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Note from the Chair

It has been my pleasure serving as the Chairperson of the Computer Law Section this year. I have enjoyed my association with professionals in this field through my involvement with this Section and its Council since 1987. I would like to thank my fellow Council members for all their hard work, as well as their professional guidance. We look forward to welcoming some new members to our Council at our annual meeting, elections and golf outing on September 30. Thank you to Paul Raine for working on that event.

I would also like to thank Matt Jakubowski for his work on the *Michigan Computer Lawyer*, the Section's newsletter, which continues to be a great benefit to our members.

We hope to see you on September 30!

Sandra Franklin, Chairperson, Computer Law Section



Sandy Franklin

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Unless otherwise stated, the views and opinions expressed in the Michigan Computer Lawyer are not necessarily those of the Computer Law Section, or the State Bar of Michigan.



Computer Law Section Survey

Participate to Win \$150

The Computer Law Section of the State Bar of Michigan is conducting its first online, web-based membership survey. The survey is open until September 23, 2005 and all members of the State Bar of Michigan are eligible to participate. One survey participant will win a \$150 gift certificate from COMPUSA. Winner will be chosen at random by an independent observer at the Section's annual meeting on September 30, and notified by e-mail so please be sure to complete the contact information in the last question. Click on the following Survey URL link (or paste it into your browser) to complete the survey: <http://www.hostedsurvey.com/take-survey.asp?c=Comput2005&rc=1> Survey responses will be used internally by the Computer Law Section to improve the quality of Section events and to address members' concerns. For complete survey rules, see the Computer Law Section website at <http://www.michbar.org/computer/>.

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The State of Computer and Internet Law -2005

By: David R. Syrowik

Initially, the U.S. Supreme Court issued its long-awaited decision in the *Grokster* case. In a landmark decision, a unanimous Supreme Court held that distributors of peer-to-peer file sharing software may be liable for inducing copyright infringement even if the software is capable of substantial non-infringing uses under the 1984 “*Betamax*” case. In balancing the rights of the content providers and the rights of the technology providers, Justice Souter explained the rule on inducement of copyright infringement as requiring evidence of active steps taken to encourage direct copyright infringement. Such evidence may include advertising an infringing use or instructing how to engage in an infringing use.

In a pair of U.S. Courts of Appeal cases, the use of the DMCA to prevent the sale of competitive products was hindered. In the *Skylink* case, the U.S. Court of Appeals for the Federal Circuit held that a universal garage opener that allows consumers to bypass the original manufacturer’s access control software does not violate the *Digital Millennium Copyright Act’s* prohibition against trafficking in circumvention devices, absent proof that the access was unauthorized and was reasonably related to rights protected under the Copyright Act.

Likewise, in the *Lexmark* case, the U.S. Court of Appeals for the Sixth Circuit held that a printer manufacturer’s claim that a product that allowed the use of third-party replacement toner cartridges violated the *Digital Millennium Copyright Act’s* anticircumvention provisions may fail because the control measure at issue merely prevents use of the printer without controlling access to the content of the computer program in which the printer maker asserts a copyright interest. The *Lexmark* authentication sequence did not “control access” to the computer program because access was possible by other means.

A number of multi-million dollar damage awards and settlements in computer-related patent cases continued to attract interest. In the case of *Eolas v. Microsoft*, while the U.S. Court of Appeals for the Federal Circuit vacated a judgment based on a jury verdict of \$571 million against Microsoft, the appellate court affirmed the lower court’s interpretation of a key patent term and its finding that the export of patented software components for reassembly abroad could constitute patent infringement.

In the case *NTP v. RIM*, the parties announced that they have settled NTP’s patent infringement suit challenging RIM’s popular BlackBerry wireless handheld communication devices. RIM was to pay NTP \$450 million for an “unfettered right” to continue its BlackBerry-related wireless business, according to a RIM press statement.

Finally, in a trend that bears watching, in the *BrandX* case, the U.S. Supreme Court upheld the Federal Communications Commission’s (FCC) ruling that cable companies providing broadband Internet access did not provide “telecommunications service” as *The Communications Act* defined that term, and thus were exempt from mandatory common-carrier regulation under Title II. The FCC appears ready to make similar rulings with respect to telephone companies.

PATENT

A. CASE LAW

1. U.S. Court of Appeals

- a. *Pivot Point International, Inc. v. Charlene Products, Inc.*, 68 BNA's PTCJ 314

The U.S. Court of Appeals for the Federal Circuit recently held that fact issues as to the credibility of witness testimony should have precluded a summary judgment of invalidity in a patent infringement suit against Microsoft Corp. involving ergonomic keyboards.

- b. *Pellegrini v. Analog Devices, Inc.*, 71 USPQ2d 1630

The U.S. Court of Appeals for the Federal Circuit, in a matter of first impression, held on July 8, 2004 that components manufactured outside the United States and never physically shipped to or from the United States are not "supplie[d] or cause[d] to be supplied in or from the United States" within the meaning of 35 U.S.C. § 271(f)(1), which is properly construed to refer to physical supply of components, not to supply of instructions or corporate oversight.

- c. *NTP, Inc. v. Research in Motion, Ltd.*, 69 BNA's PTCJ 159

The U.S. Court of Appeals for the Federal Circuit held on December 14, 2004 that a district court's ruling was correct as to infringement by the BlackBerry e-mail device. The court concludes that while one component of the accused wireless system was located in Canada, the district court "correctly found infringement under 35 U.S.C. § 271(a)" because "the location of the beneficial use and function of the whole operable system is the United States." However, the court vacates the injunction and damages award due to the district court's flawed reading of the "originating processor" limitation in three of the patents.

- d. *Hoffer v. Microsoft Corp.*, 69 BNA's PTCJ 691

The U.S. Court of Appeals for the Federal Circuit held on April 22, 2005, in a *per curiam* opinion, that "whereby" patent claim clause that states a condition that is material to patentability cannot be ignored to change the substance of the invention. The "whereby" clause limited the claimed method for economic data messaging to interactive messaging. The court reverses the invalidation of that claim for indefiniteness, but affirms the ruling of noninfringement as to that claim on other grounds.

- e. *Eolas Technologies, Inc. v. Microsoft Corp.*, 73 USPQ2d 1782

On March 2, 2005, the U.S. Court of Appeals for the Federal Circuit ruled that a federal district court erred in rejecting validity and enforceability challenges to a Web browser patent (i.e., USPN 5,838,906) that Microsoft was found to have infringed with its Windows and Internet Explorer products. Vacating a judgment based on a jury verdict of \$571 million against Microsoft, the appellate court sends the case back to the district court for an evaluation of obviousness, anticipation, and inequitable conduct issues. However, the Federal Circuit affirms the lower court's interpretation of a key patent term and its finding that the export of patented software components for reassembly abroad could constitute infringement within the meaning of 35 U.S.C. § 271(f).

