ADDITIONAL DEVELOPMENTS

COPYRIGHT

A&M RECORDS, INC. V. NAPSTER, INC.

No. 00-16401, 2001 U.S. App. LEXIS 1941 (9th Cir. Feb. 12, 2001)

The Ninth Circuit ruled on the preliminary injunction which had been entered by the district court, 114 F. Supp. 2d 896 (N.D. Cal. 2000), enjoining the online service from engaging in or facilitating the copying of copyrighted material. The district court had entered a preliminary injunction against Napster in copyright infringement actions brought by the plaintiffs, several large record companies. The Ninth Circuit ruled that the scope of the preliminary injunction was overbroad and granted a stay of the injunction, remanding the case to the district court for modification of the injunction in conformity with the Ninth Circuit's opinion.

Defendant Napster operates a popular online file sharing service that allows users to download and share digital files containing, primarily, copyrighted musical compositions and sound recordings. Using technology known as "peer-to-peer" file sharing, Napster allows users to share music files directly between their computers via the Internet, without having to transmit the music files through central computers operated by Napster. Plaintiff record companies allege that Napster is liable for contributory and vicarious copyright infringement. The district court preliminarily enjoined Napster from engaging in or facilitating the copying, transmitting, or distribution of plaintiff's copyrighted works without permission.

The Ninth Circuit upheld a number of the district court's rulings. First, plaintiffs had demonstrated a prima facie case of direct copyright infringement by Napster users. Second, Napster could not succeed on an affirmative defense that its users are engaged in fair use of plaintiffs' copyrighted material. The court then considered whether Napster could be liable for either contributory or vicarious copyright infringement. On the issue of contributory infringement, the court held that Napster contributes to infringement by actively encouraging and assisting its users in sharing and transmitting copyrighted material. On the issue of vicarious infringement, the court upheld the district court's finding that Napster realizes direct financial benefits from its users' infringing activity. Finally, the court agreed with the district court that Napster has the ability to police its system for infringing material. The direct financial benefit combined with Napster's ability to screen its system for infringing material led the court to hold Napster liable for vicarious infringement.

The Ninth Circuit concluded that an injunction was warranted but the district court's injunction was overbroad. The court remanded for the district court to modify the injunction to conform to the decision. First, Napster should be held liable for contributory infringement only to the extent that it knows, or should know about infringing files on its system and fails to act to prevent distribution of those files. Second, Napster should be held liable for vicarious infringement only when it fails to use its ability to police its system and remove infringing materials.

BOUCHAT V. BALTIMORE RAVENS, INC.

No. 99-1617, 2000 U.S. App. LEXIS 34656 (4th Cir. 2000)

The Fourth Circuit ruled that a copyright infringement plaintiff need not prove that the infringer actually saw the work in question; it is enough to prove that the infringer (or his intermediary) had the opportunity to see the work and that the material subsequently produced is substantially similar to the work.

Frederick Bouchat sued the Baltimore Ravens, Inc. and National Football League Properties, Inc. (collectively, "Ravens") for infringing his copyright on drawings for a shield logo that Bouchat had developed for the new Baltimore Ravens football team. Bouchat had shown the drawings to John Moag, chairman of the Maryland Stadium Authority, before the Ravens unveiled their logo, which was a raven holding a shield. After a jury verdict for Bouchat, the Ravens appealed on the grounds that Bouchat failed to prove that the Ravens had access to the work.

The Fourth Circuit affirmed. The court held that where direct evidence of copying is lacking, a plaintiff may prove copying by circumstantial evidence in the form of proof that the alleged infringer had access to the work and that the supposed copy is substantially similar to the author's original work. To prove access, the court stated that Bouchat need only show that the owner of the Baltimore Ravens had the opportunity to view the drawings; the court then ruled that Bouchat had met this burden.

In dicta, the court addressed the "strikingly similar" doctrine, which allows a jury to infer access from striking similarity between the protected work and the alleged copy. The court endorsed the approach of *Gaste v. Kaiserman*, 863 F.2d 1061, 1068 (2d Cir. 1988), explaining that "the access prong remains intact, but the level of similarity between the contested works can be used as evidence of access."

Judge King, dissenting, rejected the majority's conclusion that a reasonable jury could have found that the Ravens had access to the drawings and objected to the dicta regarding the "strikingly similar" doctrine as "contrary to a fundamental principle of copyright protection: independent creation."

EXEMPTION TO PROHIBITION ON CIRCUMVENTION OF COPYRIGHT PROTECTION SYSTEMS FOR ACCESS CONTROL TECHNOLOGIES

65 Fed. Reg. 64,556 (Oct. 27, 2000) (to be codified at 37 C.F.R. pt. 201)

The Digital Millennium Copyright Act of 1998 ("DMCA"), Pub. L. No. 105-304, 112 Stat. 2860 (codified as amended in scattered sections of U.S.C.), prohibits circumvention of access control technologies employed by or on behalf of copyright owners to protect their works. The DMCA provides that exemptions are to be granted to a class of works if users of such works "are, or are likely to be in the succeeding three-year period, adversely affected in their ability to make noninfringing uses of that particular class of works." 17 U.S.C. § 1201(a)(1)(B) (Supp. IV 1998). Which classes of works are exempted are determined periodically by the Librarian of Congress via a rulemaking procedure. 17 U.S.C. § 1201(a)(1)(C), (D) (Supp. IV 1998).

Pursuant to the statute, the Librarian of Congress issued a rule granting exceptions to two classes of works: (1) "compilations consisting of lists of websites blocked by filtering software applications," and (2) "literary works, including computer programs and

databases, protected by access control mechanisms that fail to permit access because of malfunction, damage or obsoleteness."

The exempted classes were selected after a determination that, in each case, the adverse effect on noninfringing uses outweighed the benefits of technological protection measures. The exemption of lists of blocked websites was justified by the need of persons wanting to criticize or comment on filtering software applications to know which sites the application blocks, balanced against the negligible effect on the market for or value of such software. The exemption for failure of access control mechanisms was justified because malfunctioning, damaged, or obsolete access controls can prevent authorized users from accessing the works while having little effect on the market value of the works, since in most cases the copyright owners have already received compensation.

SONY COMPUTER ENTERTAINMENT AMERICA, INC. V. BLEEM LLC

214 F.3d 1022 (9th Cir. 2000)

The Ninth Circuit ruled on whether the unauthorized use of a frozen image from a video game is fair use under 17 U.S.C. § 107.

Bleem developed a software emulator that allows individuals to play personal video games intended for consoles (e.g., the Sony PlayStation) on a personal computer. Users of Bleem's emulator can play Sony PlayStation games without purchasing the console, and the improved graphics a personal computer monitor offers over a television screen can enhance the video game experience. In its advertising campaign, Bleem used unauthorized "screen shots"—small images depicting a frozen moment of a video game—of a Sony video game to compare the graphics generated by the emulator on a personal computer monitor to the graphics generated by the PlayStation on a television screen. Sony Computer Entertainment America, Inc. ("Sony") argued that Bleem may not use unauthorized screen shots of Sony games because they are copyrighted by Sony. The U.S. District Court for the Northern District of California ruled in favor of Sony and entered a preliminary injunction against Bleem. Bleem appealed.

The Ninth Circuit reversed, finding a fair use of Sony's copyrighted material because Bleem needed to use Sony's copyrighted game in order to create an accurate comparison for the potential consumer. The purpose and character of Bleem's use weighed in favor of a fair use finding since truthful comparative advertising is in consumers' best interest. A screen shot is an insignificant portion of Sony's copyrighted work, also supporting a finding of fair use. Additionally, although Bleem used screen shots from Sony's video game for commercial purposes, Bleem's use will have no effect on Sony's ability to use its screen shots as it desires. Finally, the court reasoned that if sales of Sony's console dropped, it would be due to consumers' preference for Bleem's software emulator, not because Bleem used screen shots to compare the products.

TICKETMASTER CORP. V. TICKETS.COM, INC.

54 U.S.P.Q.2d (BNA) 1344 (C.D. Cal. 2000)

The U.S. District Court for the Central District of California held that the act of deep linking does not constitute copyright infringement since basic facts, such as the time, place, venue and price of public events, are not protected by copyright.

Ticketmaster Corp. and Ticketmaster Online-CitySearch, Inc. (collectively, "Ticketmaster") operate a website that sells tickets to music concerts, sporting events, theatrical performances, and other types of entertainment. The home page contains "terms and conditions" which proscribe, among other acts, copying for commercial use. However, the customer need not view the terms and conditions to proceed straight to an event page. Tickets.com operates a similar website, but for those events to which it does not sell tickets, Tickets.com provides a hyperlink to other websites that sell tickets, including Ticketmaster.com. When customers click on the hyperlink, they are instantly transferred to an interior webpage of Ticketmaster.com, a process known as deep linking. In this manner, the customer is able to purchase a ticket from Ticketmaster for the desired event. In an effort to stop this deep linking, Ticketmaster filed a suit against Tickets.com alleging several causes of action, including copyright infringement.

Tickets.com filed a motion to dismiss. In denying the motion, the district court noted that copyright protection extends to such things as the expression, organization, and placement of data, rather than the underlying data itself. The court found in this case that the alleged copying consisted of transferring Ticketmaster's event pages to Ticket's own computer to facilitate the extraction of facts. It further noted that deep linking does not involve copying because no copy is made; a user who follows the link views "the genuine web page of the original author." The court analogized such links to a library's card catalog. The court then went on to discuss an ambiguity in the complaint regarding federal jurisdiction. Since the event pages change from day to day as old events are dropped out and new ones are added, there is a possible ambiguity as to whether the copyright as registered covers not only the home page but also each of the event pages. Since the alleged copying was only of the event pages, there was still the question for further proceedings as to the court's jurisdiction over the claim of copyright infringement of the event pages. The court then ordered that the motion to dismiss as to the copyright claim be denied.

Ticketmaster then filed a motion for a preliminary injunction. Ticketmaster Corp. v. Tickets.Com, Inc., 2000 U.S. Dist. LEXIS 12987 (C.D. Cal. Aug. 11, 2000) (unpublished opinion). Although the court sympathized with Ticketmaster and pointed out that the manner of expression in presenting the facts is protectable, it found that Tickets.com had taken great care not to use that expression. The district court, therefore, concluded that there was insufficient evidence to justify a preliminary injunction and denied the motion, stating that a fundamental concept of copyright law is that ideas and knowledge may not become the property of any one person even when that person has developed the idea or knowledge. The denial of the preliminary injunction was recently affirmed by the Ninth Circuit. Ticketmaster Corp. v. Tickets.Com, Inc., 2001 U.S. App. LEXIS 1454 (9th Cir. Cal. Jan. 22, 2001).

