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Finnegan's monthly review of essential decisions, key developments, evolving trends in trademark law, and more.

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Civil Cases

***Christian Louboutin, S.A. v. Yves Saint Laurent Am. Holding, Inc.,* 2012 WL 3832285 (2d Cir. Sept. 5, 2012)**

by Yasmin Tavakoli Egge

CASE SUMMARY

FACTS

Christian Louboutin, S.A. ("Louboutin"), a renowned French designer of high-fashion footwear and accessories, appealed a decision from the U.S. District Court for the Southern District of New York denying its motion to preliminarily enjoin Yves Saint Laurent America Holding, Inc. ("YSL"), a venerated French fashion institution, from selling red shoes with red soles as one color in a monochromatic-colored shoe collection launched early last year. Louboutin originally brought its action against YSL in April 2011, asserting claims under the Lanham Act for trademark infringement and counterfeiting, false designation of origin, unfair competition, and trademark dilution based on its federal registration for the color red for lacquered soles on footwear (the "Red Sole Mark" or "Mark"). In response, YSL asserted counterclaims to cancel Louboutin's Red Sole Mark, contending that the Mark lacked distinctiveness and/or was merely ornamental or functional. After a limited and expedited discovery process, the district court denied the injunction, holding that Louboutin had not shown a likelihood of success on the merits of its claims because single-color marks in the fashion industry are inherently "functional," and, therefore, Louboutin's registered trademark would likely be held invalid. On appeal, the Second Circuit reversed the order of the district court insofar as it held that the fashion industry was "excepted" from the Supreme Court's holding on the protectability of a single color and thereby denied trademark protection to Louboutin's use of the Red Sole Mark for *contrasting* red lacquered soles. The Second Circuit affirmed the district court's denial to enjoin YSL from selling monochrome red shoes with red soles.

ANALYSIS

The Second Circuit first focused its review on whether YSL's affirmative defense of functionality rendered the Red Sole Mark incapable of trademark protection because of the fundamental principle that functional features of goods may only be protected through the patent system. Citing *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995), the Second Circuit noted that the Supreme Court specifically forbade the implementation of a *per se* rule that would deny protection for the use of a single color as a trademark in a particular industry—including the fashion industry—because an analysis of functionality necessarily requires an individualized fact-based inquiry into the nature of the trademark.

Next, the Second Circuit turned its review toward whether the Red Sole Mark merited protection as a distinctive mark that had acquired secondary meaning. The appeals court was quick to quash the notion of inherent distinctiveness as applying to the Red Sole Mark, reasoning that under *Qualitex*, a single color, standing alone, could almost never be inherently distinctive because such marks do not automatically tell a customer that it refers to a brand, but rather, over time, customers come to treat a

particular product color as signifying a unique source. In analyzing secondary meaning, the Second Circuit considered several types of evidence, including consumer surveys from both parties, as well as Louboutin's extensive evidence of its advertising expenditures, media coverage, and worldwide sales success from over twenty years of commercial use of the lacquered red color for soles as its signature in women's high-fashion footwear, to determine that the Red Sole Mark had indeed acquired secondary meaning. Despite finding secondary meaning, the appeals court pointed to Louboutin's failure to show that the secondary meaning of its Red Sole Mark extended to uses in which the sole did *not* contrast with the upper part of a shoe (i.e., on monochromatic red shoes). For example, of the hundreds of pictures of Louboutin shoes submitted to the district court, only *four* were monochrome red. YSL, on the other hand, had produced evidence of its sale of monochromatic red shoes, as well as other monochromatic colored shoes since the 1970s. Based on this evidence, the Second Circuit ordered the PTO to limit Louboutin's Red Sole Mark to only those situations in which the red lacquered outsole contrasts in color with the adjoining "upper" of the shoe, finding that the Red Sole Mark was valid and enforceable only as modified. This limitation to Louboutin's registration also disposed of the Lanham Act claims brought by both parties in one clean sweep because the red sole on YSL's monochrome shoes was neither a use of, nor confusingly similar to, the Red Sole Mark as modified.