- f. *NTP, Inc. v. Research in Motion, Ltd.*, 69 BNA's PTCJ 504
 On March 16, 2005, and following a ruling by the U.S. Court of Appeals for the Federal Circuit last December, Research in Motion Ltd. and NTP Inc. announced that they have settled NTP's patent infringement suit challenging RIM's popular BlackBerry wireless handheld communication devices. RIM will pay NTP \$450 million for an "unfettered right" to continue its BlackBerry-related wireless business, according to a RIM press statement. However, at 70 BNA's PTCJ 205, it was later reported that RIM has reached an impasse in finalizing the settlement.
- g. *MercExchange LLC v. eBay, Inc.*, 69 BNA's PTCJ 532
 The U.S. Court of Appeals for the Federal Circuit recently issued a mixed ruling as to the validity and infringement of three patents in a suit against the eBay and Half.com online auction Web sites. The appellate court agreed that one patent was infringed and not invalid for anticipation or obviousness, but it reversed the judgment holding eBay liable for inducing another company to infringe. The patent was directed to a method of using a network of computers to search a "plurality of electronic markets" and does not require that each searched Web site be capable of performing all four functions of buying, selling, searching, and browsing. It then reversed a ruling that a second patent was not invalid for anticipation and vacates a ruling that a third patent fails to meet the written description requirement. Further, it notes that the district court's concern over business-method patents and their validity was not adequate justification for denying the plaintiff a permanent injunction.
- h. *Ayyst Technologies, Inc. v. Emtrak, Inc.*, 69 BNA's PTCJ 567
 The U.S. Court of Appeals for the Federal Circuit held on March 22, 2005 that a patent claim requiring a microcomputer to be "mounted on" a workstation should be given its ordinary meaning of "affixed" or "securely attached," and does not encompass means connected via serial cable, since prosecution history indicates that inventors intended the term "mounted on" to be narrowly limited to structure that is "affixed to," not "adjacent to," object.
2. U.S. District Courts
- a. *IPXL Holdings, LLC v. Amazon.com, Inc.*, 68 BNA's PTCJ 506
 The U.S. District Court for the Eastern District of Virginia held on August 25, 2004 that Amazon.com's "1-Click" system for ordering merchandise does not infringe a patent directed to electronic fund transfers. Granting a summary judgment of non-infringement, the court construes the claims as limited to electronic funds transfer systems like ATM machines, and not covering Amazon's broader streamlined method for electronically ordering goods and arranging for their shipment.
- b. *Harrah's Entertainment, Inc. v. Station Casinos, Inc.*, 71 USPQ2d 1439
 The U.S. District Court for the District of Nevada held on May 11, 2004 that the asserted claims of plaintiff's business method patents for rewarding casino customers' patronage, tracking customers, and making customer data available across multiple casino locations are invalid for indefiniteness under 35 U.S.C. § 112, since invention are predicated on use of claimed "theoretical win profile," but patents fails to disclose method, algorithm, or formula for generating or calculating such profile.

- c. *eSpeed, Inc. v. Brokertec USA LLC.*, 68 BNA's PTCJ 605
The U.S. District Court for the District of Delaware held on September 9, 2004 that a patent on an "[a]utomated auction protocol processor" of transactions involving U.S. Treasury securities covers a business method of trading protocols and is not limited to a "finite state machine." Construing the claims following a hearing pursuant to the Markman ruling, the court rejects the infringement defendant's proposed claim constructions that sought to limit the invention to a machine that processes trading protocols and rules.
- d. *Immersion Corp. v. Sony Computer Entertainment America, Inc.*, 68 BNA's PTCJ 614
A jury for the U.S. District Court for the Northern District of California awarded damages of \$82 million as a reasonable royalty on September 21, 2004 after finding that various Sony PlayStation video game systems infringed two patents (i.e., U.S. Patent Nos. 6,275,213 and 6,424,333) relating to computer-controlled vibrotactile technologies. The plaintiff had also earlier sued Microsoft under the same patents but settled with plaintiff in July, 2003.
- e. *Cornell University v. Hewlett-Packard Co.*, 74 BNA's PTCJ 1559
The U.S. District Court for the Northern District of New York held on March 26, 2005 that the term "instruction," as used in claims for instruction-issuing mechanism for computer processors with multiple functional units, is properly construed in accordance with its ordinary meaning as "an expression that specifies one or more operations and identifies the applicable operands," and claims therefore do not require that instruction be in particular format, since the foregoing definition is supported by contemporaneous technical dictionaries, and doctrine of claim differentiation.
- f. *TeKnowledge Corp. v. Akamai Technologies, Inc.*, 73 USPQ2d 1021
The U.S. District Court for the Northern District of California held on September 11, 2004 that "nonsensical" claim language in a patent directed to technology for accessing Web content over distributed network renders claim invalid, inoperable, and not infringed, even though plaintiff contends that language is the result of typographical error, since strict prohibition against redrafting of claim to change its ordinary meaning prevents court from "correcting" phrase, even though ordinary meaning produces non-sensical result.

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A. CASE LAW

1. U.S. Supreme Court

- a. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 2005 WL 1499402
A unanimous Supreme Court held in a landmark decision on June 27, 2005 that distributors of peer-to-peer file sharing software may be liable for inducing copyright infringement even if the software is capable of substantial non-infringing uses under the 1984 "Betamax" case. Inducement of copyright infringement is a fault-based theory of liability derived from the common law, Justice Souter observed, explaining as follows:

The rule on inducement of infringement as developed in the early cases is no different today. Evidence of 'active steps . . . taken to encourage direct infringement,' . . . such as advertising an infringing use or instructing how to

engage in an infringing use, show an affirmative intent that the product be used to infringe, and a showing that infringement was encouraged overcomes the law's reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use . . .

For the same reasons that Sony took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright. We adopt it here, holding that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties. We are, of course, mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential. Accordingly, just as Sony did not find intentional inducement despite the knowledge of the VCR manufacturer that its device could be used to infringe, . . ., mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability. Nor would ordinary acts incident to product distribution, such as offering customers technical support or product updates, support liability in themselves. The inducement rule, instead, premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.

Thus, where evidence goes beyond a product's characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, Sony's staple-article rule will not preclude liability, according to the Court.

2. U.S. Court of Appeals

a. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 68 BNA's PTCJ 482

The U.S. Court of Appeals for the Ninth Circuit held on August 19, 2004 that notices from copyright owners to developers of peer-to-peer file sharing software used to exchange infringing copies of copyrighted works do not show the kind of "knowledge" needed for contributory infringement liability. Contributory infringement, according to the court, requires the kind of knowledge that the alleged contributory infringer may use to stop infringement before it occurs. Affirming a summary judgment in favor of the defendant software distributors on the claims of contributory and vicarious liability, the court also concludes that the defendants did not materially contribute to the software users' infringement.

b. *Stromback v. New Line Cinema*, 68 BNA's PTCJ 608

The U.S. Court of Appeals for the Sixth Circuit ruled on September 14, 2004 that whether two works are substantially similar should be judged by the two-part extrinsic/intrinsic in *Kobus v. Mariol*, not by the one-part "ordinary observer" test applied by the district court. The court nonetheless affirmed a summary judgment of non-infringement in favor of the producers of the motion picture "Little Nicky."

c. *Compaq Computer Corp. v. Ergonome, Inc.*, 72 USPQ2d 1705

The U.S. Court of Appeals for the Fifth Circuit held on October 5, 2004 that defen-

dant's use of portions of plaintiff's ergonomics teaching text in ergonomics booklet qualifies as fair use, even though such use was commercial in the sense that the accused guide was packaged with every desktop computer sold by defendant, since teaching text is largely factual, and defendant's use had little or no impact on actual or potential market for plaintiff's book.

d. *Bridgeport Music, Inc. v. Dimension Films*, 68 BNA's PTCJ 577

The U.S. Court of Appeals for the Sixth Circuit held on September 7, 2004 that those who own copyrights in sound recordings hold the exclusive right to "sampling" the recordings under Section 114(b) of the Copyright Act. The court's conclusion was based on its reading of Section 114(b) of the Copyright Act, 17 U.S.C. § 114(b). This section, with added emphasis, states:

The exclusive right of the owner of copying in a sound recording . . . is limited to the right to duplicate sound recording in the form of phonorecords or copies that directly or indirectly recapture the actual sounds fixed in the recording. *The exclusive right of the owner of copyright in a sound recording . . . is limited to the right to prepare a derivative work in which the actual sounds fixed in the sound recording are rearranged, remixed, or otherwise altered in sequence or quality . . .*

Under the second sentence of this provision, the court concluded, the owner of a copyright in a sound recording "has the exclusive right to 'sample' his own recording." There is no need for the copyright owner to establish substantial similarity and there is no *de minimis* copying defense with respect to sound recordings, the court ruled. This decision appears to conflict with the Ninth Circuit's ruling in *Newton d/b/a Janew Music v. Diamond*, 349 F.3d 59, 68 USPQ2d 1740 (9th Cir. 2003).

