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Bright Ideas

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Message from the Chair


Richard L. Ravin

The current term of the U.S. Supreme Court has at least two pending cases of interest to intellectual property lawyers. The Court has decided to hear consolidated cases on writs of certiorari as to Internet wine sales. One case is *Sweedenburg v. Kelly* from the Second Circuit, where the appellate court held that the state of New York could prohibit shipments from out-of-state wineries under the 21st Amendment (repeal of prohibition). However, other circuit courts have held that such state protectionist statutes violate the Commerce Clause.

Of particular interest is the case of *K-P Permanent Make-Up, Inc. v. Lasting Impressions, Inc.* in which the Court heard oral argument in the beginning of October on whether the trademark fair use defense requires a showing of *no* likelihood of confusion (as in the "classic" fair use defense under the Ninth Circuit rule) and whether the defendant has the burden of proving it. Petitioners urge that the defense is absolute and that the defendant is not required to show that there is an absence of likelihood of confusion, as the Ninth Circuit held.

At issue is the term "micro color" and whether it is generic or descriptive of micropigmentation used in injecting permanent make-up into people (similar to tattooing). The plaintiff has an incontestable registration in a logo that incorporates the term "micro color." The transcript of the oral argument is interesting reading (as are the petitioner's briefs) with many of the justices asking questions (see http://www.supremecourtus.gov, then click on Oral Arguments, Argument Transcripts). Ironically, the Chief Justice and Justice Breyer both stated that they were "confused" with the position being taken by respondent on the issue of who had the burden of proving likelihood of confusion. Perhaps the resulting opinion will help clear up the confusion in the law over one of the great misnomers in American jurisprudence, to wit: "incontestability" of a mark. I am not holding my breath, however. [On December 8, the Court unanimously reversed.—ed.]

Finally, in October, the Court denied the RIAA's petition for certiorari in *RIAA v. Verizon*, which means the D.C. Circuit Court of Appeals ruling that the DMCA section 512(h) subpoena does not apply to ISPs acting as conduits in routing Internet traffic stands. However, a section 512(h) subpoena is proper when issued to ISPs that are providing storage on their servers of the allegedly infringing material. This

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means the copyright owners have to proceed against ISPs as conduits the old-fashioned way by commencing John Doe suits and seeking permission from the court to issue subpoenas to the ISPs to reveal the identities of certain individuals based on their IP (Internet protocol) addresses. Copyright owners will have to move fast, however, as ISPs typically keep such IP address records for only two months or so.

Plaintiffs bringing John Doe suits in the Southern District of New York are subject to the test set out in *Sony Music v. Does 1-40* in obtaining court permission to serve subpoenas on ISPs seeking the identity of alleged copyright infringers. Plaintiffs must set forth a strong enough case to establish that defendants are infringing and, therefore, are not entitled to any First Amendment protection of their identities. Of course, the reverse is also true: If defendants are not infringing, then the First Amendment would protect against disclosure, since once their identities are disclosed, the First Amendment rights of innocent defendants have been irreparably violated. This is analogous to the anonymous online defamation cases. Defamatory speech is not protected by the First Amendment. Thus, courts in New Jersey and elsewhere act as gatekeepers, requiring plaintiffs to produce a sufficiently compelling defamation case to strip the defendant of his or her right to anonymity prior to actually being adjudged liable.

It remains to be seen what, if any, First Amendment anonymity protection will be accorded to individuals who are the object of a section 512(h) subpoena served on ISPs and whether the district court will have any gatekeeping function, notwithstanding there being no suit pending.

October also marked our Section's Fall Meeting at The Sagamore hotel on Lake George. This year's program, "IP Law: The Next Generation," was very well attended and apparently enjoyed by all. The panel coordinators and speakers did a marvelous job of providing interesting discussions on idea submission, rights of publicity, ad words and contextual advertising on the Internet, cyberlaw case law trends and litigation strategies, branding, geographical indications pertaining to trademark law, database protection, ethics-related patent and trademark searching and written opinions, and trial technologies. A photo spread of the conference appears in this issue. Many thanks to Paul Fakler, Secretary of the Section, for doing such a great job as my Program Co-Chair.

The weather, once again, was terrific, even with the wind kicking up on the lake during our annual boat ride on the *Morgan*. The "upgraded" wine and hors d'oeuvres on the water and on land was quite welcomed, as was the jazz of the Nat Phipps Trio at the cocktail hour and dinners. Next year we'll also upgrade the entrées. It was wonderful to see so many small children enrolled in our special kiddy dinner program, complete with arts and craft projects and counselors. It was also refreshing to see many first-time Sagamore attendees.

In a tribute to Marc Lieberstein for his dedication and service to the Section as Chair, he was presented with a framed autographed picture of Mickey Mantle shaking hands with Joe DiMaggio. The two Yankee superstars will no doubt watch over Marc as he slugs his way through one case after another.

