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# America Online, Inc. v. AT&T Corp. 243 F.3d 812 (4th Cir. 2001)

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## Recommended Citation

Michael Fiorentino, *America Online, Inc. v. AT&T Corp. 243 F.3d 812 (4th Cir. 2001)*, 11 DePaul J. Art, Tech. & Intell. Prop. L. 581 (2001)

Available at: <http://via.library.depaul.edu/jatip/vol11/iss2/12>

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## ***AMERICA ONLINE, INC. V. AT&T CORP.***

243 F.3d 812 (4<sup>th</sup> Cir. 2001)

### I. INTRODUCTION

Plaintiff-Appellant, Internet service provider (ISP) America Online (hereinafter “AOL”), filed suit against competing ISP, AT&T Corporation (hereinafter “AT&T”) for trademark infringement in the United States District Court for the Eastern District of Virginia which granted summary judgment to AT&T on all claims.<sup>1</sup> AOL appealed and the United States Court of Appeals for the Fourth Circuit affirmed the decision in part, vacated in part and remanded. The Fourth Circuit affirmed the part of the district court’s decision that (1) AOL’s use of the phrase “You Have Mail” was generic and not enforceable, and (2) that AOL’s use of the initials “IM” to denote its instant messaging service was not enforceable as a trademark.<sup>2</sup> The Fourth Circuit, however, ruled that there was a genuine issue of material fact as to whether AOL’s use of “Buddy List” constituted a valid service mark.<sup>3</sup> The appellate court reversed part of district court’s decision that granted summary judgment to AT&T on AOL’s claim of infringement of the “Buddy List” trademark and remanded for proceedings consistent with this decision.<sup>4</sup>

### II. BACKGROUND

Founded in 1985, AOL is now the world’s largest Internet service provider with over 18 million members.<sup>5</sup> Provided with membership are several features and services. Among these are the ability to “send and receive electronic mail” (“e-mail”) and the

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<sup>1</sup> *America Online, Inc. v. AT&T Corp.*, 243 F.3d 812, 814 (4th Cir. 2001).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> *America Online*, 243 F.3d at 815.

ability to “establish real time communication (“chat”) through ‘instant messaging.’”<sup>6</sup> In connection with its chat service, AOL uses “Buddy List” and “IM” to describe features of the service.<sup>7</sup> The “Buddy List” allows users to list the screenames of other AOL members in a window at the top right corner of their computer screen. When one of the other members on the user’s list logs onto the service, their screenname will appear in the “Buddy List” window and the member will be alerted that this particular member has logged on. “If a ‘Buddy’ is identified as online, the subscriber may then click a button labeled ‘IM,’ to instant message the member, and initiate a real-time chat session with the subscriber identified in the ‘Buddy List.’”<sup>8</sup> AOL has used the terms “Buddy List” and “IM” since at least 1997 and has promoted the terms extensively.<sup>9</sup> In June of 1998, AOL obtained a certificate of registration from the Patent and Trademark Office (“PTO”) indicating that the “Buddy List” mark had been registered on the Principal Register and that AOL had used the mark as a service since August 31, 1995.<sup>10</sup> Also, AOL alerts its member at sign-on that they have e-mail waiting for them by displaying the words “You Have Mail” and playing a recording that announces, “You’ve got mail.”<sup>11</sup> AOL contends it has used these marks extensively and that it now has a proprietary interest in them.<sup>12</sup>

AT&T, a competing ISP, uses similar marks to those of AOL. It uses the terms “Buddy List,” “You Have Mail,” and “IM.”<sup>13</sup> In December of 1998, AOL commenced this action, seeking preliminary and permanent injunctive relief against AT&T to prohibit it from using marks similar to those asserted by AOL.<sup>14</sup> AOL asserted that AT&T’s use of similar marks was a violation of

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<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> AOL’s advertisements in the years since 1997 have focused on the “Buddy List” and “IMing” features.

<sup>10</sup> *America Online*, 243 F.3d at 815.