e. *General Universal Systems, Inc. v. Lee*, 68 BNA's PTCJ 392

The U.S. Court of Appeals for the Fifth Circuit held on July 20, 2004 that a software developer failed to present evidence supporting its claims of literal copyright infringement of its freight tracking system because it fails to provide its own source code for a side-by-side comparison.

f. *MyWebGrocer, LLC v. Hometown Info, Inc.*, 68 BNA's PTCJ 360

The U.S. Court of Appeals for the Second Circuit recently held that a district court's finding that the listing of products for an online grocery outlet was probably not copyrightable was premature.

g. *American Library Association v. Federal Communications Commission*, 70 BNA's PTCJ 32

The U.S. Court of Appeals for the District of Columbia held on May 6, 2005 that the Federal Communications Commission lacks the authority to mandate design changes in consumer electronics that affect how those devices handle digital TV broadcasts after they are received. The ruling reverses and vacates an FCC rule that would have required makers of digital video recorders and other devices capable of receiving digital over-the-air TV broadcasts to implement a form of anti-piracy technology favored by the motion picture industry.

h. *Microsoft v. MBC Enterprises*, 73 USPQ2d 1505

The U.S. Court of Appeals for the Tenth Circuit held on December 29, 2004 that

- genuine issues of material fact preclude summary judgment for plaintiff on claim that defendants obtained and resold counterfeit copies of plaintiff's computer software from their supplier, since defendant company's manager testified that he personally inspected authenticity of all software purchased, and that company purchased no counterfeit software from supplier, and since no counterfeit software was found during search of defendant company's offices.
- i. *ATC Distribution Group, Inc. v. Whatever It Takes Transmissions & Parts, Inc.*, 69 BNA's PTCJ 592
The U.S. Court of Appeals for the Sixth Circuit recently held that a scheme for assigning catalog numbers to automobile transmission parts is insufficiently original for copyright protection.
 - j. *Skylink Technologies, Inc. v. Assurance Company of America*, 69 BNA's PTCJ 571
The U.S. Court of Appeals for the Seventh Circuit held on March 11, 2005 that a complaint by a garage-door-opener maker challenging a competitor's claim that its remote controls are compatible with the manufacturer's technology is not covered under an advertising injury insurance policy.
 - k. *Krause v. Titleserv, Inc.*, 69 BNA's PTCJ 536
The U.S. Court of Appeals for the Second Circuit held on March 21, 2005 that formal title to a copy of a computer program is not required to assert the adaptation defense given to the owner of a copy by Section 117 of the Copyright Act. The court acknowledged that Section 117 as enacted provides that it is not an infringement "for the owner of a copy" of a program to make an adaptation of that program. However, as originally proposed in 1978 by the Commission on New Technological Uses of Copyrighted Works, the language referred to the "rightful possessor of a copy," which Congress changed without explanation. Here, defendant's modification of source code in computer programs that plaintiff placed on defendant's servers qualified as "essential step[s] in the utilization of the computer program[s] in conjunction with a machine" within the meaning of 17 U.S.C. § 117(a)(1), since modification was necessary to keep software in step with changes in defendant's business.
3. U.S. District Courts
 - a. *PracticeWorks, Inc. v. Professional Software Solutions of Illinois, Inc.*, 68 BNA's PTCJ 391
A federal district court in Maryland held on June 23, 2004 that the copyright infringement exception at Section 117(c) of Title 17 only permits the loading of software to repair the machine into which it is loaded, not to repair the software itself.
 - b. *Perfect 10, Inc. v. Visa International Services Association*, 68 BNA's PTCJ 439
The U.S. District Court for the Northern District of California held on August 5, 2004 that credit card processors are not contributorily liable for alleged copyright infringement that occurs on Web sites that use their services because payment processing does not directly assist copying or distribution.
 - c. *Elektra Entertainment Group, Inc. v. Doe*, 69 BNA's PTCJ 5
A federal district court in Pennsylvania recently issued an order allowing the record industry to issue subpoenas to the University of Pennsylvania's Internet service

providers for the purpose of identifying the “John Doe” defendants whom it has sued for infringement in connection with their alleged peer-to-peer file sharing of copyrighted music. The order requires the ISPs to give the defendants notice of the subpoenas indicating that they may challenge them.

- d. *Twentieth Century Fox Film Corp. v. Doe*, 69 BNA’s PTCJ 111
A federal district court in California recently held that it was inappropriate for movie studios to group a dozen unnamed defendants into one suit challenging the online distribution of movies when there was no showing that the alleged infractions were somehow related.
- e. *Zimmer v. Cooper Neff Advisors, Inc.*, 72 USPQ2d 1287
A federal district court in Pennsylvania held on September 23, 2004 that an injunction prohibiting defendant hedge fund operator from using allegedly infringing computer model would cause defendant irreparable harm and is therefore denied, since model is used to manage strategy that is a critical component of hedge fund and that accounts for approximately 50 percent of investments in fund, and since, without model, strategy cannot be maintained.
- f. *Logicom Inclusive, Inc. v. W.P. Steward & Co.*, 72 USPQ2d 1632
A federal district court in New York held on August 10, 2004 that plaintiff software company is the proper “author” of computer programs at issue, even though company was dissolved when programs were created and when their copyrights were registered, since, once individual plaintiffs learned of dissolution, they took proper course of action to have it annulled, and annulment therefore should have retroactive effect, such that plaintiff corporation was legal entity capable of authoring and owning copyrights.
- g. *Atari, Inc. v. 321 Studios, a/k/a 321 Studios, LLC*, 68 BNA’s PTCJ 439
Software developer 321 Studios has closed its doors, just days after agreeing to a preliminary injunction that barred the company from selling a program used to copy video games.
- h. *In re Napster, Inc. Copyright Litigation*, 70 BNA’s PTCJ 66
The U.S. District Court for the Northern District of California held on May 11, 2005 that the ART Act’s prohibition on “making available” an as-yet-unreleased movie or song on the Internet should not be interpreted to mean that Congress amended the definition of “distribution.” As further reported at 70 BNA’s PTCJ 145, the court later ruled that making an index of songs available online is not an infringement of the record companies’ distribution right, absent actual dissemination of copies of songs. Neither the Copyright Act nor the recently enacted Artists’ Rights and Theft Prevention Act supports the view that a mere offer to distribute a copyrighted work violates the distribution right, the court holds, granting the defendants’ motion for summary judgment on this issue.
- i. *Ross, Brovins & Oehmke v. Lexis/Nexis*, 69 BNA’s PTCJ 412
On January 31, 2005, the U.S. District Court for the Eastern District of Michigan held that software templates that prompt users to input information for completing standard legal contracts are uncopyrightable because the dialog boxes are essentially

“blank forms.” Defendant Lexis/Nexis contracted with plaintiff Ross, Brovins & Oehmke, d/b/a LawMode, to create templates for the automated completion of legal forms published by the Michigan State Court Administrative Office. To create the templates, LawMode used a computer program called HotDocs Pro, developed by Lexis/Nexis. The templates prompted users for information through a series of dialog boxes and then generate a signature-ready document. LawMode created more than 500 automated legal forms for Lexis/Nexis, but eventually Lexis/Nexis terminated the agreement and began offering its own product. LawMode sued Lexis/Nexis for, among other things, copyright infringement.

- j. *Shady Records, Inc. v. Source Enterprises, Inc.*, 69 BNA's PTCJ 319
The U.S. District Court for the Southern District of New York recently held that a music news Web site's publication of early unpublished songs by rap artist Eminem may be protected under the fair use defense to copyright infringement. While granting summary judgment in the plaintiff's favor with respect to numerous other defenses, the court finds sufficient merit to the Web site's fair use argument to preserve that issue for trial.
- k. *Evolution, Inc. v. SunTrust Bank*, 342 F.Supp.2d 943
On October 29, 2004, the U.S. District Court for the District of Kansas held that a former licensee's incidental copying of the database owner's source code to extract its own data from the work is permitted under principles of fair use.
- l. *Webloyalty.com Inc. v. Consumer Innovations LLC*, 73 USPQ2d 1998
The U.S. District Court for the District of Delaware held on January 13, 2005 that infringement defendant is not entitled to summary judgment that doctrines of merger or scenes-a-faire preclude plaintiff from claiming copyright protection for language on its “sell page” used in marketing online membership clubs to consumers, since examples of sell pages in evidence clearly show that there are other ways to express ideas of offering incentive for joining membership club and informing readers how to join.
- m. *In re Literary Works in Electronic Databases Copyright Litigation*, 69 BNA's PTCJ 592
In the U.S. District Court for the Southern District of New York, electronic publishers and database companies will pay up to \$18 million to freelance writers for the reuse of their works in databases, under a proposed settlement of their copyright dispute.

