

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA**

**CREATIVE LABS, INC., a California corporation, and CREATIVE TECHNOLOGY LTD., a Singapore corporation,
Plaintiffs,**

v.

**CYRIX CORPORATION, a Delaware corporation, TIGER DIRECT,
INC., a Delaware corporation, and COMPAQ COMPUTER
CORPORATION, a Delaware Corporation.**

Defendant.

No. C 97-0912 CW

**ORDER GRANTING PLAINTIFFS' MOTION FOR A PRELIMINARY
INJUNCTION AGAINST COPYRIGHT INFRINGEMENT AND FALSE
ADVERTISING AND DENYING THEIR EX PARTE APPLICATION
FOR AN ORDER TO SHOW CAUSE**

Plaintiffs Creative Labs and Creative Technology (collectively "Creative") move for a preliminary injunction against Defendants Cyrix Corporation and Tiger Direct, Inc. ("Tiger") for copyright infringement and false advertising.[1] Defendants oppose the motion. The matter was heard on May 2, 1997. On May 2, 1997, Creative also filed an **ex parte** application for an order to show cause re contempt. Having considered all of the papers filed by the parties and oral argument on the motion, the Court GRANTS the motion for a preliminary injunction and DENIES the **ex parte** application for an order to show cause.

BACKGROUND

Plaintiff Creative is the maker of the Sound Blaster line of sound cards, devices that interact with computer hardware and software to create sound effects. Sounds Blaster is currently the dominant sound card on the market. Defendant Cyrix has recently introduced a microprocessor, the Media GX, which is capable of producing audio effects without the assistance of a sound card. The audio component of the Media GX is referred to as XpressAUDIO.

Cyrix has advertised XpressAUDIO as "compatible with Sound Blaster" and as "fully compatible with Sound Blaster." Liu Decl., Exs. 2-3. Tiger, a computer manufacturer which plans to introduce a line of computers that use the Media GX, claims that its products feature "integrated SoundBlaster 16/Pro compatible audio." Liu Decl., Ex. 6. Compaq uses the Media GX is one of its computers the Presario 2100, but does not advertise that the Presario 2100 is Sound Blaster compatible.

Creative tested the Media GX on a Presario 2100 computer to determine whether Cyrix's claims concerning XpressAUDIO's compatibility with Sound Blaster were accurate. In a study testing 200 computer games, Creative discovered that sixteen games, or 8% of the total tested, did not run properly on the Presario 2100. Benford Decl., Ex. 1. Creative also found that the Presario 2100 did not support two functions supported by Sound Blaster: Adaptive Delta Pulse Code Modulation ("ADPCM") and Musical Instrument Digital Interface ("MIDI").

Creative also learned that Cyrix was making some Creative Labs software programs available for copying by the public on Cyrix's website.

Creative filed suit against Cyrix for copyright infringement, 17 U.S.C. 510 *et seq.*; against Cyrix and Tiger for false advertising and trademark dilution, 15 U.S.C. 1125(a), (c); and against Cyrix, Tiger, and Compaq for trademark infringement, 15 U.S.C. 1114(a), 1125(a), and unfair competition, Cal. Bus. & Prof. Code 17200 *et seq.* The Court granted Creative's application for a temporary restraining order against Cyrix and Tiger. Creative now seeks a preliminary injunction enjoining all Defendants from trademark infringement, Cyrix and Tiger from false advertising, and Cyrix from copyright violations. In this order, the Court considers only the claims concerning false advertising and copyright infringement.

DISCUSSION

A. Legal Standard for Temporary Injunctions

"The function of a preliminary injunction is to maintain the **status quo ante litem** pending determination of the action on the merits." **Washington Capitols Basketball Club v. Barry**, 419 F.2d 472, 476 (9th Cir. 1969). The moving party is entitled to a preliminary injunction if it establishes either:

- (1) a combination of probable success on the merits and the possibility of irreparable harm, or
- (2) that there exist serious questions regarding the merits and the balance of hardships tips sharply in its favor.

Rodeo Collection, Ltd. v. West Seventh, 812 F.2d 1215, 1217 (9th Cir. 1987); **California Cooler v. Loretto Winery**, 774 F.2d 1451, 1455 (9th Cir. 1985); **see also Wm. Inglis & Sons Baking Co. v. ITT Continental Baking Co.**, 526 F.2d 86, 88 (9th Cir. 1975); **County of Alameda v. Weinberger**, 520 F.2d 344, 349 (9th Cir. 1975).

The test is a "continuum in which the required showing of harm varies inversely with the required showing of meritoriousness." **Rodeo Collection**, 812 F.2d at 1217 (quoting **San Diego Comm. Against Registration and the Draft v. Governing Board of Grossmont Union High School Dist.**, 790 F.2d 1471, 1473 n.3 (9th Cir. 1986)). To overcome a weak showing of merit, a plaintiff seeking a preliminary injunction must make a very strong

showing that the balance of hardships is in its favor. **Rodeo Collection**, 812 F.2d at 1217. In appropriate cases, the Court should also consider whether injunctive relief would serve the public interest. **International Jensen, Inc. v. Metrosound U.S.A., Inc.**, 4 F.3d 819, 822 (9th Cir. 1993).

