INTELLECTUAL PROPERTY

AND

DIGITAL TECHNOLOGY

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INTELLECTUAL PROPERTY AND DIGITAL TECHNOLOGY

This white paper is designed to touch briefly on the types of intellectual property and how they interplay with digital technology. This is by no means an in-depth treatise on either intellectual property law or digital technology concepts, and the author urges use of this paper as a general discussion of some of the issues that may arise.

In other words, when in doubt, please consult your local IP expert, or even better, call us.

Trademarks and Service Marks

(1) Generally

A trademark is a unique, distinctive word, term, name, symbol, or device that distinguishes the goods of one company from those of another company. A service mark does the same thing as a trademark, but represents a company's services rather than a particular product. The same laws as a general rule apply to both trademarks and service marks, and therefore the term "trademark" as used through the remainder of this presentation shall refer to both types of marks.

"Distinctive" means that the trademark is unique if it serves the function of identifying the origin of the goods or services, and thereby avoid confusion, deception, or mistake. Ultimately this means that the trademark must be somehow recognizable, identifiable, unique, and different from other trademarks. Generic or descriptive words or symbols which are used to describe an entire category or class of products or services are considered to be in the public domain, and cannot be registered as a trademark or enforced under trademark laws. Examples of generic marks are "software", "menu", "cellophane", and "national".

In the United States, trademarks can be protected by common law, individual state trademark laws, and the federal Lanham Act (15 U.S.C. 1050 et seq.). Trademarks must be registered in other countries in order to have international protection. If a mark is registered with the US Patent & Trademark Office, it is protected by the Lanham Act, and the owner is presumed to have nationwide constructive notice of its ownership of a mark. A mark can also be registered within the individual states, usually through the Secretary of State's Office, and its protection is presumed to be state-wide. Common law rights attach to a mark when it is used openly in commerce.

Generally, the first party to actively and openly use a trademark in commerce is presumed to be the owner of the mark and entitled to prevent other parties from using the same or confusingly similar marks. For course, part two of this two-step is that the presumption is rebuttable by the other party, who can raise a number of defenses such as abandonment of the mark by the first user, failure to consistently enforce rights against other users, use of the mark by third parties such that the mark becomes descriptive or generic, and so on. Federal law under the Lanham Act now also allows for filing of an "Intent to Use" application, to essentially bookmark a party's intention to begin using a specific mark at a later date.

It is also important to remember that registration of a mark at the state and/or federal level does not give the registrant automatic priority of use of the mark over all other parties. The registration will only create a rebuttable presumption of the right to exclude other parties from using the same or a confusingly similar mark. As with the first-use rule, the presumption can be overcome by raising issues of abandonment, selective rather than comprehensive enforcement of rights, actual prior use of the mark by the second party, and other recognized legal arguments.

Companies must protect their trademarks from use by others for equitable and legal reasons. If a trademark loses its ability to distinguish one company's goods from another company's goods, the trademark is said to become weak. If consumers fail to recognize any goods or services offered under that mark as being from that particular company (may mistake them as originating from another company), which might affect perception of value, the owner of a trademark may be barred from preventing other companies from using the mark. Companies should also be concerned about the use of their trademarks online because the presence of these marks on unofficial sites could be misconstrued as official endorsements.

(2) Infringement

Infringement is basically defined as use of a mark by another party (usually identified as "defendant"), who is not the owner (invariably titled "plaintiff"), in connection with goods or services in a way that is likely to cause confusion about the origin of these goods or services, their sponsorship, or their approval.

Specifically, a court looks at the facts to determine if (a) the plaintiff has a valid, protectable trademark, and (b) the defendant's use creates a likelihood of confusion. The court will examine the validity and protectability of a mark using the principles outlined in subsection (1) Generally (see above). "Likelihood of confusion" traditionally is determined using standards set forth in International Kennel Club v. Mighty Star, Inc., 846 F2d 1079 (1988). These are (1) similarity of marks, (2) similarity of products, (3) physical area and manner of concurrent use (e.g. use by both parties), (4) degree of care likely to be exercised by consumers, (5) strength of the mark, (6) actual confusion, and (7) wrongful intent. None of these factors is dispositive by itself.

(3) Dilution

The Lanham Act was amended in 1996 by the Federal Anti-Dilution Act, which prohibits the use of another company's trademark if the use would "dilute the distinctive quality" of the mark. Trademark dilution can occur even if there is not any likelihood of confusion, and regardless of whether there is competition between the two parties. However, there are three exceptions under which trademarks can be used: fair use in comparative advertising; in noncommercial use; and in news reporting or commentary.

Dilution can occur by blurring, where a mark loses its distinctiveness by association with other parties' goods or services, or by tarnishment, where a mark loses distinctiveness by association with lewd or unsavory goods or services.

The Supreme Court stepped into the dilution controversy in 2003 when it held that the Federal Trademark Dilution Act (FTDA) required a showing of actual dilution in Moseley v. V Secret Catalogue, Inc., 537 US 418 (2003). The Court held that the holder of a "famous" mark must show actual dilution, as opposed to a likelihood of dilution, in order to successfully bring action under the FTDA against a junior user of the same or a confusingly similar mark. Victoria's Secret originally filed suit against the Moseleys, who used the name "Victor's Secret" for their novelty store selling merchandise more risque than that available in Victoria's Secret stores or catalogues. Victoria's Secret alleged dilution by tarnishment, but the Court held that Victoria's Secret failed to offer proof of actual confusion by consumers, and remanded the case back to the district court for further proceedings to allow Victoria's Secret the opportunity to present evidence of actual dilution/customer confusion.

Trademark groups have responded to the Moseley holding by continuing to petition Congress to enact legislation overturning the decision, and congressional committee hearings on this topic were held as recently as February 17, 2005. H.R. 683, introduced in February and passed by the House 411 to 8, is titled the "Trademark Dilution Revision Act". It proposes to explicitly remove the requirement of a famous mark to demonstrate actual dilution in order to claim relief for dilution, instead requiring only a demonstration of likelihood of confusion. This change would overturn the Moseley ruling. The bill also lists the factors that qualify a mark as "famous" for dilution purposes.

(4) Trademarks and the Internet

Metatext, metatags, keywords, adwords, and search engine placement.

Metatext is text that is buried in a web page, in particular in the "keywords" field, but is not visible on the screen to the user. Metatags contain information which is not displayed on the screen but is used by search engines which would lead web servers to a specific location. Both are used by Internet search engines as a way of indexing their search results, and in most instances the search engine company "ranks" their indexing of search results, such that an advertiser can "purchase" a higher ranking when the search results are displayed to the web surfer.

Keyword advertising, also known as adwords, allows advertisers to select for each of their ads key words that will cause those ads to appear on search result pages. In Google, these ads are displayed under the heading "Sponsored Links", while on Yahoo, they appear under the heading "Sponsored Results". On both search engines, these results display to the right of, and/or above, the regular display results. In most keyword advertising programs run by various search engine companies, more than one advertiser is allowed to bid on a particular keyword or adword.