As I noted in my previous Message, our Section's program at the Bar's Annual Meeting (Tuesday, January 25, 2005) will showcase the Section's newly formed International IP Law Committee. We are featuring a mock arbitration, based on a hypothetical dispute involving multijurisdictional issues of patent, copyright, digital rights management, and trademark law in the context of a dispute over development of competing computer operating systems.

We are most fortunate to have as our arbitration panel The Honorable Loretta A. Preska, U.S.D.J. (S.D.N.Y.); The Honorable Marshall E. Rothstein, Judge, Federal Court of Appeal, Canada; as well as other distinguished panelists from Brazil and Europe. Playing the role as advocates will be attorneys from England, Brazil, Canada, and the United States.

This program is intended as a kick-off for our International IP Law Committee and is expected to attract our Section's foreign members, in addition to our domestic members. The Section is most grateful to the Committee's Co-Chairs, Ray Mantle and Sheila Francis, for undertaking the enormous task of coordinating this special event, with the help of Marc Lieberstein, Section Vice Chair Debra Resnick, and many others. Of course, no program would ever happen if it were not for our crackerjack team at the NYSBA: Pat Stockli, Kathleen Heider, Cathy Teeter, Linda Castilla, and Naomi Pitts.

Look for our Section's other programs in the calendar at the end of this issue, and keep a lookout for our Section's sponsorship of The U.S. Copyright Office Comes to New York, which will occur in the Spring 2005. This was a big hit last year, and we expect an even bigger turnout this year.

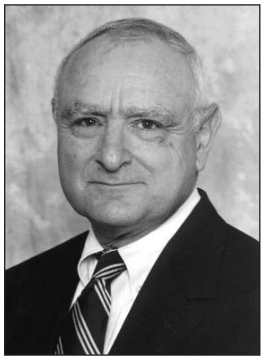
If anyone has any questions, comments or critiques concerning any Section events or other business, please do not hesitate to e-mail me at rick@ravin.com.

Richard L. Ravin

The Enforceability of Open-Source Licenses

By George L. Graff

I. Introduction



> Proprietary software developers use copyright to take away the users' freedom; we use copyright to guarantee their freedom. That's why we reverse the name, changing ``copyright" into ``copyleft."[1]

One of the major developments in the licensing of computer software in recent years has been the growing acceptance by commercial users of software distributed under so-called "open source" licenses, which permit copying, modification and distribution of the code under the condition that copies of the source code and the rights granted in the license be passed on to distributees.[2] Although the form of such licenses bears a superficial resemblance to the types of software licenses that traditionally have been, and continue to be, employed by distributors of proprietary software, they differ from those licenses in a number of legally significant respects. For example:

- There is no consideration charged for the permissions granted in the licenses.
- Licensees are not asked to assent to the terms of the license. Indeed, in most cases, the license does not purport to be an enforceable contract.
- The licensed products usually are the product of the efforts of numerous individuals, and authorship and ownership of the copyrights in any identifiable portion of the "work" is often murky or indeterminable.
- There is often no effective screening by the publisher, nor any warranty from a responsible party, that provides assurances that the licensor has all of the rights it needs to lawfully distribute the works under the terms of the license.
- There are no reported cases and few statutory provisions that bear upon the licenses.[3]

Given the substantial investments in and reliance on open-source software by commercial enterprises, either as end users or as developers of products that contain, use, or are derived from open-source code, it is important not only to understand the nature and terms of the rights and restrictions contained in those licenses, but also to determine, in each case, the answers to questions such as who can enforce the license, whether the permissions it grants can be revoked or modified by the licensors, the extent to which a distributor of derivative works under those licenses can limit or eliminate its potential liabilities to distributees, and what protections, if any, those licenses can provide to users against third parties who assert claims that works distributed under the license infringe their rights.

II. The Concept of Non-Contractual Licensing

Beginning at a time when it was hotly debated whether computer programs were or should be entitled to protection under federal copyright law, the commercial software industry in the United States adopted the practice of requiring users of their products to enter into license agreements in which the licensees were granted few, if any rights but were required to agree to various restrictions on their ability to use, modify, copy, and distribute the works as well as to various limitations on their legal rights, such as waivers of implied warranties and limitations on damages. Developers who were given access to source code usually were required to sign even more restrictive agreements, containing non-disclosure agreements designed to assure that the code would be afforded trade-secret as well as copyright protection, thus limiting the free and open discussion of the contents of the software among members of the programming community.

These licensing practices were abhorrent to a significant number of programmers who believed that all software should be freely distributable and modifiable and who challenged the widespread use of nondisclosure agreements, "shrinkwrap" licenses, and other techniques adopted by software distributors to limit the rights of users of their products.