TRADEMARKS

A. CASE LAW

- 1. U.S. Supreme Court
 - a. *KP Permanent Make-up, Inc. v. Lasting Impression, Inc.*, 69 BNA's PTCJ 132
The U.S. Supreme Court recently held that a party raising the affirmative defense of fair use to a claim of trademark infringement does not have to negate any likelihood of consumer confusion about the origin of the goods or services affected. While reversing a contrary ruling by the Ninth Circuit, the court also says that confusion may be relevant in assessing fair use.

2. U.S. Court of Appeals

a. *Playtex Products, Inc. v. Georgia-Pacific Corp.*, 69 BNA's PTCJ 139

The U.S. Court of Appeals for the Second Circuit recently held that an Internet search engine confused the terms "Wet Ones" and "Moist-Ones" with regard to moistened towelettes is not evidence of actual consumer confusion regarding the two terms, concluding that there is no likelihood of confusion.

b. *Board of Directors of Sapphire Bay Condominium West v. Simpson d/b/a/ North American Alliance for Corporate Management*, 70 BNA's PTCJ 67

The U.S. Court of Appeals for the Third Circuit held on May 2, 2005 that the use of the condo community's name in URL for a gripe site upheld as infringing, dilution.

c. *Gator.com Corp. v. L.L. Bean, Inc.*, 73 USPQ2d 1795

On February 15, 2005, the U.S. Court of Appeals for the Ninth Circuit held that action for declaratory judgment that plaintiff's practice of placing pop-up ads on defendant's Web site does not constitute trademark infringement, trademark dilution, or unfair competition is rendered moot by settlement agreement executed by parties after suit was dismissed for lack of personal jurisdiction, even though one term of agreement requires plaintiff to pay \$10,000 to defendant if latter party prevails on appeal.

d. *Bosley Medical Institute v. Kremer*, 69 BNA's PTCJ 586

The U.S. Court of Appeals for the Ninth Circuit held on April 4, 2005 that criticizing a trademark owner's services through a Web site that incorporates the mark as a domain name does not give rise to trademark infringement or dilution liability. Affirming a district court's summary judgment in favor of the Web site creator on trademark infringement and dilution claims, the court says that expressing an opinion about goods or services is not an actionable "use" of the trademark in connection with those goods or services. Trademark law is not designed to "shield" a trademark owner from criticism nor act as a "sword" to silence unwanted speech, the court rules, rejecting contrary reasoning in the *PETA* domain name case. The Ninth Circuit, however, reverses the lower court's ruling of summary judgment on a cybersquatting claim, ruling that a claim under the Anticybersquatting Consumer Protection Act does not require a demonstration of "commercial use."

2. U.S. District Courts

a. *Microsoft Corp. v. Lindows.com, Inc.*, Case No. C01-2115C

Microsoft Corp. agreed to pay \$20 million to Lindows, Inc. to settle a trademark battle launched by Microsoft, a deal that will lead to Lindows changing its name. Lindows sells a version of the Linux operating system for personal computers. Microsoft sued the San Diego company in the Western District of Washington in December 2001, arguing that the term Lindows violated Microsoft's trademarks on Windows software. But Lindows argued that the term Windows is a generic expression for work spaces on a computer display and shouldn't be afforded trademark protection. In a key ruling in February, a federal judge sided with Lindows on a key point – that the issue of whether the term Windows is generic should be based on the term's usage in 1985, before Microsoft spent billions of dollars popularizing its brand.

- b. *Government Employees Insurance Co. v. Google, Inc.*, 68 BNA's PTCJ 509
The U.S. District Court for the Eastern District of Virginia recently held that an allegation that the defendant's search engine used a mark as a keyword to trigger displays of online advertising is an allegation of "use in commerce" sufficient for a *prima facie* trademark infringement claim.
- c. *Phillip Morris USA, Inc. v. Otamedia, Ltd.*, 68 BNA's PTCJ 550
The U.S. District Court for the Southern District of New York held on August 19, 2004 that the transfer of a domain name registration was an appropriate remedy against an Internet merchant that failed to comply with an order to stop selling gray-market cigarettes, even though no claims of cybersquatting were asserted against the defendant.
- d. *Government Employees Insurance Co. v. Google, Inc.*, 69 BNA's PTCJ 186
A federal district court in Virginia recently held that sponsored Web links that display "Geico" violate the Lanham Act, but there is insufficient evidence to show that use of "Geico" as a keyword to trigger a sponsored link unadorned by the mark is likely to cause confusion. Granting in part the popular search engine Google's motion for judgment as a matter of law, the court concludes that survey evidence has failed to establish that consumers were confused by sponsored links that do not display Geico's mark.
- e. *Pure Imagination, Inc. v. Pure Imagination Studios, Inc.*, 72 USPQ2d 1432
A federal district court in Illinois held on September 29, 2004 that an infringement defendant cannot benefit from earlier third-party registrations of "pureimagination.com" Internet domain name in order to establish prior use of disputed "Pure Imagination" mark, since mere registration of the domain name does not constitute "use" for purpose of acquiring trademark priority, and there is no evidence that third parties used "pureimagination.com" as trademark.
- f. *Bijur Lubricating Corp. v. Devco Corp.*, 332 F.Supp.2d 722
The U.S. District Court for the District of New Jersey recently held that defendant was entitled to inform potential customers that its non-plaintiff-made parts replaced plaintiff parts and that the website of the defendant clearly expressed that products manufactured by a number of companies were available for sale. The District Court further found that there was nothing inherently misleading about the use of the plaintiff's name in this context and that the defendant was allowed to inform customers through its website that it sold replacement parts for plaintiff parts, whether directly or through meta-tags. Thus, the District Court concluded that defendant's use of plaintiff's mark did not create a likelihood of confusion.
- g. *InterState Net Bank v. NetB@nk, Inc. a/k/a NetBank, Inc.*, 69 BNA's PTCJ 273
The U.S. District Court for the District of New Jersey recently held that an Internet domain name registration is not a tangible asset sufficient to save the validity of an otherwise improper assignment in gross of a registered trademark. Ordering cancellation of the mark, the court says that the assignor's and assignee's businesses were not substantially similar as required to uphold a trademark assignment without the transfer of assets.

- h. *Knight-McConnell v. Cummins*, 68 BNA's PTCJ 515
The U.S. District Court for the Southern District of New York held on September 3, 2004 that a link from a gripe site to a trademark owner's site was unlikely to cause confusion.
- i. *Batesville Services, Inc. v. Funeral Depot, Inc.*, 69 BNA's PTCJ 202
The U.S. District Court for the Southern District of Indiana held on December 24, 2004 that "thumbnail" photos used as links are not a transformative use. The defendant not only created a link, but then insinuated itself into the business operations of the host site.
- j. *Google, Inc. v. American Blind & Wallpaper Factory, Inc.*, 69 BNA's PTCJ 594
The U.S. District Court for the Northern District of California held on March 30, 2005 that sponsored links triggered to appear when a user searches for a rival's trademark are a use in commerce of the mark that supports claims for trademark infringement and dilution.
- k. *Coca-Cola Co. v. Purdy*, 74 USPQ2d 1048
The U.S. District Court for the District of Minnesota held on January 28, 2005 that plaintiffs are entitled to summary judgment and issuance of permanent injunction prohibiting defendants from using, owning, holding, or trafficking in infringing Internet domain names, since defendants registered domain names with bad-faith intent to profit by tarnishing and diluting plaintiffs' trademarks, and by misappropriating good will associated with marks in order to promote defendants' messages.
- l. *Marvel Enterprises, Inc. v. NCSoft Corp.*, 74 USPQ2d 1303
The U.S. District Court for the Central District of California held on March 9, 2005 that plaintiff owners of comic book characters have failed to state claim against computer game defendants for contributory or vicarious infringement of registered trademarks in character names, or common law trademarks in "Captain America" character itself, since plaintiffs have not alleged that game players are using these names or images in commerce or in connection with the sale or advertising of goods.