Needless to say, significant revenue is generated to search engine companies through sales of advertising through metatext, metatag, keyword and adword formulas. An increasing number of trademark owners complain that the sale of their trademarks as keywords, adwords, metatext and/or metatags, particularly to their competitors, is an improper attempt to profit from the goodwill of their marks and constitutes, among other things, trademark infringement, trademark dilution, and unfair competition. The trademark owners have filed suit against competitors, search engine companies, and other parties over the past 10 years, with varying results.

Any basic analysis of infringement starts with Brookfield Communications Inc. v. West Coast Entertainment Corp., 174 F.3d 1036 (9th Cir., April 22, 1999), wherein the Ninth Circuit reversed the district court, and enjoined defendant from using plaintiff's "moviebuff" trademark in either a domain name or metatags found on defendant's web site. The court rejected defendant's contention that it had superior rights to the mark by virtue of the fact that it commenced use of the mark before plaintiff. While defendant had used the mark in a domain name registered with NSI before plaintiff commenced its use of the mark on the Internet, defendant did not commence operation of a site at that domain name until well after plaintiff commenced use of the mark. Defendant's only use of the mark that arguably predated plaintiff's was in "limited e-mail correspondence." Such use was held insufficient to make defendant the senior user of the mark. "Registration with Network Solutions ... does not in itself constitute "use" for purposes of acquiring trademark priority." What is required is actual use in commerce in connection with the sale of products or, at a minimum, "use in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark."

The court held that West Coast's activities were likely to constitute trademark infringement because they were likely to confuse the public about the source or sponsorship of West Coast's "moviebuff.com" web site. In reaching this conclusion, the court relied on the fact that the marks at issue were identical, and were both using the Internet to marketed related products. Significantly, the court held that the addition of ".com" to the phrase "moviebuff" was of no significance in comparing the identity of the marks used. "Because many companies use domain names comprised of ".com" as the top-level domain with their corporate name or trademark as the second-level domain, the addition of ".com" is of diminished importance in distinguishing the mark." The court accordingly enjoined defendant from operating a web site at "moviebuff.com."

The court also enjoined defendant from using the "moviebuff" mark in metatags on its site. In reaching this conclusion, the court found that use of the "moviebuff" mark in metatags would cause prohibited "initial interest confusion." The court held that "web surfers looking for Brookfield's "MovieBuff" products who are taken by a search engine to "westcoastvideo.com" [as a result of the use of "moviebuff" in the site's metatags] will find a database similar enough to "MovieBuff" such that a sizeable number of consumers who were originally looking for Brookfield's product will simply decide to utilize West Coast's offerings instead. Although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using "moviebuff.com" or "moviebuff" to divert people looking for "MovieBuff" to its web site, West Coast improperly benefits from the goodwill that Brookfield developed in its mark." Such use of plaintiff's mark, concluded the court, is indeed actionable.

As a result, the court enjoined West Coast from using the mark "MovieBuff" in its metatags. The court did hold that West Coast could use the descriptive phrase "Movie Buff" in its metatags, provided it included a space between the two words.)

Another interesting case setting ground rules on metatags is Playboy Enterprises, Inc. v. Terri Welles, 7 F. Supp. 2d 1098 (S.D. Ca., February 27, 1998). Defendant, a former "Playmate of the Month" and "Playmate of the Year," was permitted to use those trademarks on her website, and to use the marks "Playboy" and "Playmate" in metatags, despite plaintiff Playboy's objections.

Such was a permissible fair use of plaintiff's marks because such marks described who the defendant was.

Since the rulings is these two cases, the analysis of “fair use” of others’ trademarks in one’s metatags has evolved into a whole sub-set of trademark infringement case law. In the past year, cases have included the following:

Government Employees Insurance Co. v. Google, Inc., (ED Va, 2004): A search engine’s policy of selling trademarks of competing companies as advertisements, or “sponsored links,” on its search results page does not result in consumer confusion (bench trial transcript from December 15, 2004). Geico’s counsel had argued that the appearance of other brand names on the screen, after a visitor had entered Geico’s brand name into the search engine, would cause consumer confusion and allow competitors to free-ride on Geico’s well-known brand. Previously in the same case, the court ruled that the use of brand names on the search results page did constitute an actionable “use in commerce” of a trademark (330 F Supp 2d 700, ED Va, 2004).

Google’s defendant status continues in other suits, such as Rescuecom Corp. v. Google, Inc. (complaint filed ND NY, Sept. 7, 2004, alleging that Google’s use of its “Rescuecom” mark as a keyword in connection with the sale of sponsored links is a commercial use), and JTH Tax, Inc. v. Google, Inc. (complaint filed ED Va, April 4, 2005, alleging infringement by Google for using JTH’s mark “Liberty Tax Service” to trigger a sponsored link to a rival tax service site). Google warned in an August 2004 SEC filing that possible trademark infringement lawsuits which result in “adverse” findings by courts could “result in a loss of revenue for [Google], which would harm our business.” Google’s position in all of these cases is that it is a “problem of misunderstanding new technology” (e.g., the Internet). Google argued that keyword search advertising was similar to magazines or billboard companies allow advertisers to place their ads near a competitor. “That isn’t trademark infringement, it’s competition”, Google said in its unsuccessful motion to dismiss in Geico v. Google.

On March 30, 2005, the U.S. District Court for Northern District of California issued a ruling denying Google’s motion to dismiss certain counterclaims in Google, Inc. v. American Blind & Wallpaper Factory (ND Cal, 2005). Google filed a motion for declaratory judgment against American Blind & Wallpaper Factory after the company threatened to sue Google for trademark infringement caused by its keyword advertising program.

Additional interesting cases in the last few months include Independent Living Aids, Inc. v. Maxi-Aids, Inc. (2d Cir Ct of Appeals Summary Order, April 4, 2005, designated unpublished), where the court held that a web site’s use of descriptive words in the same sequence as a rival’s trademark may be enjoined because of the inability of search engines to distinguish non-trademark uses of the terms. Independent Living Aids (ILA) initially obtained a permanent injunction against Maxi-Aid for using ILA’s trademark “Independent Living Aids” on Maxi-Aids’ web site, but only in title caps. ILA subsequently asked the district court to modify the injunction to include use of the terms in lower case as well, and submitted evidence that Maxi-Aid was gaming search engine results by using the mark as a metatag in lower case. Technically, the use of the terms in lower case complied with the original injunction, but it had the effect of generating misleading search results because unsophisticated search engines could not distinguish between capitalized proper nouns and lower-case phrases. The fact that tipped the scales in favor of ILA was that both parties sold competitive products (hearing aids and the like). The district court agreed with ILA and modified the injunction. The Second Circuit affirmed.

On the other hand, the U.S. District Court for the District of New Jersey held in a ruling issued August 26, 2004 that a competitor does not commit trademark infringement by using a rival's trademarks in metatag coding of its web site to alert potential customers searching for the rival's goods of the availability of the competitor's replacement parts. Bijur Lubricating Corp. v. Devco Corp. (D NJ, August 26, 2004). Devco is a manufacturer of replacement parts for lubricating systems. Devco acknowledged that it used the Bijur name in metatags to sell genuine Bijur parts as well as compatible third party replacement parts. Clicking on the Devco link from the search results page took the user to a sub-page within the Devco site that provided a tabular listing of parts arranged by model number and captioned "Replaces Bijur" or "Replaces Bijur Type". The court held there was nothing inherently misleading about this use of the Bijur name, stating that Devco is entitled to inform potential customers that its non-Bijur-manufactured parts can be used to replace Bijur parts.

