

# FOREWORD

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The *Annual Review of Law & Technology* (“*Annual Review*”) aims to provide practitioners, judges, policymakers, scholars and students with summaries and analyses of recent developments in technology law, including the fields of intellectual property, antitrust, cyberlaw, constitutional law, telecommunications, business law, entertainment law and international law. Now in its fifth year, this year’s *Annual Review* includes detailed analyses of twenty-six important developments during the period of August 31, 2000 to August 31, 2001, as well as shorter summaries of forty recent developments in technology law.

Once again, the Internet and digital technology have taken center stage in the evolution of copyright, trademark, antitrust, business and international law. In this year’s *Annual Review*, an entire section has been devoted to developments in cyberlaw, in addition to digital technology and Internet-focused developments in several other fields. Additionally, the *Annual Review* addresses evolving areas of patent law, particularly the written description requirement, and trade secret law, especially the issues arising out of employment relationships. This volume also includes a section on Entertainment law, with two pieces focusing on the evolving body of law surrounding the right of publicity.

## I. INTELLECTUAL PROPERTY LAW

### A. Copyright

All four of this year’s copyright Notes, like last year’s Notes, focus on cases that arose from the use of Internet and digital media. These cases also reflect courts’ continuing efforts to further delineate the line between

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We would like to thank Professor Peter Menell for his exceptional efforts and vision in bringing the *Annual Review* to fruition, and for his continued support and guidance in this and other ventures. We would also like to thank this year’s student authors and advisors, as well as the editorial staff of the *Berkeley Technology Law Journal*, for their tireless work.

protecting the rights of creators of digital information, and prohibiting undue constraint upon public access to and use of that information.

In *New York Times Co. v. Tasini*,<sup>3</sup> the United States Supreme Court upheld the Second Circuit's decision that § 201(c) prohibits publishers of magazines from placing the freelance authors' works into their electronic databases. The Court held that because Congress amended the Copyright Act in 1976 to reduce publishers' bargaining power over authors, it therefore intended to limit the circumstances in which publishers could reproduce freelance authors' works. In considering the user's perspective, the Court held that the section 201(c) revision privilege cannot be extended to databases because the articles were not available on the databases as part of the original collection of works. Because of the high cost of acquiring permission from freelance authors, it is likely that fewer such pieces will be available to the public.

The district court in *Random House v. Rosetta Books*<sup>4</sup> denied Random House's request for an injunction, holding that a contract to publish a book in virtual form, absent a specific provision to publish the book in electronic form, does not automatically grant a publisher the right to publish these same virtual works as eBooks. New York contract law specifies that contract language must be interpreted in accordance with the parties' intentions as revealed by the contract language. Therefore, when contract language is ambiguous, the interpretation of the contract is a matter of fact for the court to determine. This decision was not a clear victory for either side. Random House filed an appeal on September 13, 2001, so we can expect to revisit this issue in next year's *Annual Review*.

Also important was the clarification of the rights Congress granted to the United States Copyright Office in the context of Internet broadcasting regulation. The district court in *Bonneville International v. Peters*<sup>5</sup> held that the United States Copyright Office has the right to establish the rates and terms for a section 114 license because Congress gave the United States Copyright Office interpretive authority over this section of the Copyright Act. The court further held that Congress intended to permit only local transmission over-the-air radio broadcasts, and not AM/FM Internet streaming, under section 114.

This year's *Annual Review* also includes the *A&M Records, Inc. v. Napster, Inc.*<sup>6</sup> decision in which the Ninth Circuit upheld the injunction

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3. 121 S.Ct. 2381 (2001).

4. 150 F. Supp. 2d 613 (S.D.N.Y. 2001).

5. *Bonneville Int'l v. Peters*, 153 F. Supp. 2d 763 (E.D.P.A. 2001).

6. 239 F.3d 1004 (9th Cir. 2001).

against Napster, agreeing with the district court that A & M Records would likely prevail on contributory and vicarious copyright infringement claims. It did, however, remand the case with instructions to reduce the scope of the preliminary injunction by requiring A&M Records to notify Napster of infringing activity on Napster's system. This decision limits the accessibility of music to the public. At the time of publication, no appeal had been filed.

## **B. Patent**

The most significant development in patent law this year, and perhaps in the last several years, is the Federal Circuit's *en banc* decision in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*<sup>7</sup> In *Festo*, the court held that an amendment to a claim limitation for any reason related to patentability acts as a permanent bar to the application of the doctrine of equivalents. The United States Supreme Court granted *certiorari* on June 18, 2001. The Court heard oral arguments on January 8, 2002. At the time of publication, the Court had not yet issued its decision.

There have been many additional developments in patent law. Courts have ruled on issues ranging from appellate jurisdiction over patent-related cases to application of the on-sale bar. Both of this year's Notes on patent law focus on the evolving rules surrounding the written description requirement.

