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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

HOULIHAN SMITH & COMPANY,
et al.,

Case No. 1:10-cv-02412

Plaintiffs

Chicago, Illinois

May 6, 2010

v.

Motion for
Preliminary Injunction

JULIA FORTE, Individually, et al.,

Defendants.

TRANSCRIPT OF MOTION FOR PRELIMINARY INJUNCTION
BEFORE THE HONORABLE VIRGINIA M. KENDALL
UNITED STATES DISTRICT JUDGE

APPEARANCES:

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03:30:24 1 THE COURT: Okay.

03:30:24 2 MR. DARKE: All right. Thanks for your indulgence.
03:30:26 3 We can't verify one way or the other at this point.

03:30:28 4 THE COURT: Right.

03:30:29 5 I think it's probably not helpful in the long run,
03:30:32 6 because from reading what I see on the page, as I mentioned
03:30:37 7 earlier, the -- where you've highlighted for me the numbers of
03:30:42 8 telemarketers, nonprofit organizations, charities, political
03:30:45 9 surveyors, scam artists, that is on the webpage itself.

03:30:51 10 And if we go down to where you're talking where
03:30:54 11 Houlihan Smith and ampersand, et cetera is in, that appears to
03:31:00 12 me to be what was typed into the box where you type in a
03:31:05 13 search.

03:31:05 14 MR. DARKE: That's what Mr. Levy just mentioned.

03:31:07 15 THE COURT: And if it is what's typed into the box,
03:31:09 16 then, of course, maybe your expert did it himself to pull up
03:31:17 17 what was --

03:31:17 18 MR. DARKE: Not operating --

03:31:19 19 THE COURT: No, no, I'm not saying that, but it's not
03:31:22 20 embedded that I can see to link them.

03:31:25 21 Okay. So let's get back to where we were.

03:31:28 22 So like all forms of injunctive relief, a preliminary
03:31:32 23 injunction is extraordinary remedy. And it shouldn't be
03:31:35 24 granted, unless the movant, by a clear showing, carries the
03:31:40 25 burden of persuasion. And that's the Mazurek versus Armstrong

03:31:43 1 case from the Supreme Court of 1997.

03:31:46 2 So the three threshold factors -- excuse me -- the
03:31:52 3 threshold factors in determining whether to grant a
03:31:54 4 preliminary injunction in the Seventh Circuit are the absence
03:31:58 5 of an adequate remedy at law and the presence of irreparable
03:32:03 6 harm to the moving party.

03:32:04 7 So if you make that showing, then I'm going to
03:32:08 8 consider the balance of the harms between the parties, and the
03:32:12 9 prospect of some likelihood of success on the merits, and the
03:32:16 10 public interests. Which is the Roiland Machinery case from the
03:32:21 11 Seventh Circuit, 1984.

03:32:23 12 So under this sliding scale approach employed by the
03:32:27 13 Seventh Circuit, the more likely the plaintiff will succeed on
03:32:30 14 the merits, the less the balance of irreparable harms need
03:32:34 15 favor the plaintiff's position. That's the Ty Inc. case from
03:32:38 16 the Seventh Circuit, 2001. And that sliding scale approach
03:32:42 17 isn't mathematical in nature. Rather, it is more properly
03:32:46 18 characterized as subjective and intuitive and one which
03:32:49 19 permits District Courts to weigh the competing considerations
03:32:53 20 and then mold appropriate relief. And that's a quote from the
03:32:57 21 Ty case.

03:32:57 22 So although the arguments earlier didn't address the
03:33:01 23 absence of an adequate remedy at law or necessarily the
03:33:05 24 presence of irreparable harm to the moving party, the Court
03:33:09 25 finds that even if the plaintiffs could make such a showing

03:33:13 1 considering the factors of likelihood of success on the merits
03:33:16 2 and the balance of harms between the parties dictates that the
03:33:20 3 preliminary injunction should be denied for the following
03:33:23 4 reasons.

03:33:23 5 And, first and foremost, by the evidence standard
03:33:27 6 that's been presented to the Court, I think there are
03:33:30 7 accusations that the defendants may have intentionally
03:33:37 8 attempted to embed or link various false claims to the
03:33:45 9 plaintiff's company, but the evidence that's been presented to
03:33:49 10 the Court doesn't support that. It isn't sufficient for them
03:33:53 11 to meet their burden.

03:33:54 12 So although that is the claim, I need to feel
03:33:58 13 comfortable that I would stop this website, that allows for
03:34:04 14 First Amendment free speech from going forward based upon
03:34:08 15 something more than simply conjecture or speculation.

03:34:12 16 So the preliminary injunction, as far as the
03:34:19 17 Section 230 is involved, shows me that on the one hand I
03:34:26 18 understand that there's not blanket immunity for someone like
03:34:31 19 Ms. Forte, who is using a message board, based upon the
03:34:36 20 Craigslist case from the Seventh Circuit.

03:34:39 21 I do also recognize that the evidence I have before
03:34:41 22 me doesn't suggest anything other than a message board at this
03:34:47 23 stage, but, rather, it suggests that just like the Craigslist
03:34:53 24 case, there are independent posters of opinion to the board,
03:34:58 25 and that separates it from the animal that is somewhere in

03:35:05 1 between that's defined in the Craigslist case.

03:35:09 2 We just don't have that evidence before me today. So
03:35:14 3 that protection under 230 for the publisher remains with
03:35:20 4 Forte, because I don't see any evidence to suggest that it
03:35:23 5 shouldn't remain with Forte.