The newest issue in the law of trademark infringement and dilution is "pop-up" advertising. These ads appear (pop up) when an online shopper or surfer clicks on a particular website by use of a domain name or trademark, and entry into the site causes an unauthorized advertisement, usually from a competitor of the website owner, to appear on the user's screen. This pop-up ad in most instances obstructs the original domain name and/or trademark website owner's display of their ad. In the past two years, four federal district court cases have rendered split opinions (two finding infringement and two finding a protected nuisance). Other pending cases are lining up in other federal districts.

(5) International Issues

There exist alternative mechanisms, treaties and processes by which to register and protect a mark on an international level. In light of the nature of the Internet, many e-commerce companies are doing business with other businesses and consumers from other countries, thereby establishing their presence on the international level. Under trademark law of the European Union, of which there are 15 Member States, priority rights in a trademark are based upon the first to file a registration. The World Intellectual Property Organization is a specialized agency of the United Nations, under which 21 industrial property treaties are administered and 175 states are members. The Madrid Agreement and the Madrid Protocol set guidelines for registration and priority. The United States is not a signatory country on the Madrid Agreement, but the Madrid Protocol was incorporated into the Lanham Act in §1141 effective as of November 2003.

In assessing the rights one has in a mark or can establishment in a mark, even within the United States, it is necessary that a preliminary search be conducted of marks used within that industry. Even if a mark is in English, it may have an "equivalent" meaning as a word being used in another treaty country. Even if the word is spelled in a different language, it is considered the same if the meanings are the same. This is known as the doctrine of foreign equivalents. In order to properly conduct and assess the results of a preliminary trademark search, being fluent in other languages is definitely an advantage. It could save thousands of dollars in filing fees and law suits.

Domain Names

(1) Generally

Domain names are the Internet address for businesses and individuals and governments. Domain names consist of two parts: the top level domain name, which is the .com, .net, .org, .gov, .edu, etc., and the second level domain name, which is the unique identifier for the party at a particular Internet address. The second level domain name may or may not follow “www.”. Each domain name is unique, so that all the computers attached to the Internet can find it. It is therefore impossible for two different parties to have the same domain name at the same top level domain designation.

Domain names are reserved through registration of the name with a domain name registrar such as Network Solutions, Inc. (NSI). Once a domain name is registered with a domain name clearing house, no one else can use it for the same purpose. Domain names can be company names or trademarks or other unique words or phrases identifying the source of goods or products. Conversely, domain names may or may not be trademarks.

(2) Disputes

Domain name registrars make it clear that registering a domain name does not confer any legal rights to that name, and any disputes between parties over the rights to use a particular name are to be settled between the contending parties. The following are several alternatives to litigation for resolution of domain name disputes:

a) The Anticybersquatting Consumer Protection Act (ACPA)

The ACPA was enacted by Congress to remedy the perceived shortcomings of applying normal trademark principles (such as trademark dilution) to domain name registrations and related Internet cases. The ACPA provides the holder of a registered trademark with a means to take a domain name away from a person who registers or uses a domain name that is the same or confusingly similar to their mark.

To succeed on an ACPA claim, a plaintiff must show that:

- plaintiff’s mark is distinctive or famous;
- defendant’s domain name is identical or confusingly similar to plaintiff’s mark, and
- defendant registered, trafficked or used the domain name with a bad faith intent to profit from the sale of the domain name.

The ACPA lists some of the factors that may be considered in determining whether when a defendant has acted with a bad faith intent to profit from registering a domain name:

- the trademark or other intellectual property rights of the person, if any, in the domain name;
- the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
- the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
- the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
- the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
- the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in a bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;
- the person's provision of material and misleading false contract information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;
- the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and
- the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous.

These factors are not exclusive. Perhaps the most significant enhancement of protection provided to mark owners by the ACPA is the fact that registration of a domain name itself may be enough to initiate a cause of action. Before the ACPA, some courts had held that mere registration was not sufficient to give rise to liability because it fails to meet the "use in commerce" requirement of trademark infringement or trademark dilution.

Under the ACPA, courts may order forfeiture, cancellation, or transfer of the domain name. Plaintiffs may also recover defendant's profits, damages, and costs of the action. Alternatively, plaintiffs may elect to recover statutory damages instead of actual damages and profits, a remedy unavailable in trademark dilution or infringement. Statutory damages may be between $1,000 and $100,000, at the court's discretion. Plaintiffs in cybersquatting cases may proceed under both traditional trademark infringement or dilution theories and the ACPA, since nothing in the ACPA precludes the award of damages under pre-existing law.

Another feature of the ACPA is that the owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar is located. In rem jurisdiction is available if the court finds that the owner is not able to obtain in personam jurisdiction over a person who would have been a defendant or was not able to find a person who would have been a defendant through due diligence. This works only if the registrar is in the United States, of course, which means the in rem action will have only limited usefulness.

The ACPA was successfully used by a plaintiff in the case Electronics Boutique Holding Corp. v. Zuccarini, 33 Fed Appx. 647 (E.D. Pa., October 30, 2000). The court issued a permanent injunction under the ACPA, enjoining defendant, described by the court as a "notorious cybersquatter," from continuing to operate web sites at domains containing common misspellings of plaintiff's registered service marks. The court also awarded plaintiff $530,653.34, which included both the maximum $100,000 statutory award for each domain name improperly used, as well as plaintiff's attorney's fees and costs.

On August 5, 2004, the U.S. District Court for the Eastern District of Virginia granted summary judgment to Reverend Jerry Falwell in the case of Lamparello v. Falwell (ED Va 2004) and ordered Mr. Lamparello to transfer the registration of the domain name, "Fallwell.com", to Rev. Falwell. Mr. Lamparello originally registered the domain name "Fallwell.com" to host a website on which he publicized his views on homosexuality, responded to opposing sentiments promulgated in Rev. Falwell's ministerial teachings, and promoted for a while the sale of a book on Amazon.com. Mr. Lamparello brought a declaratory judgment action against Rev. Falwell. In addition to finding that Mr. Lamparello had infringed on Rev. Falwell's federally registered trademarks, the court also held that the one letter difference between Falwell and Fallwell entitled Rev. Falwell to a finding of unfair competition and infringement on his common law marks "Falwell" and "Jerry Falwell". Finally, the court found Lamparello guilty of cybersquatting under the ACPA with a finding that he registered and used a domain name that was confusingly similar to or dilutive of a distinctive or famous mark. The court also found a bad faith attempt to profit from using the domain name, since Lamparello had no reasonable grounds to believe his use was fair or otherwise lawful, that he hosted a commercial website when he used it to help sell a book on Amazon.com, and finally that he intended to divert consumers away from Rev. Falwell's website for the purpose of disparaging Falwell's mark.

