

Hon. Marsha J. Pechman

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

AUTODESK, INC., a Delaware
corporation,

Plaintiff,

v.

OPEN DESIGN ALLIANCE, a
Washington corporation,

Defendant.

No.: C06-1637-MJP

PLAINTIFF AUTODESK, INC.'S
MOTION FOR PRELIMINARY
INJUNCTION

ORAL ARGUMENT REQUESTED

Date: February 20, 2007
Time: 4:00 p.m.

I. INTRODUCTION AND RELIEF REQUESTED

In response to plaintiff Autodesk's application for a temporary restraining order, defendant Open Design Alliance ("ODA") essentially conceded that, in mimicking the TrustedDWG authentication mechanism, it infringed Autodesk's trademarks under the *Sleekcraft* analysis. Following oral argument, the Court issued a TRO on November 22, 2006, enjoining ODA from using or simulating Autodesk's TrustedDWG feature and from distributing its software libraries that simulate this technology. Autodesk now requests that the Court issue a preliminary injunction that continues the prohibitions set forth in its earlier Order, and also requires defendant to take further affirmative steps to correct the harm caused by its wrongful conduct.

1 **II. STATEMENT OF FACTS**

2 **A. Autodesk's AutoCAD® Software Platform and TrustedDWG™**
 3 **Authentication Mechanism**

4 Autodesk is a leader in the field of computer-aided design ("CAD") software used in
 5 design applications by architects, engineers, manufacturers, and others in a wide variety of
 6 industries to design detailed two- or three-dimensional models of physical objects.

7 (Declaration of Abhijit Oak in Support of Plaintiff Autodesk, Inc.'s Motion for Preliminary
 8 Injunction ("Oak Decl.") ¶ 3.) Autodesk's flagship product is the widely used AutoCAD
 9 program, a platform for creating, editing, storing, and displaying designs. (*Id.* ¶ 4.)

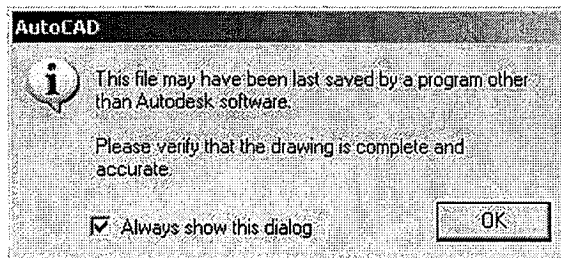
10 Autodesk owns numerous trademark registrations in the United States and around the world
 11 for its AUTODESK® name and mark, including U.S. Registration No. 1,316,772 for
 12 AUTODESK for "computer programs and instructional manuals used therewith sold as a
 13 unit." That registration is valid, subsisting, and incontestable. (*See* Declaration of Ruth Ann
 14 Keene in Support of Plaintiff Autodesk, Inc.'s Motion for a Temporary Restraining Order
 15 ¶ 2, Ex. A.)

16 Autodesk's AutoCAD software program implements its proprietary DWG file format
 17 for creating and storing user data files. (Oak Decl. ¶ 5.) Other design software developers,
 18 including Autodesk's competitors, also incorporate the DWG format into their products so
 19 that their software can read and write DWG files and work with AutoCAD. (*Id.* ¶ 6.) Data
 20 files created using certain of Autodesk's proprietary technology and files created using other
 21 non-Autodesk applications will all bear the file extension .dwg. (*Id.*)¹ For maintenance and
 22 customer support reasons, however, it can be important to know whether a file was created
 23 using an Autodesk program or Autodesk-licensed technology, rather than non-Autodesk

24 ¹ Under its RealDWG program and predecessor programs, Autodesk has licensed its
 25 proprietary technology for reading, writing, and saving files using the DWG format, either on
 26 a reciprocal basis with other vendors or under a licensing program for developers. Certain
 competitors of Autodesk participate in the RealDWG program. ODA has not participated in
 Autodesk's RealDWG program. (Oak Decl. ¶ 15.)

1 programs. Because the DWG file format serves to organize the information and relationships
 2 within a data file, when a file is written using Autodesk technology, Autodesk understands
 3 the organizational system applied and can better troubleshoot when a user experiences a
 4 problem with that file. (*Id.* ¶ 7.) If a user saves a data file using a non-Autodesk (or non-
 5 Autodesk-licensed) CAD-related program, however, Autodesk does not control that program,
 6 nor can it necessarily provide technical support or maintenance for such third-party programs
 7 or the files created using such programs. Unlike when problems occur with files created
 8 using Autodesk technology, Autodesk does not have the same degree of background
 9 knowledge, experience, or understanding to address data integrity issues, or the file's
 10 compatibility with Autodesk software applications, including the AutoCAD platform. (*Id.*)

11 In earlier versions, the AutoCAD program had a feature called DWGCheck. In its
 12 default settings, the DWGCheck feature would scan a user's drawing file and, if it recognized
 13 the file as having been created by a particular version of certain Autodesk applications, it
 14 would indicate that by way of a message in the command line of the user's screen. If it did
 15 not recognize the source of a particular drawing as being from an Autodesk application, no
 16 message would appear in the command line. A user could change the settings for
 17 DWGCheck to receive an alert in a pop-up window, telling the user when he or she was
 18 opening a file last saved by a program other than Autodesk software:



23 (*Id.* ¶ 8.) This pop-up message would not appear unless the user had specifically set his/her
 24 AutoCAD system to display it. Autodesk eventually concluded that its customers were not
 25 generally aware of the DWGCheck feature. (*Id.* ¶ 9.) Notably, Autodesk is not aware that
 26 ODA ever tried to simulate the DWGCheck feature in its DWGdirect software libraries. (*Id.*)

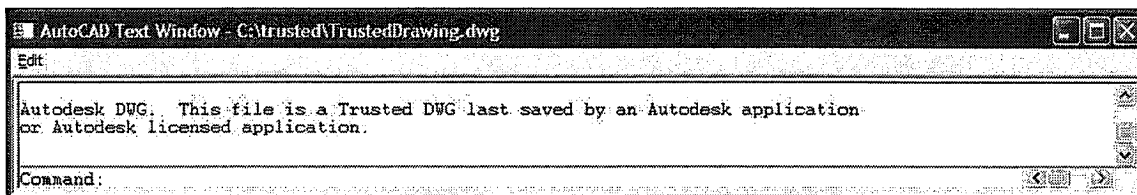
1 In late 2005, as part of its ongoing quality assurance (“QA”) testing and efforts to
2 improve its AutoCAD product and customer support, Autodesk analyzed technical support
3 requests it had received from customers, as well as system-generated Customer Error Reports
4 (“CER’s”). (*Id.* ¶¶ 10-12.) Autodesk noticed that implementations of the DWG format by
5 software developers other than Autodesk (or Autodesk licensees using Autodesk technology)
6 can introduce data corruption, resulting in instability in the DWG files and the AutoCAD
7 system. (*Id.*) For example, Autodesk’s customer support personnel had noted numerous
8 instances of Autodesk customers receiving DWG files from outside sources and then
9 attempting to open the files with AutoCAD software, only to encounter serious errors. (*Id.*
10 ¶ 12.)