UMG Recordings, Inc. v. MP3.com, Inc.

92 F. Supp. 2d 349 (S.D.N.Y 2000)

The U.S. District Court for the Southern District of New York considered whether copying music recordings onto a computer server for the purposes of redistributing the music to subscribers to an Internet service constitutes fair use.

MP3.com. launched its "My.MP3.com" service, which it advertised as permitting subscribers to store, customize, and listen to the recordings contained on their CDs from any place where they have an Internet connection. To make good on this offer, MP3.com purchased tens of thousands of popular CDs in which UMG Recordings, Inc. ("UMG") held the copyrights, and, without authorization, copied the recordings onto its computer

servers so as to be able to replay the recordings for its subscribers. In order to access a recording, a subscriber had to prove ownership of the CD version of the recording either by inserting it into his or her CD-ROM drive for a few seconds or by agreeing to purchase a CD from an online retailer cooperating with MP3.com. UMG moved for partial summary judgment on the grounds that MP3.com's fair use defense to copyright infringement was unfounded as a matter of law.

The district court found for UMG and granted partial summary judgment, holding MP3.com's fair use defense indefensible as a matter of law. The court found that MP3.com's use did not satisfy any of the four statutory factors of the fair use defense under 17 U.S.C. § 107: "(1) the purpose and character of the use; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work." The court found that the purpose and character of the work was entirely commercial and that for such a commercial use to be fair use, it must somehow transform the original. The court stated that mere repackaging of a copyrighted work is not transformative. Second, musical recordings, unlike factual compilations, are very near the heart of copyright protection. Third, by copying entire CDs, MP3.com ensured that the amount of material copied in relation to the whole was substantial. Fourth, MP3.com's use directly affected UMG's potential market for its copyrighted material. The court rejected MP3.com's claim that its actions enhanced the market since MP3.com only allowed access to recordings already owned by its subscribers. Finally, the court rejected the argument that MP3.com's use is fair because it provides a useful service to consumers. Copyright law protects a copyright holder's property interests, not consumer interests.

PATENT

AMAZON.COM, INC. V. BARNESANDNOBLE.COM, INC.

73 F. Supp. 2d 1228 (W.D. Wash. 1999)

In one of the first court decisions involving an Internet business method patent, the U.S. District Court for the Western District of Washington granted a preliminary injunction against an alleged infringer of Amazon.com's patent on a "1-click" ordering system, but the court's narrow claim construction enabled the defendant to design around the patent.

Amazon.com owns U.S. Patent No. 5,960,411 (the "'411 patent"). The '411 patent claims a method and system in which a consumer can complete a purchase order for an item via the Internet using only a single action, such as a single click of a computer mouse button, once information identifying the item is displayed to the consumer on a computer screen. The first time a consumer uses the system, she provides the personal information needed to complete the transaction; on subsequent purchases, the information is automatically retrieved from a database. This "1-click" system thus speeds and eases online purchasing. Amazon.com sued Barnesandnoble.com, alleging that Barnesandnoble.com's "Express Lane" system for web-based purchasing infringed the '411 patent and seeking a preliminary injunction against the Express Lane.

The district court granted the preliminary injunction. In construing the claims of the '411 patent, the court ruled that a click of a mouse was a single action, and that actions count for the purpose of "single action" when information identifying the product and

indicating the single action required to order it are displayed to the user. The court also rejected Barnesandnoble.com's arguments that the patent was invalid on the grounds of anticipation and obviousness.

Barnesandnoble.com's appeal to the Federal Circuit is pending. In the meantime, the company has modified its Express Lane feature by adding a "confirmation" step in which the user is asked to click a second time to verify address and billing information.

ELEKTA INSTRUMENT S.A. V. O.U.R. SCIENTIFIC INTERNATIONAL, INC.

214 F.3d 1302 (Fed. Cir. 2000)

In this patent case, the Federal Circuit ruled on two issues: (1) how to interpret a claim if the ordinary meaning of the words contradicts the written description and (2) the applicability of the doctrine of prosecution history estoppel in cases of a rejection for obviousness.

Elekta owns U.S. Patent No. 4,780,898 (the "'898 patent"), covering "gamma units," i.e., medical devices in which multiple beams of radiation placed at various locations on a hemispherical shield are aimed at a focal point in a patient's brain to destroy abnormal brain tissue. The patent claims a specific arrangement of radiation sources and beam channels that reduces the risk of radiation scatter outside the gamma unit. The written description disclosed one embodiment, in which radiation sources were located in the region between 0 degrees and 45 degrees.

In response to a rejection for obviousness, claim 1 of the patent was changed from "[a]n arrangement in a gamma unit" having radiation sources located "within a zone extending to latitudes 30 degrees-45 degrees. . . ." to "[a]n arrangement in a gamma unit" having radiation sources located "within a zone extending between latitudes 30 degrees-45 degrees . . . ." O.U.R. Scientific International ("OSI") offered for sale a gamma unit with radiation sources positioned at latitudes ranging from 14 degrees to 43 degrees. Elekta sued for infringement of claim 1. OSI moved for summary judgment of noninfringement, and Elekta cross-moved for summary judgment of infringement. The U.S. District Court for the Southern District of New York denied OSI's motion for summary judgment and granted Elekta's cross-motion. OSI appealed.

The Federal Circuit reversed, holding that the ordinary meaning of the claim, if unambiguous, controls over any contradictory language in the written description and that prosecution history estoppel prevented Elekta from claiming a broader interpretation of the language. The court construed the claim as meaning that all radiation sources must be between 30 degrees and 45 degrees. Acknowledging that its interpretation excluded the preferred and only disclosed embodiment, the court stated that the unambiguous language of a claim controls over any contradictory language in the written description. The Federal Circuit found that the district court erred in relying on the more expansive description of the invention used in the specification rather than the unambiguous language of the claim. The court, therefore, held that OSI's device did not infringe the '898 patent.

EMBREX, INC. V. SERVICE ENGINEERING CORP.

216 F.3d 1343 (Fed. Cir. 2000)

The Federal Circuit ruled on the scope of protection granted by a process patent and on the applicability of infringement claims from an offer to sell a device that could be used to infringe a patent. Additional rulings were decided on procedural grounds.

Embrex held an exclusive license under the Bayh-Dole Act to U.S. Patent No. 4,458,630 (the "'630 patent"), owned by the U.S. Government. The patent claimed a process of inoculating eggs during the incubation period in order to immunize chicks from diseases that typically threaten flocks of fowl raised in crowded commercial settings. Service Engineering Corporation ("SEC") had settled a previous infringement claim by Embrex when it attempted to design around the patent; the settlement required SEC not to infringe the patent again and provided triple damages for breach.

In the case at bar, SEC experimented with a method of injecting eggs that differed from the patented method. Its intent, as indicated by solicitation of orders, was to develop and market a competing egg injection device that would not infringe the '630 patent. The experiments were unsuccessful and no competing devices were sold. Embrex sued SEC for willful infringement of the '630 patent, breach of the settlement agreement, and violation of section 43(a) of the Lanham Act. The U.S. District Court for the Eastern District of North Carolina held a jury trial, and the jury returned a verdict favorable to Embrex on all causes of action except for the alleged violation of the Lanham Act. SEC appealed.

In upholding the district court's ruling that SEC's experiments had infringed the patent, the Federal Circuit reviewed the district court's construction of the claim and the ruling that SEC's use was not protected by the exception for experimental and de minimis uses of a patented process. The Federal Circuit held that the patent claim for "a method for controlling an immunizable disease" described the purpose of the process, while its recitation of the procedures required to inoculate a single egg described the protected method. Accordingly, the claims were not limited "to processes performed only on populations of birds" but applied to inoculation of one or a few eggs as well. With respect to SEC's attempt to find shelter from infringement charges under the Fourth Circuit's exemption for de minimis and experimental use of a patented process in *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, (4th Cir. 1984), the Federal Circuit held that this exemption does not apply to uses for commercial purposes, which SEC's actions were. (In a concurring opinion, Judge Rader argued that the Patent Act allows no exemptions and that the harmlessness or de minimis nature of an infringement should be addressed in damages awards.)

Although SEC's experiments with egg injections infringed the patent, the Federal Circuit held that its efforts to sell injection machines did not. In reversing the district court's ruling on this point, the Federal Circuit held that offers to sell devices that "may be used to practice a patented method cannot infringe without proof of direct infringement." Since there were no actual sales, the court held that the only damages Embrex could claim was a royalty for SEC's experimental use of the patented process.

FESTO CORP. V. SHOKETSU KINZOKU KOGYO KABUSHIKI CO.

234 F.3d 558 (Fed. Cir. 2000) (en banc)

In this recent en banc decision, the Federal Circuit ruled that the doctrine of equivalents is no longer available when an applicant amends a claim element during prosecution for any reason related to patentability.

Festo Corp. sued Shoketsu ("SMC") in the U.S. District Court for the District of Massachusetts, alleging infringement of its two patents on magnetically coupled rodless cylinders. After initial trials and appeals, the Federal Circuit chose to consider the case en banc in light of the Supreme Court's ruling in *Warner-Jenkinson Co. v. Hilton-Davis Chemical Co.*, 520 U.S. 17 (1997). In its order granting the en banc rehearing, the Federal Circuit requested briefing on five questions, which its decision addressed.

First, the court considered whether, for prosecution history estoppel purposes, an amendment made for "a substantial reason related to patentability" (the wording used in *Warner-Jenkinson*) means only one made to overcome a rejection under § 102 or § 103, or "any reason affecting the issuance of a patent[.]" In answer, the majority held that a "substantial reason related to patentability" is not limited to overcoming prior art but instead embraces any statutory requirement for patentability, including those based on 35 U.S.C. §§ 101 and 112. Therefore, a narrowing amendment made for a reason related to any of the statutory requirements gives rise to prosecution history estoppel with respect to the amended claim element.

Second, the court considered whether "a 'voluntary' claim amendment—one not required by the examiner or made in response to a rejection by an examiner for a stated reason—should create prosecution history estoppel[.]" On that issue, the Federal Circuit ruled that a voluntary claim amendment gives rise to prosecution history estoppel, as do amendments required by a patent examiner.