Most recently, the U.S. Court of Appeals for the Eighth Circuit ruled on April 4, 2005, that a district court did not abuse its discretion in enjoining an anti-abortion web site operator from registering and using domain names that were identical to or confusingly similar to the trademark of a law firm. Faegre & Benson, LLP v. Purdy (8th Cir, 2005). The court noted that the domain name registration had lost an appeal in a similar, but not identical, case in Coca-Cola v. Purdy, 382 F3d 774 (8th Cir, 2004). While declining to impose sanctions against Purdy, the court in a footnote warned him against appealing against the advice of counsel when he had lost an appeal on similar grounds in a case involving different litigants.

b) Uniform Domain Name Dispute Resolution Policy (UDNDRP)

The UDNDRP and the concept of cybersquatting are at the international level. All accredited registrars of domain names under the Internet Corporation of Assigned Names and Numbers must adopt the UDNDRP and require their customers to be subject to it. Four organizations are approved to resolve disputes. Under the procedure, a trademark owner may file a complaint with an approved dispute resolution provider. The registrant is given an opportunity to respond. The approved dispute resolution provider will render a decision within 17 days. The service provider must implement the decision within 10 business days.

The first case of an abusive registration of a domain name on the Internet was decided on January 14, 2000, with the Administrative Panel of the WIPO ordering the registrant to hand over the domain name to the complainant. The US-based World Wrestling Federation (WWF) had brought the suit against a California resident who had registered the domain name "www.worldwrestlingfederation.com" and offered to sell it back, at significant profit, to the WWF three days later. The WWF filed the case with the WIPO Arbitration and Mediation Center under the UDNDRP. This first complaint was filed on December 2, 1999, a day after the new system had taken effect. The expeditious nature of the procedure has been a positive influence on intellectual property law on the Internet.

In a recent case using the UDNDRP policies, a National Arbitration Forum panelist ruled that a fight between a manufacturer and a reseller over whether the parties' agreements permitted the reseller to register and use domain names incorporating the manufacturer's trademarks is outside the domain name arbitration process. Xerox Corp. v. Franklin d/b/a Cognito, Inc. (NAF, 2005). In denying the claim for lack of jurisdiction, the panelist noted that "cases in which there is a deep contractual relationship between the parties, and where registered domain names are subject to legitimate disputes, should normally be relegated to the courts."

c) World Intellectual Property Organization (WIPO)

Most recently, a WIPO arbitration panel ruled on January 4, 2005, that in a case where a domain name registration uses a term in its generic sense in connection with services unrelated to those under which that term is used as a trademark, that use as a domain name is fair use. Kiwi European Holdings B.V. v. Future Media Architects, Inc. (WIPO, 2005). Future Media acquired the domain name "kiwi.com" for $30,000 and used it to resolve to its search engine web site, "oxide.com". The Kiwi shoe polish European division sued, in spite of the fact that they had apparently overlooked obtaining the registration themselves. The WIPO panel accepted Future Media's argument that it has a legitimate interest in using "kiwi", a generic term with multiple meanings, in connection with a search engine service that is wholly unrelated to Kiwi's shoe care products.

(3) Gripe Sites

Federal courts in the U.S. have consistently ruled that use of a trademark in a domain name for a gripe site does not constitute actionable trademark use, absent other factors demonstrating bad faith. On April 4, 2005, the U.S. Court of Appeals for the Ninth Circuit ruled in Bosley Medical

Institute, Inc. v. Kremer that criticism of a trademark owner's services through a website that incorporates the trademark as a domain name does not give rise to trademark infringement or dilution. The suit arose out of Mr. Kremer's displeasure with the hair restoration services he received from Bosley Medical Institute, and he set up a website at "bosleymedical.com" to vent his frustration with the services. In addition to critical commentary on the services received, Mr. Kremer also summarized unflattering findings from a 1996 investigation into Bosley by the LA County District Attorney. Kremer earned no revenue from the site, nor did he link to any of Bosley's competitors. The court also held that unlike trademark infringement and dilution claims, "commercial use" is not a requirement for a "cybersquatting" claim brought under the ACPA.

This reasoning was also used in a March 30, 2005 ruling from the U.S. District Court for the District of New Jersey in the case Mayflower Transit, LLC v. Prince, 314 FSupp2d 362 (D NJ, 2004). The court awarded summary judgment to Mr. Prince, reasoning that although the domain names were similar to the plaintiff's service mark, the defendant's use was a fair one because the web sites were used only to voice his dissatisfaction with the services he received. The court stated that a reading of ACPA's legislative history indicates that Congress intended to target cybersquatters with a bad faith intent to profit. Other cases upholding this reasoning include Northland Ins. Cos. v. Blaylock, 115 F Supp 2d 1108 (D Minn, 2000), and Rohr-Gurnee Motors, Inc. v. Patterson (ND Ill Feb 9, 2004).

(4) Recent U.S. Legislation

On December 23, 2004, President Bush signed into law H.R. 3632. This new law amends Section 35(e) of the Lanham Act (15 U.S.C. §1117) to provide that a trademark infringement violation shall be considered to be willful if the violator knowingly provided material and misleading false contact information in making, maintaining, or renewing registration of a domain name in connection with an online location. The law also creates a new criminal provision at 18 U.S.C. §3559, requiring the sentencer to double, or boost by seven years, the sentence for a felony offense that involved the use of a falsely registered domain name.

Copyright

(1) Generally

A copyright is a legal device that provides the creator of a work of authorship the right to control how the work is used. In the United States, copyright is covered by Title 17 of the United States Code, the Copyright Act of 1976. This federal law grants authors a bundle of intangible, exclusive rights over their work, including reproduction right, distribution right (limited by the "first sale" doctrine, which allows the owner of a particular copy of a work to sell, lend or otherwise dispose of the copy without the copyright owner's permission), right to create adaptations or derivatives, right to public display at a place or through transmission, and public performance right. An author's copyrights may only be exercised by the author or by a person or entity to whom the author has transferred all or part of his or her rights. If someone wrongfully uses the material covered by the copyright, the copyright owner can sue and obtain compensation for any losses suffered as well as an injunction requiring the copyright infringer to stop the infringing activity. Further, for any works created after 1978, copyright rights attach the moment the work is fixed into a tangible medium of expression.

Not every work of authorship is necessarily protected by copyright law. There are 3 fundamental pre-requisites: (1) fixation of the work into a tangible medium of expression, (2) the work must be original, and (3) there must be a minimum amount of creativity over and above the originality requirement. For instance, telephone directory white pages are usually deemed to contain no creativity at all. Alphabetical or numerical listings of data most likely also completely lack creativity.

Limitations on copyright protection include fair use, or material that has for one reason or other entered the public domain. More on these topics below.

Since the scope of the Internet is global, copyright is also affected by an international treaty known as the Berne Convention. Both documents protect literary and artistic works by granting copyright holders exclusive rights, such as reproduction, distribution, and performance. The problem is that neither United States laws nor international treaties specifically address the Internet.