<sup>11</sup> *America Online*, 243 F.3d at 815.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

the Trademark Dilution Act provisions of the Lanham Act, 15 U.S.C. § 1125(c) and infringes AOL's marks in violation of 15 U.S.C. § 1114.<sup>15</sup> In response, AT&T contended that the marks were "common, generic terms for e-mail, instant messaging, communication and related services."<sup>16</sup> AT&T also filed a counterclaim seeking a declaratory judgment that AOL's marks are not valid trademarks and requested an order directing that the PTO cancel registration for "Buddy List."<sup>17</sup> The district court denied preliminary and injunctive relief and granted summary judgment to AT&T because all three marks were generic, and were therefore, unable to exist as trademarks.<sup>18</sup> Furthermore, the court ordered that the PTO cancel the registration of the "Buddy List" mark.

### III. LEGAL ANALYSIS

#### *A. Issues*

On appeal, the court considered (1) did the district court have an obligation to afford deference to the PTO's decision to certify "Buddy List" as AOL's service mark; (2) was there a genuine issue of material fact as to whether AT&T's use of "Buddy List" constituted a valid service mark; (3) was AOL's use of the phrase "you have mail" generic and not enforceable as a trademark; and (4) whether AOL's use of the initials "IM" to denote its instant messaging service was enforceable as a trademark.<sup>19</sup> Because the first two issues were so closely related and discussed in the court's ruling, they shall be discussed together here as well.

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<sup>15</sup> *America Online*, 243 F.3d at 815.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> *Id.* at 816.

1. *Whether the District Court Was Required to Give Deference to the PTO*

AOL's primary argument for the validity of the "Buddy List" mark as a suggestive mark was that the PTO had registered "Buddy List" as a valid trademark and therefore the district court was bound to accept the mark as such.<sup>20</sup> AOL argued that the PTO's ruling is undertaken with special expertise within the scope of its delegated authority under the Lanham Act and as such its determination is entitled to substantial deference.<sup>21</sup>

AOL relied heavily on an earlier United States Supreme Court case in making this assertion; *Chevron v. U.S.A. Inc. v. Natural Resources Defense Council, Inc.*<sup>22</sup> *Chevron* deference is a tool of statutory construction whereby courts are instructed to defer to the interpretations of expert agencies. . .<sup>23</sup> Specifically, *Chevron* directs that a court, when reviewing an agency's interpretation of a statute, must use a two-step process.<sup>24</sup> First, the court must determine "whether Congress has directly spoken to the precise question at issue."<sup>25</sup> Only if the statutory language is silent or ambiguous to the question posed shall the court proceed to the second step.<sup>26</sup> The second step is to determine "whether the agency's answer is based on a permissible construction of the statute."<sup>27</sup> "Thus, *Chevron* deference would only apply to an expert agency's interpretation of statutory language. The Fourth Circuit did not agree that *Chevron* was controlling of the case at hand and distinguished it as such.

The court ruled that if AOL had asked the court to defer to the PTO's interpretation of statutory language of the Lanham Act, or to defer to a PTO regulation that arguably controlled the outcome

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<sup>20</sup> *America Online*, 243 F.3d at 816.

<sup>21</sup> *Id.*

<sup>22</sup> *Chevron, U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 104 S.Ct. 2778, 81 L.Ed.2d 694 (1984).

<sup>23</sup> *America Online*, 243 F.3d at 817.

<sup>24</sup> *Id.* at 842

<sup>25</sup> *Id.*

<sup>26</sup> *America Online*, 243 F.3d at 815.

<sup>27</sup> *Id.*

of the case, then *Chevron* might have been applicable. However, the court ruled that *Chevron* was inapplicable to the case at hand because AOL was arguing for deference to what amounted to a “quasi-ad judicatory decision” of the PTO; that “Buddy List” is a suggestive trademark, entitling it to protection under the Lanham Act.<sup>28</sup> The court concluded that this type of agency decision did not involve statutory interpretation by the agency and was not subject to *Chevron* deference. The court ruled that Congress clearly expressed intent in the Lanham Act to place PTO decisions under the supervision of the federal courts as it declared that “such judicial orders shall be certified by the court to the Commissioner who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.”<sup>29</sup> The court went on to reason that Congress clearly expressed in the Lanham Act that the federal courts are to be the final arbiters of trademark disputes. The court quoted language from 15 U.S.C. § 1119 stating that “Congress expressly vested in the federal courts the power to ‘determine the right to registration, order the cancellation of registrations . . . restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.’”<sup>30</sup> In addition, the court pointed to the fact that Congress clearly stated the limited deference that PTO certification provides. PTO certification only confirms that the mark in question has been registered with the PTO and no more. The court concluded that in deciding whether “Buddy List” was generic, the district court had no obligation to give *Chevron* deference to the decision of the PTO.<sup>31</sup> Rather, it was only required to receive the certification of registration of the mark into evidence as prima facie evidence of the validity of the mark and as prima facie evidence that the “Buddy List” mark was suggestive.

