

Remembering



An Intellectual Property Case Study

David Grossman¹

¹ David G. Grossman practices patent law at George Mason University. He received his J.D., *magna cum laude*, at the American University Washington College of Law in 2004.

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I. Introduction

DIVX was a sophisticated home video rental system that eliminated late fees for consumers and protected digital copyrighted content for the movie studios.² The name DIVX was derived from the company name Digital Video Express, L.P.³ This system was marketed to the public between June 1998 and June 1999.⁴

The DIVX system allowed consumers to purchase movie content on an optical disc for about the same price as a normal VHS rental.⁵ The optical disc was playable for 48 hours after being inserted into a DIVX enhanced DVD player.⁶ After the initial 48-hour play period, consumers could reactivate the disc for additional 48-hour play periods.⁷ The DIVX enhance player metered and then reported play usage to a back end server using a telephone line.⁸ The usage was then billed to the consumers' credit card.⁹

This study examines the history of the intellectual property related to the DIVX venture from conception to over four years after DIVX announced it was ceasing

² See R.J. Durnil, *A Short History of the Divx Home Video System*, DIVX Owners Association, [hereinafter Durnil, History] available at <http://www.the-doa.com/Pages/DoaDivxHistory.html> (last visited November 24, 2003).

³ See *id.*

⁴ See *id.*

⁵ See Press Release, Digital Video Express, L.P., Divx Provides Demonstration of Latest Digital In-Home Movie Viewing Experience at Consumer Electronics Show (Jan. 8, 1998) (on file with author) (explaining the DIVX system to the consumer electronics marketplace).

⁶ See *id.*

⁷ See *id.*

⁸ See *id.*

⁹ See *id.*

operations. Part II of this paper provides a brief history of the DIVX business.¹⁰ Part III looks at how DIVX patents were used before, during and after DIVX.¹¹ Part IV discusses how gaining access to copyrighted movie content was critical to the DIVX business model.¹² Part V looks at how the DIVX trademark was utilized.¹³ Part VI observes how DIVX made use of a distinctive trade dress for its discs.¹⁴ Finally, section VII makes a few final remarks about the DIVX intellectual property.¹⁵

¹⁰ See *infra* Part II.

¹¹ See *infra* Part III.

¹² See *infra* Part IV.

¹³ See *infra* Part V.

¹⁴ See *infra* Part VI.

¹⁵ See *infra* Part VII.

II. A Brief History of DIVX

Litigation between the movie studios and the VCR manufactures during the 1970's that culminated in the case *Sony Corp. of Am. v. Universal City Studios, Inc.*¹⁶ made it clear that the movie industry needed to develop a viable rental business model in order to maintain control over their copyrighted content.¹⁷ Ultimately, Blockbuster video became a market leader in this new video rental business.¹⁸ Late fees charged by Blockbuster and other rental businesses had started to become a big consumer problem.¹⁹

As digital technologies developed, the movie studios had been unreceptive to the idea of releasing their content in digital form.²⁰ They feared that perfect digital copies of pirated movie content could be easily distributed, costing the studios millions of dollars per year in lost revenue.²¹

¹⁶ 464 U.S. 417, 456 (1984).

¹⁷ See JAMES LARDNER, *FAST FORWARD* 173-188 (rev. ed. 2002) (discussing how the studios were looking for movie rental models that allowed them to maintain control over their copyrighted content).

¹⁸ See *Kaputa.net Media Profiles – Viacom*, Available at <http://www.ketupa.net/viacom2.htm> (last visited November 21, 2003) (showing the emergence of Blockbuster Video in the framework of a chronological timeline of Viacom history).

¹⁹ See *Scott v. Blockbuster Inc.* (No. D162-535, Jefferson County, Texas, 2001) (alleging that customers have been charged excessive late fees by Blockbuster for years).

²⁰ See Daniel Greenberg, *Video Discontent*, *WASHINGTONPOST.COM*, 1998, available at <http://www.washingtonpost.com/wp-srv/tech/septpullout/feature.htm> (noting that Hollywood's reluctance to releasing digital content caused the delay of the "DVD player until the spring of 1997, years after the technology was ready).

