downtown  
Magnificent Mile  
Chicago, IL  
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**December 4-5, 2008**

**Film & Television Law**

**Topic:**

"Product and Music Placement, Branded Entertainment: Issues and Litigation"

**Speaker:** [Linda Goldstein](#)

**Topic:**

"The Value of Fame: Understanding the Right of Publicity"

**Speaker:** [Mark S. Lee](#)

Century Plaza Hotel  
Los Angeles, CA  
[for more information](#)

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**January 26-27, 2009**

**ACI: 22nd Advertising Law**

**Topic:**

"Creating Workable and Adaptable Claim Substantiation Procedures"

**Speaker:** [Linda Goldstein](#)

quick to protest the maneuver. "This midnight rule-making will tie the hands of the new administration, burden the financial services industry at a time of economic crisis and contradict the stated intent of the Financial Services Committee," the House panel's chairman, Rep. Barney Frank (D-Mass.), wrote earlier this month to Treasury Secretary Henry Paulson. Frank urged Paulson to push back the regulation, which has been reviewed by the White House budget office, typically a last step before publication in the *Federal Register*.

At the center of the debate is a 2006 law that Senate Republicans appended at the last minute to an unrelated port security bill. The law bars financial institutions from accepting payments from credit cards, checks, or electronic fund transfers to pay for Internet gambling transactions.

Among other problems, the law has created confusion for the institutions that are potentially affected by it, because it does not clearly define Internet gambling, instead referring to existing federal and state laws, which differ in their definitions.

Financial institutions have complained that they have been put on the spot, having to abide by a vague statute, complicated by the difficulty of pinpointing where payments are going and the relative ease with which online betting organizations can disguise the nature of the transactions.

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## Spam Plummetts by Two-Thirds After Host Is Unplugged

The volume of unsolicited commercial e-mails plunged on November 11 after an online hosting company identified by the computer security community as a major host of spammers was shut down.

Experts say the dramatic fall off in spam was the result of Internet service providers pulling the plug on McColo Corp., a Northern California hosting provider that served as the base for computer equipment that sent about 75 percent of spam received in user inboxes every day.

In an alert sent out November 12, e-mail security firm IronPort said that the day before it witnessed "a drop of almost 2/3 of overall spam volume, correlating with a drop in IronPort's SenderBase queries." It attributed the decline to

New York, NY

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the shutdown of McColo Corp. "as reported by *The Washington Post* on Tuesday evening."

The world saw a similar – albeit temporary – drop-off in spam volumes in September, in the wake of the shutdown of Intercage, a.k.a. "Atrivo," another Northern California-based ISP that security experts identified as a major source of spam. However, spammers quickly found a new host and were back online in just a few days.

It is not clear whether – or to what extent – McColo could or will be held legally responsible for the activities of the clients it hosts. There is no evidence that McColo has been charged with any crime.

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## **Lego Loses Trademark Status**

Lego's ubiquitous plastic brick is beloved to children – and adult Lego fanatics – worldwide, but it is no longer a trademark in Europe.

Lego registered the brick's three-dimensional 2x4 shape as an EU trademark in 1999. Now the European Court of First Instance has rejected Lego's arguments that the design and size of the studs make the toy brick more than a mere functional shape and, therefore, trademarkworthy.

After Lego registered its mark, competitor Mega Brands, maker of Mega Bloks, petitioned the EU's trademark office OHIM to cancel the mark. The OHIM agreed with Mega Brands that a brick was a functional, technical shape that could not be trademarked by any one company.

Lego appealed to the European Court of First Instance to get its trademark back. It challenged the notion that functional shapes, such as a brick or any other industrial design, were necessarily excluded from trademark protection. It argued that Lego bricks include features that distinguish it, such as the design and size of the studs on top of the bricks.

Last week the court ruled that trademarking Lego's basic brick design created a monopoly on a functional shape that is "necessary to obtain a technical result." The judges rejected Lego's claim that rival toymakers did not need to copy the shape of the Lego brick to achieve the same "technical solution." They also found that consumer perception was irrelevant to an analysis of design functionality and that, if it

were purely functional, the shape itself had to be available to everyone.

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## **A Million Bucks to Nail Data-Breach Blackmailer**

Express Scripts, the pharmacy benefits management company, recently revealed that a blackmailer is threatening to expose millions of patient records held by the company unless it pays him or her an undisclosed amount of money. The company has now announced that it will award \$1 million to whoever can provide information leading to the arrest and conviction of the perpetrator.

In a statement, an Express Scripts spokesman said, "We're going on the offense with this reward. The \$1 million will be paid to anyone who provides information leading to the capture and conviction of the extortionist who sent a letter to Express Scripts in early October that contained personal information on 75 people, considered members, who use the company's pharmacy-benefits services. The extortionist claims to have information on millions more Express Scripts members and wants money to not reveal it."

Express Scripts, which is working with the Federal Bureau of Investigation on the investigation of the data breach, says it has rejected the demands of the blackmailer. The company spokesperson says that a few of its clients, such as companies with employee healthcare plans, are also now getting extortion letters that include personal information about members. The spokesperson says that the letters are similar enough to suggest they are being sent by the same person.

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## **Virtual Strip Club Can Stay Open for Business**

Gamers can thank the Ninth Circuit Court of Appeals for keeping open the virtual doors of a strip club depicted in the popular video game *Grand Theft Auto*.

In a decision issued last week, the Ninth Circuit ruled that Rockstar Videos, maker of the *Grand Theft Auto* series, did not infringe on the trademark rights of an East Los Angeles strip club it depicted in a version of the game. It found the manufacturers have a free-speech right to depict the features

of the cities in which their games are set.

ESS Entertainment 2000, owner of the Play Pen's Gentlemen's Club in East L.A., sued Rockstar in Los Angeles federal court in 2005. It argued that the "San Andreas" version of the game, which includes the virtual city "Los Santos" – based on the real city of Los Angeles – violated Play Pen's trademark. ESS noted that the game included a logo similar to Play Pen's, including the company's name, the words "Totally Nude," and a silhouette of a dancer inside the stem of the "P."

The Ninth Circuit found no likelihood that *Grand Theft Auto* players would be confused about whether Play Pen was affiliated with the game.

"Both San Andreas and the Play Pen offer a form of low-brow entertainment; besides this similarity, they have nothing in common," the court sniffed. "Nothing indicates that the buying public would reasonably have believed that ESS produced the video game or, for that matter, that Rock Star operated a strip club," the judges added. "It also seems far-fetched that someone playing San Andreas would think ESS had provided whatever expertise, support, or unique strip-club knowledge it possesses to the production of the game."

The Ninth Circuit did not address the issue of product placement, in which marketers pay for their product to appear in games. Arguably, the practice could potentially lead gamers to assume that any company whose product appears in a game has somehow endorsed it.

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