The standard is different in copyright infringement actions. "A showing of a reasonable likelihood of success on the merits raises a **presumption** of irreparable harm." **Triad Systems Corp. v. Southeastern Express Co.**, 64 F.3d 1330, 1335 (9th Cir. 1995). A party showing a reasonable likelihood of success on the merits of a copyright infringement claim is thus normally entitled to a preliminary injunction. **Id.**

B. False Advertising

Creative alleges that Cyrix and Tiger advertisements which assert that the XpressAUDIO system is "compatible" with Sound Blaster constitute false advertising in violation of Lanham Act 43(a), 15 U.S.C. ?1125(a). The elements of a Lanham Act false advertising claim are:

(1) a false statement of fact by defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a lessening of the goodwill associated with its products.

Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1139 (9th Cir. 1997). Plaintiffs do not need to prove injury to be entitled to injunctive relief. **Id.** at 1145-46.

Plaintiffs seek to enjoin Cyrix and Tiger from advertising that their systems are Sound Blaster compatible. Cyrix and Tiger respond that XpressAUDIO is compatible with Sound Blaster. The dispute thus turns on the definition of the term "compatible." Creative maintains that competing computer products are compatible only if "the first product can be used in place of the second product without producing any difference in performance and that the first product has the same capabilities and functions as the second product." Enderle Decl. 6. Creative supplied the declaration of an individual who works in the computer games industry asserting that the phrase "Sound Blaster compatible" indicates that the hardware "will properly play any software title that plays properly on a genuine Creative Labs Sound Blaster." Levin Decl. 2. Creative also refers to three dictionary definitions to support its interpretation. One provides that "[c]ompatibility means that the hardware ideally operates in all respects like the standard on which it is based." The second dictionary defines compatibility as, "[t]he capability of a peripheral [or] program ... to function with or substitute for a given make and model of computer To be truly compatible, a program or device should operate on a given system without modification; all features should operate as intended, and a computer claiming to be compatible with another should run all the other computer's software without modification." By referring

to a device for measuring how IBM-compatible personal computers are, however, the definition suggests that compatibility is not necessarily a matter of all or nothing. The third dictionary provides that compatibility is "[t]he extent to which a given piece of hardware or software conforms to an accepted standard This implies that the device will perform in every way just like the standard device." Liu Reply Decl., Ex. B. Cyrix cites a dictionary which defines the term "compatible" as describing a product which meets some, but not all, parts of a specification. Crane Decl., Ex. 3.

Princeton Graphics Operating, L.P. v. NEC Home Electronics (U.S.A.), Inc., 732 F.Supp. 1258 (S.D.N.Y. 1990), supports Creative's definition of compatibility. In **Princeton Graphics**, the court chose the more restrictive definition because of the importance of precise definitions in the computer industry. **Id.** at 1261. It also believed that it is appropriate to apply a more precise definition of compatibility when a well-known industry standard is being used. **Id.** at 1262 n.9. The Court therefore finds that a product advertising itself as Sound Blaster compatible must support the same functions as Sound Blaster.

Creative argues that XpressAUDIO is not compatible with Sound Blaster because it does not support all games that can function with Sound Blaster. Creative relies on a study in which sixteen computer games, 8% of all games tested, did not function properly on a Presario 2100 computer. Benford Decl., Ex. 1. The study, however, does not establish that those failures were due to incompatibilities between XpressAUDIO and Sound Blaster. Behnke Decl. 16. Cyrix counters that it did not encounter problems when running six of these games on a properly configured computer. **Id.** Cyrix's own study indicates a failure rate of approximately 2%. See Sohn Decl. Even if the failure rate of games played on computers with XpressAUDIO is closer to 2% than 8%, the evidence indicates that some games that function with Sound Blaster do not function with XpressAUDIO.

Creative also argues that XpressAUDIO is not Sound Blaster compatible because it does not support two specific functions supported by Sound Blaster: ADPCM and MIDI. Cyrix concedes that XpressAUDIO does not support ADPCM, but it maintains that few games employ ADPCM, that those games are not currently being sold, and that ADPCM does not meet consumer expectations of sound quality. Behnke Decl. 17. The lack of ADPCM support, while perhaps insufficient to establish lack of compatibility alone, supports such a finding.

Creative also maintains that XpressAUDIO does not support Sound Blaster's MIDI function. XpressAUDIO, however, does support MIDI. Behnke Decl. 19. The MIDI function can be turned off by the computer manufacturer. Compaq has turned off the MIDI feature on the XpressAUDIO systems used in Presario 2100 computers. **Id.** Cyrix has not advertised that Presario 2100s are Sound Blaster compatible.

Because some computer games that function with Sound Blaster do not function with XpressAUDIO, the Court finds that XpressAUDIO is probably not compatible with Sound Blaster. Cyrix and Tiger's claims that systems using XpressAUDIO are Sound Blaster compatible will probably mislead consumers who would interpret the claim of

Sound Blaster compatibility to mean that any product that functions with Sound Blaster would also function with XpressAUDIO.