²¹ See Answer To First Amended Complaint And Counterclaim at 13, *321 Studios v. Metro-Goldwyn-Mayer Studios*, Case No. C02 1955 SI (N.D. Cal. filed Apr. 22, 2002) (making a case that over one million DVDs are sold daily making the possible harm to the movie industry due to pirated DVD titles very large).

Hollywood entertainment lawyer Paul Brinze, from the Los Angeles entertainment law firm of Ziffren, Brittenham, Branca and Fischer, conceived an idea that solved both the late fee and piracy problems.²² The plan was to create a highly secure optical disc based distribution system where customers purchased optical discs containing protected content for the price of a VHS rental.²³ Access to the discs' content would be facilitated using a special player capable of metering usage.²⁴ The usage would then be transmitted to a transaction processing facility so that customers could pay for content as they watch it without ever being charged a late fee.²⁵

Zoom Television, Inc., a California based company, was formed to commercialize this concept.²⁶ However, making an idea this large work would require: an intensive engineering effort, several consumer electronics manufactures to build players, extensive marketing, broad distribution channels, and lots of content.²⁷ Circuit City

²² See PCT Patent No. WO 96/29639 [hereinafter PCT Application](filed Sept.29, 1998) (disclosing an "Interactive Multimedia System" listing Paul Brindze as an inventor).

²³ See *id.*

²⁴ See *id.*

²⁵ See *id.*

²⁶ See *id.* (listing Zoom Television Inc. as the assignee); see also Jim Taylor, *DVD Frequently Asked Questions (and Answers)*, DVD DEMYSTIFIED, available at <http://www.dvddemystified.com/dvdfaq.html#2.10> (last visited November 20, 2003) (commenting that the original DIVX system was known as ZoomTV).

²⁷ See THE DIGITAL DILEMA 167-170 (National Academy Press 2000) (citing the DIVX failure in the chapter entitled "Protecting Digital Intellectual Property: Means and Measurements").

It is expensive to design, manufacture, and mass market such a special-purpose device, and an entire content-distribution business based on such a device would necessitate cooperation of at least the consumer-electronics and content-distribution industries.... A particular business plan could thus be infeasible because it failed to motivate all of the necessary parties to cooperate"

Id.

Stores, one of the largest distributors of consumer electronics signed up to this enormous task.²⁸

Circuit City entered into the Digital Video Express, LP. partnership with the Los Angeles law firm of Ziffren, Brittenham, Branca and Fischer to commercialize the “Zoom” system.²⁹ Circuit City took a two-thirds ownership in the partnership for its equity investment.³⁰ The venture was known as DIVX. Rich Sharp, the CEO of Circuit City became the President and CEO of the new company.³¹

Seven major retailers carried DIVX products during the rollout.³² Those retailers included Circuit City, Good Guys, Ultimate, Future Shop, Dow Stereo / Video, Nationwide, and Sixth Avenue.³³ Sears, Roebuck & Co. was expected to carry DIVX, but declined at the last minute due to negative pre-release publicity.³⁴ Many other large retailers like Best Buy, Wal-Mart, and Target were uninterested in selling players that mostly profited Circuit City, one of their main competitors.³⁵

²⁸ See Terry Costlow, *Yet another DVD format comes into play*, EE TIMES, 1997, available at <http://www.eetimes.com/news/97/971news/yes.html> (last visited Nov. 22, 2003) (describing the new DIVX DVD format and backing from several studios, consumer electronics manufacturers, and Circuit City).

²⁹ See *Circuit City Invests in Digital Movies*, ABCNews.com (Sept. 9, 1997) [hereinafter *Circuit City Invests*] available at <http://more.abcnews.go.com/sections/business/circuitcity909/> (last visited on November 21, 2003) (introducing DIVX to their readers).

³⁰ See *id.*

³¹ See *id.*

³² See Transcript, Divx Press Conference at the Consumer Electronics Show in Las Vegas, NV (Jan. 7, 1999) available at (<http://www.thedigitalbits.com/articles/wces99/divxpress.html> (created January 10, 1999) (presenting post Christmas sales results for DIVX)

³³ See *id.*

³⁴ See SEARS.