11 Based on its review of customer problems, Autodesk determined that enabling users
12 and Autodesk customer support personnel to identify the source of DWG files would assist in
13 the proper diagnosis and correction of the problems. (*Id.* ¶ 13.) Therefore, as a complement
14 to DWGCheck, Autodesk’s engineering team sought to create a more explicit, user-friendly
15 mechanism by which an AutoCAD user could discern whether a particular DWG file he or
16 she has received was originally created or saved using an Autodesk product (or an Autodesk-
17 licensed product) or a non-Autodesk product. The result: Autodesk’s TrustedDWG
18 authentication mechanism introduced in its AutoCAD 2007 release. (*Id.*)

19 As explained previously in Autodesk’s Complaint and TRO papers, when an
20 Autodesk product or an Autodesk-licensed product writes and saves a DWG file, the program
21 inserts into the file an identifying watermark and proprietary code string known as the
22 TrustedDWG code to indicate that the file is a genuine Autodesk DWG file. The watermark
23 and TrustedDWG code operate as digital certificates of authenticity and thereby serve to
24 identify a genuine Autodesk DWG file to the Autodesk product that next encounters the file.
25 When the current version of AutoCAD opens a DWG file, the software looks for the
26

1 watermark and the TrustedDWG code in the file, and, if they are found, displays two items
 2 on the program display screen to indicate the authenticity of the file:

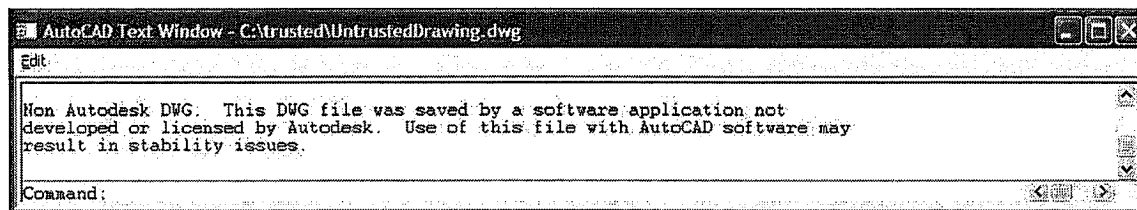
3 (a) A text message in the command line portion of the display screen that reads
 4 as follows: “Autodesk DWG. This file is a Trusted DWG last saved by an Autodesk
 5 application or Autodesk licensed application.” (“TrustedDWG message”).²



9 (b) A TrustedDWG icon with a green check mark in the lower right-hand corner
 10 of the program display screen. (*Id.* ¶ 14.)

11 By contrast, when the AutoCAD software encounters a non-Autodesk file and
 12 therefore does not find the Autodesk watermark or TrustedDWG code, AutoCAD displays
 13 three items on the program display screen:

14 (a) A text message in the command line portion of the display screen that reads
 15 as follows: “Non Autodesk DWG. This DWG file was saved by a software application not
 16 developed or licensed by Autodesk. Use of this file with AutoCAD software may result in
 17 stability issues.” (“non-authentic Autodesk DWG message”).



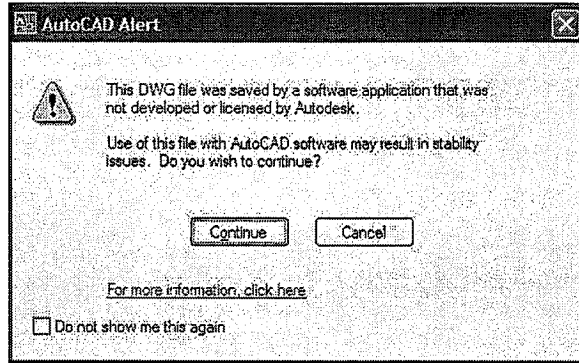
22 (b) A DWG icon with a yellow triangular sign (“non-authentic Autodesk DWG
 23 icon”) in the lower right-hand corner of the program display screen. (*Id.* ¶ 16.)

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26 ² This text actually appears in the code string itself. (*Oak Decl.* ¶ 14.)

(c) A message screen as shown below (“non-Autodesk file alert screen”):



(*Id.*)

When a user clicks the “For more information, click here” link, he/she is taken to a webpage that further explains the TrustedDWG feature. (*See* Oak Decl. ¶ 17, Ex. A.)³ The non-Autodesk file alert screen can be easily disabled at the option of the AutoCAD user by checking the “Do not show me this again” box on the screen shown above. The non-authentic Autodesk DWG message and icon will remain on the user’s screen. (Oak Decl. ¶ 16.)

While the TrustedDWG feature informs users of the source of DWG files and allows them to decide whether to import those files into their computer system, the TrustedDWG technology does not prevent users from opening or using non-Autodesk files within the AutoCAD platform. Likewise, TrustedDWG does not affect interoperability or compatibility between AutoCAD and other CAD programs and files saved using such programs. (*Id.* ¶ 19.)⁴

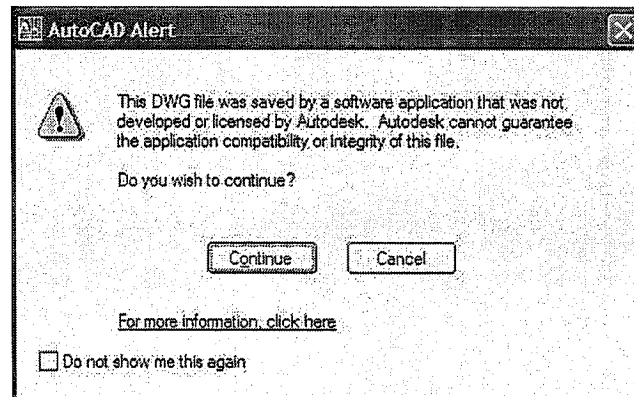
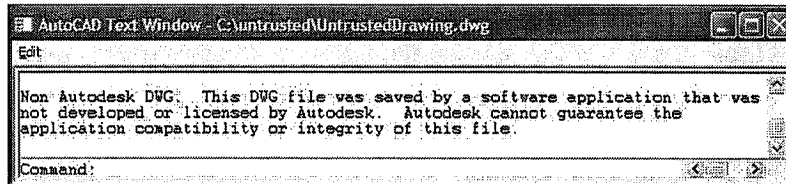
³ As set forth below, the text of the TrustedDWG webpage has been amended as of January 10, 2007.