In 1984 the GNU project was founded with the goal of developing an operating system that was the functional equivalent of UNIX® but that would be free of the restrictions imposed by copyright law, trade secret law, and the licensing practices of the industry.[4] However, rather than simply place their work into the public domain, the members of the project decided to use the copyright laws and licensing techniques to ensure that not only their own works, but all future works based on those works would remain publicly available in perpetuity. Thus, they developed the "copyleft," as reflected in the license form known as the GNU General Public License ("GPL") which, in somewhat modified form, remains the most commonly used form of open source licensing currently employed.

The GPL and its progeny, though they use the term "license," are based upon a fundamentally different (though historically more accurate) concept of a license than the contractual license agreements that are employed by the publishers of proprietary software; the license is not a contract, but a unilateral grant of permission by the copyright owner to engage in conduct that otherwise would violate the licensor's copyright. This type of a license is, essentially, an intellectual property analog to the common law concept of a "license" as that term has long been understood under property law.[5] By adopting this technique, the distributors of open-source software avoid the need to pretend that users have "agreed" to the restrictions they impose, as well as any theoretical problems imposed by the fact that the distributors of open-source software generally receive no consideration in return for the various permissions that they grant to distributees of their work.

The enforceability of a non-contractual license such as the GPL (which has never been tested legally) is based on the premise that a violation of any of its provisions would constitute an infringement of the licensor's copyright, so that any person who violates the licensee, whether or not it "agreed" to its terms, could be held liable for infringement if it violated those terms.[6] Although its theory may be sound, this form of licensing has a significant limitation; since licensees are not required to agree to the license provisions, an open-source license does not, and cannot, impose any obligations on or limit the rights of persons who lawfully possess copies of the software and who do not commit any acts that infringe the copyright.

Despite this theoretical limitation, the current version of the GPL and other open-source licenses contains elaborate provisions, modeled after the most onerous forms employed by licensors of proprietary software, that purport to disclaim all legal obligations of the licensor, including warranties, express or implied, and responsibility for damages of any kind caused by their products.[7] Although some commercial entities that employ open-source licensing, such as Netscape and IBM, have reverted to a "contractual" model in an effort to enhance the likelihood of enforcing such provisions, others, including the GPL, still maintain that they are not contracts despite the severe restrictions they purport to impose on the rights and remedies of users who have not committed any acts of infringement.

III. Enforcement by Licensors

In general, apart from the provisions that purport to disclaim warranties and limit liability, open-source licenses do not attempt to restrict the rights of, or impose obligations on, users who do not modify or distribute the software and thereby engage in activities that, apart from the license, would not constitute infringement. However, the requirements they impose on parties who would redistribute the works in their original or any modified form are quite restrictive. These include such requirements as making source code freely available to distributees without any confidentiality restriction and identifying and describing all modifications to the original work, prohibitions against charging royalties for using, copying, or distributing the work by distributees (though not against charging for copies they distribute), granting a license under any patents in the licensee's control, and other measures intended to ensure that all of the permissions granted by the license are extended to future distributees not only of the work itself but of any software developed by the licensee that incorporates or is derived from the work.

These provisions require developers who wish to incorporate open-source works into their products to forfeit the protections to which they are entitled under copyright, trade secret, and patent law, and they often provide a significant disincentive to developers who wish to develop applications intended for use in an open-source environment while preserving their propriety rights. Even if one were willing to abide by these restrictions, it may be important for a developer contemplating using such works to consider whether, and by whom, those provisions can be enforced. For example, the Free Software Foundation and other owners of open-source works recognize a distinction between separate works distributed "with" open-source works, which can be preserved as proprietary, and those that "include" the open-source work, which must be "free." This distinction can be difficult to apply in many cases, and it would be useful for developers to be able to reach an understanding, in advance of any distribution, with the "licensor" of the open-source works to resolve any potential disputes. In addition, the GPL itself recognizes the possibility of modifying the license in circumstances that are not inconsistent with its overall goals.[8]

Since the fundamental premise of the non-contractual license is that it represents a grant of permission by the copyright owner, and a violation of its provisions is actionable as an infringement, it follows that the only party who can enforce such a license is the owner of the copyright who has (at least in the case of a domestic U.S. work) registered it with the Copyright Office. However, considering the communal nature of the development effort, identifying all of the authors of such a work can be a daunting task. Thus, some distributors of open-source works, such as the Free Software Foundation ("FSF"), take great pains to ensure that they own and can obtain valid registrations for all of the works they distribute. These measures include not only obtaining written assignments from all parties who contribute code but also releases from their employers for any claims to authorship based on the "work for hire" doctrine. However, other distributors of open-source works, most notably distributors of the Linux® operating system, do not claim nor seek to obtain ownership of the copyrights in the works they distribute.