³⁵ See Richard Ewing, *DIVX: Analysis Of A Bungled Product Launch*, DVDFILE.COM available at http://www.dvdfile.com/news/special_report/features/divx/bungled_launch.htm (last

Although DIVX had support from studios like Disney (Buena Vista), Twentieth Century Fox, Paramount, Universal, MGM, and DreamWorks SKG, neither Sony nor Time/Warner would support the new format. In fact, Time/Warner declared outright war on DIVX.³⁶ Additionally, many early adopters of new technologies did not see DIVX as an enhancement to DVD, but as a new format which was challenging the Open DVD standard.³⁷ Many of these early adopters mounted an aggressive anti-DIVX campaign on the Internet.³⁸

The unexpectedly high cost of rolling out DIVX in the face the anti-DIVX movement dragged down Circuit City stock.³⁹ What Circuit City had expected to be \$100 million dollar investment,⁴⁰ was now exceeding \$300 million.⁴¹ Financial analysts pressured Circuit City to drop DIVX so that it could concentrate on its core retail business.⁴² Circuit City tried to obtain new DIVX investors to help offset these unexpected costs.⁴³ A potential deal with Blockbuster Video fell through after at least one of the studios tried to use its signoff privilege to renegotiate contractual financial

visited Nov. 23, 2003) (discussing the problems that DIVX was encountering during their rollout).

³⁶ See *id.*

³⁷ See *id.* (commenting that many of these technical savvy early adopters did not want to relive the VHS vs. Betamax debate).

³⁸ See *No Agreement on Control of Digital Content*, SCREEN DIGEST 163 (David Fisher ed., June 2002)

³⁹ See Dunnill, History, *supra* note 2.

⁴⁰ See Circuit City Invests, *supra* note 29.

⁴¹ See Brooke Crothers, *DIVX DVD Backers Call It Quits*, CNET NEWS.COM (June 16, 1999) (explaining that Circuit City is making a provision for a \$300 million dollar, after tax, operating loss).

⁴² See Dunnill, History, *supra* note 2.

⁴³ See *Blockbuster In Talks To Become Divx Equity Partner*, TELEVISION DIGEST, Mar. 15, 1999 Vol. 39, No. 11, available at <http://www.thedigitalbits.com/articles/tvdigestdivx.html>.

terms.⁴⁴ On June 16, 1999, Digital Video Express announced that the DIVX home video system was being discontinued.⁴⁵

⁴⁴ See *Circuit City Stock Soars On Blockbuster-Divx Report*, TELEVISION DIGEST, Mar. 15, 1999 Vol. 39, No. 11, available at <http://www.thedigitalbits.com/articles/tvdigestdivx.html>.

⁴⁵ See *Divx Direct Newsletter*, June 18, 1999, Digital Video Express, L.P., archive copy available at <http://www.the-doa.com/Pages/DivxFlix/DoaDF061899.html> (last visited November 23, 2003) [hereafter DIVX DIRECT].

III. Patents

Zoom Television sought world wide patent protection on this concept by filing Patent Cooperation Treaty (PCT) patent application No. WO 96/29639 entitled “Interactive Multimedia System.”⁴⁶ This patent application claimed a priority date of Nov. 11, 1995 and designated every PCT member country for potential nationalization.⁴⁷ Ultimately, over 20 versions of the application published in national forums.⁴⁸ Patents issued in several countries included South Africa and the United States.⁴⁹ All of these patents were assigned to Zoom Television, Inc.⁵⁰

In addition to the Zoom Television patents, DIVX engineering resulted in a multitude of new patentable intellectual property that resulted in new patent applications.⁵¹ For example, the DIVX system employed several patentable electronic copyright protection security measures.⁵² DIVX anti-copying technology proved to be superior to the CSS security used by the open DVD format.⁵³ DIVX used the same unbreakable Triple-DES encryption to protect its disc content that the U.S. Government

⁴⁶ See generally PCT Application, *supra* note 22.

⁴⁷ See *id.*

⁴⁸ Determined by a patent publication search at Delphion.com using “Brindze” as an inventor search term. (On file with author).