⁴ In its Answer and Counterclaims, ODA has suggested that the non-Autodesk file alert screen somehow impedes interoperability because “the necessity of manually overriding the warning disrupts many programs that perform batch processing of .dwg files.” (Answer and

(Footnote continues on following page.)

1 The TrustedDWG feature also helps Autodesk's support personnel respond to
 2 customer problems. Knowing whether a DWG file is an authentic Autodesk DWG file
 3 streamlines the diagnosis process and can allow support personnel to determine more quickly
 4 whether a system error is the result of a problem with a non-authentic file or with the
 5 AutoCAD program itself, and what are the appropriate steps to take to address the customer's
 6 problem. (*Id.* ¶ 21.)

7 Since the TRO proceedings, Autodesk has reviewed the language used in
 8 TrustedDWG identification items as well as the related webpage. Although it believes that
 9 the original language is accurate and reasonable, Autodesk has elected to revise the messages
 10 to customers as follows:



22 (Footnote continued from previous page)

23 Counterclaims at ¶ 20.) Because of the way the AutoCAD program operates according to
 24 certain prescribed programming rules, however, the non-Autodesk file alert screen would
 25 effectively be disabled by a batch processing program running a script. In addition, a user
 26 can elect to turn off the alert screen, so the TrustedDWG feature does not, in fact, inhibit
 batch processing of DWG files with the AutoCAD program. Since the release of AutoCAD
 2007, Autodesk is not aware of any customer complaints regarding batch processing relating
 to the TrustedDWG feature. (Oak Decl. ¶ 20.)

1 These changes will be implemented in the next version of the AutoCAD program. (Oak
 2 Decl. ¶ 22.) Autodesk has also made changes to the language in the related TrustedDWG
 3 webpage, and the revised version is already in use and available when customers click the
 4 link from the non-Autodesk file alert screen. (*Id.* ¶ 23.) Autodesk has previously advised
 5 ODA of its plans to take these actions. (Declaration of Lynn M. Humphreys in Support of
 6 Autodesk's Motion for Preliminary Injunction ("Humphreys Decl.") ¶ 4.)

7 **B. ODA's Unauthorized Simulation of Autodesk's TrustedDWG Mechanism**

8 There is no dispute that, before the Court's issuance of the TRO in this action, ODA
 9 simulated or mimicked Autodesk's TrustedDWG mechanism and the AUTODESK
 10 trademark in the software libraries it developed and licensed to other software developers and
 11 vendors. In its Answer and Counterclaims, ODA readily admits that "ODA engineers
 12 designed a string to simulate the TrustedDWG functions in ODA-created .dwg files," and
 13 that "the Autodesk software generates the Autodesk trademark when it recognizes the code
 14 string that ODA created to avoid the obstacles to interoperability created by Autodesk."
 15 (Counterclaims ¶ 22.)⁵ As a result, an ODA licensee will incorporate ODA's DWGdirect
 16 libraries into its CAD-related computer program. When that computer program creates
 17 and/or saves a DWG file, it will include the TrustedDWG code string in the file. When
 18 AutoCAD software encounters this DWG file, it will erroneously identify this non-Autodesk
 19 file as a genuine Autodesk DWG file. The AutoCAD screen will display the TrustedDWG
 20 identification items (namely the TrustedDWG message in the command line and the
 21 TrustedDWG icon), even though the file is not a genuine Autodesk file. (Oak Decl. ¶ 24.)

22 ODA claims that its admittedly infringing conduct is somehow justified because:

23 (1) Autodesk is guilty of "unclean hands" because it used its mark in connection with the

24
 25 ⁵ In its Answer, ODA also admits repeatedly that "AutoCAD will generate the same text
 26 message and icon when opening a .dwg file created and/or saved with DWGdirect (as
 originally released) as when opening a .dwg file created and/or saved with an Autodesk
 application or Autodesk licensed application." (Answer at ¶¶ 16, 18, 32 and 33.)

1 TrustedDWG mechanism in a “false and anti-competitive manner” (Answer ¶ 46); and
2 (2) ODA’s simulation of the TrustedDWG mechanism, including the display of the
3 AUTODESK registered trademark, was a fair use necessary to ensure interoperability
4 between its files and the AutoCAD platform (Answer ¶ 47). As outlined below, ODA’s
5 purported defenses are without merit.

6 **C. Without the Requested Preliminary Injunctive Relief, ODA’s Actions Will**
7 **Continue to Cause Irreparable Harm to Autodesk and Its Customers**

8 Since the Court’s issuance of the TRO in November 2006, ODA has represented that
9 it has stopped offering the offending version of DWGdirect libraries to its members, and
10 subsequently released a new version of the libraries that does not mimic the TrustedDWG
11 feature. (Humphreys Decl. ¶ 2, Ex. A.) ODA also has issued an email message to its
12 members, recommending that they replace the prior, offending libraries with the new version.
13 (*Id.*) ODA has not represented, however, that it will permanently refrain from reinstating
14 the simulated TrustedDWG technology in its future libraries. Moreover, Autodesk has no
15 way to confirm whether and to what extent ODA’s claimed 3,000 members have stopped
16 using the offending libraries in their products or whether those members’ software
17 applications are continuing to create files that erroneously include the TrustedDWG code
18 string. As long as that is still occurring, the purpose of the TrustedDWG mechanism is
19 essentially defeated because AutoCAD users will not be able to rely on the TrustedDWG
20 feature or the TrustedDWG identification items that appear on their screens. Indeed, users
21 will mistakenly believe the source of the DWG file they are opening is an Autodesk program,
22 when in fact the source may be unknown. Similarly, Autodesk’s customer support personnel
23 will not be able to distinguish between properly labeled TrustedDWG files, and the
24 “mimicking” files created using ODA’s program, and therefore may incorrectly troubleshoot
25 the user’s problem. (Oak Decl. ¶ 25.) Autodesk needs ODA’s cooperation in providing all
26 available information in ODA’s possession or control regarding distribution of the offending
libraries. Autodesk needs such information to identify all ODA members or other recipients

1 who may have downloaded the offending versions, and to determine whether such recipients
2 have subsequently downloaded and/or implemented the new version. Autodesk also needs
3 ODA's assistance to correct any DWG files that contain or mimic the unauthorized Autodesk
4 watermarks or TrustedDWG code.