"Linux" is a trademark owned by Linus Torvalds, the individual who wrote the original Linux kernel and who still exercises significant control over its contents. But Mr. Torvalds is not, by any means, the only author of Linux; it is a collective work representing the contributions of hundreds, perhaps thousands, of individuals whose identities may or may not be fully known. Furthermore, many of those authors are employed by commercial enterprises or universities that may be the lawful "authors" of the works. To further complicate matters, some of them were engaged in collaborative efforts that may or may not have resulted in "joint" ownership, and many portions of the work are derivative works in which different authors, working individually or collectively, have contributed different portions at different times.

To be sure, virtually all distributions of Linux also include C compilers, applications, libraries, and other components that are owned by the Free Software Foundation, IBM, the University of California, or other copyright owners who can establish their ownership of portions of the work. And commercial distributors of Linux, such as Red Hat, also claim a copyright in the entire package of elements included in their distributions as a "collective work." Thus, it is highly likely that there is someone who would be in a position to enforce a violation of the license against an infringer. However, reaching a binding agreement to modify the license or avoid or resolve a dispute is a different matter; no agreement with any given "author" can purport to bind all of them, and users must be prepared to recognize and accept that risk.

The foregoing discussion relates solely to those portions of the non-contractual license that will be violated only by those who modify and/or distribute copies of the software. However, in the absence of a contract, there is no legal theory that would support the enforceability of the warranty disclaimers and remedy limitations contained in a non-contractual open-source license. The GPL makes the self-serving statement that "because the program is licensed free of charge," there are no implied warranties. In the absence of consideration, that may well be an accurate statement of the law in many states, including those which may adopt UCITA, with respect to certain warranties, such as the warranty of merchantability, that are implied as a matter of contract law. However, nothing in a non-contractual license can effectively eliminate or reduce the exposure of authors or distributors of open-source works to product liability claims sounding in tort. Thus, commercial distributors of works that include open-source materials who wish to protect themselves against such liability often require users of their products to execute enforceable end-user agreements in addition to including copies of the required open-source license in their products.[9]

IV. Enforcement by Licensees

Since they are not contracts, it could well be argued that the promises and privileges afforded by the non-contractual license to modify and prepare derivative works and to distribute those works to others are not binding on the licensors and that developers who seek to take advantage of those permissions and develop products based on the open-source license do so subject to the risk that the copyright holder/licensor may simply change its mind and either unilaterally revoke or (more likely) modify the license by, for example, imposing royalties or other fees upon those who generate revenues from commercially exploiting their work. In general, licenses to real property, which provide the theoretical underpinning for non-contractual software licenses, are terminable at will, subject to a few exceptions that would not appear applicable.[10]

The FSF is aware of this potential issue and its potential chilling effect on those who might be contemplating making a substantial investment on a system that relies upon open-source works. In an effort to assure potential users that it will not change its policies, it asks those who assign works to the foundation to include restrictions in their grants requiring that the works be distributed by the foundation in a manner which preserves their "freedom." However, the assignments fall short of creating a trust for the benefit of the licensees, and the enforceability of those limitations by the grantors, not to mention the FSF's licensees, is anything but certain. Moreover, there is no legal basis for preventing voluntary contributors to other open-source works, such as Linux, who retain their copyright interest, from changing their minds and revoking the permissions that their licenses purport to grant.

There is, to be sure, no known instance in which a licensor of open-source software has sought to revoke existing licenses or modify their terms such as, for example, by charging a royalty for the distribution of commercial products that employ the software. However, such efforts are not inconceivable in an era where open-source software has acquired significant commercial value, and its authors may become strapped for funds, or their rights may be acquired by persons or firms who may be more interested in generating revenues than in freely disseminating knowledge. Thus, although the risk may be slight, users of open-source software, including those who may use it as a basis for commercial products, must recognize that the permissions afforded by a license are not legally enforceable "rights" but, in the language of the *Restatement of Property*, are mere "privileges" that are revocable at will.

V. Protection Against Third-Party Claims

Although the risk imposed by the lack of enforceability of open-source licenses against the parties who distribute the software subject to the license may be more theoretical than real, the same is not true with respect to third parties who may claim intellectual property rights in the software and who did not authorize its distribution. Without commenting on the merits of the particular claims, the litigation brought by the SCO group against IBM well illustrates the problem. The lack of any clear record as to the origins of much of the code in Linux and similar open-source products makes it virtually impossible for anyone to state with confidence that all of the "authors," actual and statutory, have, in fact, authorized the distribution, and there is a real risk that one or more of them may seek to exact a royalty from major distributors of products containing open-source code.