U.S. PATENT AND TRADEMARK OFFICE

- a. *In re Dell, Inc.*, 71 USPQ2d 1725
The Trademark Trial and Appeal Board held that a Web site page that displays product and provides means of ordering product can qualify as "display associated with the goods" within the meaning of 37 C.F.R. § 2.56 and 15 U.S.C. § 1127, provided the mark appears on a Web page in a manner that associates the mark with the goods, since Web pages that display goods and their trademarks and provide for online purchase of such goods are not merely advertising, in that they provide a link for ordering as well as showing the goods and features thereof.
- b. *In re Eddie Z's Blinds and Drapery, Inc.*, 74 USPQ2d 1037
The Trademark Trial and Appeal Board held on February 28, 2005 that the proposed mark "Blindsanddrapery.com" is a generic term for selling of blinds, draperies, and related items, since third-party registrations, article excerpts, and Web pages in record show that "blinds and drapery" is a term used as a name or designation for class of

products, and that it is used by many businesses to indicate that they make or sell blinds, drapery and other “window treatments.”

TRADE SECRETS, TRADE DRESS

A. CASE LAW

1. U.S. Court of Appeals

a. *Gateway, Inc. v. Companion Products, Inc.*, 68 BNA's PTCJ 579

The U.S. Court of Appeals for the Eighth Circuit held on September 13, 2004 that the black-and-white cowhide design for Gateway computer packaging is non-functional and, thus entitled to protection as trade dress.

b. *Jerome Stevens Pharmaceuticals, Inc. v. Food & Drug Administration*, 74 USPQ2d 1451

The U.S. Court of Appeals for the District of Columbia held on April 8, 2005 that plaintiff sufficiently alleged independent injury caused by the U.S. Food and Drug Administration's disclosure of trade secrets contained in plaintiff's new drug application, since complaint alleges that the FDA posted proprietary information from plaintiff's NDA on FDA's Web site, and that such disclosure caused plaintiff “substantial and irreparable injury,” and caused plaintiff to lose protection for its property interest in confidences unlawfully disclosed.

c. *Creative Computing v. Getloaded.com, LLC*, 306 F.3d 930

The U.S. Court of Appeals for the Ninth Circuit recently upheld the trial court's determination that defendant had violated the Idaho Trade Secrets Act and the Computer Fraud and Abuse Act and the trial court's assessment of exemplary damages due to the willful conduct of the defendant, as well as fees and sanctions. The plaintiff developed a Web site that matched truck loads with trucks. The site features a “radius search” that allowed drivers to find all available loads in any specified geographic radius. Plaintiff prohibited access to its site by competing services. Defendant set up a similar Web site and used the login name and password of a defendant subscriber to gain access to the Web site of the plaintiff. Defendant further registered a defunct company as a subscriber to plaintiff's Web site, which allowed defendant to have access to all of the information available to plaintiff's *bona fide* customers. Defendant also hacked the plaintiff's Web site and examined the source code for the radius search feature. In addition, defendant hired away one of plaintiff's employees. While still working for the plaintiff, this employee accessed confidential customer data and later provided that information to defendant.

2. State Court

a. *Apple Computer, Inc. v. Doe*, 69 BNA's PTCJ 506

A California state court held on March 11, 2005 that neither the First Amendment nor California's shield law for journalists bars discovery of the identities of persons who allegedly misappropriated Apple Computer's trade secrets by leaking them to several Apple-oriented bloggers.

b. *Paramanandam v. Herrmann*, 70 BNA's PTCJ 116

The Indiana Court of Appeals held on May 24, 2005 that information contained on a Web site and domain names are not protectable as trade secrets.

TELECOMMUNICATIONS, JURISDICTION

A. CASE LAW

1. U.S. Supreme Court

a. *FCC v. Brand X Internet Services*, 2005 WL 1498860

In a 6-3 decision, the Supreme Court held on June 27, 2005 that the Federal Communications Commission's (FCC) ruling that cable companies providing broadband Internet access did not provide "telecommunications service" as Communications Act defined that term, and thus were exempt from mandatory common-carrier regulation under Title II, was permissible construction of Act. The case involved Brand X Internet LLC, a tiny California Internet provider, which challenged a 2002 FCC ruling that cable companies aren't required to share their lines with other Internet providers because cable Internet is classified by the FCC as an "information service" and not a "telecommunications service." An information service is subject to fewer and looser regulations by the FCC, and isn't required to share its lines. Telecommunications services—phone companies—are required to share their lines with other service providers.

2. U.S. Court of Appeals

a. *Schwarzenegger v. Fred Martin Motor Co.*, 71 USPQ2d 1721

The U.S. Court of Appeals for the Ninth Circuit held on June 30, 2004 that an Ohio defendant in a right of publicity action is not subject to specific personal jurisdiction in California under "effects test," since defendant published advertisement containing plaintiff's photograph in an Ohio newspaper for purpose of enticing Ohioans to buy or lease cars, and advertisement was never circulated in California.

b. *Commissariat à L'Energie Atomique v. Chi Mei Optoelectronics Corp.*, 69 BNA's PTCJ 294

The U.S. Court of Appeals for the Federal Circuit recently held that a Taiwanese maker of liquid crystal displays may be subject to federal jurisdiction in a patent infringement suit in Delaware even if the company does not transact business in that state. Vacating the suit's dismissal for lack of personal jurisdiction and remanding the case for jurisdictional discovery, the appellate court holds the evidence of such "additional conduct" as the existence of marketing arrangements and a Web site serving the forum state may be sufficient to establish the minimum contacts required for personal jurisdiction.

c. *Trintec Industries, Inc. v. Pedre Promotional Products, Inc.*, 69 BNA's PTCJ 297

The U.S. Court of Appeals for the Federal Circuit recently held that a case alleging infringement of clock face patents must be remanded to see if Internet ads and sales warrant jurisdiction.

3. U.S. District Courts

a. *NeoMedia Technologies, Inc. v. AirClic, Inc.*, 71 USPQ2d 1186

The U.S. District Court for the Northern District of Illinois held on April 15, 2004 that defendant Delaware Corporation is not subject to personal jurisdiction in Illinois infringement suit, even though defendant maintains a "hybrid" Web site that allows exchange of information between user and company, since the site is more akin

to advertisement for defendant's products and services, as opposed to a "portal" site that has a much greater degree of interactivity.

- b. *Bobby Co. v. Luvee Products Corp.*, 72 USPQ2d 1577
A federal district judge in Colorado held on May 25, 2004 that a New York defendant in action for infringement and unfair competition is not subject to personal jurisdiction in Colorado, even though defendant operates moderately "interactive" Web site that is accessible nationwide, and through which orders may be placed from all states including Colorado, since mere ability of Colorado residents to order products from defendant's site does not warrant the conclusion that defendant has purposefully directed its activities toward Colorado.
- c. *DakColl, Inc. v. Grand Central Graphics, Inc.*, 73 USPQ2d 1873
The U.S. District Court for the District of North Dakota held on January 20, 2005 that a Web site operated by defendant Minnesota corporation supports exercise of personal jurisdiction over defendant in infringement action brought in North Dakota, since site offers very high degree of interactivity, in that site solicits users outside Minnesota to purchase goods, and allows users to browse through defendant's embroidery designs and place orders via the Internet.
- d. *Bible & Gospel Trust v. Wyman*, 74 USPQ2d 1217
The U.S. District Court for the District of Minnesota held on January 31, 2005 that it does not have specific personal jurisdiction over Canadian defendant in action for copyright infringement and business interference, even though defendant operated Web site that allowed users in forum state to exchange information with host computer, since there was not commercial activity connected with the site, and its contents were not specifically directed to Minnesota residents.