5 In light of this continuing and serious risk of consumer confusion and ongoing harm
6 to Autodesk, the requested preliminary injunction is warranted.

7 III. ARGUMENT

8 A. The Court's Authority to Issue a Preliminary Injunction

9 This Court has specific authority to order injunctive relief under the Lanham Act,
10 which vests the Court with authority to "grant injunctions, according to the principles of
11 equity and upon such terms as the court may deem reasonable, to prevent the violation of any
12 right of the registrant of a mark" 15 U.S.C. § 1116(a). Under the Act, a party is entitled
13 to preliminary injunctive relief when it demonstrates (1) a combination of "probable success
14 on the merits" and "the possibility of irreparable injury" or (2) the existence of "serious
15 questions going to the merits" and that "the balance of hardships tips sharply in [its] favor."
16 *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1204-05 (9th Cir. 2000) (citation
17 omitted). "The primary focus of this analysis . . . is on the probability of success on the
18 merits, as irreparable injury is presumed once a plaintiff has established a likelihood of
19 confusion in a trademark case." *PlayMakers, LLC v. ESPN, Inc.*, 297 F. Supp. 2d 1277, 1280
20 (W.D. Wash. 2003), *aff'd*, 376 F.3d 894 (9th Cir. 2004). In granting the TRO, the Court
21 properly found that Autodesk had demonstrated that it was entitled to provisional injunctive
22 relief on its infringement claims. Because ODA essentially admits its conduct constitutes
23 trademark infringement and because its purported defenses are without merit, Autodesk is
24 entitled to continued injunctive relief.
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1 **B. Autodesk Is Likely to Succeed on the Merits of Its Trademark Infringement**
2 **Claims.**

3 To prevail on its Lanham Act claims under both section 32 (15 U.S.C. § 1114) and
4 section 43(a) (15 U.S.C. § 1125(a)(1)), Autodesk must “prove [1] the existence of a
5 trademark and [2] the subsequent use by another in a manner likely to create consumer
6 confusion.” *Comedy III Prods., Inc. v. New Line Cinema*, 200 F.3d 593, 594 (9th Cir. 2000).

7 Here, there is no dispute that Autodesk has valid and protectable interests in its
8 AUTODESK name and mark. As prima facie evidence of its rights, Autodesk has
9 demonstrated its ownership of several federally registered marks that include the name
10 “AUTODESK”, including U.S. Registration No. 1,316,772 for AUTODESK, which is
11 incontestable. (Keene Decl. ¶ 2, Ex. A.) Indeed, ODA has never challenged Autodesk’s
12 claim to protectable rights in the AUTODESK name and mark.

13 Moreover, there is no genuine dispute that ODA’s activities in mimicking the
14 TrustedDWG feature are likely to cause confusion as to the source of DWG files. In its
15 Answer and Counterclaims, ODA admits that it designed a code string to simulate the
16 TrustedDWG string and as a result, “AutoCAD will generate the same text message and icon
17 when opening a .dwg file created and/or saved with DWGdirect (as originally released) as
18 when opening a .dwg file created and/or saved with an Autodesk application or Autodesk
19 licensed application.” (Answer ¶ 16; Counterclaims ¶ 22.) In other words, a user opening an
20 ODA-created file will see the message: “Autodesk DWG. This file is a Trusted DWG last
21 saved by an Autodesk application or Autodesk licensed application.” Nowhere in any of its
22 papers to date, however, does ODA explain how this blatantly erroneous message,
23 intentionally caused by ODA’s own engineering, will not confuse users.
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1 Applying the Ninth Circuit's *Sleekcraft* factors,⁶ it is clear that consumers are likely
 2 to be deceived or confused by ODA's offending conduct: (1) The AUTODESK name and
 3 mark are strong and well-known in the industry; (2) the erroneous message triggered by the
 4 ODA-created files displays the exact same identifying mark, namely "Autodesk DWG"
 5 (Answer ¶ 47; Counterclaims ¶ 22); (3) ODA admits that its software products are
 6 competitive with and indeed intended to be compatible with Autodesk's AutoCAD software
 7 applications (Counterclaims ¶¶ 13-14, 19); (4) the marketing channels are similar or
 8 overlapping because ODA admits that it (and/or its members using its libraries) competes
 9 with Autodesk in the CAD software market (*id.* ¶¶ 9, 13, 15); (5) while evidence of actual
 10 confusion is not required, because of the nature of ODA's deception, consumers have no way
 11 of knowing that in fact they have been deceived; (6) likewise, regardless of the degree of care
 12 likely to be exercised by purchasers, users cannot readily determine themselves whether the
 13 TrustedDWG messages were erroneously triggered by ODA's offending technology;
 14 (7) ODA admits that it knew when it simulated the TrustedDWG code string, that any DWG
 15 files created using its libraries would be identified, wrongly, as "Autodesk DWG" (*id.* ¶ 22);
 16 thus its intentions were clear—it wanted its ODA-created files to be identified and accepted
 17 as Autodesk DWG's; and (8) the parties are already in the same markets, so it is not
 18 necessary to look at the likelihood of expansion.

19 Moreover, ODA is liable for both direct and contributory trademark infringement.
 20 Defendant is liable for direct infringement, namely the inclusion of the AUTODESK name
 21 and mark in the code strings within DWGdirect libraries. It is also liable for contributory
 22 trademark infringement because it has (1) "intentionally induce[d] another to infringe on a
 23

24 ⁶ These factors are (1) the strength of the mark; (2) the similarity of the marks; (3) the
 25 relatedness of the two companies' products or services; (4) the marketing channels used;
 26 (5) evidence of actual confusion; (6) the degree of care likely to be exercised by purchasers;
 (7) the defendant's intent in selecting the mark; and (8) the likelihood of expansion into other
 markets. See *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).

1 trademark or (2) continue[d] to supply a product knowing that the recipient is using the
 2 product to engage in trademark infringement.” *Fonovisa, Inc. v. Cherry Auction, Inc.*,
 3 76 F.3d 259, 264 (9th Cir. 1996) (citation omitted); *see also Lockheed Martin Corp. v.*
 4 *Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999). By distributing the infringing
 5 DWGdirect libraries, with the stated intent that its licensees incorporate the simulated
 6 TrustedDWG functionality into their own CAD-related software programs in order to
 7 misrepresent the source of DWG files created by the licensees’ programs, ODA is liable for
 8 contributory trademark infringement and the harm caused by its licensees’ use of the
 9 offending libraries.