In the world of proprietary software, there is an implied warranty of non-infringement which provides some assurance against third-party claims, and it is commonplace in negotiated licenses to provide for an indemnity by the licensor.[11] Even where the warranty is "waived," as frequently occurs in "clickwrap" licenses, a commercial distributor has a strong incentive to protect its customers against such claims. In the world of open-source software, large commercial distributors such as IBM and Red Hat are also likely to take measures to protect their customers from such claims, but users who obtain their copies from less responsible sources have no real recourse against a claimant. Moreover, the high cost of defending against such a claim makes it difficult for users to defend against a claimant who can make a reasonable prima facie showing of infringement or misappropriation.

The potential problem is even further compounded by the fact that a distribution of a product that is covered by a third-party patent not only constitutes an infringement of that patent but also a violation of the open-source license since, by definition, the distributor is unable to grant the free use rights that are required to comply with the open-source license.[12] Thus, the open-source license not only provides no protection against third-party infringement but creates additional exposure if a product based upon or incorporating such software is found to infringe.

VI. Conclusion

It is not the intent of this article to create the impression that the uncertainties surrounding the ownership and enforceability of the rights and obligations of open-source licenses create commercially unacceptable risks, but they do present a higher degree of legal uncertainty than would be provided by an enforceable agreement entered into with a known and financially responsible software provider. Whether the perceived benefits of open-source products in terms of price, reliability and, most important, customizability, outweigh that uncertainty is a matter of business judgment, but potential users need to be aware of these risks and weigh them as one of the factors in their decision-making process.

Endnotes

1. Statement of the Free Software Foundation, *at* www.fsf.org/licenses/licenses.html.
2. For purposes of this article, the term "open source" refers to software distributed pursuant to the terms specified in the "Open Source Definition" promulgated by the Open Source Initiative.
3. To the author's knowledge, the only statutory provision under U.S. law that specifically deals with open source licensing is section 410 of the Uniform Computer Information Act ("UCITA"), which has been enacted in only two states as of this writing. UCITA exempts "free software" from the implied warranties imposed under the Act, but it limits the definition of "free software" to "a computer program with respect to which the licensor does not intend to make a profit from the distribution of the copy of the program and does not act generally for commercial gain derived from controlling use of the program or making, modifying, or redistributing copies of the program." Although much open source software falls within this definition, a large and growing quantity does not.
4. For a history of the GNU Project, see Richard Stallman's article *The GNU Project*, *available at* http://www.fsf.org/gnu/thegnuproject.html.
5. The Restatement of Property characterizes a license as a "privilege" in which the property owner grants permission to the licensee to engage in acts that "would, were it not for

the license, constitute an invasion of the rights of the licensor." Restatement of Property § 512, cmt. (c).

6. Thus, for example, paragraph 5 of the GNU General Public License ("GPL") reads : "You are not required to accept this License, since you have not signed it. However, nothing else grants you permission to modify or distribute the Program or its derivative works."

7. For example, the GPL contains the following broad disclaimer of all liability:

> IN NO EVENT UNLESS REQUIRED BY APPLICABLE LAW OR AGREED TO IN WRITING WILL ANY COPYRIGHT HOLDER, OR ANY OTHER PARTY WHO MAY MODIFY AND/OR REDISTRIBUTE THE PROGRAM AS PERMITTED ABOVE, BE LIABLE TO YOU FOR DAMAGES, INCLUDING ANY GENERAL, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF THE USE OR INABILITY TO USE THE PROGRAM (INCLUDING BUT NOT LIMITED TO LOSS OF DATA OR DATA BEING RENDERED INACCURATE OR LOSSES SUSTAINED BY YOU OR THIRD PARTIES OR A FAILURE OF THE PROGRAM TO OPERATE WITH ANY OTHER PROGRAMS), EVEN IF SUCH HOLDER OR OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

8. The GPL provides that a licensee who wishes to modify its terms should "write to the author for permission." However, that presupposes that there is a single identifiable "author" of the entire work, which often is not the case.

9. Although the GPL and other non-contractual licenses prohibit the imposition of restrictions on licensees that are greater than those set forth in the license, there is no prohibition against entering into an agreement that reinforces the limitations on liability that the non-contractual license also seeks to impose.

10. *See* Restatement of Property § 519. The exception that comes closest is an estoppel against revocation of a license that is capable of becoming an easement where the license has made expenditures of capital or labor in reliance on a representation as to the duration. However, among other things, the GPL and its sister non-contractual licenses grant no interest which is capable of recognition as a property interest and contain no representation as to duration.

11. In most states, courts will extend the implied warranties of article 2 of the UCC to software products, including the implied warranty of non-infringement contained in section 2-312. Section 401 of UCITA contains a similar warranty provision.