CONCLUSION

This case is one of the few appellate court decisions addressing whether a single color is capable of functioning as a trademark, and more specifically how fashion-industry participants may protect the distinctive features of their designs by establishing secondary meaning, even if the distinguishing feature is just one color.

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Civil Cases

Innovation Ventures, LLC v. N.V.E., Inc.,
2012 WL 4039843 (6th Cir. Sept. 13, 2012)

by Anna Balishina Naydonov

CASE SUMMARY

FACTS

Living Essentials (“LE”), maker of the 5-HOUR ENERGY shot, brought a claim for trademark infringement against N.V.E., Inc. (“NVE”), a competitor and maker of the 6 HOUR POWER energy shot. Below is a depiction of both parties’ products:



NVE brought a counterclaim against LE, asserting that a recall notice for a “6 Hour’ Energy shot” that LE distributed after it prevailed in an *unrelated* trade-dress litigation, constituted false advertising. Specifically, LE had prevailed in a trade-dress infringement litigation against a third-party maker of the 6-HOUR ENERGY SHOT. Following that victory, LE distributed the following recall notice to 110,000 convenience stores and truck stops, and retailer magazines:

RECALL OF “6 HOUR” SHOT ORDERED

Court orders immediate stop to manufacturing, distributing and sale of 6 Hour Energy shot.

Dear Customer,

We are pleased to announce that we won a decision against a “6 Hour” energy shot that closely mimicked 5-Hour Energy®. The United States District Court, in Case No. 08-CV-10983, issued a preliminary injunction ordering the immediate recall of the “6 Hour” product, and told its manufacturer to stop making, distributing and selling it.

If you have any of the “6 Hour” energy shots in your store(s) or warehouse(s) contact the product’s manufacturer or your distributor to return the product immediately.

DO NOT RETURN ANY 5-HOUR ENERGY®. *It can be difficult to tell 5-Hour Energy® apart from the “6 Hour” knockoff product. If you have any questions, please call us at 248-960-1700 ext. 217.*

We will vigorously protect the 5-Hour Energy® brand by pursuing all legal avenues against anyone encroaching on it, or creating confusion in the marketplace.

In its counterclaim, NVE asserted that the recall notice constituted false advertising because it led numerous retailers to mistakenly believe that NVE’s 6 HOUR POWER product was affected by the recall, which cost NVE millions in lost sales. The district court granted the parties’ cross-motions for summary judgment, finding no likelihood of confusion between 5-HOUR ENERGY and 6 HOUR POWER, and holding that the recall notice did not constitute false advertising. The Sixth Circuit reversed.

ANALYSIS

Regarding LE’s trademark-infringement claim, the appeals court concluded that LE’s 5-HOUR ENERGY mark is protectable because it is suggestive rather than descriptive. In holding so, the court posed a number of hypothetical questions: “[H]ow would the energy be transferred? Through food? Through drink? Through injections? Through pills? Through exercise? Also, one would ask what kind of energy is the mark referring to?” The court held that such “cognitive inferences” were indicative of the suggestive nature of the mark. Having determined that the 5-HOUR ENERGY mark was protectable, the court concluded that the case should proceed to trial on the fact-intensive issue of likelihood of confusion.

Addressing NVE’s false-advertising counterclaim, the Sixth Circuit first grappled with the issue of whether the recall notice was literally false or misleading. The court held that the “language of the recall notice teeters on the cusp between ambiguity and literal falsity in two main respects—descriptive and grammatical.”

The court noted that, although only one product—6-HOUR ENERGY SHOT (and not other “6 Hour” products put out by other manufacturers, such as 6 HOUR POWER)—was subject to the adverse trade-dress ruling and recall, LE’s recall notice simply referred to “‘6 Hour’ Energy shot,” and in the notice “‘6 Hour’ was in quotations, while ‘energy shot’ was not—without a prefatory article.” The notice did not identify the name of the recalled product.

On a similar note, the court noted that, in some instances, the recall notice used “an indefinite prefatory article, ‘a,’” to refer to “a ‘6 Hour’ energy shot,” suggesting that there may be more than one “6 Hour” product at issue, as well as a prefatory pronoun “any,” suggesting that any shot bearing the name “6 Hour” was subject to recall. Elsewhere, however, the recall notice used the prefatory article “the” when discussing “‘6 Hour’ energy shots,” suggesting that only one product was subject to recall.