10 As the above analysis demonstrates, Autodesk is likely to succeed on the merits of its
 11 Lanham Act claims against ODA.

12 C. ODA’s Claimed Defenses Do Not Excuse Its Infringing Conduct

13 In its Answer ODA raises numerous affirmative defenses. Based on the facts alleged
 14 by ODA, however, the only potentially cognizable theories are unclean hands and fair use.⁷
 15 Both of these defenses fail.

16 1. Unclean Hands

17 In both its TRO opposition papers and its subsequent Answer to the Complaint and
 18 Counterclaims, ODA’s primary defense for its trademark infringement is that Autodesk’s
 19 claims are barred by the doctrine of “unclean hands” based on Autodesk’s alleged “use of the
 20 mark in a false and anti-competitive manner.” (Answer ¶ 46.) ODA’s position is that
 21 because Autodesk uses its AUTODESK mark in connection with its TrustedDWG
 22 mechanism, which includes an allegedly “false” warning message relating to a possible risk
 23 associated with non-Autodesk DWG files, which may or may not include files that have been
 24

25 ⁷ ODA’s other claimed defenses include waiver and estoppel, implied license, and the
 26 First Amendment. ODA has not, however, alleged any facts that would support such
 defenses.

1 created by ODA members, ODA should therefore be permitted to continue to use the
2 AUTODESK mark to falsely identify DWG files created using ODA's software libraries.

3 ODA's unclean hands defense fails for three reasons: (1) Autodesk's alleged
4 inequitable conduct is not sufficiently related to its trademark infringement claim and in any
5 event, even if proven, would not justify or excuse ODA's wrongful conduct and the resultant
6 consumer confusion; (2) ODA cannot demonstrate that the messages displayed by
7 Autodesk's TrustedDWG mechanism are literally false or misleading; and (3) ODA's
8 objection is essentially moot because Autodesk has already undertaken to amend the
9 language in the TrustedDWG messages to further clarify the statements.⁸

13 ⁸ The "anticompetitive" conduct and "trademark misuse" components of ODA's unclean
14 hands defense also have no relationship to Autodesk's trademark infringement claim.
15 "[W]hen an antitrust-related unclean hands defense is raised in a trademark infringement
16 case, 'an essential element [of the defense] . . . is proof that the mark itself has been the basic
17 and fundamental vehicle required and used to accomplish the violation.'" *DeBeers LV*
18 *Trademark Ltd. v. DeBeers Diamond Syndicate, Inc.*, No. 04 CIV 4099 (DLC), 2005 U.S.
19 Dist. LEXIS 9307, at *11-12 (S.D.N.Y. May 18, 2005) (quoting *Estee Lauder, Inc. v.*
20 *Fragrance Counter, Inc.*, 189 F.R.D. 269, 272 (S.D.N.Y. 1999)). Indeed, "in almost every
21 reported instance where the antitrust misuse of a trademark has been raised as a defense, it
22 has been rejected, because the defendant did not demonstrate that the trademark, as
23 distinguished from collateral activities with respect to goods bearing the trademark, was itself
24 being used as the prime and effective instrument to effectuate the antitrust activity." *Id.*, at
25 *12.

26 Here, ODA's allegations of anticompetitive conduct (*i.e.*, that the pop-up warnings
included in Autodesk's software contain "false messaging" that supposedly limits the ability
of competitors to market competing products) are merely the type of "collateral activities"
that are insufficient to establish the defense of unclean hands. ODA does not allege that
Autodesk's trademark is itself deceptive or that Autodesk procured or maintained its
trademark registrations by false or fraudulent misrepresentations; nor does ODA claim
Autodesk is using its trademark directly to limit competition or in a manner that "encouraged
or induced the commission of a wrong." *Id.*, at *10. Moreover, since trademarks (unlike
patents) do not give their owners the exclusive right to make, use, or sell any particular
product or service, there is no basis for any argument that Autodesk's enforcement of its
trademark rights somehow excludes or forecloses competitors from the marketplace.
Accordingly, ODA's allegations of anticompetitive conduct and trademark misuse do not
support an unclean hands defense.

1 **a. Autodesk's Alleged Inequitable Conduct Is Not**
2 **Related To Its Trademark Infringement Claim**

3 To prevail on an unclean hands defense in a trademark infringement action, ODA
4 must demonstrate (1) that Autodesk's conduct is inequitable and (2) that the conduct relates
5 to the subject matter of its claims. *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d
6 837, 847 (9th Cir. 1987). Courts "apply the maxim requiring clean hands only where some
7 unconscionable act of one coming for relief has immediate and necessary relation to the
8 equity that he seeks in respect of the matter in litigation." *Keystone Driller Co. v. Gen.*
9 *Excavator Co.*, 290 U.S. 240, 245 (1933). In other words, Autodesk loses its right to protect
10 its trademark only if ODA shows that Autodesk made a "material false statement in
11 connection with the property [it] seeks to protect." *Fuddruckers*, 826 F.2d at 847 (quoting
12 *Worden & Co. v. Cal. Fig Syrup Co.*, 187 U.S. 516, 528 (1903) (laxative name "Syrup of
13 Figs" unprotectible where product contained no figs or fig juice)); *Japan Telecom, Inc. v.*
14 *Japan Telecom Am., Inc.*, 287 F.3d 866, 870 (9th Cir. 2002) ("to show that a trademark
15 plaintiff's conduct is inequitable, defendant must show that plaintiff used the trademark to
16 deceive consumers"). The Autodesk TrustedDWG alert message is not sufficiently related to
17 its asserted rights in the AUTODESK trademark to fall within the scope of the unclean hands
18 doctrine. *Cf. First Global Commc'ns, Inc. v. Jackson Bond*, 413 F. Supp. 2d 1150, 1156
19 (W.D. Wash. 2006) (plaintiff's misconduct was related to its trademark rights because it
20 raised issue of whether plaintiff was using its mark for the services in its registration).