DIGITAL MILLENNIUM COPYRIGHT ACT

A. CASE LAW

1. U.S. Court of Appeals
 - a. *Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, 68 BNA's PTCJ 531
The U.S. Court of Appeals for the Federal Circuit held on August 31, 2004 that a universal garage opener that allows consumers to bypass the original manufacturer's access control software does not violate the Digital Millennium Copyright Act's prohibition against trafficking in circumvention devices, absent proof that the access was unauthorized and was reasonably related to rights protected under the Copyright Act. Affirming a summary judgment for the defendant, the court, in a case of first impression, explains that the statute did not create a new property right, but rather it introduces new liability for the unauthorized access of copyright material. Thus, the court notes, the statute clearly requires plaintiffs to prove that those circumventing their access control measures did so without authorization and in a manner that infringes a protected copyright.
 - b. *Lexmark International, Inc. v. Static Control Components, Inc.*, 68 BNA's PTCJ 720
The U.S. Court of Appeals for the Sixth Circuit held on September 26, 2004 that a printer manufacturer's claim that a product that allowed the use of third-party replacement toner cartridges violated the Digital Millennium Copyright Act's anticircumvention provisions may fail because the control measure at issue merely pre-

vents use of the printer without controlling access to the content of the computer program in which the printer maker asserts copyright interest. Vacating a preliminary injunction and remanding the case for further factfinding, the court concludes that a program installed on a printer whose code could be easily read by a user is not subject to any access controls. The court faulted the district court's conclusion that the TL program was copyrightable because it could be written in a number of different ways. The district court improperly declined to consider whether external factors limited the number of forms that the program could take. Although Lexmark's expert offered some alternatives to the TL program, they were not enough to show that the program is expressive. The appellate court remanded the case for the district court to decide originality under the proper standards. The court also found that the district court erred in finding that the defendant's chip circumvented a technology controlling access to a copyrighted work in violation of the DMCA. The Lexmark authentication sequence did not "control access" to the computer program because access was possible by other means. The authentication sequence, it is true, may well block one form of "access" – the "ability to . . . make use of" the Printer Engine Program by preventing the printer from functioning. But it does not block another relevant form of "access" – the "ability to [] obtain" a copy of the work to "make use of" the literal elements of the program (its code). Because the statute refers to "control[ling] to a work protected under this title," it does not naturally apply when the "work protected under this title" is otherwise accessible. Just as one would not say that a lock on the back door of a house "controls access" to a house whose front door does not contain a lock and just as one would not say that a lock on any door of a house "controls access" to the house after its purchaser receives the key to the lock, it does not make sense to say that this provision of the DMCA applies to otherwise-readily-accessible copyrighted works.

- c. *Rossi v. Motion Picture Association of America, Inc.*, 69 BNA's PTCJ 133
The U.S. Court of Appeals for the Ninth Circuit recently held that the "good faith belief" of infringement required under the Digital Millennium Copyright Act to justify "take down" of an offending Web site is a subjective standard as a matter of first impression. Affirming a summary judgment against a Web site operator who challenged the shutdown of its movie-related site, the court rejects the contention that the association representing the copyright owners is required to conduct an objective investigation to determine whether the site provides a source for the downloading of their copyrighted movies.
- d. *Recording Industry Association of America v. Charter Communications, Inc.*, 73 USPQ2d 1339
On January 4, 2005, the U.S. Court of Appeals for the Fifth Circuit held that subpoenas authorized by 17 U.S.C. § 512(h) were improperly issued to an Internet service provider that acted solely as "conduit" for transmission of material by ISP subscribers using peer-to-peer file-sharing software to exchange files stored on their personal computers.

2. U.S. District Courts

- a. *Perfect 10, Inc. v. CC-Bill, LLC*, 68 BNA's PTCJ 382
The U.S. District Court for the Central District of California held on June 22, 2004 that a company that provides billing or age-verification services for an adult-content

Web site is eligible for the Digital Millennium Copyright Act's infringement liability safe harbors for providers of transitory digital network communications services. Granting in part and denying in part four motions for summary judgment for the defendants, the court concludes that the safe harbors protect service providers from infringement claims under the federal racketeering law.

- b. *Online Policy Group v. Diebold, Inc.*, 68 BNA's PTCJ 642
A federal district court in California recently ruled that takedown notices sent by a voting machine manufacturer challenging electronic mail messages that question the reliability of the machines constitute a material misrepresentation under the Digital Millennium Copyright Act's prohibition at 17 U.S.C. § 512(f) against false claims of copyright infringement. Granting a summary judgment under Section 512(f) for the plaintiffs who posted the e-mails, the court says that the voting machine maker never identified any e-mails that contain copyrighted content. The court also rules as a matter of first impression that the text of the DMCA is clear enough to establish its own standard regarding when takedown notices contain material misrepresentations.
- c. *Davidson & Associates v. Internet Gateway*, 68 BNA's PTCJ 628
A federal district court in Missouri recently held that software for playing video games online violates the DMCA where it fails to block access to users of unauthorized copies.
- d. *Schiffer Publishing, Ltd. v. Chronicle Books, LLC*, 69 BNA's PTCJ 70
A federal district court in Pennsylvania recently held that for liability under the DMCA prohibition against the removal of CMI, a defendant must have removed the information from the area around the work.
- e. *DirecTV v. Borom*, 69 BNA's PTCJ 282
The U.S. District Court for the Northern District of Illinois recently held that intercepting satellite signals is a DMCA violation.
- f. *Agfa Monotype Corp. v. Adobe Systems, Inc.*, 69 BNA's PTCJ 293
A U.S. District Court in Illinois recently held that a digitally embedded description of the terms under which a copyrighted typeface font is licensed is not a technological measure protected from circumvention under the Digital Millennium Copyright Act. Denying the plaintiff's motion for summary judgment, the court explains that the embedded license information accompanying the plaintiff's fonts did not "effectively control" access or use of the fonts, as required under the DMCA's Section 1201(a) access control and Section 1201(b) rights control provisions. The plaintiff's fonts were not encrypted, or otherwise scrambled, were not protected by an authorization mechanism, and they can be accessed regardless of their embedded use permissions.
- g. *Corbis Corp. v. Amazon.com Inc.*, 69 BNA's PTCJ 243
The U.S. District Court for the Western District of Washington recently held that without evidence that an online service provider permitted third-party vendors to operate on its site in the face of blatant evidence of deliberate copyright infringement, a copyright owner cannot establish that the service provider had knowledge of infringement that it did not take action against. Ruling on several motions for summary judgment, the court determines that Amazon.com Inc. had met the re-

quirements to qualify for a safe harbor under the Digital Millennium Copyright Act with regard to its zShops third-party vendor site.

- h. *Storage Tech Corp. v. Custom Hardware Engineering Consulting, Inc.*, 68 BNA's PTCJ 363
The U.S. District Court for the District of Massachusetts held on July 27, 2004 that where the circumvention results in copyright infringement, then the reverse engineering exemption of the DMCA does not apply. Here, the copying of maintenance code into the RAM of the defendant's access device constituted infringement and thus precluded the application of the reverse engineering exemption.
- i. *Recording Industry Association of America v. University of North Carolina at Chapel Hill*, 74 USPQ2d 1661
The U.S. District Court for the Middle District of North Carolina held on April 14, 2005 that subpoena power conferred on copyright owner by the Digital Millennium Copyright Act in 17 U.S.C. § 512 (h) does not apply to Internet service providers that merely allow information to pass through their systems between users, as described in Section 512(a), since Section 512(h) requires a copyright owner to provide copy of notification described in Section 512(c)(3)(A), which relates solely to three categories of service providers that serve as more than mere conduits.