The United Nations World Intellectual Property Organization (WIPO) met in December 1996 to create new treaties to protect digital works, but the meeting's agenda was set before the Internet became a popular publishing medium. As a result, the treaties extend international protection to digital literature and artistic work, as well as music and sounds, but do not really resolve specific legal issues cropping up on the Net. As with all other traditional law, people must apply the old to fit the new. The Net is simply another medium to which old laws apply. It is simply a matter of interpretation.

(2) Fair Use

§107 of Title 17 (the United States Copyright Act) states, "the fair use of a copyrighted work ...for purposes such as criticism, comment, news reporting, teaching, scholarship, or research, is not an infringement of copyright." Though somewhat different in wording, a fair use provision is also present in the international Berne Convention. Berne Convention For The Protection Of Literary And Artistic Works (Paris Text 1971).

What constitutes fair use is decided on a case-by-case basis, and §107 outlines four factors that the courts consider:

- The purpose and character of the use (for example, whether the work is being used for commercial or for nonprofit purposes);
- The nature of the copyrighted work (factual works receive less protection than creative ones);
- The amount and substantiality of the portion used (for example, if you quote one paragraph out of a 100-page book, it is more likely to qualify as fair use than if you copy

one paragraph of a 100-word article. If the passage you quote is the most substantial or compelling part of the text, then no matter how short it is, your use could still be considered a copyright violation);

- The effect of the use on the potential market for or value of the copyrighted work (for example, if your archive of images could potentially interfere with sales of a CD-ROM of those images by the artist or copyright owner of the original image, your use might not qualify as fair use).

No treaty, law, or court has ever indicated whether fair use guidelines encompass the use of copyrighted works on the Net. Many webmasters claim that their use of copyrighted material qualifies as fair use, but attorneys representing the copyright holders themselves see it from a different perspective. With the global scope of the Internet, the theory that the old laws simply apply to the new medium is not so simple. What constitutes fair use in the real world may not be fair on a World Wide scope.

For now, it is safe to say that one should consider the four criteria outlined above as loose guidelines for determining what they can post on the Web. Bear in mind that the Supreme Court has indicated that the effect on the potential market for the work is the most important factor in determining fair use. This is also the most important factor in determining the potential for reaction by an owner of copyright that is being infringed. The more profit lost, the more likely the copyright owner will come after an infringer. So if anything on your Web site might take profits out of someone else's pocket, think twice before you post it.

In a case out of Kansas, the U.S. District Court for the District of Kansas ruled in an opinion released October 8, 2004, that principles of fair use entitle a licensee to copy portions of the licensor’s source code as needed for the licensee to write programs for extracting its own data from the licensor’s custom software. Evolution, Inc. v. SunTrust Bank (D Kan, 2004). The court additionally held that adapting the licensor’s program to incorporate additional functionality is permissible under a statutory exception to liability applicable where the adaptation is an essential step to the utilization of the computer program.

SunTrust had engaged Evolution to build custom financial software. However, three years into the project/debacle, SunTrust canned Evolution and hired another vendor. As part of the switchover, SunTrust needed to extract its data that was embedded in the Evolution software and convert it to a format usable by the new vendor. One of the co-defendants wrote three programs to extract the data, but in doing so copied portions of Evolution’s source code. Evolution sued for copyright infringement, breach of contract, and misappropriation of trade secrets.

The court concluded that SunTrust’s copying was permitted under principles of fair use. Intermediate copying of source code to get at non-copyrightable elements of the program is permitted, as established in Sega Enter. Ltd. v. Accolade, Inc., 977 F2d 1510 (9th Cir, 1992), and Sony Computer Entm’t, Inc. v. Connectix Corp., 203 F3d 596, 602-608 (9th Cir, 2000). This is particularly true when, as here, the defendant’s aim was to extract its non-copyrightable data entangled within the computer program. See Assessment Tech. Of Wisconsin LLC v. WIREdata, Inc., 350 F3d 640 (7th Cir, 2003).

SunTrust also developed another program, used during the term of the license agreements with Evolution, that boosted the functionality of Evolution's software by incorporating the ability to generate a ledger print. As to this program, the court found the exception of Section 117(a) of the Copyright Act applicable. That exception allows the owner of a copy of a computer program to copy or adapt it where doing so is "an essential step in the utilization of the computer program..." Because SunTrust merely added desired features to Evolution's software, and not for its own commercial benefit, the court held that the exception from liability applied. The court granted SunTrust's motion for summary judgment, finding that the data extraction programs and feature enhancement program did not infringe Evolution's copyrights. The court also granted defendant's summary motion judgment on Evolution's trade secret claim, citing a lack of evidence.

In recent legislative activity, Reps. Rick Boucher (D-Va) and John Doolittle (R-Calif) introduced legislation on March 9 (H.R. 1201) to reaffirm the fair use doctrine in the context of digital works. Subsection 5(a) of the Digital Media Consumers' Rights Act of 2005 seeks to create a fair use exception to the prohibition of devices designed to circumvent technological protection measures guarding access to copyrighted works for persons engaged "solely in furtherance of scientific research into technological measures." This change is intended to permit researchers to produce software tools necessary to carry out scientific research into technological protection measures.

Subsection 5(b) of this bill proposes to expand the "savings clause" of Section 1201(c)(5) to make clear that it is not a violation of Section 1201 to circumvent a technological protection if the circumvention does not result in a copyright infringement, or to make, distribute, or use a product that enables "substantial noninfringing use of a copyrighted work." This change is designed to mirror the fair use exception established for home video recorders in Sony v. Universal City Studios, 464 US 417 (1984).

Congress also recently passed and sent on Senate bill 167 to President Bush, which includes the Family Entertainment and Copyright Act of 2005, creating an exemption to the Copyright Act to permit the distribution of devices that allow viewers to skip or mute objectionable material in pre-recorded DVDs, and to criminally penalize both the "camcording" of movies in theaters and the pre-release of movies and records on computer networks.

(3) Public Domain

United States copyright law outlines several ways that copyrighted works enter the public domain: (1) if the copyright has expired, (2) if the author has relinquished his or her right to protect the work, or (3) if the work was created by the federal government.

Due to changes in copyright law, it is not always easy to determine when the copyright on a work has expired. For works created on or after January 1, 1978, the duration of the copyright is the life of the author plus 50 years after his or her death. (This term is somewhat longer for works created for hire; refer to Title 17, section 302 for details.) For works created before 1978, the law is a bit more complicated. But in general, the maximum length of copyright is 75 years after the work was created (see Title 17, section 304 for specifics). An outstanding website for a quick reference guide to when U.S. works pass into the public domain can be found at http://www.unc.edu/~unclng/public-d.htm. This site, posted by Professor Lolly Gasaway of UNC Law School, is current as of May 11, 2005.

With respect to international treaties, Article 7 of the Berne Convention defines the duration of copyright as "the life of the author and fifty years after his death."

As with copyright duration, the laws regarding copyright notices on the work will depend on when the work was created. If a work was published before 1978, without a proper copyright notice, it may have entered the public domain. However, works published after that date no longer require a copyright notice in order to have copyright protection. Again, there are some exceptions, so refer to the Copyright Act for details.

§105 of the United States Copyright Act exempts works created by the United States government from copyright protection, which means that a party is free to post things like federal statutes, court opinions, and official speeches.