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<sup>28</sup> *Id.*

<sup>29</sup> *America Online*, 243 F.3d at 815.

<sup>30</sup> *Id.* at 817.

<sup>31</sup> *Id.* at 818.

*2. Whether There Was a Genuine Issue of Material Fact as to Whether AT&T's Use of "Buddy List" Constituted a Valid Service Mark*

The court ruled that, "while the district court did act appropriately in receiving the certificate of registration of "Buddy List" as prima facie evidence that the mark was suggestive, it thereafter erred in ignoring that evidence."<sup>32</sup> The question at hand was whether the prima facie evidence provided by the certificate of registration, and additional evidence introduced by AOL that "Buddy List" has been treated in a suggestive manner, was sufficient to establish a question of material fact that could not be resolved on summary judgment.<sup>33</sup> The district court looked at this evidence and found it insignificant and determined that a reasonable jury could only conclude that "Buddy List" was generic.<sup>34</sup> The appellate court ruled that by weighing the evidence itself, the district court violated a basic principle of Rule 56 jurisprudence; that in determining whether a genuine issue of material fact exists, a court must view the evidence in the light most favorable to the non-moving party.<sup>35</sup> Here, the evidence should have been weighed in the light most favorable to AOL. The district court, however, failed to do this. The Fourth Circuit concluded that in the light most favorable to AOL, considering the prima facie evidence of the PTO certification and other evidence introduced by AOL, there was sufficient evidence to establish a question of material fact that could not be resolved on summary judgment. The question of material fact was whether AOL's use of "Buddy List" constituted a valid service mark. The Fourth Circuit vacated the district court's ruling on "Buddy List," including its order directing the commissioner to cancel the

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<sup>32</sup> *America Online*, 243 F.3d at 818.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> Fed. R. Civ. P. 56.

certificate of registration and remanded for further proceeding.<sup>36</sup>

### *3. Whether AOL's Use of the Phrase "You Have Mail" was Generic and Not Enforceable as a Trademark*

The district court concluded that the alleged mark "You Have Mail" functions primarily to inform AOL subscribers that they have e-mail waiting for them.<sup>37</sup> The court concluded that when a common word or phrase is used as a mark for its ordinary meaning, the mark is generic and cannot be enforced as a trademark.<sup>38</sup> The district court further concluded that the "You Have Mail" mark was used in a functional manner—the words described something within their normal function and use.<sup>39</sup> This functional manner in which AOL uses "You Have Mail" is consistent with a public perception of the phrase as describing whether mail is in an electronic mailbox, rather than as describing a service associated with AOL.<sup>40</sup> AOL's use of the phrase is conditioned on whether mail is present and does not describe any service provided. Rather, the mark acts only to alert members to the fact that they have mail awaiting them. The court reasoned that this type of use simply employs common words to express their ordinarily used meaning, of the ordinary fact that they have new electronic mail in their mailboxes.<sup>41</sup>

Furthermore, AOL had not registered "You Have Mail" as a trademark with the PTO.<sup>42</sup> Therefore, "AOL must carry the burden of establishing the validity and its ownership of the mark as part of its larger burden in a trademark action."<sup>43</sup> The burden is on AOL to prove that it has a valid, protectable trademark and that the defendant is infringing its mark by creating confusion or likelihood

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<sup>36</sup> *America Online*, 243 F.3d at 818.

<sup>37</sup> *America Online*, 243 F.3d at 818.

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

<sup>41</sup> *Id.* at 820.

<sup>42</sup> *America Online*, 243 F.3d at 819.

