

F I L E D
Clerk of the Superior Court

APR 20 2010

By: C. WALKER, Deputy

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SUPERIOR COURT OF CALIFORNIA
COUNTY OF SAN DIEGO

DIGITAL CORNERSTONE, INC., a Delaware corporation,)
Plaintiff,)
)
v.)
)
KEVIN CARMONY and DOES 1 through 10,)
inclusive,)
Defendants.)
)
)
)
)

CASE NO. 37-2008-00093670-CU-IP-CTL
STATEMENT OF DECISION
Judge: Judith F. Hayes
Dept. 68

The Court has considered objections by Plaintiff, overrules the objections so noted and hereby issues its Statement of Decision.

The Court has heard sworn testimony, reviewed exhibits, considered the pleadings filed and the arguments of counsel and hereby finds judgment for the defense.

Plaintiff, Digital Cornerstone (formerly known as Linspire), is a software company that sells Linux-based operating systems. Since 2006, it has also distributed a free version of its operating system, "Freespire."

Defendant, Kevin Carmony, served as President and CEO of Digital Cornerstone until his resignation from the company on July 30, 2007. Defendant resigned because of a labor dispute involving Michael Robertson, the majority shareholder and Chairman of the Board of Cornerstone. Defendant continues his ownership of approximately a 3% interest in Cornerstone.

1 Some time in December 2007, Defendant checked into the status of the trademark
2 application for “Freespire” and found it to be “abandoned.”

3 Thereafter, Defendant began negotiations to purchase the domain name “Freespire.com”
4 from its legal owner. Some time during this negotiations period, using an assumed name, on or
5 about January 25, 2008, Defendant offered to sell the “Freespire.com” name to Cornerstone for
6 \$20,000.00. Cornerstone declined.

7 On January 30, 2008, Defendant purchased the domain name “Freespire.com” from its owner
8 for \$6,000.00. Defendant then began building his website at “Freespire.com.” The website could
9 best be described as highly critical of the Freespire operating system. As of February 10, 2008,
10 Defendant permitted Google ads on the website, and for a period of about two months Google ads,
11 some of which related to Freespire competitors ran on the website. Although Defendant may have
12 been entitled to some compensation, he never collected any revenue from these ads.

13 Unbeknownst to Defendant on April 15, 2008, Plaintiff filed a new trademark application for
14 “Freespire” and eventually, Cornerstone was successful in acquiring the “Freespire” mark.

15 On April 27, 2008, after learning of the status of Plaintiff’s trademark application, Defendant
16 stopped running the Google ads on the “Freespire.com” website.

17 In June 2008, Plaintiff sold “Freespire” and all of its assets to Xandros, not a party herein.
18 Plaintiff reserved from that sale, the right to sue in the instant action.

19 The complaint before the Court alleges one count of Cyber squatting in violation of 15
20 United States Code 1125 (d)(1) which states:

21 (A) A person shall be liable in a civil action by the owner of a mark, including a personal
22 name which is protected as a mark under this section, if, without regard to the goods or
23 services of the parties, that person--(i) has a bad faith intent to profit from that mark,
24 including a personal name which is protected as a mark under this section; and (ii) registers,
25 traffics in, or uses a domain name that--

26 (I) in the case of a mark that is distinctive at the time of registration of the domain name, is
27 identical or confusingly similar to that mark;

28 (II) in the case of a famous mark that is famous at the time of registration of the domain

1 name, is identical or confusingly similar to or dilutive of that mark; or

2 (III) is a trademark, word, or name protected by reason of section 706 of title 18, United
3 States Code, or section 220506 of title 36, United States Code.

4 Thus, Plaintiff must prove Defendant acted in bad faith and registered, trafficked or used an
5 identical or confusingly similar mark.

6 The factors to be considered as to whether Defendant used the domain name in bad faith are
7 set forth in 15 United States Code section 1125(d)(1)(B)(i) as:

8 (B) (i) In determining whether a person has a bad faith intent described under
9 subparagraph (A), a Court may consider factors such as, but not limited to—

10 (I) the trademark or other intellectual property rights of the person, if any, in the
11 domain name;

12 (II) the extent to which the domain name consists of the legal name of the person or a
13 name that is otherwise commonly used to identify that person;

14 (III) the person's prior use, if any, of the domain name in connection with the bona
15 fide offering of any goods or services;

16 (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible
17 under the domain name;

18 (V) the person's intent to divert consumers from the mark owner's online location to a
19 site accessible under the domain name that could harm the goodwill represented by
20 the mark, either for commercial gain or with the intent to tarnish or disparage the
21 mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation,
22 or endorsement of the site;