An interesting twist on this public domain denomination is the case of Microdecisions, Inc. v. Skinner (Fla Dist Ct App, December 1, 2004). In that case, the Florida District Court of Appeals held that a web-based company can obtain and use county records in its compilations of county real estate data for commercial purposes without paying royalties to the county recorder, Mr. Skinner. The court said Florida has a long-standing legal tradition permitting access to its public records, and that no state statute authorizes a county property appraiser to hold a copyright in such data. The court stated that Skinner had no authority to assert copyright protection in the GIS (Geographic Information Systems) maps that Skinner created in the course of his official duties. The Florida court was not persuaded by the Second Circuit’s holding in County of Suffolk, N.Y. v. First American Real Estate Solutions, 261 F3d 179 (2d Cir 2001), that the Freedom of Information Act did not prevent a county from holding a copyright in GIS maps the county had produced. Wrote Judge Northcutt of the Florida court, “New York law is not Florida law”.

(4) Orphan Works

One of the byproducts of the post-1976 Copyright Act are the so-called “Orphan Works”. The 1976 Act removed the registration requirement required to obtain copyright protection. Without this formality, those wishing to make use of works whose owners are no longer exploiting them are unable to determine whom to obtain permission from in order to incorporate the works into new works, or to make them available to the public in archive form.

Recent legislation was passed by Congress and sent on to President Bush on April 19, 2005. This bill includes the Preservation of Orphan Works Act, which is intended to allow libraries and archives to make copies of orphaned works, which are defined as works “that are in the last 20 years of their copyright term, are no longer commercially exploited, and are not available at a reasonable price”.

Also included was the National Film Preservation Act, which deals with the preservation of old films and films which are no longer being distributed by their copyright owners.

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(5) The Copyright Laws Versus Digital Rights Management

Part of the copyright law in the United States is the “first sale doctrine,” codified at 17 U.S.C. §109(a), which permits a person who has legally purchased a copy of a copyrighted work to give or resell that copy to another person without obtaining the consent of the copyright owner. Each person has the right to purchase and read a book, or use a software program, and when they are done, to give it or sell it to someone else (as long as they don’t keep a copy). The software industry has come up with “Digital Rights Management,” a concept which is designed to thwart massive copying of software. DRM, also called “access control software,” can restrict the use of a copy of a work to a single device. For instance, the person who purchases DRM music can play it on a CD player in their car, but not in their house, and if the car CD player breaks down or the original purchaser wants to give the CD to a friend, they are out of luck. The Digital Millennium Copyright Act is usually cited as the basis for DRM in that the DMCA states that “no person shall circumvent a technological measure that effectively controls access to a work protected under this title.” The DMCA, however, also specifically states that “nothing in this section shall affect rights, remedies, limitations or defenses to copyright infringement, including fair use, under this title.” The DMCA was enacted to comply with the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

(6) The Digital Millennium Copyright Act (DMCA)

Introduced in the 105th Congress to deal with a variety of copyright issues stemming from the 1995 WIPO conference, the DMCA has since passed both the House and the Senate and become law when President Clinton signed the bill on October 28, 1998. The DMCA limits the damages and other relief that could be awarded against a service provider for alleged direct or contributory copyright infringement by application of the safe harbor provisions of 17 U.S.C. section 512(a) of the Digital Millennium Copyright Act. Section 512(a) limits a service provider's liability for copyright infringement by reason of the service provider's "transmitting, routing or providing connections for material through a system or network controlled or operated by or for the service provider ...” This is similar to the protection afforded to book stores, under the philosophy that they only sell the books, they as a general rule do not review each and every book for content, appropriateness, etc. Under the Safe Harbor provision of the DMCA, an Internet service provider (ISP) can avail themselves of this sanctuary if they have adopted and reasonably implemented a policy calling for termination of infringers of the copyrights, trademarks, and/or trade secrets of third parties.

Another notable provision of the DMCA is section 1201(a)(2). That section provides that "no person shall ... offer to the public, provide or otherwise traffic in any technology ... that ... has only limited commercially significant purpose or use other than to circumvent a technological measure that effectively controls access to a work protected under [the Copyright Act]..."

The most famous (or infamous) case of first instance involving the DMCA was A&M Records, Inc., et al. v. Napster, Inc., (N.D. Cal. 2000). The court denied Napster Inc.'s ("Napster") motion for partial summary judgment, in which Napster sought to limit the damages and other relief that could be awarded against it for alleged direct or contributory copyright infringement by application of the safe harbor provisions of 17 U.S.C. section 512(a) of the Digital Millennium Copyright Act.

The court held that Napster's role in the transmission of MP3 files by and among the various users of its system was not entitled to protection under Section 512(a) because such transmission does not occur through Napster's system. Rather, although Napster informs the user's computer of the location of a computer on which MP3 files the user seeks are stored, and its willingness to permit the user to download such files, all files transfer directly from the computer of one Napster user through the Internet to the computer of the requesting user. Similarly, any role that Napster plays in providing or facilitating a connection between these two computers does not occur through its system. "Although the Napster server conveys address information to establish a connection between the requesting and host users, the connection itself occurs through the Internet." Thus, Napster did not qualify as an ISP under the DMCA

DMCA has most recently been used as a sword by the Recording Industry Association of America (RIAA) against defendants for copyright infringement, most notably against students at universities who are sharing music files. Federal courts have held that the DMCA subpoena provisions do not apply to ISPs, including university ISPs. See In re Subpoena to University of North Carolina at Chapel Hill (MD NC, April 14, 2005), RIAA v. Verizon Internet Servs. Inc., 351 F3d 1229 (DC Cir, 2003), and In re Charter Communications, Inc. Subpoena Enforcement Matter, 393 F3d 771 (8th Cir 2005). The courts held that the DMCA’s subpoena provisions did not anticipate file-sharing technologies, and could not be stretched to reach ISPs doing nothing more than acting as a conduit for transmitting information. The RIAA now uses “John Doe Subpoenas” as a place holder defendant until the identity of the holder of an Internet Protocol address is determined through the discovery process.

In the recent case of Arista Records, Inc. v. Flea World, Inc. (D NJ, January 27, 2005), the federal court held that the safe harbor provision for ISPs is not applicable to an outdoor farmers market. The RIAA sued owners of a farmers market, alleging secondary liability for the sale of over 7,500 pirated sound recordings by vendors operating there. The defendants conceded that illegal sales took place but insisted that they were not liable, invoking the safe harbor provisions of the DMCA. The court summarily dispensed with this suggestion, stating clearly that a farmers market falls outside the legislative intent of “Internet service providers” as set out in the DMCA.

On the other hand, another federal court held in Corbis Corp. v. Amazon.com, Inc. (WD Washington, December 21, 2004), that Amazon qualified for the safe harbor defense under the DMCA because Amazon.com’s procedure for handling complaints was adequate, and that Amazon.com did not unlawfully tolerate flagrant copyright infringement, notwithstanding the plaintiff’s identification of two instances in which Amazon.com failed to terminate the accounts of users who had been identified by Amazon.com as copyright infringers. “Actual knowledge of blatant, repeated copyright infringement cannot be imputed merely from the receipt of notices of infringement,” the court said. “Instead, there must be additional evidence available to the service provider to buttress the claim of infringement supplied by the notices.” The court concluded that Amazon.com had not received any additional evidence from Corbis in this case.