DILUTION, FALSE ADVERTISING, FIRST AMENDMENT FREE SPEECH, DEFAMATION

A. CASE LAW

1. U.S. Court of Appeals
 - a. *Nissan Motor Co. v. Nissan Computer Corp.*, 68 BNA's PTCJ 463
The U.S. Court of Appeals for the Ninth Circuit held on August 6, 2004 that any commercial use of a mark after it becomes famous is arguably a diluting use that fixes the time by which famousness is to be measured under the Federal Dilution Act. Reversing a summary judgment for Nissan Motor Co. and remanding the case to determine whether the "Nissan" mark was famous in 1991 when the defendant first used "Nissan Computer Corp.," the court faults the lower court for measuring the mark's fame from the 1994 date that the mark was used on an offending domain name.
 - b. *New Sensor Corp. v. CE Distribution LLC.*, 74 USPQ2d 1062
In an unpublished opinion, the U.S. Court of Appeals for the Second Circuit held on December 23, 2004 that the district court properly granted summary judgment for defendants on a claim that their use of "Svetlana" name for vacuum tubes on their Web site constitutes false advertising, since plaintiff failed to raise genuine issue as to whether defendants' statement about "Svetlana" tubes on the site is likely to deceive or confuse consumers into believing that tubes manufactured in "Svetlana" factory and sold by defendants are only genuine "Svetlana" tubes sold in the United States.
2. U.S. District Courts
 - a. *Sony Music Entertainment, Inc. v. Does 1-40*, 68 BNA's PTCJ 412
The U.S. District Court for the Southern District of New York held on July 26, 2004 that the use of peer-to-peer networks to anonymously trade sound recordings qualifies as a form of protected speech, but that protection is "limited" and subject to the copyright owner's legitimate need to discover who is infringing its works. Denying a

motion to quash a subpoena served on various Internet providers, the court develops a multi-factor balancing test to weigh the free speech concerns of the anonymous file sharer against the copyright owner's need for disclosure.

b. *Doe v. Ashcroft*, 334 F.Supp.2d 471 (S.D.N.Y. 2004)

A federal court in New York ruled that an important part of the Patriot Act that compels communications companies as well as credit and financial institutions to produce customers records is unconstitutional. The 120-page opinion by U.S. District Judge Victor Marrero – laced with criticism of the Patriot Act, an antiterrorism measure rushed through Congress after the September 11, 2001 terror attacks – said the “compulsory, secret and unreviewable production of information” violates the Constitution’s bar against unreasonable searches and seizures and its guarantee of free speech. The case took aim at a provision of the Patriot Act that compels Internet service providers, telephone companies, and credit-card companies, banks and even casinos to produce customer records that the FBI certifies are “relevant” to a terrorism investigation. Under the law, the FBI can issue, with the approval of a court, a National Security Letter demanding information.

2. State Court

a. *Ben-Tech v. Mayer*, 2005 Mich. App. Lexis 32

In an unpublished opinion, on January 11, 2005, the Michigan Court of Appeals, in a case of first impression, reversed a circuit court which had ruled that plaintiffs’ allegations of Internet publication to the world failed to meet the requirement that the publication element of defamation be pleaded with specificity. The court stated that publication via a mass media source such as the Internet suffices to meet the publication element in the defamation context. In January of 2002, defendant Donald O. Mayer, an Oakland University professor, posted his student’s paper (entitled “Ethics Paper”) on Mayer’s OU website, as an example for other students. Defendant Mayer deleted the student-authors’ names before posting it, but did not redact or edit the paper. Kaczor’s paper discussed his real-life employment experiences with plaintiff Ben-Tech (which is in the business of designing and marketing automation systems to industrial clientele).

ANTITRUST, CONTRACTS & LICENSING

A. CASE LAW

1. U.S. Court of Appeals

a. *Telecom Technical Services, Inc., v. Rolm Co.*, 73 USPQ2d 1001

On October 21, 2004, the U.S. Court of Appeals for the Eleventh Circuit held that defendant’s refusal to sell patented parts for its private branch exchange products to independent service organizations, without letter of agency from PBX customer authorizing ISO to order part on customer’s behalf, does not constitute exclusionary conduct in violation of the Sherman Act; defendant’s refusal to sell or license copyrighted reconfiguration software used to update, and to modify or activate features in, operating system software for PBX products does not constitute monopolization of service market.

2. U.S. District Courts

a. *Attig v. DRG, Inc.*, 69 BNA’s PTCJ 621

The U.S. District Court for the Eastern District of Pennsylvania held on March 30,

2005 that a client who pays a Web site developer to revamp its site enjoys an implied, nonexclusive license to use that content where an intent to permit use is evident from the informal dealings between the parties.

- b. *Eastman Kodak v. Sun Microsystems, Inc.*, 2004 U.S. Dist. LEXIS 18244
The U.S. District Court for the Western District of New York recently held that a “limited indemnity” clause of a Technology License and Distribution Agreement (“TLDA”) merely limited the scope of the indemnification provided by defendant to plaintiff in the event plaintiff was sued by a third-party for infringement with respect to the technology licensed from defendant. Accordingly, in the context of a licensure of the Java computer technology, the TLDA was clear and unambiguous and did not constitute a waiver of any patent infringement claims by plaintiff against defendant.

DOMAIN NAMES, CYBERSQUATTING, BAD FAITH REGISTRATION

A. CASE LAW

1. U.S. Court of Appeals

- a. *Scholastic, Inc. v. Escholastica.com*, 71 USPQ2d 1542
The U.S. Court of Appeals for the Fourth Circuit held on June 7, 2004 that the district court did not clearly err in concluding that consumers are unlikely to confuse “Escholastica.com” and “Escholastica.net” domain names, used in connection with Internet-based application that facilitates communication between school teachers and students in Mexico, with plaintiff’s English-language, “Scholastic.com” Web site offering similar service in the United States, since words “escolastic” and “scholastic” are different, and defendants’ sites are in Spanish.
- b. *Coca-Cola Co. v. Purdy*, 68 BNA’s PTCJ 540
The U.S. Court of Appeals for the Eighth Circuit held on September 1, 2004 that asking a newspaper to publish an opinion article in exchange for an offer to stop using domain names that include the newspaper’s trademarks supports a finding of bad faith intent to profit from the domain name.
- c. *DaimlerChrysler v. Net, Inc.*, 69 BNA’s PTCJ 11
On October 28, 2004, the U.S. Court of Appeals for the Sixth Circuit held that a defendant with no intellectual property rights in the domain name “foradodge” showed a bad faith intent to profit from the famed “Dodge” trademark when it registered that domain name. Defendants registered “foradodge.com” Internet domain name with bad faith intent to profit from plaintiff’s “Dodge” and “4ADodge” automobile trademarks, since defendants have never used “foradodge.com” Web site in connection with a bona fide offer of goods or services, or for any non-commercial or other “fair” use.

2. U.S. District Courts

- a. *Harrison v. Microfinancial, Inc.*, 74 USPQ2d 1848
The U.S. District Court for the District of Massachusetts held on February 29, 2005 that plaintiff violated the Anticybersquatting Consumer Protection Act by registering the Internet domain name “leasecomm.org,” which is identical or confusingly similar to defendant’s distinctive mark, and by operating a Web site under that domain name critical of defendant, since the domain name does not contain plaintiff’s

name and does not commonly identify him, since plaintiff's use of the domain name was clearly meant to confuse defendant's customers or potential customers, and since plaintiff offered to transfer the domain name to defendant in exchange for consideration.

WIPO

- a. *National Collegiate Athletic Association v. Brown*, 72 USPQ2d 1319

It was held on August 30, 2004 that a complainant in an Internet domain name dispute has established that respondent engaged in cybersquatting by registering "ncaafotball2005.com" and "ncaafotball2006.com" since transfer of those domain names from prior registrant to respondent was a sham transaction, intended to insulate prior registrant's conduct from domain names and cloak use of names in protection of First Amendment by employing them as addresses for respondent's "gripe" site, and since respondent has no rights or legitimate interests in contested domain names.