The court also concluded that the far-reaching statement in the recall that LE “w[on] a decision against a ‘6 Hour’ energy shot” was “not literally true” because LE merely won a decision as it related to the look and feel of the packaging design.

Although a close question, the court ultimately concluded that the overall language of the recall notice was not literally false and that a genuine dispute existed as to whether the notice was misleading.

In support of its claim that the recall notice misled retailers, NVE introduced evidence that its distributors received numerous calls from convenience stores and truck-stop retailers, who received the recall notice and wanted to return the 6 HOUR POWER product. The court concluded that the fact that so many people called NVE immediately after they received the recall notice at the very least raised an issue for trial as to whether a significant portion of the recall recipients was deceived into thinking that NVE’s

6 HOUR POWER product was affected by the recall.

CONCLUSION

Ironically, the 5-HOUR ENERGY maker was so energetic in leveraging its court victory against a competitor on a previous Lanham Act claim that it now finds itself on the defense in this current case, which serves as an important reminder of how crucial it is for companies to accurately describe their courtroom victories.

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Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, The Ecumenical Order, 2012 U.S. App. LEXIS 19104 (11th Cir. Sept. 11, 2012)

by Naresh Kilaru

CASE SUMMARY

FACTS

Plaintiff Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes and of Malta, and Defendant Florida Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, The Ecumenical Order, were both charitable religious organizations that shared a long history through a common predecessor between the eleventh and eighteenth centuries. In 1798, the groups diverged and both a Catholic order (Plaintiff) and a non-Catholic order (Defendant) were established. Plaintiff's organization began operating in the United States in the 1920s. Defendant's U.S. operations began in 1977, although its parent organization began operations in the United States in 1908.

Plaintiff owned four word-mark registrations and one design-mark registration. When executing the applications for those trademarks, a member of Plaintiff's organization attested that, to the best of his knowledge, no other entity had the right to use a confusingly similar mark.

Plaintiff filed suit against Defendant, asserting trademark infringement and false advertising under the Lanham Act. Defendant counterclaimed, alleging that Plaintiff had committed fraud on the PTO by failing to disclose its knowledge of the presence of other organizations using similar marks in commerce.

Following a three-day bench trial during which the vast majority of testimony related to the histories of the organizations involved, the district court cancelled Plaintiff's four word-mark registrations based on its finding that Plaintiff committed fraud when executing the oath that it was not aware of any other entity's right to use the marks. Specifically, the district court found that Plaintiff as an institution had been aware of the domestic presence of Defendant since as early as 1983 (even though the specific person executing the oath had no such awareness), but failed to disclose that fact in its applications.

ANALYSIS

On appeal, the Eleventh Circuit found clear error in the district court's holding that Plaintiff had committed fraud on the PTO, reversing the cancellation of the four word-mark registrations. Even if Plaintiff had institutional knowledge of Defendant's U.S. presence (which the appeals court said was questionable under the facts), the Eleventh Circuit confirmed that fraud required Defendant to establish that the signatory was (1) personally aware of other organizations using the identical or nearly identical mark, and (2) "knew or believed" those organizations had a superior right to use the mark. Because the declaration

merely required a signatory's good-faith, subjective belief in the truth of its contents, the signatory's subjective good-faith belief in the applicant's superior right to use the mark was sufficient to defeat a claim of fraud—even if that subjective good-faith belief was ultimately wrong. Here, Defendant put forward no evidence to establish that Plaintiff's signatory knew or believed that Defendant had a superior right to use the marks at issue. The Eleventh Circuit found this failure of proof "fatal" to Defendant's fraud claim.

CONCLUSION

This decision affirms that "scienter" or an "intent to deceive" is a necessary element for a claim of fraud on the PTO. Thus, so long as a declarant subjectively believes that no other entity has a superior right to use the mark (and that belief has some reasonable basis), a fraud claim will not stand.