In *Purdue Pharma L.P. v. Faulding Inc.*,<sup>8</sup> the Federal Circuit invalidated the claims of a pharmaceutical patent for lack of adequate written description. The court found that the written description failed to convey to one of ordinary skill in the art that the inventor was in possession of the invention at the time of the original filing because the original specification failed to describe a later-amended claim limitation as being the "important defining quality" of the invention. Thus, for the first time, the Federal Circuit invalidated patent claims for failure to satisfy the written description requirement where the amended limitation narrowed, rather than broadened, the scope of the challenged claims.

In 2001, the United States Patent and Trademark Office ("USPTO") issued Written Description Guidelines intended to assist USPTO personnel in the determination of whether an adequate written description has been provided in a patent application. Though the Guidelines state that a rejection of a patent application is based upon the substantive law itself and not

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7. 234 F.3d 558 (Fed. Cir. 2000) (en banc).

8. 230 F.3d 1320 (Fed. Cir. 2000).

the Guidelines, it is important to analyze inconsistencies between the Guidelines and case law.

### C. Trademark

The Internet continues to dominate the development of trademark law. This year's *Annual Review* also analyzes the first wave of cases decided under the Anticybersquatting Consumer Protection Act ("ACPA"), identifying issues that consistently arise in courts' application of the ACPA. While most courts strictly limit their application of the ACPA to cybersquatting cases, some courts are applying the ACPA beyond its intended scope.

Similarly, new patterns have begun to emerge since the Internet Corporation for Assigned Names and Numbers ("ICANN") implemented the Uniform Domain-Name Dispute-Resolution Policy ("UDRP").<sup>9</sup> Although the UDRP has resolved several thousand domain name disputes since its inception, the system has come under fire by critics for being biased in favor of complainant trademark owners (who win in over eighty percent of the cases) because complainants are permitted to select the service provider.

There were also important developments this year in area of trade dress law. The Court in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*<sup>10</sup> further refined the rule for functionality, holding that a product feature is functional when it is either essential to the use or purpose, or affects the cost or quality, of the product. Further, there is a presumption of functionality when the product feature was the subject of an expired utility patent, and the patent owner bears the burden of showing the product feature is arbitrary, incidental or ornamental.

### D. Trade Secret

This year's trade secret Notes illustrate a geographical split in courts' struggle to find the proper balance between protecting confidential, proprietary information and encouraging employee mobility. In *Globespan, Inc. v. O'Neill*<sup>11</sup> the Central District of California, following federal district court precedent, held that the doctrine of inevitable disclosure violates section 16600 of the California Business and Professions Code which strongly protects worker mobility as a matter of public policy. In *Bernier v.*

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9. ICANN, Uniform Domain Name Dispute Resolution Policy, at <http://www.icann.org/udrp-policy.html> (Oct. 24, 1999).

10. 121 S.Ct. 1255 (2001).

11. No. CV 01-04350 LGB, 2001 WL 801609 (C.D. Cal. Jul. 12, 2001).

*Merrill Air Engineers*,<sup>12</sup> a Maine appellate court held that information which does not qualify for trade secret protection can be protected by a nondisclosure agreement.

## II. ANTITRUST

This year saw several important developments in antitrust law, most notably, the D.C. Circuit's decision in *United States v. Microsoft*.<sup>13</sup> The circuit court upheld the district court's finding of Microsoft's liability under Section 2 of the Sherman Act, while overturning both the breakup remedy and tying liability, remanding both for reconsideration. Microsoft's real victories may have come later, first when the Department of Justice announced that it would drop the tying charge and no longer pursue the breakup of the company, and second in the settlement agreement. In addition to the federal antitrust litigation, Microsoft faces many individual consumer suits under the Clayton Act. In *In re Microsoft Antitrust Litigation*, U.S. District Court for the District of Maryland dismissed thirty-eight private antitrust lawsuits filed against Microsoft.

In addition to monopolization actions against Microsoft, the *Annual Review* includes a Note on collusive settlements under the Hatch-Waxman Act. The Act rewarded research-based drug development with extra patent protection and also modified parts of the regulatory approval process for generic drugs. Although the Act has largely met the goal of stimulating new drug development and increasing the availability of generics, provisions of the Act may have also unwittingly created perverse incentives for anticompetitive activity. Several recent agreements between brand-name and generic companies have attracted significant antitrust attention.

## III. CYBERLAW

The rise of the Internet has had significant impact on several different areas of the law. The importance of developments in this area has led to the inclusion of a separate cyberlaw section of the *Annual Review*.

Jurisdiction over the Internet is a continually developing area of law. Courts are struggling to find a way to apply traditional jurisdictional rules to the Internet. In *Pavlovich v. Superior Court of Santa Clara County*,<sup>14</sup> the California Court of Appeal held that the defendant's actions outside of

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12. 770 A.2d 97 (Me. 2001).

13. 253 F. 3d 34 (D.C. Cir. 2001).

14. 109 Cal. Rptr. 2d 909, 911 (Ct. App. 2001), *hearing granted*, No. S100809 (Cal. Dec. 12, 2001).

California, which caused harm within the state, were sufficient for the exercise of jurisdiction by California courts. In *Yahoo!Inc. v. LICRA*,<sup>15</sup> the district court held that it had personal jurisdiction over the French defendants, using the Ninth Circuit's three-part test for determining whether a court may exercise specific jurisdiction. The court also ordered the plaintiff to comply with the orders of the French court.