Third, the court considered what range of equivalents, if any, is available to a claim element amended in such a way as to create prosecution history estoppel. In answer to this third question, the majority ruled that the application of the doctrine of equivalents to a claim element is now completely barred when an amendment creates prosecution history estoppel as to that element. In reaching this ruling, the majority acknowledged that Federal Circuit precedent includes two divergent lines of authority on this issue. One line, embodied by *Hughes Aircraft Co. v. United States*, 717 F.2d 1351 (Fed. Cir. 1983), adopted a "flexible bar" that still allowed some limited infringement by equivalence. A divergent line, represented by *Kinzenbaw v. Deere & Co.*, 741 F.2d 383 (Fed. Cir. 1984), espoused a "complete bar" that precluded any equivalence and limited the claim element to its literal terms. Although most cases have followed *Hughes*, the majority found that this "flexible bar" approach had become "unworkable" because it undermined the notice function of patent claims and weakened the certainty necessary to avoid litigation and appeals. The majority believed that the bright-line rule represented by the "complete bar" would inform the public and the patentee as to the element's exact scope of coverage, while reducing speculation or uncertainty as to the exact range of equivalents that might be available.

Fourth, the court considered what range of equivalents, if any, is available under the doctrine of equivalents for a claim element that is amended with no explanation, thus invoking the presumption of prosecution history estoppel under *Warner-Jenkinson*. Quoting from the Supreme Court's decision, the majority ruled that the doctrine of equivalents is not available for claim amendments that are not explained in the patent prosecution record.

When it reached the fifth question—would a judgment of infringement under the doctrine of equivalents in *Festo* violate the "all elements" rule formulated in *Warner-Jenkinson*?—the Federal Circuit held that it was unnecessary to decide that issue in light of the available record. The court then proceeded to apply its legal rulings to the facts in *Festo*, and reversed both the summary judgment and jury verdict of infringement by equivalence.

INTERACTIVE GIFT EXPRESS, INC. V. COMPUSERVE, INC.

231 F.3d 859 (Fed. Cir. 2000)

The Federal Circuit held that the district court erred as a matter of law when it impermissibly read limitations from the specification into the claim construction.

Interactive Gift Express, Inc. ("IGE") sued Compuserve for infringing U.S. Patent No. 4,528,643 (the "'643 patent"), which claimed a system for reproducing information in material objects at point of sale locations. The patented system permits the creation of objects containing information, such as books, tape recordings, and records, at decentralized outlets as soon as a customer requests a purchase. This allows manufacturers to avoid costs associated with centralized manufacturing facilities for these "material objects" containing information, as well as to avoid the problem of predicting demand at each retail location. IGE argued that Compuserve infringed the '643 patent when it began to sell books and media that contain an encrypted computer application over the Internet. The U.S. District Court for the Southern District of New York dedicated most of its lengthy claim construction decision to the following disputed claim limitations: (1) the meaning of "point of sale location"; (2) the meaning of "material object"; (3) the meaning of "information manufacturing machine"; (4) the meaning of "authorization code"; and (5) whether the information must be provided to and stored at the information manufacturing machine ("IMM") before the consumer requests it. Following the claim construction ruling, IGE stipulated to a judgment of noninfringement and appealed the claim construction.

In construing each of the five disputed limitations, the Federal Circuit focused on the language of the claims themselves since that was the language that the patentee had chosen to use. The Federal Circuit noted that the district court had read or imposed limitations from the patent application into the claims and found that the district court erred in at least one aspect of its construction of each of the five claim limitations upon which the judgment of noninfringement was based, thereby improperly narrowing the claims. Accordingly, it vacated and remanded the case for further proceedings consistent with the claim constructions provided in its opinion.

ISHIDA CO. V. TAYLOR

221 F.3d 1310 (Fed. Cir. 2000)

The Federal Circuit ruled on (1) whether a means-plus-function claim construction must cover all disclosed embodiments and (2) infringement of such a claim by the test of insubstantial difference.

Taylor sued Ishida Co. for infringing its U.S. Patent No. 4,663,917 (the "'917 patent"), which claimed a machine designed for packaging food products such as potato chips. In the packaging process, a tube of package material entered the machine, which sealed the bottom end of the tube and fed the product into the tube through the open end. A pair of stripper bars moved down on the two sides of the open end to "strip," i.e., to move the product towards the sealed end of the tube. Then the machine sealed the open end of the tube. The specification of the '917 patent illustrated two structurally different embodiments by means of which the machine could perform the stripping and sealing function. As required by 35 U.S.C. § 112, ¶ 6 (1994), the U.S. District Court for the Northern District of California construed the means-plus-function claims of the '917 patent by identifying the disclosed structures responsible for the claimed function. The district court held for Ishida on the ground that although the accused device, the Apex ma-

chine, performed the same stripping and sealing function as the two embodiments did, it did so in a substantially different way.

Taylor appealed, arguing that the district court erred in its method of claim construction by failing to encompass all the embodiments in a single claim construction. The Federal Circuit affirmed the district court's holding by first explaining the problem of formulating a single claim construction. According to the court, one disclosed embodiment of the '917 patent featured cam tracks, while the other embodiment did not. A single claim construction that would encompass both of the illustrated embodiments would have had to be so broad as to describe both an embodiment having a cam track as a structural element and an embodiment without such an element. Requiring the district court to formulate a single claim construction covering both embodiments would defeat the claims' ability to give notice of the limits of the patentee's rights.

The court added that an accused device infringes a claim element under § 112, ¶ 6 only if it is insubstantially different from the corresponding structure in the patent specification. In both embodiments of the '917 patent, the ends of the sealing jaws followed a circular path and contacted the tube at only one point on that path. In contrast, in the Apex machine, the ends of the sealing jaws followed a straight-line path and did not contact the tube at only one point. The Federal Circuit held that such variation in movement was not so insignificant that it constituted no substantial difference from the two embodiments.

KRAFT FOODS, INC. V. INTERNATIONAL TRADING CO.

203 F.3d 1362 (Fed. Cir. 2000)

The Federal Circuit ruled on the application of the doctrine of equivalents for pre-existing technology in non-means-plus-function claims.

Kraft Foods, Inc. ("Kraft") sued International Trading Company and Houston Processing Ltd. (collectively, "ITC") in the U.S. District Court for the Western District of Wisconsin, alleging infringement of its U.S. Patent No. 5,657,873 (the "'873 patent"), which describes a food package designed to eliminate some unnecessary packaging materials by having a rigid base. The rigid base protects the tray bottom, allows for display of product information with labels, and includes a plastic keel for stand-up. In contrast, a food package without a rigid base typically uses exterior cardboard packaging to perform the same functions. A flexible label could be utilized to fulfill the protective function described in the patent. Kraft utilized this packaging for its "Oscar Mayer Lunchables." Kraft alleged that ITC's packaging for its own lunch combination products violated claim 2 of Kraft's patent. The district court granted defendants' motion for summary judgment as to both of Kraft's infringement claims, ruling in part that the doctrine of equivalents could not be used to find infringement where the technology used by the accused device predates the patent. Kraft appealed.

The Federal Circuit affirmed in part and reversed in part, holding that there was a genuine issue of material fact as to whether ITC's labels served substantially the same function, in substantially the same way, to achieve substantially the same result, as Kraft's labels. The Federal Circuit noted that although the district court appropriately granted summary judgment of no literal infringement as to claim 1, it misinterpreted the Federal Circuit's earlier decision in *Chiuminatta Concrete Concepts, Inc. v. Cardinal Industries, Inc.*, 145 F.3d 1303 (Fed. Cir. 1998). The Federal Circuit held that *Chiuminatta* precluded doctrine of equivalents infringement claims for pre-existing technology *only* with respect to means-plus-function claim limitations. Since the claim at issue

was not a means-plus-function claim, there was a possibility that infringement could have been proven.

PIONEER HI-BRED INTERNATIONAL, INC. V. J.E.M. AGRICULTURAL SUPPLY, INC.

200 F.3d 1374 (Fed. Cir. 2000)

The Federal Circuit ruled on the patentability of seeds and seed-grown plants under 35 U.S.C. § 101 in light of the Townsend-Purnell Plant Patent Act ("PPA") and the Plant Variety Protection Act ("PVPA").

Pioneer brought suit against defendant J.E.M. Agricultural Supply for infringement of patents directed to new inbred and hybrid varieties of corn plants and seeds. The U.S. District Court for the Northern District of Iowa denied defendants' motion for summary judgment, ruling that seeds and seed-grown plants—sexually reproduced plants—are patentable subject matter under 35 U.S.C. § 101.

On interlocutory appeal of the denial of summary judgment, the Federal Circuit affirmed the district court's ruling. The Federal Circuit concurred that seeds and seed-grown plants are within the scope of patentable subject matter as defined by the Supreme Court in *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), which held that living things are not excluded from the patent system under 35 U.S.C. § 101 (1994). The Federal Circuit further rejected defendants' arguments that enactment of the PPA, which provided patent protection for asexually reproduced plants, and the PVPA, which later established a non-patent form of protection for seed-grown plants, reflected congressional intent to exclude seed-grown plants from the patent system. Although the PVPA and Title 35 provide for different rights and obligations, the Federal Circuit concluded that they are not in conflict with each other and that protection of new seed-grown plant varieties under both statutes is not irreconcilable. Therefore, the PPA and the PVPA do not affect the scope of protection provided to seeds and seed-grown plants under 35 U.S.C. § 101.

ROTEC INDUSTRIES, INC. V. MITSUBISHI CORP.

215 F.3d 1246 (Fed. Cir. 2000)

The Federal Circuit ruled on the interpretation of "offer for sale" in patent infringement suits brought under 35 U.S.C. § 271(a).

Rotec Industries, Inc. ("Rotec") sued defendants, claiming infringement of its U.S. Patent No. 4,170,291 (the "'291 patent"), which claims a tower crane-supported, articulated concrete conveyor belt system. The invention is used to carry concrete over long distances, and is useful in large construction projects. In 1995, the government of the People's Republic of China solicited bid proposals for a concrete-placing system to be used in the Three Gorges Dam project on the Yangtze River. Mitsubishi Corp. and its codefendants, an international group of corporations and contractors, submitted a joint bid. Defendants conducted many activities connected to the agreement both inside and outside the United States. In particular, one of the agents for the defendants, C. S. Johnson, planned and designed the conveyor portion of the system in the United States, a system which concededly infringed Rotec's '291 patent. The issue in the suit was whether the defendants infringed the patent through an offer for sale for the device within the United States. (A problem for the plaintiff was that Rotec's only evidence of a meeting between defendants and an agent of the purchaser in the United States was ruled inadmis-

sible hearsay.) The final purchase and sale agreement, which was signed in China, called for all components to be manufactured outside the United States. The U.S. District Court for the Central District of Illinois granted defendants' summary judgment motion after finding insufficient evidence of an offer for sale within the United States. Rotec appealed.