⁴⁹ See *id.*

⁵⁰ See *id.*

⁵¹ Determined by a patent publication search at Delphion.com using “Digital Video Express” as an assignee search term. (On file with author).

⁵² See Terry Costlow and Ron Wilson, *Copy-protection moves cast new over DVD*, EE TIMES, 1997, [hereinafter Costello] available at <http://www.eetimes.com/news/97/972news/copy.html> (last visited Nov. 22, 2003) (providing an explanation of the multiple layers of copyright protection provided by the DIVX system by Miles Circo, the chief technical officer at Digital Video Express).

⁵³ See R.J. Dunnell, *The Truth about DIVX*, DIVX OWNERS ASSOCIATION, available at <http://www.the-doa.com/Pages/DoaRobert.html> (last visited Nov. 20, 2003) [hereinafter Dunnerl, *The Truth about DIVX*] (countering negative points from *Robert’s DVD Page*, one of the first anti-DIVX web sites).

uses to protect for sensitive documents.⁵⁴ CSS, the security used by the open DVD format was cracked and made public in summer of 1999, shortly after DIVX ceased operations.⁵⁵ In contrast, through “seven years of development, deployment and operation, the DIVX system was never once compromised.”⁵⁶ If anyone were to crack the DIVX copy protection measures today, they could be subject to criminal prosecution under the federal DMCA legislation.⁵⁷

So far, eleven U.S. and nine foreign patents have issued in the name of Digital Video Express.⁵⁸ One may expect several others to issue in the next year or two. Most of the new DIVX patents are directed to compression, distribution, security, and tracking of movie content.⁵⁹

⁵⁴ See *id.*

⁵⁵ See *Universal City Studios v. Corley*, 273 F.3d at 439-440 (eight movie studios sued Eric Corley and 2600 Magazine under the anti-trafficking provisions of the DMCA after Corley posted DeCSS, a decryption program, on the magazine’s website).

⁵⁶ See *Welcome to Cinea: Our Company*, CINEA INC., available at <http://www.cinea.com/company/> (last visited Nov. 20, 2003) (describing the DIVX history of the Cinea management team).

⁵⁷ See R. J. Dunnill, *The Origins of the Original Divx*, TECHTV.COM, Jan. 17, 2002, Available at <http://www.techtv.com/screensavers/print/0,23102,3368584,00.html> (last visited November 21, 2003); see also 17 U.S.C. § 1201 (2003).

⁵⁸ See *id.*

⁵⁹ See U.S. Patent No. 6,285,774 (issued Sept. 4, 2001) (disclosing a “System and Methodology for Tracing to a Source of Unauthorized Copying of Prerecorded Proprietary Material, Such As Movies.”); see also U.S. Patent No. 6,078,328 (issued June 20, 2000) (disclosing a “Compressed Video Graphics System and Methodology.”); see also U.S. Patent No. 6,240,401 (issued May 29, 2001) (disclosing a “System and Method for Movie Transaction Processing.”); see also U.S. Patent No. 6,538,969 (issued March 25, 2003) (disclosing a “System and Method for Implementing Open and Closed File Systems on a Storage Medium.”); see also U.S. Patent No. 6,628,715 (issued Sept. 30, 2003) (disclosing a “Method and Apparatus for Estimating Optical Flow.”).

Digital Video Express also acquired at least one patent to supplement its patent portfolio from the multinational German company Deutsche Thomson-Brandt GMBH.⁶⁰ This patent discloses a data encryption method for data that may be recorded on DVD ROM discs in which error correction and/or error detection bits are exchanged with normal data.⁶¹ Implementation of this patent could be one of the reasons why DIVX discs could never be played on personal computers.⁶²

DIVX also attempted to apply some of its cryptographic intellectual property to a joint venture with Thomson Consumer Electronics.⁶³ The new venture was intended to jump start a new High Definition DVD (HD-DVD) market.⁶⁴ This venture was intended to provide a high definition format that the studios would support.⁶⁵

Technical intellectual property developed by DIVX did not die with DIVX. Prosecution of the DIVX patent portfolio has continued since the DIVX shutdown.⁶⁶

⁶⁰ See PCT Patent Appl. No. WO9833105A1 entitled "Method And Apparatus For Encrypting And For Decrypting Data Arranged In A Data Sector" (noting that the patent application is assigned to Deutsche Thomson-Brandt GMBH); see also EPO Patent No. EP1998000904074 (noting that the assignee has changed to Digital Video Express L.P. on this nationalized version of the PCT patent application).