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TTAB Case

In re Apple Inc., Ser. No. 85019762 (TTAB Sept. 18, 2012)

by Brian R. Westley*

CASE SUMMARY

FACTS

Applicant Apple Inc. ("Apple") applied to register a design mark consisting of a double musical note in an orange rectangle for computer software that processes audio content on handheld devices, shown below:



The PTO refused registration based on a likelihood of confusion with a previously registered mark depicting a double musical note over an orange background, covering the provision of access to nondownloadable software for adding music and video profiles on the Internet, and for listening and sharing MP3 and music playlists, shown below:



Applicant appealed to the TTAB.

ANALYSIS

In upholding the PTO's refusal of registration, the TTAB conducted its own likelihood-of-confusion analysis between the marks. While recognizing that the marks were not visually identical, the TTAB emphasized that the proper test is not whether the marks can be distinguished when placed side by side. Rather, the focus must be on the imperfect recollection of the average consumer, which retains a general rather than a specific impression of the marks. In this case, the TTAB emphasized, the standard consumer would recall a musical note in an orange rectangle, not whether the tune was "rising" or "falling," or the exact color or shape of the surrounding design.

In support of its argument that the cited registration was weak and entitled only to a narrow scope of protection, Apple submitted eight third-party registrations for marks using musical notes for various computer programs. Apple did not, however, submit accompanying evidence that these third-party marks were in use or that they had been used so extensively that consumers were conditioned to distinguish

between them based on small differences. Moreover, the TTAB found, Apple's mark and the cited mark were more similar than those in the third-party registrations.

The Board rejected Apple's attempts to distinguish between the parties' products and services, finding that both performed similar functions, namely, controlling digital music. Indeed, the TTAB held, the similarity of the products and services was corroborated by third-party registrations, indicating that such services may originate from the same source.

In arguing that the parties' respective goods and services were not offered under circumstances likely to lead to confusion, Apple asserted that the cited registrant's services of providing software for processing audio were available only through the Internet, whereas Apple's software was tied to handheld electronic devices. Noting that Apple used MP3 technology on its iPod devices and sold audio downloads through its iTunes stores, the TTAB rejected Apple's argument.

In rejecting Apple's argument that consumers would exercise a high degree of care, minimizing potential confusion, the TTAB emphasized that the degree of care exercised in purchasing a mobile electronic device was not necessarily the same as that exercised in purchasing applications for such device, that mobile electronic devices had become ubiquitous, and that the same group of people may be discriminating customers for some purchases and not as discriminating for others.

Finally, the TTAB considered the nature and extent of any actual confusion. Apple asserted that since it began using its double musical note design mark very publicly in 2007, no instances of confusion with the registered mark had been reported. The TTAB, however, stated that an absence of confusion was meaningful only if the registrant's mark was used appreciably and continuously for a significant time in the same markets as those served by the applicant's mark. The TTAB stated that contemporaneous use of Apple's and the registrant's marks for about a four-year period without actual confusion carried little weight.

CONCLUSION

This decision offers further support for the conclusion that it is the imperfect recollection of the average consumer, rather than a side-by-side comparison, that should govern a proper likelihood-of-confusion analysis of design marks.

**Brian R. Westley is a Law Clerk at Finnegan.*

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All You Need Is Love? Beach Boy "Boss" Fires Band's Heart and Soul

by Robert D. Litowitz

"God only knows what I'd be without you" - *God Only Knows*, The Beach Boys

As every Gen X hipster with a turntable and vinyl collection knows, *Pet Sounds* by the Beach Boys is one of Rock and Roll's seminal recordings. And it's equally gospel that the genius behind *Pet Sounds* and the entire Beach Boys oeuvre was, and remains, Brian Wilson. Brian, along with brothers Dennis and Carl, their cousin Mike Love, and pal Al Jardeen, were the surfer dudes in the red and white striped shirts that wowed us on Ed Sullivan and on A.M. radio with hits such as "Fun, Fun, Fun," "I Get Around," "Help Me Rhonda," "Good Vibrations," and other legendary tunes celebrating sports cars, racing, surfing, and adolescence.