Because Creative has established the likelihood of consumer confusion, it has also established the possibility of irreparable harm. The Court also finds that injunctive relief would further the public's interest in being protected from false trade descriptions. **See U-Haul Int'l, Inc. v. Jartran, Inc.**, 681 F.2d 1159, 1162 (9th Cir. 1982).

The Court therefore grants Creative's motion for a preliminary injunction enjoining Cyrix and Tiger from claiming that XpressAUDIO and computer systems using XpressAUDIO are Sound Blaster compatible.

C. Copyright Infringement

To establish copyright infringement, Creative must establish both ownership of the copyright and copying of an expression protected by the copyright. **Triad Systems**, 64 F.3d at 1335.

Although Creative has not yet received registered copyrights on the "applet" software that Cyrix made available on its website, Creative has applied for copyright registrations. Copyright in a work vests in the author of the work. 17 U.S.C. 201. Creative is the author of the applet software, Danforth Decl. 12; therefore, it has established probable ownership of the copyrights on the applet software.

Cyrix directly copied the applet software when it placed copies of the applet software on its website. Cyrix is probably also contributorily liable because it encouraged and provided the resources for known infringing activity, i.e. the copying by others of the applet software that Cyrix made available on its website. **See Fonovisa, Inc. v. Cherry Auction, Inc.**, 76 F.3d 259, 264 (9th Cir. 1996) (providing site and facilities for known infringing activities establishes contributory liability for copyright infringement); **Sega Enterprises, Ltd. v. MAPHIA**, 948 F.Supp. 923, 932 (N.D. Cal. 1996).

Because Creative has shown a probability of success on the merits of its copyright infringement claim against Cyrix, it is entitled to a preliminary injunction enjoining Cyrix from making copies of Creative's applet software available for copying by the public on Cyrix websites.

D. Ex Parte Motion for Order to Show Cause re Contempt

Creative moves **ex parte** for an order to show cause why Cyrix and Tiger should not be held in contempt for violating the Court's temporary restraining order. That order forbade Cyrix and Tiger from "selling any motherboards or Media GX Architectural Systems or any portion of them, or any personal computers based on Cyrix's MediaGX Architectural Systems, that cause a computer system to identify its sound device to a user as a Sound Blaster sound card unless the computer system, in fact, includes a Sound Blaster sound card."

Since entry of the order, Tiger has begun shipping computers with Cyrix motherboards. The systems as shipped do not produce sound, but customers are instructed to download the Creative Labs driver from Tiger's website in order to gain audio capability. Until the driver is loaded, the computer does not identify the sound device as a Sound Blaster, unless a DOS-based computer game is being played.

Creative also argues that Cyrix has violated the order by continuing to ship hardware to Compaq for Presario 2100 computer systems. Some software operated on the Presario 2100 continues to refer to Sound Blaster.

Because the record before the Court indicates that the Cyrix hardware listed in the order does not itself cause inaccurate references to Sound Blaster, the Court denies Creative's **ex parte** application.

E. Temporary Restraining Order

The first part of the temporary restraining order signed March 28, 1997, was premised on the assumption that Cyrix motherboards or Media GX Architectural Systems caused computer systems to misidentify sound devices as Sound Blasters. The record no longer supports a finding that Cyrix hardware causes the misidentification. The portion of the temporary restraining order enjoining Cyrix and Tiger from selling hardware that causes computer systems to misidentify sound devices as Sound Blaster is therefore vacated.

CONCLUSION

For the foregoing reasons, Creative's motion for a preliminary injunction is GRANTED with regard to false advertising and copyright infringement.

1. Defendant Cyrix shall be and hereby is enjoined from distributing Creative's proprietary "applet" software; and
2. Defendants Cyrix Corporation and Tiger Direct, Inc. are hereby ordered to cease all advertising, promotional material, or packaging which claim that the Media GX chip or microprocessor system, or the XpressAUDIO feature provided by the Media GX chip or microprocessor system, or any personal computer based on the Media GX chip or microprocessor system, including the "Tiger Gx86", is Sound Blaster compatible. Defendants Cyrix and Tiger may resume advertising XpressAUDIO or computer systems using XpressAUDIO as Sound Blaster compatible only if they render XpressAUDIO Sound Blaster compatible.

This preliminary injunction shall stay in effect pending a trial on the merits.

Creative's **ex parte** application for an order to show cause is DENIED.

The temporary restraining order is VACATED to the extent it forbids sale of Cyrix hardware or computers containing Cyrix hardware.

Plaintiffs shall post a bond in the amount of \$100,000.00.

The Court's ruling on Plaintiffs' motion for a preliminary injunction enjoining Defendants from infringing Plaintiffs' trademarks is stayed pending further submissions from the parties.

IT IS SO ORDERED.

Date May 7, 1997

/S/ CLAUDIA WILKEN

United States District Judge

End Notes

1. This order will not evaluate Creative's request for injunctive relief against Cyrix, Tiger, and Compaq Computer Corporation for trademark infringement.