The Federal Circuit affirmed, stating that, absent communication with a third party, defendants' meeting, designing, and pricing activities in the United States did not constitute an "offer to sell" for the purposes of patent infringement liability. The court noted that since U.S.-based defendant C. S. Johnson's work focused only on the conveyor components, he did not offer to sell the entire invention as claimed in the patent. Relying on *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), the Federal Circuit ruled that one may not be held liable for making, selling, or offering to sell less than the complete invention. Although Congress enacted § 271(f) to close the *Deepsouth* loophole, the Federal Circuit reasoned that it could easily have amended § 271(a) as well if it wished, and its refusal to do so left § 271(a) liability unchanged. The court also agreed with the district court that Rotec's evidence of a meeting between Defendants and the purchaser was inadmissible hearsay, and that summary judgment was appropriate.

SEMICONDUCTOR ENERGY LABORATORY CO. V. SAMSUNG ELECTRONICS CO.

204 F.3d 1368 (Fed. Cir. 2000)

The Federal Circuit held that inequitable conduct before the PTO cannot serve as a predicate act necessary to establish a federal RICO violation.

Semiconductor Energy Laboratory Co. ("SEL") sued Samsung Electronics Co. and its affiliates (collectively, "Samsung"), alleging that Samsung's production and sales of active matrix displays infringed SEL's U.S. Patent No. 5,543,636 (the "'636 patent"). Samsung denied infringement and counterclaimed, charging SEL with federal and state RICO, antitrust, and unfair competition violations. SEL moved for summary judgment. The U.S. District Court for the Eastern District of Virginia granted the motion as to the RICO and antitrust counterclaims but denied it as to the unfair competition claim. The district court also found the '636 patent to be unenforceable because SEL had made material misrepresentations and withheld material references to prior art during prosecution before the PTO. Both parties appealed.

The Federal Circuit affirmed, stating that inequitable conduct before the PTO cannot serve as a predicate act required to establish a federal RICO violation. The court noted that the words "to defraud" commonly refer to deprivation of the property of another by means of trick, deceit, chicanery, or overreaching. It concluded that although a patent is regarded as property, a patent application has not matured to the point where it can be considered property. Therefore, the court held that Samsung failed to satisfy the predicate act requirement for its federal RICO counterclaim since SEL's inequitable conduct did not defraud the government of property as anticipated by the federal RICO statute. The Federal Circuit also affirmed the district court's dismissal of Samsung's state RICO counterclaim, holding that it was preempted by the patent laws of the United States.

UNION OIL COMPANY OF CALIFORNIA V. ATLANTIC RICHFIELD CO.

208 F.3d 989 (Fed. Cir. 2000)

The Federal Circuit ruled on the degree of specificity required in patent claims and found that for purposes of the written description requirement, the primary consideration is whether the applicant's description clearly allows persons of ordinary skill in the art to recognize that the inventor was in possession of the subject matter of the claims at the time of filing.

Atlantic Richfield Company ("ARCO") brought an action against patentee Union Oil Company of California ("Unocal") seeking a declaratory judgment invalidating U.S. Patent No. 5,288,393 ("the '393 patent") under 35 U.S.C. §§ 102 and 112. The '393 patent, owned by Unocal, claimed automobile gasoline compositions with reduced combustion emissions created by varying chemical properties in automobile gasoline within specified ranges. ARCO challenged the '393 patent based on anticipation, obviousness, and lack of written description. Unocal counterclaimed, alleging willful infringement of the '393 patent. The U.S. District Court for the Central District of California then construed the claims of the '393 patent, effectively converting Atlantic Richfield's declaratory judgment action into an infringement defense. A jury returned a special verdict finding that none of the forty-one asserted claims of the '393 patent was anticipated under § 102 and that each claim was supported by sufficient written description. ARCO appealed the district court's denial of its Motion for Judgment as a Matter of Law ("JMOL") which sought to overturn the jury verdicts of patent validity and willful infringement.

The Federal Circuit affirmed the district court's denial of JMOL, holding that the record contained substantial evidence to support the jury's verdict of no anticipation and sufficient written description. Because the district court construed the '393 patent to cover only standard automotive fuel, the district court correctly determined that specialty fuels having properties within the scope of the claims did not anticipate under § 102. Although the record showed that some properties of aviation and racing fuels coincided with the '393 patent, the Federal Circuit held that the record did not show the presence of each and every limitation in any single prior art reference. The Federal Circuit also rejected appellant's claim that the written descriptions of the inventive products in terms of ranges of chemical properties rather than molecular composition were insufficiently detailed. Neither the Patent Act nor case law, the Court noted, required Unocal to describe the *exact* chemical component of each fuel combination that fell within the range claims of the '393 patent.

Judge Lourie, dissenting, found the jury's verdict that the claims are not invalid for lack of written description was not supported by substantial evidence. He would have reversed the district court's denial of JMOL, held the relevant claims to be invalid, and vacated the damages and attorney fees awarded to Unocal.

TRADEMARK

A&H SPORTSWEAR V. VICTORIA'S SECRET STORES, INC.

57 U.S.P.Q.2d 1097 (3d Cir. 2000)

The Third Circuit recently clarified the "disparity in commercial strength" requirement in determining a reverse confusion claim. The court held that only after the *Inter-*

pace Corp. v. Lapp, Inc., 721 F.2d 460 (3d Cir. 1983), factors are used to determine that there is a likelihood of confusion does the threshold requirement for commercial disparity enter into reverse confusion analysis.

In a trademark infringement action under the Lanham Act, A&H Sportswear claimed that Victoria's Secret's mark for "The Miracle Bra" swimwear was confusingly similar to A&H's "Miraclesuit" mark. A&H, the senior registrant, contended that consumers were likely either wrongly to associate The Miracle Bra mark with A&H (the direct confusion claim) or wrongly to associate the Miraclesuit mark with Victoria's Secret (the reverse confusion claim). The U.S. District Court for the Eastern District of Pennsylvania, on remand from the Third Circuit (en banc), entered judgment for Victoria's Secret. A&H appealed the ruling.

The Third Circuit vacated judgment with respect to the reverse confusion claim and remanded to the district court with instructions regarding a proper reverse confusion analysis. The first issue on appeal was the propriety of the *Lapp* likelihood of confusion test where the goods at issue are directly competitive with each other. The court held that the ten-factor *Lapp* test can be applied to any likelihood of confusion analysis, regardless of the relationship between the goods; the existence of competition would merely serve to alter the relative weights of the individual factors. The court next addressed whether the district court erred when it required a threshold level of economic disparity between the two goods before even reaching a *Lapp* analysis. In particular, the lower court required a showing that the junior user "used [its] economic power to overwhelm the market with advertising" of its product. Looking at prior cases, the Third Circuit held that comparison of commercial strengths must not be the sole factor in a reverse confusion analysis. Instead, such a factor is an important element in the evaluation of the senior mark's strength and, taken together with the other *Lapp* likelihood of confusion factors, may or may not indicate the existence of reverse confusion.

BIHARI V. GROSS

119 F. Supp. 2d 309 (S.D.N.Y. 2000)

The U.S. District Court for the Southern District of New York ruled that the Anticybersquatting Consumer Protection Act ("ACPA") does not apply to the use of trademarks in metatags and refused to find that use of trademarks in metatags created a likelihood of confusion.

Plaintiff Marianne Bihari was an interior designer and worked under the name Bihari Interiors, Inc. Defendant Craig Gross and his girlfriend hired Bihari Interiors to decorate Gross' condominium. Gross and Bihari's relationship soured, and Gross acquired the Internet domain names bihari.com and bihariinteriors.com, which he used to host websites that were highly critical of Bihari and her services. These sites also provided a means by which other disappointed clients of Bihari Interiors could post comments to voice their dissatisfaction. Bihari served Gross with a complaint and motion for injunctive relief, at which point Gross relinquished both domain names. However, Gross then acquired the domain names designscam.com and manhattaninteriordesign.com which he used to house the same content. The websites used "Bihari Interiors" and "Bihari" in metatags embedded within the websites' HTML code. Such metatags enable search engines to locate the websites when users search under those queries. Bihari sought to preliminarily enjoin defendants from using her name in the domain names or metatags of any of their websites, claiming violations of the ACPA and § 43(a) of the Lanham Act.

The district court denied the motion for preliminary injunction. On the ACPA claim, the court stated that the plain language and legislative intent of the Act made clear that it did not apply to metatags nor was there any precedent for extending such protection. Accordingly, the ACPA was not a basis for preliminary injunctive relief. The court also denied the motion based on the Lanham Act trademark infringement claim. The court declined to find that the metatags created a likelihood of confusion, explaining that no reasonable viewer would believe that the disparaging comments regarding Bihari's business were endorsed by Bihari Interiors. Moreover, there was no "lengthy delay" between attempting to access the real Bihari Interiors website and learning that one has failed to do so by coming upon one of the disparaging websites. In addition, the court held that the defendants' use was fair, as the metatags were used in a descriptive context to identify the content of the websites and there was no intent to confuse customers as to website sponsorship. Because the defendants' use of plaintiff's mark in the metatags was not likely to cause confusion and was further protected as a fair use, plaintiff failed to demonstrate likelihood of success on the Lanham Act claim.

BROADBRIDGE MEDIA L.L.C. V. HYPERCD.COM

106 F. Supp. 2d 505 (S.D.N.Y. 2000)

In an in rem action, the U.S. District Court for the Southern District of New York held that a trademark owner can proceed against a domain owner under the Anticybersquatting Consumer Protection Act ("ACPA") and the Internet Commission for Assigned Names and Numbers' ("ICANN's") dispute resolution procedure simultaneously.

BroadBridge Media, owner of the mark HyperCD, brought suit against Barry Henderson, a Canadian resident, after he registered the domain name hypercd.com with Register.com. Henderson obtained the domain name after BroadBridge inadvertently allowed its domain name registration to lapse. Because Henderson was a resident of Canada, the court exercised the in rem jurisdiction granted to it by the ACPA.

Before reaching the substantive ACPA issues, the court addressed Henderson's motion to dismiss for lack of jurisdiction. Henderson argued that BroadBridge had waived its right to proceed in federal court while there was an ICANN administrative proceeding pending. The court denied defendant's motion, holding that parties involved in ICANN proceedings may file suit at any time, not just before or after the proceeding as Henderson had argued.

In addressing the ACPA issue, the court went through the statutory bad faith analysis but was also influenced by Henderson's repeated attempts to "hold the domain name hostage" until BroadBridge either paid him an exorbitant amount of money or shared with him the use of the mark. The court held that Henderson's actions after registration demonstrated bad faith, despite the fact that Henderson's initial registration of hypercd.com was apparently innocent and in good faith.