12. The GPL makes this point very clearly. It provides:

> If, as a consequence of a court judgment or allegation of patent infringement or for any other reason (not limited to patent issues), conditions are imposed on you (whether by court order, agreement or otherwise) that contradict the conditions of this License, they do not excuse you from the conditions of this License. If you cannot distribute so as to satisfy simultaneously your obligations under this License and any other pertinent obligations, then as a consequence you may not distribute the Program at all.

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Thank You

The Intellectual Property Law Section extends its gratitude to the following for their significant sponsorship over the past year:

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Peer-to-Peer File Sharing: The Ninth Circuit Weighs In Again

By Mark S. Kaufman

I. Introduction

In the 1961 novel *Stranger in a Strange Land*, science fiction writer Robert A. Heinlein coined the term "grok." Visionary as he was, even Heinlein hardly could have anticipated that his purportedly Martian verb (signifying a thorough understanding) would be incorporated into the name of a peer-to-peer software distributor Grokster, Ltd.—or that this latter-day namesake, having evolved in response to legal developments of the twenty-first century, would be blessed by the Ninth Circuit in August 2004.

Peer-to-peer file-sharing technology has arrived in three forms.[1] First came Napster's proprietary centralized indexing software system. Users who wanted a particular digital copy of a music file would make a request to the server, which would search for matching files on a network of logged-in users. The would-be consumer would receive from Napster information necessary to contact another user's computer to download the requested file. The plaintiffs in *Napster* had demonstrated at the preliminary injunction stage that particular compositions were being infringed and argued successfully that Napster's centralized structure not only circumvented the copyright owners but did so with the knowing, supervisory consent of Napster.[2]

Under a second model, users can share files through a decentralized, peer-to-peer file-sharing model like the Gnutella software provided by Grokster's co-defendant Streamcast (which branded its version of this open-source technology as "Morpheus"). With this model, each user has an index of files that the user makes available to the network of other users. A request is broadcast throughout the network, and the search results are routed back to the requesting computer.[3]

The third form of peer-to-peer file sharing is the "supernode" model, as developed by KaZaa BV—a defendant in *Grokster* that defaulted—and distributed by Grokster as "FastTrack" software. The supernode model allows any computer on the network, with sufficient processing speed and other specifications, to act as a designated server. The user contacts the nearest supernode, which searches its collected files to provide a copy of the requested file.[4]

The backdrop to *MGM Studios v. Grokster* was provided by the *Sony-Betamax*[5] and *Napster*[6] cases. In *Sony-Betamax*, the Supreme Court noted that the manufacturer of a "staple article of commerce" (a concept lifted from patent law) was not contributorily liable if it could show that the product was capable of "substantial" or "commercially significant" noninfringing uses. The Court held that Sony did not have constructive knowledge of the purportedly infringing uses of its Betamax videotape recorders because the device had commercially significant noninfringing uses, such as recording television broadcasts for later viewing or "time-shifting," which the Court held to be fair use.[7]

In *Napster*, the Ninth Circuit applied *Sony-Betamax* to the knowledge element of contributory copyright infringement. *Napster* held that an alleged contributory infringer could not be imputed to have constructive knowledge of the primary infringer's conduct if the defendant's product was capable of "substantial" or "commercially significant" noninfringing uses. Instead, if defendants demonstrated substantial noninfringing use, "the copyright owner would be required to show that the defendant had reasonable knowledge of *specific* infringing files."[8] Following the Ninth Circuit's affirming a preliminary injunction of Napster,[9] Napster was shut down as of July 2001, and new, decentralized services like Grokster and StreamCast sprang up to fill the void.

The software in the *Grokster* cases was found to be crucially different from that of Napster because defendants did not operate a central server that gave them control over specific file-sharing transactions. No less than 28 recording and studio companies (some of them with anachronistic trade names that include the terms "record" or "Twentieth Century") sued Grokster and Streamcast Networks in the Central District of California, seeking to hold them vicariously and contributorily liable for distributing software that allowed individual computer users to share amongst themselves a variety of files—the vast majority of which, plaintiffs alleged, infringed the copyrights in their recorded music and films. Plaintiffs moved for summary judgment, and the District Court rendered its decision in April 2003.