⁶¹ See European Patent No. EP1998000904074.

⁶² See Costello *supra* note 52 (stating that DIVX discs could not be played on other DVD players or PC's).

⁶³ See Junko Yoshida, *Thomson and Divx team up on high-definition DVD*, EE TIMES (Jan. 7, 1999) available at <http://www.eetimes.com/story/OEG19990107S0022> (last visited Nov. 24, 2003).

⁶⁴ See *id.*

⁶⁵ See Daniel Frankel, *Studios Weighing in on High-Def DVD; Warner Leads Push for Launch by Late 2003*, VIDEO BUS. MAG., Aug. 5, 2002, at News 1 (quoting a studio executive asserting that "[t]he copy protection on DVD is a joke, looking at a high-definition disc, if there's no meaningful protection, we're not going to put our vaults in the public domain.").

⁶⁶ This conclusion was made after noting that patents assigned to "Digital Video Express" have issued as recently as Oct. 18, 2005; see also U.S. Patent No. 6,957,344 (indicating an issue date of for this application assigned to Digital Video Express).

Circuit City may have continued this prosecution effort because of obligations to protect DIVX intellectual property assets for themselves as well as for minority shareholders.

It appears that rights to at least some of the DIVX patent portfolio has since been transferred to other entities. Several senior technical and management staff members at DIVX formed Cineia Inc. shortly after DIVX ceased all new development efforts.⁶⁷

This new company was founded “to develop and commercialize a broad variety of content protection solutions for markets that include digital cinema, in-flight entertainment, high-definition DVD, and video on demand.”⁶⁸ Cineia acquired a pool of intellectual property from DIVX.⁶⁹ One of Cineia’s new products produces movie screeners using patented forensic watermarking technology from DIVX.⁷⁰

Cineia is also developing additional movie anti-piracy intellectual property that is complimentary to the DIVX intellectual property.⁷¹ Funding to support the development of this new technology was received by Cineia from a capital venture fund, the MPAA,

⁶⁷ See *Welcome to Cineia: Our Company*, CINEA INC., available at <http://www.cineia.com/company/> (last visited Nov. 20, 2003) (describing the history of the company).

⁶⁸ See *id.*

⁶⁹ See Gord Larose, *The DRM Dictionary: Terms, Technologies, Companies, and More!*, INFORMATION MECHANICS, available at http://www.info-mech.com/drm_dictionary.html (last visited Nov. 20, 2003) (discussing the DIVX/Cineia link in its definition of the term “Cineia”).

⁷⁰ Interview with Lawrence Roth, Vice-President, Cineia Inc., in Reston Va. (Dec. 2, 2003) (discussing how DIVX technology is being used to provide traceable movie screeners for some of movies being considered for the Academy Awards).

⁷¹ See *Welcome to Cineia: Our Technology*, CINEA INC., available at <http://www.cineia.com/approach/> (last visited Nov. 20, 2003) (Describing the multitude of technologies that Cineia is developing to address security issues for the distribution of digitally formatted movie content).

and the federal government.⁷² In addition, Sarnoff Labs is now collaborating with Cinea in developing some of this new anti-piracy technology.⁷³

Finally, Dolby Laboratories Inc., a company with a significant history developing technical solutions to support the movie industry acquired Cinea in September 2003.⁷⁴ With this acquisition, Dolby now has access to the pool of DIVX intellectual property that Cinea controls, as well as Cinea's new follow on technologies.⁷⁵

⁷² See Evan Hansen, *Jamming camcorders in movie theaters*, CNET NEWS.COM (October 10, 2002) (stating that Cinea has received funding to develop their anti-piracy technology from capital venture firm Monumental Venture Partners); see also *Cinematic Countermeasure*, TECH. REV., at 17 (Feb. 2003) (stating that the National Institute of Standards and Technology's Advanced Technology Program awarded Cinea Inc. \$2 million to accelerate the development of their camcorder jamming technology); see also Chris Marlowe, *Cinea CamJam Technology Poised to Hold Off Pirates*, HOLLYWOOD REP., Oct. 10, 2001 (reporting that both the MPAA has pledged support in addition to the NIST award).