CAESAR'S WORLD INC. V. CAESARS-PALACE.COM

112 F. Supp. 2d 502 (E.D. Va. 2000)

The U.S. District Court for the Eastern District of Virginia ruled on the constitutionality of the provision for in rem jurisdiction under the Anticybersquatting Consumer Protection Act ("ACPA").

Caesar's World Inc. brought suit against Caesars-Palace.com, as well as against other similarly named companies, under the ACPA. Casares.com and Caesarcasino.com

moved to dismiss on the grounds that the in rem provisions of the Act are unconstitutional both facially and as applied. The defendants argued that under *Shaffer v. Hetner*, 433 U.S. 186 (1977), in rem jurisdiction is permitted only when the res provides the same minimum contacts that are required for personal jurisdiction. The court rejected this reading, stating that "there must be minimum contacts to support personal jurisdiction only in those in rem proceedings where the underlying cause of action is unrelated to the property which is located in the forum state." In addition, the court found that domain name registration with Network Solutions, located in Virginia, provided any necessary minimum contacts. Finally, the court noted that the limited relief afforded by the ACPA—forfeiture or cancellation—meant that the defendants suffered no due process violation.

The defendants also argued that a domain name does not qualify as a res. The court rejected this constitutional argument as well as an attack based on the statutory venue provision. Lastly, the court noted that it was undeterred by the prospect of an influx of litigation in Virginia.

ELECTRONICS BOUTIQUE HOLDINGS CORP. V. ZUCCARINI

56 U.S.P.Q.2d 1705 (E.D. Pa. 2000)

The U.S. District Court for the Eastern District of Pennsylvania applied the Anticybersquatting Consumer Protection Act ("ACPA") to registered domain name misspellings that were confusingly similar to famous Internet domain names.

Plaintiff Electronics Boutique ("EB") was a specialty retailer of video games and personal computer software, operating over six hundred retail stores and selling products via the Internet. EB had registered several service marks that it has continuously used and advertised since 1977, including "EB" and "Electronics Boutique," and domain names www.ebworld.com and www.electronicsbotique.com. Defendant Zuccarini was a "notorious cybersquatter" who had admittedly registered thousands of misspellings of names of famous Internet domains, products, television shows, and celebrities, among others. He registered five variants of EB's registered domain names, including electronicbotique.com and ebworl.com. When an Internet user mistakenly typed one of Zuccarini's domain misspellings, she was barraged by up to fifteen advertising windows, from which Zuccarini earned advertising revenue of ten to twenty-five cents per click. EB filed a complaint in federal court and obtained a temporary restraining order. Despite numerous attempts, EB was unable to effect service of process on Zuccarini. The court found that Zuccarini had actual notice of the litigation, and without his presence, a preliminary injunction was granted.

At trial, EB was granted a permanent injunction against Zuccarini. The court also awarded EB maximum statutory damages and reasonable attorney's fees and costs under the ACPA, holding that Zuccarini's domain misspellings were confusingly similar to EB's domain names and that Zuccarini had a bad faith intent to profit from the infringing names. The court found that EB's service marks were "distinctive and famous" and that its multimillion-dollar advertising campaign had fostered broad-based consumer recognition. Zuccarini's domain name misspellings traded on the goodwill developed by EB and were a bad faith attempt to generate advertising revenue. The court further found that EB would suffer irreparable injury in the form of lost reputation, and that Zuccarini's deceptive practices harmed the public. Although Zuccarini neither appeared in court nor advanced any claims, the court noted that he would not be entitled to protection under the ACPA safe harbor provision because there was no evidence that Zuccarini reasonably believed his domain name misspellings were fair and lawful.

GOTO.COM, INC. V. WALT DISNEY CO.

202 F.3d 1199 (9th Cir. 2000)

The Ninth Circuit addressed "whether two remarkably similar logos used commercially on the World Wide Web are likely to confuse consumers under federal trademark law."

Plaintiff Goto.com, Inc. was the first user of a logo featuring a green circle against a yellow background, with "GO TO" appearing in white letters within the green circle. Defendant Walt Disney Co. subsequently introduced its "Go Network," a web portal with links to various Disney-owned websites. Sites belonging to the network were identified by a common logo, which resembled a traffic light having only a green lens, with the word "GO" appearing in white letters within the green circle. The district court granted Goto.com's motion for a preliminary injunction, and Disney appealed.

The Ninth Circuit upheld the injunction in view of the high likelihood that web users would be confused. In analyzing the likelihood of confusion, the court focused on three of the eight factors identified in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979): (1) similarity of the marks, (2) relatedness of the goods or services, and (3) use of the web as a marketing channel. With regard to the first factor, the court emphasized "the overwhelming similarity of the marks." With regard to the second factor, the court noted "the potential for one company to provide a host of unrelated services" via the web, citing Yahoo.com as an example. The court also noted that Goto.com and Disney were direct competitors because both sites offered search engines. Finally, with regard to the use of the web, the court reiterated the position it adopted in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1057 (9th Cir. 1999), that the web, as a marketing channel, was more likely to create confusion because users may encounter competing marks "at the same time, on the same screen."

The court downplayed the significance of the remaining *Sleekcraft* factors. In particular, the court stated that strength of the plaintiff's mark was insignificant "in either the context of the Internet generally or in this case specifically, regardless of whether either logo had herculean strength."

LEATHERMAN TOOL GROUP, INC. V. COOPER INDUSTRIES, INC.

199 F.3d 1009 (9th Cir. 1999)

The Ninth Circuit addressed "when and to what extent the overall appearance of a non-patented product is protectable 'trade dress.'"

Plaintiff Leatherman Tool Group, Inc. was first to market with its multi-function pocket tool that sought to improve on the classic "Swiss army knife." Subsequently, defendant Cooper Industries produced and marketed its own multipurpose pocket tool which was extremely similar to Leatherman's tool, except for the difference in product name (which appeared on the product itself), and a few other minor and not particularly visible differences. In response, Leatherman brought an action against Cooper for trade dress infringement. After the jury's finding of infringement, Cooper appealed.

The Ninth Circuit held that the overall appearance of an assemblage of functional parts is not protectable trade dress. Relying upon the language of *Clamp Manufacturing Co. v. Enco Manufacturing Co.*, 870 F.2d 512, 515 (9th Cir. 1989), the court reiterated that "the physical details and design of a product may be protected under the trademark

laws only if they are nonfunctional." Although trade dress must be viewed as a whole, the court made clear that "where the whole is nothing other than an assemblage of functional parts, and where the arrangement and combination of the parts is designed to result in superior performance, it is semantic trickery to say there is some sort of separate overall appearance which is nonfunctional." Noting the absence of evidence that anything about the appearance of Leatherman's tool (other than its name) existed for any nonfunctional purpose, the Court reversed the jury's finding of infringement, making clear that such a design could be protected only under patent law.

LUCENT TECHNOLOGIES, INC. V. LUCENTSUCKS.COM

95 F. Supp. 2d 528 (E.D. Va. 2000)

The U.S. District Court for the Eastern District of Virginia ruled on the due diligence requirement of the in rem provision under the Anticybersquatting Consumer Protection Act ("ACPA").

Lucent Technologies, Inc. owns trademarks in Lucent and Lucent Technologies. Russell Johnson registered the domain name lucentsucks.com and allegedly posted pornographic photographs and advertisements on the website. Upon discovering the site, Lucent learned the name and address of the registrant of the site through Network Solutions, Inc. and sent a letter via Federal Express to Johnson requesting that he cease using Lucent's marks. When the letter was returned as undeliverable, the plaintiff sent another letter via first class mail and e-mail. The letter was successfully delivered to Johnson. Eight days after the second letter was mailed, Lucent filed an in rem action against Johnson's domain name under the ACPA, claiming trademark infringement and dilution. The defendant filed a motion to dismiss the complaint.

The court granted Johnson's motion on the grounds that Lucent did not satisfy the requirements of the in rem provision of the ACPA. The court reasoned that plaintiff did not allow a reasonable amount of time for Johnson to respond to the notice received through the second letter. The court stressed that in the absence of a specified waiting period, the due diligence requirement in the ACPA must be interpreted consistently with Due Process; eight days was held to be insufficient. The court noted that adequate notice is especially important in forfeiture proceedings such as the present case. The court also commented that in analogous circumstances, where Congress has specified a waiting period in the statute, the shortest time specified is ten days.

MARKETING DISPLAYS, INC. V. TRAFFIX DEVICES, INC.

200 F.3d 929 (6th Cir. 1999), cert. granted, 120 S. Ct. 2715 (2000)

The Sixth Circuit ruled on the availability of trade dress protection in conjunction with prior utility patent protection. Certiorari was granted on June 26, 2000.

Marketing Displays, Inc. ("MDI") holds a trademark on the WindMaster name, under which it produced and patented a successful wind-resistant road sign stand. The product design relies on a unique dual spring base. Five years after expiration of MDI's patent, TrafFix produced a knockoff product, and marketed it under the brand name WindBuster. MDI immediately filed suit, claiming trademark infringement, trade dress infringement, and unfair competition. TrafFix counterclaimed, alleging that MDI was pursuing sham litigation in violation of antitrust law. The district court granted summary judgment for MDI on the counterclaim and trademark infringement claim, but it ruled

against MDI on the trade dress infringement claim, finding that a design protected by a utility patent could not later receive trade dress protection. Both parties appealed.

The appellate court upheld summary judgment for MDI on the trademark infringement claim, emphasizing that a single dispositive factor among the considerations assessing possible customer confusion over the WindBuster mark indicated an absence of triable issues of material fact. The court further held that the PTO's issuance of the trademark afforded little defense, since the PTO may not have considered some evidence or may have erred in its judgment. However, PTO approval barred a finding of willful or intentional misappropriation of a mark.

On the trade dress issue, the court reversed and remanded the summary judgment ruling for TrafFix, finding that protection of the product under a utility patent did not bar a claim that the trade dress of the base design was nonfunctional and thus protectable. If the trade dress is protectable without protecting the utility of the design, then a prior utility patent does not result in presumptive loss of trade dress protection. Different aspects of a product (utility or appearance) may be protected under different doctrines of intellectual property law. The court further held that the district court improperly confined the definition of the product trade dress to the dual spring base rather than the sign stand in its entirety, reasoning that a jury might find that the product as a whole had acquired secondary meaning in the marketplace. The opinion added that trade dress protection for MDI would not produce significant non-reputational disadvantages for TrafFix.

The court affirmed summary judgment for MDI on the antitrust issue, finding that MDI's actions were not unreasonable in light of the other issues decided in the case. The court remanded MDI's unfair competition claim upon reversal of summary judgment on the trade dress issue.