II. The District Court Decision

The District Court held that distribution of the *current* versions of the defendants' software did not give rise to secondary copyright infringement liability.[10]

A. Contributory Infringement

Contributory infringement requires direct infringement plus knowledge and a material contribution on the part of the defendant. In *Grokster*, infringement was presumed; some of the parties stipulated, and none disputed, that at least "some" of the individuals using the defendants' software directly infringed the music, film, and other content of plaintiff copyright owners.[11] The court then noted that liability required actual knowledge of *specific* acts of infringement, citing *Sony-Betamax*.[12] Significantly, the court found that plaintiffs did not dispute "that there are substantial noninfringing uses for Defendants' software—e.g., distributing movie trailers, free songs or other non-copyrighted works; using the software in countries where it is legal; or sharing the works of Shakespeare."[13] Further, StreamCast demonstrated that its software was used to search for "public domain materials," government documents, authorized and permitted media content, and computer software, and Grokster's software was used to distribute music from independent bands and musicians.[14]

Defendants did not dispute that they knew that "many" of their users used their software to infringe copyrighted works.[15] However, the District Court held, defendants could not be contributorily liable unless they acquired actual knowledge of specific infringements at a time when they could use the knowledge to prevent the infringements.[16]

Although Grokster may have had some control over file sharing and user registration through earlier versions of its software, its current version does not provide for any such control; indeed, even registration is now optional.[17] Users who search for and initiate transfers of files through Grokster's software "do so without any information being transmitted to or through any computers owned or controlled by Grokster."[18] Streamcast has even less control over its users, as its software allows for transfers directly between two individuals.[19] Thus, unlike Napster, which indexed files contained on every user's computers and routed each request through Napster's servers, these defendants hardly provided any "site and facilities" for direct infringement.[20] Indeed, the court found, "If either Defendant closed their doors and deactivated all computers within their control, users of their products could continue sharing files with little or no interruption."[21]

Although plaintiffs cited instances of tech support that defendants provided to users who had problems with playing copyrighted music, the District Court found that such instances were not only "isolated" but immaterial, because plaintiffs provided no evidence that defendants provided support in the actual exchange of files.[22] Defendants' purported ability to communicate with users and provide software updates did not mean defendants necessarily facilitated the infringing file sharing.[23] Finally, the District Court held that references to defendants' potentially contributory conduct in the *past* were irrelevant to determining liability for its current conduct.[24]

B. Vicarious Infringement

The District Court similarly rejected plaintiffs' vicarious infringement claims. Vicarious infringement requires a direct financial benefit by the defendant and defendants' supervision and control over infringing conduct. The court noted that defendants clearly derived financial benefit from infringement: "The more individuals who download the software, the more advertising revenue Defendants collect[,]" and a "substantial number" of users use the downloaded software to acquire copyrighted material.[25] As for supervisory control, the District Court compared *Fonovisa*,[26] a Ninth Circuit decision in which the defendant was an operator of a swap meet where individuals exchanged, among other things, counterfeit recordings. The operator was held to have supervisory control by virtue of its right to terminate vendors, its promotion of the swap meet, its control over customer access to booths, and through its rules and regulations.[27] Similarly, the District Court continued, Napster maintained central indices of files; registered its users; and terminated users who violated policies and applicable law.[28]

In contrast, although the plaintiffs in *Grokster* argued that defendants could alter their software to impose such control, the District Court held that plaintiffs misapprehended the breadth of defendants' obligation. Unlike Napster's "integrated service," Grokster and StreamCast's software "communicates across networks that are entirely outside of Defendants' control."[29] Moreover, the District Court held, any infringing activity took place "*after* the product has passed to end-users."[30] Thus, vicarious liability could not be imposed.

III. The Ninth Circuit Affirms

The Ninth Circuit affirmed, based principally on the District Court's findings that the defendant software distributors did not have the ability to stop specific infringing acts by their users because, unlike Napster, they did not maintain centralized control or supervision over the file-sharing activity, and the software had substantial noninfringing uses.[31] The court thus limited the extent to which secondary infringement liability could be imposed based on Internet activities by requiring, as an element of both contributory and vicarious infringement, that defendants have the ability to control and prevent specific infringing acts.

The Ninth Circuit began with an overview of the development of file-sharing technology. Significantly, both Grokster and Streamcast distribute their respective software to their users who, in turn, download the software and use it amongst themselves, virtually without any further participation by defendants.[32] (One can imagine the defendants throwing up their hands and claiming to be "shocked" as to the purportedly infringing activities of those pesky, irresponsible individuals.)

The Ninth Circuit affirmed that the software distributors were not liable under either of plaintiffs' theories: contributory or vicarious copyright infringement.

A. Contributory Infringement

As noted, contributory infringement requires (1) direct infringement by a primary infringer (here, indisputably, the individuals using defendants' software); (2) knowledge of the infringement, and (3) material contribution to such infringement.[33] The knowledge necessary to find contributory copyright infringement had been addressed in *Sony-Betamax*.[34] Just as the videotape recorder in that case was demonstrated to have noninfringing capabilities, in particular, "time-shifting," the *Grokster* defendants had demonstrated that their software had been used in connection with substantial noninfringing uses, including the distribution of certain works with permission of the works' owners, and the distribution of public domain materials.