But after sailing through the '60s on their golden harmonies, the "Boys" hit some shoals. Brian Wilson battled demons and retreated to his room, eventually inspiring the Barenaked Ladies song "Lying in Bed Just Like Brian Wilson Did." Brian's breakdown was followed by the tragic and untimely deaths of brothers Dennis and Carl. With Brian on "injured reserve" and two other Wilson Boys gone to Rock and Roll Heaven, Mike Love was left to carry the Beach Boys mantle. That he did for several decades, leading makeshift or ramshackle assortments of journeymen in incarnations that were mere shadows of Beach Boy glory. (I once saw the Love-led Beach Boys performing as the opening act for a pro soccer game in D.C. back in 1982—it wasn't a pretty sight.) Also not pretty were the legal wranglings and machinations that accompanied the Brian Wilson/Mike Love schism. After years of internecine infighting, Love apparently wrested control of the "Beach Boys" trademark. The question then loomed: Would Mike share the love and be a benign and beneficent steward of the Beach Boys legacy?

This summer, five decades after the Beach Boys caught their first wave of hits, the answer seemed to be yes. Since last spring, Love, Brian Wilson, and Al Jardeen launched the Beach Boys 50th Anniversary tour. With all the surviving members on hand and in fine form, and backed by a tour de force collection of singers and players (even including one of the Cowsills), the Beach Boys anniversary show transcended nostalgia and kitsch. It featured robust, muscular, and pitch-perfect versions of virtually every Beach Boy classic, as well as a number of credible songs from their new album, "That's Why God Made the Radio."

All was well in Beach Boy land, or so it seemed until last month. In a press release either intentionally or unwittingly timed to coincide with Yom Kippur, the Jewish day of atonement, Mike Love revealed that his reign as keeper of the Beach Boy name would be benign no longer. He announced the firing of Brian Wilson and Al Jardeen from the band. See the full report at:

<http://livemusicblog.com/2012/09/26/mike-love-kicks-beach-boys-out-of-the-beach-boys/>

What this move portends for the Beach Boys remains to be seen. Will the newly reduced ensemble

return to playing Vegas lounges and state fairs? Will the shadows return over the Beach Boys legacy?

One thing is certain. After such a glorious restoration of the Beach Boys to their much-deserved glory this past summer, and after rekindling so much of the goodwill attached to the Beach Boys name, this jaw-dropping and demoralizing move by Love will give him and his management team enough to atone for on subsequent Yom Kippurs for years to come.

QUOTE OF THE DAY: "Love is whatever you can still betray. Betrayal can only happen if you love."

John le Carré

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Beware Solicitations Disguised as Official-Looking Trademark Office Mailings

We have seen an increase lately in the number of solicitations that our clients have received that encourage them to submit payment for what purports to be a trademark-monitoring service or publication in a trademark directory. These communications come from entities that use very official-sounding names, such as "US Trademark Registration Office" or "OHMI Office for International Registration." However, these organizations have no connection whatsoever with the U.S. Patent and Trademark Office, the European Office for Harmonization in the Internal Market (OHIM), or the World Intellectual Property Organization, and are merely solicitations to provide services that the trademark owner likely does not need or already receives from its trademark counsel or other reputable vendors.

Examples of the numerous solicitations that have been received, as well as warnings from the U.S. and EU Trademark Offices, and the World Intellectual Property Organization, can be seen at the following links:

http://www.uspto.gov/trademarks/solicitation_warnings.jsp

http://www.wipo.int/pct/en/warning/pct_warning.html

<http://oami.europa.eu/ows/rw/pages/CTM/feesPayment/warning.en.do>

Should you receive any such solicitations and have any questions as to their legitimacy or status as an official governmental communication, you should contact your trademark counsel promptly. **Do not make any payments to these organizations before doing so.**

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President Obama Signs Trademark Dilution Bill Restoring Limitation to the "Federal Registration" Defense

President Obama has signed into law a bill that amends the Trademark Dilution Revision Act to correct an error that altered the statute's intended meaning. House Resolution 6215, signed on October 5, 2012, restores the limitation of the federal registration defense to claims based only on state law. Due to a clerical error, the defense had been available to both state and federal dilution claims.