PLAYBOY ENTERPRISES, INC. V. NETSCAPE COMMUNICATIONS CORP.

55 F. Supp. 2d 1070 (C.D. Cal. 1999)

The U.S. District Court for the Central District of California ruled on whether Playboy's trademark rights were violated when Netscape and Excite provided search engines which keyed banner ads displayed on search results pages to the search terms "playboy" and "playmate."

Defendants Netscape and Excite operate search engines and sell advertising space known as "banner ads" on search engine result pages. Banner ads are designed to entice Internet users to click on the ad, thus transporting users to the website of the advertiser. For a premium, defendants programmed servers to link a preselected set of banner ads to certain "key" search terms entered by users into search engines. Defendants keyed various adult entertainment ads to a group of over 450 terms related to adult entertainment, including the terms "playboy" and "playmate." Plaintiff Playboy has a trademark on "Playboy" and "Playmate." Plaintiff moved for a preliminary injunction against defendants, contending that defendants infringed and diluted its trademarks by (1) marketing and selling the key words "playboy" and "playmate" to advertisers, (2) keying banner ads to appear in response to the search terms "playboy" and "playmate," and (3) actually displaying the banner ad on the search results page. Plaintiff also argued that defendants' actions intentionally diverted Internet users from plaintiff's official website to other adult entertainment sites.

The court rejected plaintiff's infringement claim, holding that defendants did not use the terms "playboy" and "playmate" as trademark, but rather as generic words not necessarily associated only with defendants' goods and services. The court held that even if there were a trademark use, plaintiff failed to show a likelihood of confusion. Plaintiff argued that defendants' use caused initial interest confusion, relying on *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999). The *Playboy* court described initial interest confusion as "when a user conducts a search using a trademark term and the results of the search include web sites not sponsored by the holder of the trademark search term, but rather of competitors." The court distinguished *Brookfield* on the basis that the search terms in the present case are words in the English language, unlike the words at issue in *Brookfield*. In addition, *Brookfield* involved a domain name that caused computer users to think they were entering one website when in reality they were entering another; the search terms in *Playboy* served only to trigger non-Playboy advertisements, which users could click on if they wished. The court further distinguished *Brookfield* on the basis that Playboy was not competing in the same market as Netscape and Excite.

The court also found that defendants' acts did not constitute trademark dilution because plaintiff presented no evidence that defendants' use of the words "playboy" and "playmate" caused any blurring or tarnishment of plaintiff's marks.

TIMES MIRROR MAGAZINES, INC. V. LAS VEGAS SPORTS NEWS, L.L.C.

212 F.3d 157 (3d Cir. 2000)

The Third Circuit ruled that niche-market fame can be sufficient to protect a mark from dilution within that market under the Federal Trademark Dilution Act ("FTDA"). The court also addressed whether a mark must be subject to separate famousness and distinctiveness tests under the FTDA.

Times Mirror Magazines, Inc. has owned and used the trademark "The Sporting News" in connection with a weekly publication since 1886. This publication provides readers with information on baseball, basketball, football, and hockey, and has a weekly circulation of approximately 540,000 in the United States and Canada. In 1997, Las Vegas Sports News ("LVSN") changed the name of its sports gaming publication from Las Vegas Sports News to Las Vegas Sporting News. After learning of the name change, Times Mirror sent LVSN a cease and desist letter. Months of settlement negotiations between the two publishers proved unsuccessful, and Times Mirror subsequently filed a complaint in district court, charging LVSN with, among other things, trademark dilution in violation of the FTDA. Concluding that Times Mirror was likely to succeed on the merits of this claim, the district court granted Times Mirror's motion for a preliminary injunction enjoining LVSN from using the phrase "Sporting News" in connection with its weekly publication.

LVSN appealed and the Third Circuit affirmed. The court followed the Seventh Circuit in holding that a trademark's niche-market fame can be a factor for famousness (an element of dilution) where the plaintiff and defendant are using the mark in the same or related markets. The court concluded that because Times Mirror and LVSN both competed in the sports periodicals market, the fame of the mark "The Sporting News" within that niche entitled Times Mirror to protection under the FTDA against LVSN's use of a similar mark in the same market. LVSN also argued that the FTDA "requires that a mark be subject to a test for fame and a separate test for distinctiveness." The court held that

section 1125(c) of the FTDA has no separate distinctiveness requirement apart from the test for famousness, and that having a separate distinctiveness requirement after there has been a finding of secondary meaning would be redundant. The court noted that its holding on this issue is in conflict with that of the Second Circuit in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

VIRTUAL WORKS, INC. V. NETWORK SOLUTIONS, INC.

106 F. Supp. 2d 845 (E.D. Va. 2000)

The Eastern District of Virginia decided whether Virtual Works' registered domain name, vw.net, constituted trademark dilution and trademark infringement under a theory of cyberpiracy.

Virtual Works brought suit against Network Solutions, Inc. and against Volkswagen AG and Volkswagen of America (collectively "Volkswagen"). The suit against Network Solutions was dismissed. Virtual Works brought a claim of tortious interference with its registered domain name, vw.net, against Volkswagen. Volkswagen brought a counterclaim for cyberpiracy, trademark dilution, and trademark infringement. Both parties moved for summary judgment on their claims.

Deciding that summary judgment was appropriate, the court addressed the substantive issues. The court first addressed the cyberpiracy claim under the Anticybersquatting Consumer Protection Act ("ACPA") and found that Virtual Works had no intellectual property rights in the initials "VW," nor had Virtual Works ever conducted business under those initials. In addition, the court found that (1) there was a likelihood of confusion between vw.net and Volkswagen's trademarks; (2) by putting references to Volkswagen as Nazis using slave labor on its website at vw.net, Virtual Works was disparaging Volkswagen; (3) Virtual Works had attempted to sell back the domain name to Volkswagen at a financial gain; and (4) Volkswagen's VW symbol is a famous mark. In addition to finding for Volkswagen on the ACPA claim, the court also found that vw.net infringed Volkswagen's mark. In particular, the court stated that "[t]he holder of a domain name should give up that domain name when it is 'an intuitive domain name' that belongs to another." Addressing the dilution claim, the court cited *Panavision International v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998), in holding that "internet cyberpiracy constitutes per se trademark dilution." Consequently, the court denied Virtual Works' summary judgment motion and granted Volkswagen's motion on all three counterclaims.

WALTER V. MATTEL, INC.

31 F. Supp. 2d 751 (C.D. Cal 1998)

In a suit involving allegations of false designation of origin and deception under the Lanham Act, as well as common law and state law unfair competition claims, the U.S. District Court for the Central District of California held that mere association between marks is not sufficient to prove reverse confusion.

Katherine Walter, also known as and doing business as "Pearl Beach" in her work as a commercial illustrator, filed a complaint against Mattel for its promotion and distribution of "Pearl Beach Barbie" dolls. According to Walter, Mattel's use of her name and her pearl and shell logo on its dolls amounted to reverse confusion, which exists when a senior user's product is wrongly associated with the junior (and allegedly infringing) user.

Walter argued that reverse confusion exists when the junior user causes the senior user's customers to believe that the senior user is "somehow associated with" the junior user. The court rejected this interpretation, requiring instead that a potential customer of the senior user must believe that she is dealing with the junior user, or that there is sponsorship among the users. In short, a court must determine whether "a reasonable consumer might mistakenly believe that the junior user is the source of the senior user's" product. The court then proceeded to use the *AMF Inc. v. Sleekcraft Boats, Inc.*, 599 F.2d 341 (9th Cir. 1979), factors for determining likelihood of confusion, concluding that the plaintiff failed to demonstrate a likelihood of reverse confusion.

WESTCHESTER MEDIA V. PRL USA HOLDINGS, INC.

214 F.3d 658 (5th Cir. 2000)

The Fifth Circuit ruled on a trademark infringement claim where the alleged infringement concerned a magazine title. The court upheld the lower court's decision finding infringement; however, it remanded on the issue of an appropriate remedy. In addition, the court presented its interpretation of the harm required under the Federal Trademark Dilution Act ("FTDA").

Westchester Media purchased *POLO* Magazine from Fleet Street Publishing ("FSP") in May 1997. Prior to this purchase, *POLO* was a special interest magazine, dealing specifically with the sport of polo. Its content consisted almost exclusively of technical and historical pieces on the sport of polo, and its advertising base comprised primarily horse medicines, equestrian products, and polo equipment. In 1989, while still under FSP ownership, the magazine began to run a section containing "lifestyle" content, under the title "Polo Life." Soon after the first publication of the "Polo Life" section, the trade journal *Ad Week* published an article discussing the similarity between the magazine as it then appeared and Polo Ralph Lauren's ("PRL") own advertising campaign. PRL was aware of the *Ad Week* article but continued to advertise in *POLO*, as it had done consistently for most of the magazine's existence. In 1992, FSP obtained federal registration for *POLO*, which in 1998 became uncontestable. Subsequent to Westchester's purchase, the magazine was re-launched under the name *POLO*, while Westchester began publishing a second and more technical magazine called *Polo Players Edition*. *POLO* was marketed to a customer list purchased from Neiman Marcus, and the magazine's content was described as "not about the sport, but rather about an adventurous approach to living." The model Claudia Schiffer, who was featured by PRL in an extensive advertising campaign the previous year, appeared on the cover of the magazine's first issue under Westchester ownership. The magistrate judge found that Westchester had violated the Lanham Act by infringing PRL's "Polo" trademark, and issued an injunction requiring Westchester to cease and desist publishing the magazine under the "Polo" title.

Westchester appealed. The Fifth Circuit agreed with the magistrate judge that infringement had occurred, holding that the use led to confusion over the defendant's affiliation with the magazine, but remanded for further consideration of the appropriate remedy for such an infringement, urging particular attention to the use of a disclaimer rather than injunction. The court held, following *Twin Peaks Productions, Inc. v. Publications International Ltd.*, 996 F.3d 1366 (2d Cir. 1993), that as a literary work, the magazine's title was at least partially protected by the First Amendment, and therefore particularly compelling proof of a likelihood of confusion was required. The court, however, found no reversible error in the magistrate judge's finding of such proof, citing the following: (1) Westchester's intent to trade on PRL's goodwill, as demonstrated by its

publication of a second, sport-intensive magazine and by *POLO* Magazine's shift toward affluent lifestyle content; (2) the possibility, as perceived by the consumer, that the magazine business was within PRL's zone of expansion; (3) Westchester's marketing strategy, targeting likely PRL consumers; and (4) actual consumer confusion as evidenced by PRL's survey data. Upholding the district court's finding of likelihood of confusion, the court expressed concern with the remedy imposed. The Fifth Circuit noted that First Amendment concerns should guide the choice of remedy, especially where there are reasonable alternative avenues for relief. Specifically, the court remanded for "reconsideration whether a disclaimer procedure better comports with First Amendment principles than an outright prohibition on Westchester's use of 'Polo' for the New *POLO* Magazine."