⁷³ See Press release, Cinea, Sarnoff Collaborate In Developing Anti-Piracy Technology To Fight Camcorder Taping Of Movies In Digital Cinemas (Mar. 4, 2003) available at http://www.cinea.com/press/press_release_03042003.htm (indicating that Sarnoff Labs is bringing some "previously developed camera-defeating" intellectual property to this collaboration).

⁷⁴ See Press Release, Cinea Inc., Dolby Acquires Cinea (Sept. 22, 2003) available at http://www.cinea.com/press/press_release_09242003.htm (last visited Nov. 20, 2003)

⁷⁵ See Press Release, Dolby Laboratories, Dolby Acquires Cinea (September 22, 2003) available at http://www.dolby.com/press/pr_pr_0309_DolbyAcquiresCinea.html (last visited Nov. 23, 2003) (announcing the acquisition of Cinea Inc., and explaining how the Cinea anti-piracy technology will help Dolby better serve the cinema industry).

IV. Copyrights

One of the goals of DIVX was to protect copyrighted movie content from piracy.⁷⁶ However, this alone was not enough to win over the studios to the point that they would release enough content to make DIVX a viable venture.⁷⁷ To get movie content, DIVX agreed to pay the studios a guaranteed minimum of \$112 million dollars in royalties.⁷⁸ Ultimately, over 500 titles were made available during the rollout.⁷⁹ Only twenty-nine titles ended up being exclusive to DIVX.⁸⁰ Of those titles, only 7 have been slated for release on the open DVD format.⁸¹

DIVX needed copyrighted content from the major studios to maintain their content presentation business.⁸² An inability to “obtain sufficient movie studio support to ensure an adequate and up-to-date selection of movie titles” was one of the main reasons cited by DIVX for discontinuing operations.⁸³

⁷⁶ See Press Release, Digital Video Express, L.P., Divx Provides Demonstration of Latest Digital In-Home Movie Viewing Experience at Consumer Electronics Show (Jan. 8, 1998) (on file with author) (announcing the DIVX system to the consumer electronics marketplace).

⁷⁷ See Barry Willis, *Sears Drops Out, RCA Joins Divx, Launch Costs Rise*, STERIOPHILE GUIDE TO HOME THEATER, June 22, 1998, available at <http://cgi.guidetohometheater.com/cgi-bin/showoldnews.cgi?178> (last visited November 21, 2003) [hereinafter SEARS] (Noting that each of the six movie studios that agreed provide content were guaranteed an average of almost \$19 million each for content that they were free to also release in the DVD open format).

⁷⁸ See *id.*

⁷⁹ See R.J. Dunnell, *Titles Released to DIVX*, DIVX OWNERS ASSOCIATION, available at <http://www.the-doa.com/Pages/DoaTitles.html> (last visited Nov. 20, 2003) (listing all of the movie titles that were released on the DIVX format).

⁸⁰ See *id.* (last visited Nov. 20, 2003) (listing all of the movie titles by studio that were only to be released on the DIVX format).

⁸¹ See *id.*

⁸² See DIVX DIRECT (explaining the reasons why DIVX was closing down their business).

⁸³ See *id.*

V. Trademarks

Digital Video Express applied for three trademarks for use with the DIVX system.⁸⁴ All three of the trademark applications were “intend to use” applications.⁸⁵ None of them were ever given trademark registration numbers.⁸⁶ The three DIVX trademarks applied for were “DIVX,” “DIVX DIGITAL VIDEO EXPRESS,” and “DIVXSILVER.”⁸⁷ Each of the applications described the goods & Services for DIVX as “digital video disc players capable of electronic transmission of data and images; prerecorded digital video discs featuring a variety of motion picture films and educational programs.”⁸⁸ After DIVX shut down, all of these trademarks were abandoned.⁸⁹

Digital Video Express used the DIVX trademark extensively in national advertising, on all DIVX content, and on all DIVX enhanced DVD players. In addition, DIVX maintained a high level of quality control over all aspects of the system, including the discs and players.⁹⁰

⁸⁴ Determined by conducting a trademark search on the Trademark Electronic Search System (TESS) at the United States Patent and Trademark office using “DIVX” as a key word search term. (On file with author).