The error occurred when the Senate slightly reorganized section 43(c)(6) of the original bill. The wording of the Senate version remained the same as the initial House version, but by reorganizing the sections and including the word "or" before subparagraph (B), the meaning was changed so that federal registration could bar both state and federal dilution actions. The erroneous Senate version became law in 2006.

The consequences of the error became apparent when the TTAB recently granted a respondent's motion to dismiss a petitioner's federal dilution claim in a cancellation action in *Academy of Motion Picture Arts & Sciences v. Alliance of Professionals & Consultants, Inc.*, 104 U.S.P.Q.2d 1234 (TTAB 2012). The petitioner had argued that the Senate reorganization created an "unintended" change to the statute and that Congress clearly meant to retain possible federal dilution claims. The TTAB, however, refused to depart from the revised statutory language, stating: "The Board must apply and enforce the statute as written, rather than picking and choosing a preferred interpretation."

The federal registration defense was initially enacted as part of the Federal Trademark Dilution Act of 1995. It included a complete bar for state dilution claims brought against federally registered marks. In passing the Trademark Dilution Revision Act in 2006, Congress sought to expand the federal registration defense to include all types of state dilution law claims by replacing "dilution" with language barring claims for "dilution by blurring or dilution by tarnishment." The following comparison shows the issue addressed by H.R. 6215:

Trademark Dilution Revision Act section 43(c)(6), as enacted	House version of the bill, restored by H.R. 6215
The ownership by a person of a valid registration . . . shall be a complete bar to an action against that person, with respect to that mark, that-- (A)(i) is brought by another person under the common law or a statute of a State; and (ii) seeks to prevent dilution by blurring or dilution by tarnishment; or (B) asserts any claim of actual likely damage or harm to the distinctiveness or reputation of a mark . . .	The ownership by a person of a valid registration . . . shall be a complete bar to an action against that person, with respect to that mark, that-- (A) is brought by another person under the common law or a statute of a State; and (B)(i) seeks to prevent dilution by blurring or dilution by tarnishment; or (ii) asserts any claim of actual or likely damage or harm to the distinctiveness or

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Summary of the Innovative Design Protection Act of 2012

S. 3523, the Innovative Design Protection Act of 2012, introduced into the Senate on September 10 by Sen. Charles E. Schumer (D-NY), is the latest in a series of efforts by Congress to extend intellectual property protection to fashion designs. On September 20, the Senate Judiciary Committee approved the bill on a voice vote.

S. 3523, like previous fashion design protection efforts from Congress, revises design protection under the Copyright Act, 17 U.S.C. § 1301 et seq., by creating a three-year term of protection for original articles of apparel. Items of apparel that are “substantially identical,” that is, “so similar in appearance as to be likely to be mistaken for the design, and contain only those differences in construction or design which are merely trivial,” would be liable for infringement.

To address concerns raised by the fashion industry and the American Bar Association that application of the “substantially similar” standard would lead to “overreaching” in designers’ enforcement efforts, S. 3523 contains provisions that limit infringement-enforcement options, as well as an exemption for certain website-related activities. Specifically, S. 3523 adds subsection (d) to 17 U.S.C. § 1306, requiring that the “owner of the design shall provide written notice of the design protection to any person the design owner has reason to believe has violated or will violate this chapter.” S. 3523 requires a twenty-one-day waiting period following this written notice before the designer may initiate an infringement action, and any profits sought by the designer would be limited to infringement beginning on the date the infringement action was filed—not the date notice was provided to the alleged infringer.

S. 3523 further allays concerns of “overreach” by providing an exemption from liability to certain “acts of third parties” relating to websites, including “(1) the provision of a telecommunications service, or of an Internet access service or Internet information location tool (as those are defined in section 231 of the Communications Act of 1934 (47 U.S.C. 231)); or (2) the transmission, storage, retrieval, hosting, formatting, or translation (or any combination thereof) of a communication, without selection or alteration of the content of the communications, except that deletion of a particular communication or material made by another person in a manner consistent with section 230(c) of the Communications Act of 1934 (47 U.S.C. 230(c)).”

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