03:35:27 6 Now, the next area that would pull Forte out of the
03:35:35 7 230 protection would be if there's these trademark claims, and
03:35:41 8 the right of publicity claims that should be protected in a
03:35:46 9 different way. And the bottom line with these claims is that
03:35:51 10 they are essentially an injury to Houlihan's reputation. And
03:35:58 11 that claim of defamation is not a claim of tarnishment and
03:36:04 12 it's not a claim under the Right of Publicity statute, and
03:36:08 13 it's not a claim of common law misappropriation.

03:36:10 14 So what we have instead is an attempt to label those
03:36:16 15 claims as such to pull them away from the difficulty that
03:36:22 16 they're having fitting into the trademark claims. But I think
03:36:30 17 counsel used the definition, The use of a trademark to
03:36:33 18 describe somebody as the topic of a communication is not a
03:36:37 19 trademark violation, and that was from the Supreme Court in --
03:36:42 20 is it O'Keefe? It was cited as 264 U.S. 359.

03:36:49 21 MR. LEVY: Yeah. It was the Prestonettes v. Coty
03:36:52 22 case --

03:36:52 23 THE COURT: Oh, that's right.

03:36:53 24 MR. LEVY: -- is the citation.

03:36:54 25 THE COURT: I'm trying to read another kind of code,

03:36:57 1 which is the realtime court reporting.

03:37:00 2 So it -- that case shows that it doesn't violate the
03:37:06 3 trademark law to tell the truth about a product you're selling
03:37:10 4 or in this case to identify the entity of which you are
03:37:15 5 complaining or of which you are criticizing. And that's what
03:37:19 6 the users are doing when they use the Houlihan Smith mark in
03:37:25 7 their protests. They're not using it for commercial gain or
03:37:30 8 for any other reason than to criticize and complain about
03:37:36 9 the -- about the company and their actions.

03:37:39 10 So the tarnishment claim also doesn't fly, I don't
03:37:45 11 think, because the tarnishment claim is one that should erode
03:37:53 12 the reputation of the mark itself, as opposed to eroding the
03:38:03 13 reputation of the entity.

03:38:05 14 And that's what's happening with the postings to this
03:38:09 15 website. So Section 1125(c)(2) does not talk about harming
03:38:17 16 the reputation of a business. So using the name of the
03:38:23 17 company to criticize the company does not fall within that
03:38:27 18 tarnishment law.

03:38:29 19 And I think that the analogy to the various
03:38:40 20 newspapers publishing information where there were articles
03:38:45 21 against various entities -- I think Toyota was one of them, I
03:38:51 22 think the Pentagon Papers was another example -- I think those
03:38:56 23 are good examples regarding whether the use of the mark was
03:38:59 24 being used to promote the sale of a product or whether or not
03:39:04 25 it was simply being used -- or being referenced as part of a

03:39:10 1 complaint.

03:39:11 2 So this issue of the commercial speech, I think
03:39:19 3 plaintiffs are arguing essentially that because you make money
03:39:27 4 from having the website up, you automatically have commerce,
03:39:32 5 and, therefore, it's a commercial speech.

03:39:35 6 But I think the commercial speech angle is whether
03:39:38 7 you're actually promoting the sale of a good or a service.
03:39:43 8 And if it's a product that's contained inside that service, it
03:39:50 9 removes it from the direct commercial speech angle, and I
03:39:55 10 think those analogies were good analogies.

03:39:58 11 And then that I think, in turn, is also the support
03:40:01 12 that we would have for the misappropriation argument, because
03:40:05 13 if, again, it's referencing it in order to make this comment,
03:40:09 14 it's not being used to promote or purchase or sell a
03:40:15 15 particular product. I just want to make sure I cover all of
03:40:20 16 your -- all of your issues that you have addressed.

03:40:56 17 I'm reviewing your arguments.

03:41:04 18 Okay. I think that covers it in a cursory fashion
03:41:09 19 for my oral ruling. I will give you a written summary.

03:41:11 20 Now, this doesn't mean the case is over, of course.
03:41:14 21 This means that you may need to get to the bottom of who the
03:41:18 22 individuals are, and maybe your expert will find, through the
03:41:22 23 research or discovery, support to support the anonymous e-mail
03:41:30 24 that says that this is what Forte's doing. But I just don't
03:41:33 25 have that evidence before me today. So, to me, I don't think

03:41:36 1 that I have a likelihood of success on the merits, based upon
03:41:40 2 the fact that there is not that intentional imposition of
03:41:43 3 one's self to break down the 230 protective barrier that's in
03:41:53 4 place and, also, to promote or sell a product on that space
03:41:58 5 that would bring it into your trademark area.

03:42:00 6 Now, the issue on jurisdiction and whether you're
03:42:05 7 intentionally reaching out to Illinois, I don't think I need
03:42:09 8 to decide that today, but I think it's something you're all
03:42:12 9 going to need to brief for me, because that will -- that
03:42:15 10 remains an issue. I think it remains a live issue in the
03:42:20 11 sense that when you start doing your motion to dismiss and
03:42:25 12 your motion for lack of personal jurisdiction, you can
03:42:30 13 elucidate that and we'll address that in the briefing stage.

03:42:34 14 So that one is one that we will keep on the table, so
03:42:38 15 to speak. But it doesn't change my analysis that the evidence
03:42:42 16 that I had before me doesn't give you the relief that you need
03:42:46 17 immediately, not to say that you might not get it at a later
03:42:50 18 point.

03:42:50 19 Now, because I am not finding that the evidence was
03:42:55 20 sufficient, the expedited discovery is also not in keeping
03:42:59 21 with my ruling, but discovery is. And we are in Judge
03:43:03 22 Kendall's courtroom where we don't do things very slowly, but
03:43:07 23 we don't rush people, but we do keep a quick discovery pace
03:43:11 24 and we keep moving forward, so there's no issue as far as
03:43:15 25 getting started on the complaint being served.