⁸⁵ See TM Ser. Nos.: 75352735, applied for on 7/5/1997; 75367710, applied for on 7/5/1997; and 75414964, applied for on 1/7/1998.

⁸⁶ See *id.*

⁸⁷ See *id.*

⁸⁸ See *id.*

⁸⁹ A search on the Trademark Electronic Search System (TESS) at the United States Patent and Trademark office now listed each of these trademarks as “DEAD.”

⁹⁰ See Paul Kardon, *Divx Delayed Again*, DAILY VARIETY, May 27, 1998, available at <http://www.thedigitalbits.com/articles/oldstudionews/divx.html> (last updated September 3, 1998) (providing an example of DIVX delaying a release for quality control reasons).

Five DIVX compatible players of various feature levels with the DIVX logo were introduced into the market place.⁹¹ The players included the Proscan PS8680Z (a high-end player); the Panasonic X410 (a mid-range unit); the RCA 5231Z (an entry level player); the RCA 5230Z (an entry level player); the Zenith DVX2100 (the first DIVX player).⁹² A sixth player, the JVC XV-DX1 (a high end player) was still in Quality control testing when DIVX marketing and development ceased.⁹³

Circuit City had its own Trademark problem related to the closing of DIVX. Because Circuit City's name was so closely aligned with the DIVX name, Circuit City needed to protect its reputation and goodwill with the public when they shut down the DIVX operation. Circuit City accomplished this through several actions.⁹⁴ First, Circuit City maintained existing DIVX operations to allow all discs to work for two years.⁹⁵ Second, the DIVX customer satisfaction center continued operation for those two years.⁹⁶ Third, refunds were made available for all DIVX discs upgraded for unlimited play.⁹⁷ Fourth, all purchasers of DIVX enhanced DVD players were given a \$100 rebate so that "all customers remain satisfied with their overall experience."⁹⁸

⁹¹ See R.J. Dunnell, *DIVX Compatible Players*, DIVX OWNERS ASSOCIATION, available at <http://www.the-doa.com/Pages/DoaPlayers.html> (last visited Nov. 20, 2003) (describing the characteristics of players manufactured for use in the DIVX system).

⁹² See *id.*

⁹³ See *id.*

⁹⁴ See DIVX DIRECT.

⁹⁵ See *id.* (all discs would be playable on registered DIVX players until June 30, 2001).

⁹⁶ See *id.* (allowing customers to update all aspects of their accounts).

⁹⁷ See *id.* (noting that customers had the option to continue viewing the upgraded "DIVXSILVER" discs until June 30, 2001, or request a refund on the disc).

⁹⁸ See *id.* (noting that all DIVX enabled players would remain fully functional DVD players).

After DIVX ceased operations, both the DIVX trademark and the DIVX domain name were sold to Divx Networks.⁹⁹ Divx Networks adopted the DIVX name for an MPEG4 video codec that they developed.¹⁰⁰ This codex is widely used for video copying.¹⁰¹ The company is now leveraging the popularity of their codex to commercialize the “secure and efficient delivery of full screen, full motion, DVD-quality video over Internet Protocol (IP) networks.”¹⁰²

Divx Networks filed for 5 new DIVX trademarks, two of which are now fully registered.¹⁰³ The first DIVX trademark application filed by Divx Networks was filed on Dec. 28, 2000, one year and six months after DIVX announced the end of operations.¹⁰⁴ They listed their goods and services as “online downloadable computer software for broadband video transfer.”¹⁰⁵

Shortly after Divx Networks filed their first trademark application, a new website appeared at www.divx.com.¹⁰⁶ This web site had a note on the main page stating that

⁹⁹ Determined by conducting a trademark search on the Trademark Electronic Search System (TESS) at the United States Patent and Trademark office using “DIVX” as a key word search term. [hereinafter TRADEMARK SEARCH] (On file with author).