The court declined to entertain Westchester's laches defense, citing the lack of any delay on the part of PRL in bringing action, since upon re-launch *POLO* was a new product. The court also declined to entertain Westchester's defense of acquiescence, on the grounds that any approval on the part of PRL was the result of its being misled by Westchester. Finally, the court addressed the issue of whether the FTDA requires a finding of actual economic harm, as the Fourth Circuit held in *Ringling Bros. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1999), or whether the statute requires only a threat of economic harm, as the Second Circuit held in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999). On this issue, the Fifth Circuit followed the Fourth Circuit, requiring a finding of actual harm for dilution actions under the FTDA.

RIGHT OF PUBLICITY

LANDHAM V. LEWIS GALOOB TOYS, INC.

227 F.3d 619 (6th Cir. 2000)

The Sixth Circuit ruled on whether Kentucky right of publicity law and the Lanham Act protect an actor against a film production company and toymaker that licensed and marketed a doll based on a character he played in a feature film.

William "Sonny" Landham, an actor in general audience as well as pornographic films, played a supporting role in the 1987 film *Predator*, produced by Twentieth Century Fox Corporation. Fox licensed rights to Lewis Galoob Toys, Inc. to create and sell a line of "action figures" based on the film, including a toy modeled after Landham's character. The toy was intentionally designed to bear no personal resemblance to Landham. Landham had signed a memorandum with Fox before filming started, setting forth the terms of his salary and start date; a subsequent agreement, which Landham's agent received but which Landham never signed, assigned to Fox all merchandising rights based on Landham's character in *Predator*. Landham sued Fox and Galoob in federal district court in Kentucky, claiming that the companies infringed his Kentucky state law right of publicity and his rights under the Lanham Act by marketing the action figure without his permission. The district court granted summary judgment for the defendants, finding that Landham had presented insufficient evidence that (1) consumers would associate the action figure with him and (2) the toymaker had gained commercial value by "associating an article of commerce with him."

On appeal, the Sixth Circuit upheld the district court, holding that a right of publicity analysis depends on the actor's, rather than the character's, persona and that the actor's persona must have commercial value. Before considering the substance of the case, the

court rejected Galoob's argument of Copyright Act preemption, noting that the right of publicity at issue here was distinct from a copyright claim. For the right of publicity claim, Landham relied on *White v. Samsung Electronics America, Inc.*, 971 F.2d 1395 (9th Cir. 1992), which extended protection to the television game show hostess Vanna White against an advertiser. Although the ad in *White* did not present actual images of the celebrity or attempt to mimic her personal features, it did display a robot that resembled White in its dress and pose, an act which the court found evocative of White's identity. The *Galoob* court refused to extend *White*, emphasizing that unlike Landham, White had produced evidence attesting to the commercial value of her identity. More important, though, the court found that an extension of *White* would "upset the careful balance that courts have gradually constructed between the right of publicity and the First Amendment and federal intellectual property laws . . . ." In the court's judgment, the identity of an actor is not automatically synonymous with the identity of a fictional character that the actor portrays; Galoob used the identify of the fictional character, rather than that of the actor, to market its toys.

The court also rejected Landham's false designation of origin claim under the Lanham Act. The court used an eight-factor likelihood of confusion test to guide its analysis but ultimately borrowed the reasoning from its consideration of the right of publicity claim, finding that Landham had not offered evidence as to the commercial value of his name, and thus the strength of his mark, among the toy-buying public.

TRADE SECRET

CIENA CORP. V. JARRARD

203 F.3d 312 (4th Cir. 2000)

The Fourth Circuit ruled on the issue of imposing an injunction where a sales executive, while bound by a noncompetition agreement, assumed a high-level position with her former employer's competitor.

Cynthia Jarrard occupied a senior sales position with CIENA Corporation, a high technology company engaged in the business of designing and manufacturing fiber optics. As Western Regional Director of sales, Jarrard was based in Missouri; CIENA's principal place of business was in Maryland. Pursuant to CIENA's desire to protect its proprietary information, Jarrard had to sign, as a condition of employment, an agreement not to accept employment with CIENA's competitors or clients for one year after leaving CIENA. After two years, Jarrard left CIENA and accepted a high-level sales position with Sycamore Networks, Inc., a start-up company and CIENA's direct competitor. The district court imposed a preliminary injunction on Jarrard's employment pursuant to the noncompetition agreement in order to prevent her from misappropriating CIENA's trade secrets.

Jarrard appealed the injunction. The Fourth Circuit affirmed the injunction but remanded the case to the district court with instructions to give Jarrard thirty days to conduct discovery and file a motion to dissolve. The Fourth Circuit held that enough factual findings were made by the district court to sustain the injunction and that the injunctive order was specific enough to be enforceable. Applying the two-part test for granting preliminary injunctions—balance of harms and likelihood of success on the merits—the court upheld the district court's decision. On the balance of harms issue, the court found that in an industry where information is an essential commodity, Jarrard's misappropria-

tion of trade secrets could result in irreparable damage to CIENA. Conversely, Jarrard's employment qualifications suggested that she could easily find another position without violating the noncompetition agreement. As to the merits of the case, the court held that as a preliminary matter, the agreement was reasonable and therefore enforceable, given the nature of the industry and the importance of protecting proprietary information.

CONSTITUTIONAL LAW

CHAVEZ V. ARTE PUBLICO PRESS, INC.

204 F.3d 601 (5th Cir. 2000)

The Fifth Circuit ruled on whether Congress has authority to abrogate state sovereign immunity by allowing states to be subject to suits in federal court for violations of the Copyright or Lanham Acts.

Denise Chavez asserted a cause of action for copyright infringement against the University of Houston under the Copyright Remedy Clarification Act of 1990, 17 U.S.C. §§ 501(a), 511 (1994) ("CRCA"), alleging that the university violated the Copyright Act when it continued to publish her book without her consent. Chavez also asserted that the university violated the Lanham Act by naming her, without her consent, as the selector of plays in another book it published. The university contended that because, under the Eleventh Amendment, it cannot be sued in federal court without its consent, the case must be dismissed

The first opinion in this case followed the *Parden v. Terminal Railway of Alabama State Docks Department*, 377 U.S. 184 (1964), theory that states can impliedly waive their sovereign immunity and on that basis, held that the University could be sued in federal court for violating the two statutes. *See Chavez v. Arte Publico Press*, 59 F.3d 539, 547 (5th Cir. 1995) ("*Chavez I*"). After the Supreme Court remanded for reconsideration in light of *Seminole Tribe of Florida v. Florida,* 517 U.S. 44 (1996), the Fifth Circuit concluded that the implied waiver theory was no longer viable. *See Chavez v. Arte Publico Press*, 157 F.3d 282, 287 (5th Cir. 1998) ("*Chavez II*"). In *Chavez II*, the court held that the CRCA and the Trademark Remedy Clarification Act ("TRCA") were invalid exercises of Article I legislative power. *Chavez II* was vacated by the court's vote for en banc reconsideration, but the case was remanded in light of the United States Supreme Court decisions in *Florida Prepaid Postsecondary Education Expense Board. v. College Savings Bank*, 527 U.S. 627 (1999) and *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board.*, 527 U.S. 666 (1999).

In the latest decision, the Fifth Circuit held that an action could not be maintained against the state in federal court because Congress improperly exercised its legislative power when it amended both the CRCA and the TRCA, to explicitly require states to submit to suit in federal court for violation of the provisions of the statutes. The court stated that Congress may abrogate a state's sovereign immunity when acting to enforce constitutional rights pursuant to the Fourteenth Amendment. However, when it legislates pursuant to section 5 of the Fourteenth Amendment, there must be a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end. In its analysis, the court examined three aspects of the legislation: the nature of the injury to be remedied; Congress' consideration of the adequacy of state remedies to redress the injury; and the coverage of the legislation. The court found that Congress did not demonstrate that it had responded to massive constitutional violations requiring re-

medial legislation. Further, Congress had not sought to limit the scope of coverage—in particular, by excluding unintentional infringement by states—thus making the acts at issue irreconcilable with the principle that legislation pursuant to the Due Process Clause of the Fourteenth Amendment must be proportionate to legitimate section 5 ends. The court vacated and remanded the case with instructions to dismiss.

JUNGER V. DALEY

209 F.3d 481 (6th Cir. 2000)

The Sixth Circuit addressed whether encryption source code is sufficiently expressive in nature to warrant First Amendment protection from Export Administration Regulations, 15 C.F.R. Parts 730-74.

Peter Junger, a law professor at Case Western Reserve Law School, argued that posting of encryption language on the World Wide Web for teaching purposes constituted protected speech. Encryption, the process of converting plain text into a scrambled ciphertext, is now frequently performed by encryption software. This software can be in the form of object code, readable only by a computer, or in source code, which programmers can readily read and understand. The Export Administration Regulations created a licensing scheme to control the export of nonmilitary technology, including most forms of encryption software, and defined posting of such information on the web as an export for licensing purposes. Junger had applied to the Commerce Department for classification of his encryption software programs before posting them on his website, and was told that four of the five programs submitted were subject to licensing requirements. He then filed this action, facially challenging the regulations on First Amendment grounds and seeking declaratory and injunctive relief to allow him free distribution of encryption software through his website. The district court granted summary judgment for the defendants, holding that because the functional nature of source code outweighs its expressive characteristics, source code is not protected under the First Amendment.

The Sixth Circuit reversed, holding that since encryption software source code was used as an expressive medium for the exchange of ideas about computer programming, it was protected by the First Amendment. Although the court recognized that governmental and national security interests can on occasion outweigh the interests of protected speech, the record in the present case did not prove that national security interests would be furthered by prohibiting the free exchange of encryption source code. Since the Bureau of Export Administration had amended the regulations at issue subsequent to the district court's decision, the circuit court remanded the case to reconsider Junger's facial challenge under the revised regulations.

RODRIGUEZ V. TEXAS COMMISSION ON THE ARTS

199 F.3d 279 (5th Cir. 2000)

The Fifth Circuit ruled on the issue of whether the Copyright Remedy Clarification Act abrogates a state's Eleventh Amendment immunity pursuant to a valid exercise of congressional power.