<sup>43</sup> *Id.*

thereof, by causing mistake, or by deceiving as to the attributes of its mark.<sup>44</sup> In order to succeed in their claim that “You Have Mail” is not a generic mark, AOL would have to claim the mark goes beyond simply alerting members that they have mail and is connected to or in some way promotes one of the services AOL offers. “Indeed AOL itself has made no claim that “You Have Mail” has been used to indicate anything but the information that the subscriber has mail. The Fourth Circuit, agreeing with the district court, ruled that when words are used in a context that suggests only their common meaning they are generic and may not be appropriated as exclusive property.<sup>45</sup> The court contrasted the situation at hand to another set of facts. “At the basic level we can conclude that when a fruit merchant sells fruit as “apples” he should never be able to exclude competitors from similarly using the word “apple” to sell fruit. But if the common word apple is used by a computer merchant in selling computers, we conclude that the usage, not the word, is so uncommon, and therefore “distinctive” that the computer merchant should be able to exclude other competitors from using “apple” in the sale of computers.<sup>46</sup>

AOL advanced no evidence that it uses “You Have Mail” in any distinctive manner. The Fourth Circuit concluded that as a matter of law, AOL’s usage of the would-be mark falls within the heartland of common meaning and usage and therefore AOL may not exclude others from using the same words in connection with their e-mail service.<sup>47</sup> This is due to the fact that AOL uses the phrase “You Have Mail” functionally-consistently (to tell subscribers they have mail) and that other in the industry use the same or similar phrases for the same purpose. Consequently, the court affirmed the part of the district court’s decision ruling that AOL’s use of the phrase “You Have Mail” was generic and not enforceable as a trademark.

#### *4. Whether AOL’s Use of the Initials “IM” to Denote Its Instant*

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<sup>44</sup> *Id.* at 819.

<sup>45</sup> *America Online*, 243 F.3d at 820.

<sup>46</sup> *Id.* at 820.

<sup>47</sup> *Id.*

*Messaging Service Was Not Enforceable As a Trademark*

For several reasons, the Fourth Circuit affirmed the district courts rulings denying enforcement of “IM” as trademarks of AOL.<sup>48</sup> AOL argued that the district court erred in refusing to enforce “IM” as a trademark for the “instant messaging” service because the mark was generic.<sup>49</sup> The district court, however, gave several reasons in support of the finding that the mark was generic: (1) AOL employees used “IM” as a noun and/or verb; (2) books, dictionaries and glossaries define “instant messaging” with IM as an abbreviation; and (3) AOL does not claim any proprietary interest in the phrase “instant messaging.”<sup>50</sup> AOL further asserted that because it was the first company to use the abbreviation “IM” in such a manner, the court should conclude that “IM” referred to the source (AOL) and not just the feature.<sup>51</sup> The court disagreed with this contention, pointing out that AOL only contended in a conclusory manner that “IM” is a trademark rather than simply the product at issue.<sup>52</sup> AOL based much of its claim to the purported “IM” mark on the fact that the media has frequently used “IM” in association with AOL and that no other ISP calls their real-time chat service “IM.”<sup>53</sup> Although the Fourth Circuit looked at these reasons, the court was not willing to determine that “IM” was generic. However, the Fourth Circuit affirmed the district court’s decision denying trademark protection to “IM” based on the district court record.<sup>54</sup>

## IV. CONCLUSION

The court concluded that the validity of “Buddy List” could not be resolved on summary judgment because a genuine issue of

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<sup>48</sup> *America Online*, 243 F.3d. at 823.

<sup>49</sup> *Id.*

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> *America Online*, 243 F.3d at 823.

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

material fact existed. Accordingly, the court vacated the portion of the lower courts decision finding “Buddy List” generic as well as the order directing cancellation of the registration of the mark with the PTO. The court further ruled that federal courts are not required to give deference to the PTO’s decision to a service mark, but rather the PTO is operated under the supervision of the federal courts, which are the final arbiters on trademark and copyright issues under the Lanham Act. Finally, with respect to the district court’s rulings denying enforcement of “You Have Mail” and “IM” as trademarks of AOL, the court affirmed.

*Michael Fiorentino*