- b. *True Blue Productions, Inc. v. Hoffman*, 73 USPQ2d 1512

It was reported on December 22, 2004 that the Uniform Domain Name Dispute Resolution Policy of Internet Corporation for Assigned Names and Numbers applies to any domain name that is identical or confusingly similar to a trademark "in which the complainant has rights"; in the present case, complainant that holds common law rights in "Fat Actress" mark has established that respondent engaged in cybersquatting by registering "fatactress.com" domain name.

- c. *FMR Corp. v. Native American Warrior Society*, 74 USPQ2d 1116

It was reported on January 20, 2005 that Internet domain names "fidelitybrokerage-investmentsfraud.com" and "fidelityinvestmenttheft.com" registered by respondent are not confusingly similar to complainant's various "Fidelity" marks for investment and brokerage services, since adding pejorative terms "fraud" and "theft" to trademark or service mark dispels likelihood of confusion.

- d. *Lockheed Martin Corp. v. Dixon*, 74 USPQ2d 1522

It was reported on March 11, 2005 that a complainant in an Internet domain name dispute resolution proceeding is not entitled to transfer of "theskunkwerx.com" domain name from respondent, even though the domain name is confusingly similar to complainant's "Skunk Works" trademark, since complainant has presented no evidence that respondent, for commercial gain, has intentionally attempted to attract Internet users to respondent's Web site by creating a likelihood of confusion as to source or sponsorship.

- e. *Lockheed Martin Corp. v. Skunkworx Custom Cycle*, 74 USPQ2d 1486

It was reported on January 18, 2005 that respondent in an Internet domain name dispute resolution proceeding has rights and legitimate interests in "skunkworxcc.com" domain name, since respondent made demonstrable preparations for use of domain name in connection with bona fide offering of services, posted its site after receiving a cease-and-desist letter from complainant, and has gained a significant reputation and recognition under its trade name, which is directly reflected in its domain name.

ANTICYBERSQUATTING CONSUMERS PROTECTION ACT

A. CASE LAW

1. U.S. Court of Appeals

- a. *March Madness Athletic Association LLC v. Netfire, Inc.*, 73 USPQ2d 1599

On January 24, 2005, the U.S. Court of Appeals for the Fifth Circuit held that the district court did not err in concluding that defendants violated the Anticybersquatting Consumer Protection Act by acquiring the Internet domain name “marchmadness.com” and operating a Web site at that address, since the domain name is confusingly similar to plaintiff’s “March Madness” mark, and defendants acted with bad faith intent to profit within the meaning of 15 U.S.C. § 1125(d)(1)(A)(i).

2. U.S. District Courts

- a. *Robr-Gurnee Motors, Inc. v. Patterson*, 71 USPQ2d 1216

The U.S. District Court for the Northern District of Illinois held on February 9, 2004 that the prevailing defendant in action for violation of the Anticybersquatting Consumer Protection Act is entitled to an award of attorneys’ fees that she incurred after denial of plaintiff’s motion for preliminary injunction, since plaintiff’s continued litigation for following four months was oppressive, in that it was clear, after denial of injunction, that the case lacked merit.

FEDERAL LEGISLATION

As reported at 69 BNA’s PTCJ 216, President Bush recently signed into law legislation (H.R. 3632, Pub. L. 108-482) designed to tighten the criminal prohibitions against trafficking in genuine labels for counterfeit and unauthorized copies of sound recordings, computer programs, motion pictures, and other copyrighted works. The Intellectual Property Protection and Courts Amendments Act also punishes the registration of false online identities and creates new federal court locations in Colorado and New York.

As reported at 69 BNA’s PTCJ 685, on April 27, 2005, President Bush signed into law legislation (Pub. L. 109-9; S. 167) to legalize devices that allow viewers to skip objectionable portions of DVDs, and to criminally penalize both the “camcording” of movies in theaters and the pre-release of movies and records on computer networks. The Family Entertainment and Copyright Act of 2005 also contains provisions related to preserving and gaining access to films and older copyrighted works.

STATE LEGISLATION

Governor Arnold Schwarzenegger of California on September 21, 2004 signed legislation to combat movie and music piracy on the Internet. The following new Section 653aa is added to the California Penal Code:

Any person, except a minor, who is located in California, who, knowing that a particular recording or audiovisual work is commercial, knowingly electronically disseminates all or substantially all of that commercial recording or audiovisual work to more than 10 other people without disclosing his or her e-mail address, and the title of the recording or audiovisual work is punishable by a fine not exceeding two thousand five hundred dollars (\$2,500), imprisonment in a county jail for a period not exceeding one year, or by both that fine and imprisonment.

As reported at 73 U.S.L.W. (BNA) 2189, Governor Arnold Schwarzenegger signed the Consumer Protection Against Computer Spyware Act (S.B. 1436) on September 28, 2004 making it illegal to deceptively install spyware on a California consumer's computer. The bill prohibits a person or entity with actual knowledge, conscious avoidance of actual knowledge, or willfully causing computer software to be copied onto the computer. Software subject to the standard includes software that:

- takes control of a computer;
 - modifies a user's interface with the Internet;
 - collects personally identifiable information;
 - prevents without authorization a user's effort to block or disable such software;
- or
- removes, disables, or renders inoperative security or anti-spyware.

Cal. Bus. & Prof. Code § 2297.

GOLF OUTING
and
ANNUAL MEETING
Sponsored by the
COMPUTER LAW SECTION
of the
State Bar of Michigan

IDENTITY THEFT

A panel discussion moderated by attorney Anthony Targan

Featuring guest speakers:

- Terrence G. Berg, Prosecuting Attorney
US Department of Justice
- Hon. Donald H. Passenger, Judge,
61st District Court (Grand Rapids)
- Jeff Recor, President
Olympus Security Group

- When: **Friday, September 30, 2005.**
Golf starts at noon. Drinks, networking and socializing from 5:30-7:00pm
dinner promptly at 7:00pm, Identity Theft discussion from 7:30pm-8:30pm

- Where: The Links at Pinewood, Walled Lake, Michigan.

- What: GOLF, followed by dinner and panel discussion.

- Who: Members and guests of the Computer Law Section.
(Non-members welcome)

Registration deadline: September 16, 2005

Computer Law Section – Annual Meeting and Golf Outing

DINNER ONLY:
(Full dinner and open bar)
 \$30 Member
 \$50 Non-member

GOLF & DINNER:
 \$75 Member
 \$100 Non-member
Golf & Dinner price includes:
18 holes of golf, cart, dinner
and open bar after 4pm.
Tee times start at noon.

NAME: _____

Address: _____

City, State, Zip: _____

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For directions and additional course information visit: <http://mysiteinc.com/pinewood/>

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The Computer Law Section of the State Bar of Michigan will host a golf outing in conjunction with its annual meeting on Friday, September 30, 2005. Dinner will follow the golf outing with a distinguished panel of speakers on the timely topic of IDENTITY THEFT. Golf begins at noon with dinner at 7:00pm. Members and non-members are welcome to attend. Registration deadline is Friday, September 9th. The event will be held at The Links at Pinewood in Walled Lake: <http://mysiteinc.com/pinewood>

IDENTITY THEFT speakers include:

- Terrence Berg, Prosecuting Attorney, US Dept. of Justice
- Hon. Donald H. Passenger, Judge, 61st District Court
- Jeff Recor, President, Olympus Security Group

Attendees can choose dinner only, or a combination 18-hole Golf Scramble followed by dinner. Both options include an open bar and the panel discussion on IDENTITY THEFT. Dinner and discussion begins at 7:00pm. "Dinner only" is \$30 for members, \$50 for non-members. "Dinner & Golf" combined is \$75 for members and \$100 for non-members. Additional details, including a registration form can be found at the Computer Law Section's web page at: <http://www.michbar.org/computer>

For any questions or concerns, please contact the event coordinator:
Paul Raine - 248-853-4400 x114 or praine@potestivolaw.com