Rodriguez registered a design for Texas license plates with the U.S. Copyright Office, and argued that the Arts Commission infringed that design when it started selling its specialized "State of the Arts" license plates to Texas residents. The U.S. District Court for the Northern District of Texas dismissed Rodriguez's suit for lack of subject matter

jurisdiction since he did not obtain the State's consent before suing it as required by the Eleventh Amendment.

Rodriguez appealed, arguing that the district court erred in its decision because Congress's enactment of the Copyright Remedy Clarification Action of 1990, 17 U.S.C. § 511(a) (1994), validly abrogated the states' sovereign immunity from suit in copyright matters. The Fifth Circuit disagreed, stating that although it was clear that Congress expressed its intent to abrogate such immunity, Congress did not act pursuant to a valid exercise of its power. Because Congress cannot abrogate state sovereign immunity pursuant to its Article I powers, the Act can only be constitutionally justified under the Due Process Clause. The court applied the Supreme Court's ruling in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627 (1999), to this copyright case. The Fifth Circuit reasoned that because the interests and the language are substantially the same in both the Patent Remedy Act and the Copyright Remedy Act, the *Florida Prepaid* analysis applied and the Copyright Remedy Act, therefore, is not justified under the Fourteenth Amendment.

TELECOMMUNICATIONS

AT&T CORP. V. CITY OF PORTLAND

216 F.3d 871 (9th Cir. 2000)

The Ninth Circuit ruled that the Communications Act of 1934 prohibits a local cable franchising authority from conditioning a transfer of a cable franchise upon the cable operator's grant of unrestricted access to its cable broadband transmission facilities for Internet service providers ("ISPs") other than the operator's proprietary service.

The case arose from merger of AT&T and Telecommunications, Inc. ("TCI"). The merger allowed AT&T to combine its long-distance telephone services and ISPs with the local cable broadband internet ("CBI") access technology of TCI in certain areas. AT&T provided Internet access as part of its @Home service, which raised concerns over whether AT&T could restrict user access to CBI to the proprietary @Home service, thus eliminating competition from other ISPs. Although the U.S. Department of Justice cleared the merger on antitrust grounds and the Federal Communications Commission determined that AT&T and TCI need not allow open access to their technologies, the local franchising authority in Portland predicated its approval on the condition that AT&T and TCI open their CBI technology to competing ISPs. AT&T refused to accede to the condition, and Portland denied AT&T's request to transfer the cable franchise. AT&T then brought suit against Portland for violating the Communications Act of 1934, as amended by the Telecommunications Act of 1996. The district court granted summary judgment to Portland, rejecting all of AT&T's claims.

The Ninth Circuit reviewed the grant of summary judgment, deciding only the question of statutory interpretation. Since Portland had premised its open access condition on its position that @Home is a "cable service" governed by the franchise, the court began its review with the question of whether the @Home service truly is a "cable service" as Congress defined it in the Communications Act. According to the court, "cable service" is defined in the Act as a one-way transmission of video programming or other programming service, involving subscriber interaction only to the extent that a subscriber may select or use such video programming or other programming service. The court interpreted this to refer to one-way transmission only, distinct from the interactive service

provided by AT&T/@Home. Thus, the court concluded that a cable operator may provide CBI access without obtaining a cable service franchise.

The court then turned to the question of whether Portland could condition AT&T's provision of standard cable service upon its opening access to the CBI to competing ISPs. The court stated that AT&T/@Home's provision of Internet transmission via CBI is defined as classic "telecommunications" under the Communications Act. However, the court noted that AT&T/@Home's role as an ISP defined it as a provider of "information services," not as a telecommunications carrier and that 47 U.S.C. § 541(b)(3) states that if a cable operator is engaged in the provision of telecommunications services, it is not to be restricted or ordered to provide any service by franchising authorities. Accordingly, the court held that Portland did not have the authority to regulate AT&T's provision of @Home. Therefore, the Ninth Circuit reversed the district court, holding that Portland may not condition the transfer of the cable franchise on nondiscriminatory access to AT&T's CBI network.

BUSINESS LAW

AMERICAN GUARANTEE & LIABILITY INSURANCE CO. V. INGRAM MICRO, INC.

No. CIV 99-185 TUC ACM, 2000 U.S. Dist. LEXIS 7299 (D. Ariz. April 19, 2000)

The U.S. District Court for the District of Arizona ruled that an insurance policy's coverage of "physical damage" included the loss of use or functionality of the insured's computer system.

Ingram Micro, Inc. ("Ingram") purchased an insurance policy from American Guarantee & Liability Insurance Co. ("American") that insured Ingram's "real, and personal property, business income and operations" against "[a]ll Risks of direct physical loss or damage from any cause, howsoever or wheresoever occurring." The policy included Ingram's computers as well as the Impulse System, a worldwide computer system used by Ingram to track its business activities. A power outage at Ingram's primary data processing center caused a loss of data on the local computers, as well as a loss of connection to the Impulse System that lasted eight hours. During that time, Ingram was unable to conduct business. Ingram filed a claim with American, which American denied, explaining that the computer systems in question were not physically damaged because they were still able to perform their intended function. American then filed a declaratory judgment action against Ingram; Ingram counterclaimed for breach of contract.

On cross-motions for summary judgment, the court ruled in favor of Ingram, finding that Ingram's systems did suffer physical damage. The court ruled that "'physical damage' is not restricted to the physical destruction or harm of computer circuitry but includes loss of access, loss of use, and loss of functionality." For this position, it relied on the federal computer fraud statue, 18 U.S.C.A. § 1030 (West Supp. 1999), which defines damage as including "any impairment to the integrity or availability of data, a program, a system, or information," as well as on provisions of various states' penal codes that criminalize interference with the functioning of a computer or network. According to the court, these statutes indicate lawmakers' recognition that interruptions in computer service, loss of access to data, or alterations to a computer network are forms of damage.

Therefore, the court concluded that "[r]estricting the Policy's language to that proposed by American would be archaic."

EBAY, INC. V. BIDDER'S EDGE, INC.

100 F. Supp. 2d 1058 (N.D. Cal. 2000)

The U.S. District Court for the Northern District of California granted eBay a preliminary injunction on a trespass to chattels claim against Bidder's Edge, prohibiting Bidder's Edge from using a "robot" or any similar program to access eBay's computer systems for the purposes of copying any part of eBay's database.

eBay is the largest online auction service, with many millions of users. In November 1998, Bidder's Edge ("BE") launched a website that aggregates auction data from other online auction sites using a "robot" program. The robot is designed to automatically search for, copy, and retrieve information from the websites of others. Using this robot, BE continuously downloaded eBay's database of auctions. Because it did not have to search eBay's site each time a customer searched its website, BE could display information faster to its customers, eBay, however, objected because such use placed a burden on its servers. When attempts to negotiate an agreement over marketing issues stalled, eBay demanded that BE cease accessing eBay's site. BE, however, continued accessing eBay's site and eBay filed suit, asking the district court to grant a preliminary injunction on nine possible theories, including trespass to chattels.

The court granted eBay a preliminary injunction on the theory of trespass to chattels. The court held that BE intentionally and without authorization interfered with eBay's possessory interest in the computer system and that BE's unauthorized use proximately resulted in damage to eBay in the form of lost data, decreased system performance, and system unavailability. The court also held that allowing BE to continue this activity would encourage the use of similar methods of searching eBay's systems by other auction aggregators, resulting in additional damage to plaintiff. It found that plaintiff sufficiently demonstrated a likelihood of success on the merits of its trespass claim and that eBay would likely suffer irreparable injury if defendant were allowed to continue its ongoing trespass. Although the court agreed that there was little authority supporting preliminary injunctions in trespass to chattel cases, it claimed that a successful analogy could be drawn to injunctions based on trespass to real property. The court did, however, note that nothing in its order precluded BE from obtaining information from eBay's site other than by automated query program, robot, web crawler or similar device. The court denied eBay's request for a preliminary injunction barring access to its site based on eBay's trademark infringement, trademark dilution, and other claims. After the court's decision, the parties settled the case.

FOREIGN & INTERNATIONAL LAW

WORLD TRADE ORGANIZATION DISPUTE PANEL REPORT ON SECTION 110(5) OF THE U.S. COPYRIGHT ACT

WT/DS160/R, 2000 WL 816081 (June 15, 2000)

In an action brought by the European Communities ("EC"), a dispute resolution panel of the World Trade Organization ("WTO") ruled that a provision of the U.S. Copy-

right Act, 17 U.S.C. § 110(5)(B), violated the Agreement on Trade-Related Aspects of Intellectual Property ("TRIPS") and the Berne Convention.

The statutory provision at issue, 17 U.S.C. § 110(5) (Supp. IV 1998), allows certain business establishments to operate radios and televisions by exempting their transmissions from copyright infringement. Under § 110(5)(A), transmissions by a "single receiving apparatus of a kind commonly used in private homes" are exempt as long as no fee is charged and the transmission is not further broadcast to the public. Section 110(5)(B) exempts transmissions in establishments that meet certain requirements on the type of equipment used; specific requirements vary based on the size and type of establishment.

The EC complained that §§ 110(5)(A) and 110(5)(B) violated TRIPS and the Berne Convention. Pursuant to the WTO's Dispute Settlement Understanding ("DSU"), a panel was convened to decide the dispute. In its final report, the panel found that § 110(5)(A) complied with and § 110(5)(B) violated both agreements.

TRIPS and the Berne Convention require members to grant authors the exclusive right to control public performance and communication of their works. Article 13 of TRIPS allows members to make exceptions to the author's exclusive right if the exceptions (1) are confined to certain special cases; (2) do not conflict with a normal exploitation of the work; and (3) do not unreasonably prejudice the legitimate interests of the right holder.

The WTO panel applied this three-prong test to each of the two provisions of § 110(5). The panel ruled that § 110(5)(B) failed the first prong, which requires that exceptions be both well-defined and narrowly confined. Although the language of § 110(5)(B) defined the exception clearly enough, the exception was not adequately confined to "special" cases because more than half of all U.S. business establishments qualified for the exception. The panel upheld § 110(5)(A) after finding that it satisfied all three prongs. The exception was well defined and applicable to fewer than a fifth of all establishments; thus, it was confined to "certain special cases." Applying the second prong, the panel found that the exception would not interfere with normal exploitation of the work because the establishments covered were unlikely to pay rights owners to obtain licenses. Applying the third prong, the panel focused on lost revenue and found that any losses caused by § 110(5)(A) were well below the threshold of unreasonableness.

The United States has indicated that it will comply with the WTO decision and amend 17 U.S.C. § 110(5).

BERKELEY TECHNOLOGY LAW JOURNAL
ANNUAL REVIEW OF LAW AND TECHNOLOGY

CUMULATIVE INDEX