21 Moreover, even if found, unclean hands would not provide ODA with an automatic
22 bar to relief. *See, e.g., Microsoft Corp. v. ATS Computers*, No. 93-1273, 1993 U.S. Dist.
23 LEXIS 21132, at *9-10 (S.D. Cal. Oct. 29, 1993) (citation omitted) (unlike true affirmative
24 defenses, "the unclean hands defense is not an automatic or absolute bar to relief; it is only
25 one of the factors the court must consider when deciding whether to exercise its discretion
26 and grant an injunction"). Rather, a court must "weigh the substance of the right asserted by
plaintiff against the transgression which, it is contended, serves to foreclose that right."

1 *Republic Molding Corp. v. B.W. Photo Utilities*, 319 F.2d 347, 350 (9th Cir. 1963). Where,
 2 as here, there is a strong public interest at stake in protecting the right plaintiff asserts, courts
 3 are reluctant to apply the maxim, “thereby leaving two wrongs unremedied and increasing
 4 the injury to the public.” *Id.*; see also *Tempo Music, Inc. v. Int’l Good Music, Inc.*, 1964 U.S.
 5 Dist. LEXIS 7876, at *6, 143 U.S.P.Q. (BNA) 67 (W.D. Wash. Sept. 15, 1964) (even if
 6 plaintiffs violated antitrust law, “their violations are so minimal and the violations of the
 7 defendants so unconscionable that plaintiffs should not be deprived of the right to maintain
 8 these actions for the deprivation of their property”), *aff’d sub nom. K-91, Inc. v. Gershwin*
 9 *Publ’g Corp.*, 372 F.2d 1 (9th Cir. 1967); *Fund of Funds, Ltd. v. First Am. Fund of Funds,*
 10 *Inc.*, 274 F. Supp. 517, 519 (S.D.N.Y. 1967) (refusing to apply unclean hands doctrine to
 11 securities case “since the central concern of the law of unfair competition . . . is protection of
 12 the public from confusion in the securities market”). As Professor McCarthy writes, “It is
 13 better to remedy one wrong than to leave two wrongs at large. If defendant thinks that
 14 plaintiff is guilty of inequitable conduct, he should raise it in a counterclaim or in a separate
 15 suit against plaintiff.” 6 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair*
 16 *Competition* § 31:53 (4th ed. 2006). ODA’s false description and antitrust claims will be
 17 resolved in due course. In the meantime, it would be inequitable to refuse to allow Autodesk
 18 to maintain an action for infringement of its AUTODESK trademark and let ODA’s blatant
 19 infringement and the resultant public harm continue.

20 **b. ODA Cannot Show that Autodesk’s TrustedDWG**
 21 **Statements Are Either Literally False or Misleading**
 22 **Under the Lanham Act**

23 ODA’s unclean hands defense also fails because ODA cannot show that Autodesk’s
 24 statements on the non-Autodesk file alert screen or the related webpage are literally false or
 25 misleading. To the extent ODA seeks to premise its unclean hands defense on its false
 26 advertising claim, it bears the burden of establishing that claim. See *Fuddruckers*, 826 F.2d

1 at 847 (“To prevail, the defendant must demonstrate that the plaintiff’s conduct is
2 inequitable.”). ODA cannot meet this burden.

3 A prima facie case of false description under the Lanham Act requires a showing that:
4 (1) the defendant made a false statement about the plaintiff’s product; (2) the statement was
5 made in a commercial advertisement or promotion; (3) the statement actually deceived or has
6 the tendency to deceive a substantial segment of its audience; (4) the deception is material, in
7 that it is likely to influence the purchasing decision; (5) the defendant caused its false
8 statement to enter interstate commerce; and (6) the plaintiff has been or is likely to be injured
9 as a result of the false statement, either by direct diversion of sales from itself to the
10 defendant, or by a lessening of goodwill associated with the plaintiff’s product. *Jarrow*
11 *Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 835 n.4 (9th Cir. 2002).

12 A party claiming unfair competition must show that “the statement was literally false,
13 either on its face or by necessary implication, or that the statement was literally true but
14 likely to mislead or confuse consumers.” *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d
15 1134, 1139 (9th Cir. 1997). Thus if ODA contends that Autodesk’s alert screen and related
16 webpage falsely suggest that non-Autodesk created DWG files may cause instability in a way
17 that is literally false by “necessary implication,” ODA must show that the implicit message is
18 false. *Id.* at 1139, 1140.⁹ If ODA claims that the message is literally true, but is likely to
19 mislead the public, ODA must produce evidence, such as market research or consumer

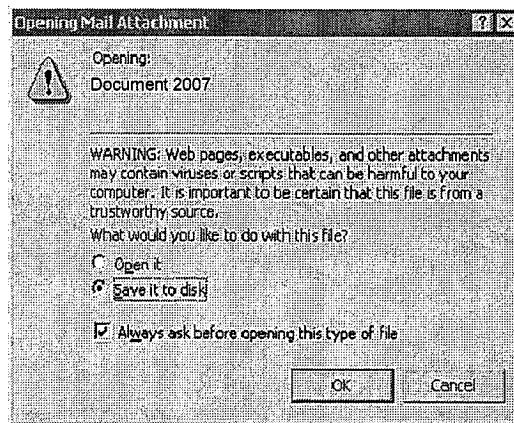
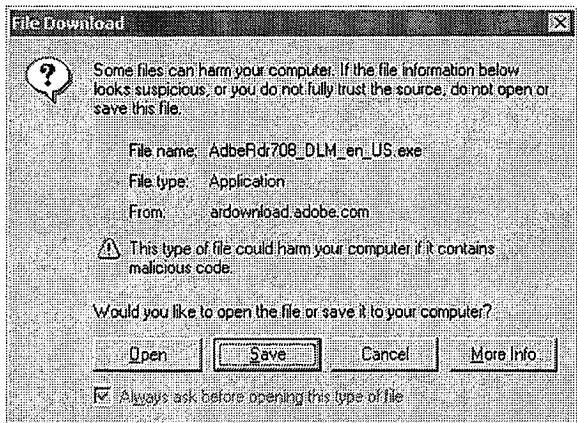
21 ⁹ ODA’s position appears to be that because Autodesk’s TrustedDWG webpage uses the
22 word “testing,” Autodesk is making a product superiority claim based on testing and therefore
23 must offer the “comparison testing” that supports its claim. (See TRO Opposition at 10-11.)
24 Nowhere in its TrustedDWG messages does Autodesk compare the stability of its files to
25 non-Autodesk files. The alert screen speaks only to non-Autodesk files, which, in Autodesk’s
26 experience, have caused stability issues. Even if a comparison is made by implication,
nowhere does Autodesk imply that it has conducted a scientific study, or has “empirical
evidence that its files are . . . more stable than others.” (*Id.*) Indeed, the TrustedDWG
webpage makes it clear that Autodesk did not conduct such a study, but “recognized” the
stability issues as part of its “ongoing testing, support calls, and Error Reporting.” (Oak Decl.
¶ 2, Ex. A.) Autodesk describes these procedures more fully below.