23 (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the
24 mark owner or any third party for financial gain without having used, or having an
25 intent to use, the domain name in the bona fide offering of any goods or services, or
26 the person's prior conduct indicating a pattern of such conduct;

27 (VII) the person's provision of material and misleading false contact information
28 when applying for the registration of the domain name, the person's intentional failure

1 to maintain accurate contact information, or the person's prior conduct indicating a
2 pattern of such conduct;

3 (VIII) the person's registration or acquisition of multiple domain names which the
4 person knows are identical or confusingly similar to marks of others that are
5 distinctive at the time of registration of such domain names, or dilutive of famous
6 marks of others that are famous at the time of registration of such domain names,
7 without regard to the goods or services of the parties; and

8 (IX) the extent to which the mark incorporated in the person's domain name
9 registration is or is not distinctive and famous within the meaning of subsection (c).

10 It is uncontested that Defendant has no trademark or intellectual property rights to
11 "Freespire."

12 There is no dispute "Freespire" is not a version of Defendant's name. In addition, Defendant
13 was not individually associated with the "Freespire" mark while he was employed by Plaintiff.

14 In determining that Defendant had a bona fide noncommercial use for the website, the Court
15 finds the general purpose of the website to be a free speech forum wherein Defendant criticized the
16 management of Plaintiff. Sites where users "gripe" do not infringe on the APCA. (*Lucas Nursery
17 and Landscaping, Inc. v. Gross* (6th Cir. 2004) 359 F.3d 806, 809.)

18 The Court finds Google ads permitted by Defendant constitutes a purely incidental use.
19 Defendant never applied for or received any financial benefit from these ads. Trial evidence
20 established that, at most the total due Defendant for the ads was \$47.00. The Court accepts
21 Defendant's testimony that he did not know the amount due him, that he believed he had to have
22 been owed over \$100.00 before he received anything on the ads, and that, well before this occurred
23 he cancelled the Google ads. As soon as Defendant learned Plaintiff had once again applied for the
24 name "Freespire," Defendant immediately stopped the Google ads.

25 Finally, the site operated by Defendant contained a clear, unambiguous disclaimer of any
26 affiliation with Plaintiff's program, stating, "This domain name was obtained only after it was first
27 offered to Linspire, Inc., and they turned it down."

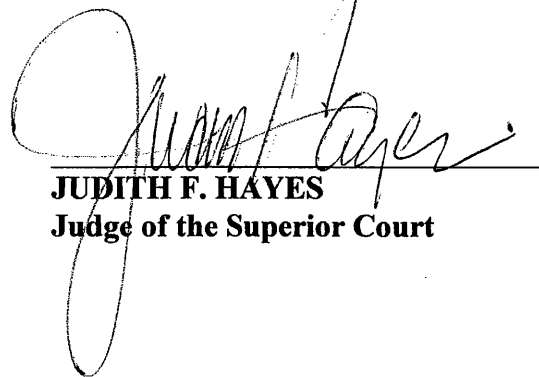
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1 The Court finds that, as in *Lucas Nursery and Landscaping, Inc. v. Grosse (supra)*, the harm
2 relating to the practice of cyber squatters registering several hundred domain names in an effort to
3 sell them to the legitimate owners of the mark “is simply not present.”

4 The Court finds Defendant at no time harbored a bad faith intent to profit from a registered
5 mark and that his use of the website undertaken to inform consumers and criticize Plaintiff’s
6 management constituted a lawful use of the site and was at no time in violation of Title 15.
7 Plaintiff’s trademark infringement claim is dismissed without prejudice pursuant to stipulation.

8 After ten (10) days in the absence of objection by the parties, this Tentative Decision will
9 become the Court’s final Statement of Decision.

10
11 Dated: 4-20-10



JUDITH F. HAYES
Judge of the Superior Court

SUPERIOR COURT OF CALIFORNIA, COUNTY OF SAN DIEGO

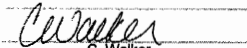
Central
330 West Broadway
San Diego, CA 92101

SHORT TITLE: Digital Cornerstone, Inc vs. Carmony

CLERK'S CERTIFICATE OF SERVICE BY MAIL

CASE NUMBER:
37-2008-00093670-CU-IP-CTL

I certify that I am not a party to this cause. I certify that a true copy of the Statement of Decision was mailed following standard court practices in a sealed envelope with postage fully prepaid, addressed as indicated below. The mailing and this certification occurred at San Diego, California, on 04/23/2010.

Clerk of the Court, by: , Deputy
C. Walker

Michelle Hon
101 West Broadway # 900
San Diego, CA 92101

Guillermo Cabrera
THE CABRERA FIRM, A.P.C.
501 W WEST BROADWAY # 800
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Additional names and address attached.