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(7) Fair Use and the DMCA

The U.S. Court of Appeals for the Federal Circuit ruled August 31, 2004 that selling universal garage door openers that bypass the original manufacturer's access control software does not amount to unlawful trafficking in circumvention devices. Chamberlain Group, Inc. v. Skylink Technologies, Inc. (Fed Cir, 2004). Specifically, the court stated that consumers are entitled to open their garage doors. The plaintiff alleged that Skylink violated Section 1201(a)(2) of the DMCA, which prohibits, among other things, the manufacture or trafficking of technology that is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under the DMCA.

In considering the appeal from the lower court's grant of summary judgment motion to Skylink, the Federal Circuit observed that the anti-circumvention provisions did not convey any additional property rights to copyright holders, but rather provided the owner with new ways to secure their property. This distinction is important because it affects who has the burden of proof. Under traditional copyright law, the plaintiff is required to prove ownership and copying, and the burden then shifts to the defendant to prove authorized use. With the DMCA, however, the plaintiff has the burden of proof to show unauthorized access as a part of establishing circumvention. In particular, the DMCA anticircumvention provision carries with it a duty that the plaintiff show that the access somehow "infringes or facilitates infringing a right protected by the Copyright Act."

Both the district court and the Court of Appeals pointed out that there was no indication that Chamberlain prohibited its customers from using replacement garage door openers. Also, the consumer has a legitimate expectation to be able to get inside the garage if the original garage door opener fails, and thus has implied authorization to use a replacement door opener.

(8) Copyright Rights Of Freelance Authors And New Media

Many authors are angry that works they wrote for newspapers and magazines are now being compiled and sold to the public in CD-ROM or DVD form or on-line without their permission. The legal question is whether the compilation onto CD-ROM, DVD, or on-line constitutes a reproduction of the work as part of "the original collective work; any revision of that collective work; or any later collective work in the same series."

A federal judge recently granted a preliminary approval of an $18 million settlement in a class action suit on behalf of thousands of freelance writers who sold literary works to newspapers and magazines and whose works later appeared in electronic databases without their consent. In re Literary Works in Electronic Databases Litigation (SD NY, Judge George M. Daniels). Under the terms of the proposed settlement, publishers including the New York Times, Time Inc., the Wall Street Journal, and database companies including Dow Jones Interactive, Knight-Ridder, Lexis-Nexis, Proquest and West Group, all agreed to pay the writers up to $1,500 for stories in which the writers had registered a copyright. For writers who failed to register their copyright with the US Copyright Office, they will receive $60 per article.

Google makes another appearance as Defendant in a complaint filed March 17, 2005 in the U.S. District Court for the District of Columbia. Agence France Presse v. Google, Inc. (D DC, 2005). The French news agency alleges copyright infringement due to the unauthorized reproduction and display of the agency's copyrighted photos, headlines, and leads on Google's news aggregation sites. The agency says that Google is infringing on the "heart" of the agency's copyrighted works. In turn, these infringements "are likely to usurp AFP's business relationships and opportunities," because if Google goes ahead with plans to license its news service to other web sites, "these parties would have no reason to subscribe directly to AFP's services." AFP alleges further violation of the DMCA provision prohibiting removal or alteration of copyright management information (Section 1202 (b) (1)).

Trade Dress

The overall appearance and image of a product or its packaging is known as "trade dress". Trade dress may include product shapes, designs, colors, advertising and graphics, and under the law, it may be treated in the same manner as a more traditional trademark. Trade dress can legitimately serve as a trademark if it actually identifies and distinguishes the service or the goods with which it is used.

To receive protection as a trademark, the trade dress must

a) be inherently distinctive, unless it has acquired secondary meaning (e.g., becomes associated with a product in the public's mind through long and continuous use), and

b) the subsequent use of the trade dress by another person or entity (called the junior user) must cause a likelihood of consumer confusion.

For trade dress to be considered inherently distinctive, it must serve primarily to distinguish and identify the goods or services, something that is "unusual and memorable, conceptually separable from the product and likely to serve primarily as a designator of the origin of the product" (Duraco Products, Inc. v. Joy Plastic Enterprises Ltd, (3d Cir, 1994)). It is no bar to trademark registration if it also has structural or packaging functions as well.

The most famous example of trade dress is the distinctive shape of the Coke bottle. Other examples of trade dress include functional features of a business, such as the exterior design of McDonald's restaurants and their famed Golden Arches. In the case Two Pesos, Inc. v. Taco Cabana, Inc., 505 US 763 (1992), the Supreme Court held that the Taco Cabana restaurant chain could stop its competitor, Two Pesos, from imitating the Taco Cabana format. The Court held that trade dress law protected the combination of a festive and vivid color scheme using top border paint and neon stripes in combination with bright awnings, umbrellas and other features.

Trade dress may be used to protect the distinctive design of the packaging used to sell software. In fact, there is some argument that trade dress protection may be available for graphical user interfaces (GUIs), which are unable to avail themselves of protection under copyright law. It is also thought that trade dress protection may be available to protect the nonfunctional and distinctive design of web pages. However, no courts have ruled yet on these possibilities for protection.

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Trade Secrets

(1) Generally

A trade secret is any formula, pattern, physical device, idea, process, compilation of information or virtually any other information that (a) is generally not known or readily ascertainable by a company's or an individual's competitors, (b) offers a business an actual or potential economic benefit or advantage over other parties, and (c) is treated in a way that can reasonably be expected to prevent the public and/or competitors from learning about it, absent improper acquisition or theft of the information.

Information that is public knowledge or is generally known in a particular industry cannot be designated a trade secret. The information does not have to be novel or unique; it just has to be a secret. The owner of a trade secret is the only party entitled to seek relief in a court if someone improperly acquires or discloses a trade secret. As a general rule, any trade secrets developed by an employee, or revealed by an employer to an employee, in the course of their employment will belong to and remain the property of the employer.

Trade secrets are not governed by federal law, but by individual state law. However, most states have adopted a protocol based on or substantially similar to the provisions of the Uniform Trade Secret Act.

(2) Duty to Protect Trade Secrets

A trade secret owner has a duty to take reasonable steps to maintain the secrecy of the trade secret. A court will not extend protection any further than a trade secret owner extends himself or herself. The most commonly used method of protecting trade secrets is through the use of a non-disclosure or confidentiality agreement, both with employees/insiders, and with outside parties/vendors. However, simply having each employee sign confidentiality agreements may not be adequate to preserve trade secret protection if other precautions taken are found to be insufficient. Other precautions can include marking plans and documents "confidential"; use of "confidentiality" legends, warnings and agreements; restricting visitors and similar types of facility security measures such as ID badges and signing in/signing out procedures for visitors; locking up or otherwise quarantining sensitive information; and using copy protection or embedded codes to trace copies or keep track of copies made.