Regulating conduct over the Internet has also become an increasingly important area of the law. This year's *Annual Review* includes Notes that analyze three different areas of regulation over the Internet, including state Internet regulation, Internet Service Provider immunity under the Communications Decency Act, and the trespass to chattels on the Internet. The first Note focuses on the constitutionality of state Internet regulation in light of the dormant Commerce Clause. The second Note analyzes section 230 of the Communications Decency Act, which provides for Internet Service Provider immunity for obscene materials posted on the Internet. Finally, one Note discusses the innovative use of the common law trespass to chattels cause of action in Internet cases.

#### IV. CONSTITUTIONAL LAW

In *Bartnicki v. Vopper*,<sup>16</sup> the Supreme Court held that anti-wiretapping statutes violate the First Amendment by prohibiting disclosures of intercepted information, especially when that information is of significant public concern. *Bartnicki* is one of several recent cases questioning the constitutionality of prohibitions against publishing illegally acquired information. *Bartnicki* clearly demonstrates the tension that occurs when lawmakers, attempting to deal with new technology, create laws that conflict with constitutional provisions. *Bartnicki* is just one case in what will likely be a long line of cases that address the impact of technology on constitutional law.

#### V. BUSINESS LAW

The Internet has also had significant impact on commercial law. One of this year's Notes focuses on the evolution of case law surrounding the enforceability of online license agreements. Notably, the presentation of online licenses varies, as does the amount of notice they provide consumers. Some vendors automatically splash their license on the screen and require consumers to click an "I agree" icon; others merely create a link to

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15. 169 F. Supp. 2d 1181 (N.D. Cal. Nov. 7, 2001).

16. 53 U.S. 514 (2001).

their license and do not require acceptance. Courts have begun to utilize two broadly defined categories—clickwrap and browsewrap—in order to help characterize the various methods of presentation. Courts have considered these methods of online presentation, holding some licenses binding on consumers and others not.

With the growing importance and prevalence of the Internet, there is increased awareness of potential threats to privacy. In response to privacy concerns, Congress passed the Gramm-Leach-Bliley Act,<sup>17</sup> also known as the Financial Services Modernization Act of 1999, which included provisions for protection of consumers' financial data. One of this year's Notes analyzes these privacy protections in detail and considers whether the Act's provisions for protection of private financial information are sufficient safeguards against threats to privacy.

## VI. ENTERTAINMENT LAW

This year's case Notes reflect the courts efforts to balance the right of publicity with the First Amendment. The Ninth Circuit, in *Hoffman v. Capital Cities/ABC, Inc.*,<sup>18</sup> overturned the district court and found that the defendant's publication of a photograph of Dustin Hoffman's head on another person's body was protected by the First Amendment. Because the commercial aspects of the photograph were entwined with the expressive elements and could not be separated, the photograph was protected as a whole.

In *Comedy III Productions v. Saderup*,<sup>19</sup> the California Supreme Court imported the "fair use" element from copyright law to resolve the conflict between Comedy III Productions' right of publicity in all items bearing an image of The Three Stooges, and Saderup's First Amendment right of expression in his lithographs and shirts bearing the image of The Three Stooges. In applying the fair use factor, the court determined that Saderup's work had no significant transformative element because it did not satirically comment upon society and held that Saderup's works were not protected as a fair use.

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17. Pub. L. 106-102, 113 Stat. 1338 (codified as amended in scattered sections of 12 U.S.C. and 15 U.S.C.) (2001).

18. 255 F.3d 1180 (2001).

19. 25 Cal. 4th 387 (2001).

## VII. FOREIGN & INTERNATIONAL LAW

This year's *Annual Review* analyzes the first wave of cases to be decided under the European Community Database Directive ("E.C. Directive"), which creates a *sui generis* right to protect databases from unauthorized uses and protects data base structures. Courts in member states are forming different tests for determining what constitutes a substantive investment in the making of a creative database, and are defining the scope of protection afforded under the E.C. Directive differently. Further, the E.C. Directive's reciprocity agreement requires the United States to adopt similar legislation for United States databases to receive equal protection under the E.C. Directive in member states, however, such legislation is not likely to survive strict scrutiny under the United States Constitution.

This year's *Annual Review* also evaluates the United States' response to the World Trade Organization panel report which found that Section 110(5) of the United States Copyright Act violates Article 13 of the Trade-Related Aspects of Intellectual Property Rights ("TRIPS") and Articles 11 and 11*bis* of the Berne Convention for the Protection for the Protection of Literary and Artistic Works ("Berne Convention") in light of China's recent admission to the World Trade Organization. By agreeing to change its law without exception, the United States gave up a critical opportunity to find a mutually satisfactory solution with other offending nations.

The rapid pace of developments at the intersection of technology and law will likely continue in coming years. The *Berkeley Technology Law Journal* and the Berkeley Center for Law & Technology remain committed to providing this reliable, up-to-date resource for lawyers, judges, policymakers, and the academic community interested in following this fast-moving field of law now and in years to come.



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