1 surveys, showing that ordinary consumers are likely to be deceived by Autodesk's warnings.
 2 (*Id.* at 1140.) ODA cannot meet either burden.

3 Autodesk's statement that non-Autodesk files "may cause instability" when opened
 4 with AutoCAD is not "literally false." Rather, the statement that any particular non-
 5 Autodesk file "may cause instability" is absolutely true, because Autodesk simply does not
 6 know where any particular non-Autodesk DWG file comes from, and is therefore not
 7 prepared to make any guarantees about whether such file is or is not compatible with its
 8 program. Autodesk included this alert message based on its own quality assurance testing,
 9 which included an ongoing review of customer complaints as well as error messages
 10 generated by the AutoCAD system while using non-Autodesk files. (Oak Decl. ¶¶ 10-12.) A
 11 statement that a file from an unknown source "may" cause instability, when Autodesk has
 12 knowledge of numerous instances of customer problems such as these, cannot be
 13 characterized as "literally false."¹⁰

14 Because the statement that non-Autodesk files "may cause instability" is not "literally
 15 false," ODA can only prevail on its false description claim by proving that Autodesk's
 16 statement is actually misleading to relevant consumers. ODA is not likely to be able to
 17 demonstrate actual confusion where the architects and engineers who use AutoCAD are
 18 highly sophisticated computer users, accustomed to encountering similar error messages on a
 19 regular basis. For example, similar pop-up warning messages generated by other software
 20 programs such as Microsoft's Internet Explorer and/or Outlook frequently appear when a
 21 computer user attempts to download a file from the Internet or open email attachments:

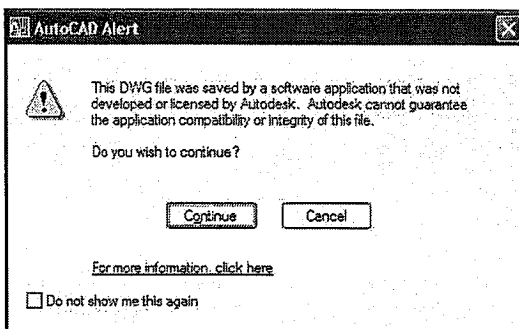
22
 23
 24
 25 ¹⁰ Moreover, while ODA would like to suggest that the non-Autodesk file alert screen
 26 improperly disparages ODA-created files, the message in fact does not pass judgment on any
 particular file (or vendor). Instead, it merely distinguishes files created using Autodesk
 technology, and files created using non-Autodesk technology.



(Oak Decl. ¶ 18.) Indeed, Autodesk compared its TrustedDWG mechanism to Internet browser warnings in its related TrustedDWG webpage. (*Id.* ¶ 17, Ex. A.) No one would reasonably believe that these warning messages mean necessarily that all files downloaded from the Internet or opened from email attachments will harm a user’s computer. Rather they remind users that sometimes such files can be harmful and the user should understand that before proceeding. Likewise, Autodesk’s non-Autodesk file alert screen provides a similar cautionary instruction and not a sweeping indictment of all ODA-created files as ODA would have the Court believe.

c. ODA’s Claim of Inequitable Conduct Is Obviated by Autodesk’s Change to Its Software

Autodesk’s allegedly “false” use of its mark is even more collateral to its trademark infringement claim because the use of which ODA complains has now ceased (or is in the process of being modified). For example, as noted above, Autodesk has revised the language in the pop-up window to read:



1 This new alert screen message will be implemented in the next release of AutoCAD. (Oak
2 Decl. ¶ 22.) Autodesk has also revised its related “What is TrustedDWG?” website. (*Id.*
3 ¶ 23.) Both the message in the new pop-up window (and related command line) and the
4 informational webpage now contain more neutral explanatory language to inform AutoCAD
5 users that the file they are about to open was not created by Autodesk, and that Autodesk
6 therefore cannot guarantee its integrity or compatibility with AutoCAD. Because Autodesk
7 has remedied its allegedly “false” use of its mark, it would be inequitable if the existence of
8 the pop-up window in the earlier AutoCAD 2007 release were to prevent Autodesk from
9 enforcing what is a clear infringement of its AUTODESK trademark. Indeed, ODA has
10 conceded more than once in these proceedings that it does not object to such a warning. (*See,*
11 *e.g.*, Counterclaims at ¶ 16 (“ODA has no objection to an accurate and neutral statement that
12 the file was not created by an Autodesk product.”).)

13 Given that the extent of the actual harm caused by the alleged misconduct is “a highly
14 relevant consideration” in balancing the equities, unclean hands should not bar injunctive
15 relief where the allegedly inequitable conduct has ceased. *Republic Molding Corp.*, 319 F.2d
16 at 349-50 (noting that in patent cases a patent owner who has misused his patents in a manner
17 contrary to the public interest “is not denied relief in enforcing his patent rights if he can
18 demonstrate that the consequences of misuse have been dissipated or purged”); *Fund of*
19 *Funds*, 274 F. Supp. at 519 (“Since an injunction speaks as of the future and since at the time
20 injunctive relief is here granted plaintiffs have settled any disagreements they had with
21 S.E.C. respecting S.E.C.’s jurisdiction over their activities in this country, the doctrine of
22 unclean hands should not be applied since the central concern of the law of unfair
23 competition in this case is protection of the public from confusion in the securities market.”);
24 *Q-Tips, Inc. v. Johnson & Johnson*, 108 F. Supp. 845, 869-70 (D.N.J. 1952) (unclean hands
25 defense did not bar recovery in trademark infringement suit, where the misrepresentation was
26 apparently inadvertent, without intent to deceive, and plaintiff had ceased making the

1 misrepresentation as soon it became aware of its error), *aff'd*, 206 F.2d 144 (3d Cir. 1953).
 2 Thus, even if the pop-up window in Autodesk's 2007 release of AutoCAD did somehow
 3 amount to a "false" use of its mark, this should not now render its mark unenforceable
 4 against infringement by ODA.