¹⁰⁰ See Tom Howe, *CED in the History of Media Technology*, CED MAGIC ,available at <http://www.cedmagic.com/history/rca-divx-ps8680z.html> (last visited November 20, 2003) (discussing DIVX in the from the perspective of developing optical video technologies).

¹⁰¹ See *id.*

¹⁰² See *About Divx*, DIVX.COM, available at http://www.divx.com/about/?src=footer_about_/index.php (last visited Nov. 23, 2003) (discussing the Divx Networks company).

¹⁰³ See TRADEMARK SEARCH, *supra* not 95 (Listing two “DIVX” trademarks, two “DIVX CERTIFIED” trademark applications, and one abandoned “DR. TRADEMARK” application).

¹⁰⁴ See Trademark Appl. No. 76188096.

¹⁰⁵ See *id.*

¹⁰⁶ See Archive copy of the www.divx.com website, available at <http://web.archive.org/web/20010203143200/http://www.divx.com/> (showing that as of Feb. 3, 2001 the following notice was on the web page located at <http://www.divx.com/> :

they were not associated with Digital Video Express or Circuit City Stores.¹⁰⁷ This note may have been a condition of sale of the divx.com domain name. Ultimately, Divx Networks appears to have successfully exploited the goodwill and notoriety that Circuit City created through their advertising and management of DIVX.¹⁰⁸

“(NOTICE: This web site is not operated by or affiliated with Digital Video Express, L.P. d/b/a "Divx," Circuit City Stores, Inc., or any of their affiliates.)”

¹⁰⁷ See *id.*

¹⁰⁸ See *AlwaysOn Honors 100 Top Private Companies*, EE TIMES (June 23, 2003) available at <http://www.eetimes.com/pressreleases/prnewswire/83701> (last visited Nov. 23, 2003) (selecting Divx Networks as one of the years most successful private companies).

VI. Trade Dress

DIVX developed a distinctive trade dress for their discs. Instead of selling their discs in the familiar DVD packages, DIVX selected Q-Packs as its sole packaging format.¹⁰⁹ The Q-Packs were “a significant way in which to differentiate a new product like DIVX from DVD-Video and audio.”¹¹⁰ The DIVX package was different from the standard Q-Pack in that it was made of black plastic with a ribbed spline and utilized unique graphics.¹¹¹ Each graphic surface on the package had a consistent design that included the DIVX logo.¹¹² The front and back graphics had a location within the design for a custom movie graphic.

In addition, each DIVX DVD disc had a unique and consistent look. This look consisted of using a DIVX font for text and a consistent location for the movie title, running time, DIVX logo and studio graphic. The title of movie was centered on the top half of each disc, the DIVX logo was centered on the lower half of the disc, the movie running time was centered on the right half of the disc, and the studio graphic was centered on the left half of the disc.¹¹³

¹⁰⁹ See Dan Daley, *Print on demand - Queens celebrates 50 years of service*, MILLER FREEMAN ENTERTAINMENT LTD., available at <http://www.oto-online.com/june98/queens.html> (last visited Nov. 20, 2003) (discussing how the Queens Group, which has designed content packaging for the record industry for five decades, helped DIVX produce a unique package for their DVD content).

¹¹⁰ See *id.*

¹¹¹ See *id.*

¹¹² These descriptions were made by the authors' personal observations of several dozen DIVX Q-packs.

¹¹³ These descriptions were made by the authors' personal observations of several dozen DIVX discs.

VII. Conclusion

DIVX started with a single patentable idea that would enable a unique movie rental business model.¹¹⁴ The idea provided content protection for the movie studios as well as allowing consumers to maintain a permanently accessible library of content without ever having to pay a late fee.¹¹⁵ However, the model stumbled when DIVX could not get satisfactory cooperation from the movie studios, retailers, and early adopters of new technology.¹¹⁶

DIVX managed several areas of Intellectual property including patent, trademarks, copyrights, and trade dress. Now years after DIVX died, some of its most valuable intellectual property still lives on.

¹¹⁴ See PCT Application, *supra* note 22.

¹¹⁵ See Dunnill, History, *supra* note 2.

¹¹⁶ See *id.*