(3) Problems with Protecting Trade Secrets

Courts struggle with the difficulty of differentiating between protectable trade secrets and non-protectable knowledge and skills of a former employee. Originally, courts distinguished between trade secrets that were in written or other tangible form from those secrets that are retained in memory, and refused to protect memorized secrets. However, courts have over the last few decades pulled away from this doctrine and have moved toward the construction of a fiduciary relationship between employer and employee such that the employee has a fiduciary duty to use the employer's trade secrets only in furtherance of the employer's interests. The Uniform Trade Secrets Act does not distinguish between tangible and memorized trade secrets.

Trade secret protection is not forfeited if the information becomes public through "improper" means or through theft. For instance, the posting of a trade secret on a blog page does not erase the trade secret status of the information, as long as the owner takes immediate steps to obtain an injunction prohibiting use and/or posting on the blog, and has also established practices designed to prevent disclosure of trade secrets. This is the exact scenario being considered in two lawsuits filed in California by Apple Computer (Apple v. Does and Apple v. dePlume, citations unavailable to author at this time). Apple contends that in November 2004, three websites owned or controlled by defendants posted information about an unreleased Apple device that allows users to plug instruments into a computer for mixing sound. Apple sued the three sites, claiming the disclosures violated California's version of the Uniform Trade Secrets Act, and were misappropriation of trade secrets. The defendants have responded that they are in fact entitled to the "reporter's privilege" and do not have to divulge the sources from which they obtained the information posted on the sites. In one case, Apple has asked that companies that handle email and web hosting for one of the defendants turn over documents that might establish who leaked the trade secret information, as well as copies of any email messages and attached drawings or sketches concerning that product. These cases will be interesting to follow as they evolve through the California court system.

Patents

(1) Generally

A patent is a document issued by the U.S. Patent Office that grants the holder of the document a monopoly for a limited period of time on the use and development of an invention which the Patent Office deems qualified for patent protection. This monopoly right lasts between 14 and 20 years, depending on the type of invention. The Patent Office issues three types of patents: utility patents, design patents, and plant patents. Utility patents cover inventions that have some kind of usefulness. Design patents protect a device's ornamental characteristics. Plant patents are used to protect certain types of plants. Once a patent expires, it cannot be renewed, and enters the public domain.

There are several basic tests an invention must pass to qualify for a patent. They are as follows:

a) the invention must be (i) a process or method for getting something useful done, (ii) a machine, (iii) an article of manufacture, (iv) a composition of matter, or (v) an improvement on an invention that fits within one of the four preceding categories;

b) the invention must have some utility or use, no matter how trivial;

c) the invention must be novel; and

d) the invention must be non-obvious to someone positioned to understand the technical field of the invention.

With regard to the requirement (c) for novelty, this means that the invention must be different from all previous inventions, which are called "prior art". An invention will be deemed not novel if it was described in a published document or put to public use more than one year prior to the date the patent application was filed. In addition to being novel, the invention must be not obvious to a person from the particular field or industry of the invention that would think this invention was an unexpected or surprising result or development.

Patents are extremely complicated and fact-intensive beasts and should be handled by experts knowledgeable in the particular field or industry of the invention. Extensive detailed discussion of this area of law is beyond the time and space parameters of this presentation, and indeed are beyond the experience and knowledge of the presenter.

(2) Patents in the Digital Technology Sandbox

Business method patents are the darling of today's business environment. In 1998, the Federal Circuit held that a mutual fund firm's data processing system was entitled to patent protection in the case titled State Street Bank and Trust v. Signature Financial Group, 149 F3d 1368 (Fed Cir 1998). This ruling led to an avalanche of patent applications for business method patents, and unleashed an equal and opposite force of controversy challenging the validity of the patents issued, the ability of the Patent Office staff to adequately examine patent applications in this area (not due to the skills and knowledge of the particular examiners, but rather to the lack of time and manpower to adequately examine applications in comparison to prior art, obviousness, non-novelty, etc.), and so on. As a result, there have been recommendations that a separate office be set up for the processing and examination of business method patent applications. The Patent Office has responded by setting up public hearings and roundtables to solicit suggestions and input from experts, critics, supporters, and anyone else who wants to contribute to the discussions.

Court cases involving patents and digital technology are still tracking through the federal court system. However, two cases bearing directly on this subject matter were decided in the last year.

In August 2004, the U.S. District Court for the Eastern District of Virginia held that Amazon.com's "1-Click" system for ordering merchandise does not infringe on a patent directed to electronic funds transfers. IPXL Holdings LLC v. Amazon.com, Inc. (ED Va, 2004). The court granted a summary judgment for noninfringement, stating that the claims for the EFT patent was limited to electronic funds transfer systems like ATM machines, and did not cover Amazon's method of streamlining its customers' electronic ordering of goods and arranging for their shipment. To add insult to injury, the court also held that IPXL's patent for EFT methods was invalid as it was anticipated in the patent on a prior art system.

In March 2005, the U.S. Court of Appeals for the Federal District upheld portions of a $35 million jury verdict awarded against eBay for patent infringement, and ruled that the trial court erred in not issuing an injunction against eBay prohibiting future use of the patents. MercExchange, LLC v. eBay, Inc. (Fed Cir, March 16, 2005). The jury in the original trial court found that eBay had infringed upon MercExchange's patents on e-commerce technologies that create an electronic marketplace for new and used goods. However, the trial court judge declined to enjoin eBay's future use of the patented technologies. The Appeals Court held that neither the public debate over the wisdom of business method patents, nor the patentee's willingness to license its technology to eBay supported the trial court's refusal to enjoin future use of the infringed patents. The appeals court remanded the case for further action.

Conclusion

Intellectual property plays an active and proactive role in the world of digital technologies, and is integral to the protection of and preservation of rights in these arenas. A working knowledge of intellectual property concepts will enable you to better serve your clients in this industry.

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Related Statutes, International Agreements And Other Helpful Sources

The Lanham Act of 1946, as amended, 15 U.S.C.A. §§1051 et seq.

Berne Convention for the Protection of Literary and Artistic Works, Paris Text, 1971

WIPO Copyright Treaty, Adopted by the Diplomatic Conference on Certain Copyright and Neighboring Rights Questions, Geneva, December 2 to 20, 1996

ACPA, 15 U.S.C.A. §1125(d) (Supp 2000)

UDNDRP - see www.domainmagistrate.com/faqs.html

The Copyright Act of 1976, as amended, 17 U.S.C.A. §§101-810, 1001-1010, 1201-1205, and 1301-1332

For quick reference to periods when copyrighted works pass into the public domain, please see http://www.unc.edu/~unclng/public-d.htm

DMCA, 17 U.S.C.A. §512

Uniform Trade Secrets Act with 1985 Amendments (enacted in individual states, see specific state statutes)

Economic Espionage Act of 1996, 18 U.S.C.A. §§1831-1839

The Patent Act, 35 U.S.C.A. §§1-376

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Internet and Computer Law Cases-Comments-Questions, 2001, West Group

Article – "Copyright: the big gun for game developers - what are games made of and how should developers protect them?" by S. Gregory Boyd, M.D., J.D., Associate, Kenyon & Kenyon, NYC, at www.kenyon.com under articles and publications