5 **D. ODA's Conduct Does Not Constitute a Trademark "Fair Use"**

6 ODA's second defense, seemingly mislabeled as "fair use,"¹¹ alleges:

7 ODA did not use the Autodesk trademark. Rather,
 8 Autodesk's own software displayed the trademark in response
 9 to a legitimate attempt by ODA to ensure interoperability. To
 10 the extent that ODA could be said to have used Autodesk's
 11 trademark, the use was not a trademark use. ODA did not
 take the challenged actions to trade on Autodesk's good will.
 There was no risk of consumer confusion, and ODA acted in
 good faith.

12 (Answer ¶ 47.) ODA's claimed defense is disingenuous, at best.

13 First, ODA did use the AUTODESK trademark because it admits that it replicated the
 14 TrustedDWG code string and the code string includes the text: "Autodesk DWG. This file is
 15 a Trusted DWG last saved by an Autodesk application or Autodesk licensed application."
 16 (Counterclaims ¶ 22; Oak Decl. ¶ 14.) And ODA understood that in response to that code
 17 string, AutoCAD would identify ODA-created files as "Autodesk DWG" files to the user.

18 Second, it was not necessary for ODA to mimic the TrustedDWG feature for users to
 19 be able to open and use ODA-created files within the AutoCAD platform. (*Id.* ¶ 20.)
 20 Moreover, because of the way AutoCAD runs certain program scripts and because AutoCAD
 21 users can elect to not have the non-Autodesk alert screen displayed, the TrustedDWG feature

22 ¹¹ There are two types of non-infringing uses of another's mark that are both known
 23 under the label of "fair use." 2 *McCarthy on Trademarks and Unfair Competition* § 11:45. A
 24 "classic fair use" is a defense to a charge of trademark infringement wherein the defendant
 25 argues that it is not using a designation in a trademark sense, but only to describe the
 26 defendant's goods or services. A "nominative fair use" is a use of another's trademark to
 identify not the defendant's goods or services, but the plaintiff's goods or services. *Cairns v.*
Franklin Mint Co., 292 F.3d 1139, 1150 (9th Cir. 2002). ODA's conduct in applying the
 AUTODESK mark to files created using ODA's software does not fall into either of these
 categories.

1 does not disrupt batch processing of DWG files, as ODA has suggested. (*Id.*) Thus ODA's
2 claimed justification based on interoperability is unfounded.

3 Finally, it strains credulity to see how ODA can claim "there was no risk of consumer
4 confusion." Based on ODA's engineering, an ODA-created DWG file would be identified to
5 users as an "Autodesk DWG." Nowhere does ODA explain how the user would not be
6 misled by this misinformation. ODA's conduct does not constitute fair use.

7 **E. A Preliminary Injunction Is Warranted.**

8 **1. Autodesk Faces Immediate and Irreparable Harm from**
9 **Defendant's Actions**

10 In trademark infringement or unfair competition actions such as this, once the plaintiff
11 establishes a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer
12 irreparable harm. *See Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036,
13 1066 (9th Cir. 1999) (stating in a trademark infringement claim, "irreparable injury may be
14 presumed from a showing of likelihood of success on the merits") (citations omitted); *Hard*
15 *Rock Café Licensing Corp. v. Pac. Graphics, Inc.*, 776 F. Supp. 1454, 1463 (W.D. Wash.
16 1991). Moreover, as noted above, given the strength of Autodesk's claim on the merits, its
17 required showing of harm is much lower. But, in fact, Autodesk continues to face serious,
18 immediate, and irreparable harm from ODA's actions.

19 Autodesk understands that, in response to the TRO, ODA has stopped distributing the
20 offending DWGdirect libraries to its members. ODA has also indicated that it has released a
21 new version of the program that does not include the infringing code, and has issued an email
22 message to its members asking them to download the new version. (Humphreys Decl. ¶ 2,
23 Ex. A.) ODA has not represented, however, that it will permanently refrain from
24 reinstating the simulated TrustedDWG technology in its future libraries. (*Id.* ¶ 3.)

25 Autodesk is entitled to a preliminary injunction to ensure that ODA does not resume
26 distribution of any programs that improperly mimic the TrustedDWG feature. Moreover,
Autodesk currently has no way of knowing whether and to what extent ODA's 3,000

1 members have downloaded the new corrective version of the libraries and/or incorporated the
2 corrective version into the members' commercial software applications, or whether ODA has
3 modified the libraries for all software platforms. Autodesk's proposed preliminary injunction
4 order requires ODA to cooperate in assessing and correcting such ongoing infringements by
5 its members, conduct for which ODA is contributorily liable, including by providing all
6 information in its possession regarding the contents and distribution of the infringing
7 libraries.

8 **2. The Balance of Hardships from an Injunction Favors**
9 **Autodesk**

10 Given the apparent ease with which ODA ceased distributing the offending libraries
11 and quickly issued a new version to its members, a preliminary injunction that includes a
12 continuation of the prohibitions set forth in the TRO would cause no additional hardship to
13 ODA. Likewise, it is in ODA's interests to take the further corrective actions that Autodesk
14 seeks in the preliminary injunction order, as ODA is contributorily liable for the actions of its
15 members using the offending libraries. On the other hand, the AUTODESK name and mark
16 and associated goodwill are valuable assets developed over more than two decades. That
17 goodwill should not be jeopardized by ODA's admitted improper attempts to mimic
18 Autodesk's TrustedDWG authentication mechanism.

19 Therefore, the balance of hardships tips substantially in favor of Autodesk and its
20 request for preliminary injunctive relief.

21 **E. The Equities Favor a Minimal Bond**

22 Federal Rule of Civil Procedure 65(c) requires that security be given by an applicant
23 before the Court issues a preliminary injunction. The amount of the bond is within the
24 Court's discretion, and generally will be what the Court deems sufficient to cover the
25 potential incidental and consequential costs as well as the losses an unjustly enjoined party
26 will suffer during the period when it is improperly prohibited from engaging in certain
activities.

1 The preliminary injunction Autodesk seeks only requires that ODA remove the
2 infringing TrustedDWG functionality before distributing its software libraries, which it
3 represents that it has already done, and cooperate with Autodesk in assessing any ongoing
4 use of the offending DWGdirect libraries, which is itself in ODA's interest. Accordingly,
5 Autodesk submits that the initial TRO bond of \$10,000 is sufficient to support the
6 preliminary injunction as well. Autodesk further requests leave of Court to file proof of the
7 bond, in the amount set by the Court, within three court days of the Court's order.

8 **IV. CONCLUSION**

9 Having demonstrated both the likelihood of success of its claims and the irreparable
10 harm it faces, Autodesk respectfully requests that the Court enter the proposed temporary
11 restraining order submitted with this application.

12 DATED: January 11, 2007.

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