Most significantly, the Ninth Circuit affirmed the District Court's finding that the software at issue was "*capable* of substantial noninfringing uses"—citing, essentially, three anecdotes: The pop band Wilco released on the Internet, without charge, a recording that their recording company had declined to release; Wilco's fans responded so well that the band received another record contract. Project Guttenberg, through defendants' software, purportedly shares "thousands" of public domain literary works, including Shakespeare. Third, the Prelinger Archive released historic public domain films. While recognizing that the vast majority (some 90%, according to plaintiffs)[35] of the file sharing using defendants' software involved copyright infringement, the court held that the defendants passed the *Sony* noninfringing-uses test and had demonstrated the "commercial viability."[36]

In any event, the court would not assume the requisite knowledge of infringement, particularly because the defendants did not receive notice (or, presumably, acquire *specific* knowledge by any other means) of infringing conduct *at a time when they could do anything to stop such activity*. Central to the court's reasoning was the fact that the supernode and decentralized structures of defendants' respective software prevented them from controlling any specific file-sharing transactions.[37] Similarly, the court found, the defendants did not materially contribute to infringement because they did not provide any "site and facilities" for infringement (as the Ninth Circuit found Napster did).

B. Vicarious Infringement

Vicarious infringement requires not only direct infringement—indisputably, most if not the vast majority of the software users—and direct financial benefit to the defendant (here, through advertising revenues), but also the right and ability to supervise the infringer. Here, the court found that neither defendant could, as a practical matter, block access to individual users. Because Grokster lacks registration and a log-in process, the court noted, Grokster cannot deny its users access to file sharing. The court rejected the plaintiffs' argument that Grokster should be required to impose mandatory software "upgrades" which would give Grokster supervisory "policing power" over file sharing.[38] As a practical matter such "upgrades" were unlikely to be downloaded by savvy users who would not thereby circumscribe their own activities. Further, Grokster could not block IP addresses of infringing users, most of whom have dynamic IP addresses—that is, digital addresses that change every time the user logs onto the Internet.[39] Not only as a practical matter, but as a matter of law, the Ninth Circuit noted that even if defendants had supervisory knowledge of the specific files being shared—which plaintiffs had not demonstrated—the court would not impose a "duty to alter software located on another person's computer."[40]

Similarly, *even if StreamCast entirely shut down its system*, those who had received the software still could use the Gnutella network.[41] Thus, the court affirmed the District Court's finding that the defendants did not operate or design an integrated service that they could monitor or control.[42]

C. Policy

The Ninth Circuit added that the case was not over, because the copyright owners had other—potentially successful—claims arising from previous versions of the software. Of course, this is small comfort to these plaintiffs, as any prospects of winning claims regarding outmoded versions of the software is tempered by the fact that the defendants' present and future activities apparently are unlawful.

However, as a policy matter, the court was not willing to stretch copyright law in a manner that would stifle technology. The Ninth Circuit noted that technology has developed to create new markets where none had been expected, "whether the new technology be a player piano, a copier, a tape recorder, a video recorder, a personal computer, a karaoke machine, or an MP3 player."[43] The court concluded that to expand the reach of the Copyright Act may or may not be wise, but in any event, that is a decision for Congress rather than the courts. The court thus affirmed the manner in which the District Court had applied the present state of the law and remanded to resolve "remaining issues" regarding past versions of the software.[44]

IV. Analysis: Change, or Die

Despite the indisputably infringing conduct of many—if not the vast majority of—defendants' users, the *Grokster* courts refused to impose contributory infringement liability. Napster had been on notice as to specific copyrighted works that were infringed through its system; Grokster and StreamCast were ignorant, perhaps blissfully so, of the particular indiscretions of its users.[45] *Grokster* also declined to impose vicarious infringement liability. Unlike the *Napster* defendants, the Ninth Circuit found, these software distributors have no ability, and therefore no duty, to supervise.

An amicus brief filed with the Ninth Circuit in *Grokster* by 40 professors of intellectual property and technology law cogently argued that plaintiffs effectively sought to overturn the clear, objective substantial noninfringing-uses test that *Sony-Betamax* established.[46] The professors argued that *Sony-Betamax* does not require a court to determine secondary infringement liability through any subjective or speculative test, such as whether technology developers *intend* the software to infringe copyright, whether future uses of technology might involve infringing uses, or whether the technology would involve more infringing than noninfringing uses over time. Rather, they argued, a court applying *Sony* must determine only whether the technology at issue has or is capable of substantial noninfringing uses; if so, the manufacturer cannot be contributorily liable. Copyright owners, the professors argued, should leave development of technology to technology developers.[47]

In *Sony-Betamax*, however, there seemed little evidence—though substantial fear—of rampant copyright infringement by end users.[48] In contrast, the *Grokster* courts recognized that the overwhelming use of the software was infringing.

By focusing on the noninfringing capabilities of the technology, rather than on the defendants' constructive knowledge that their software was used predominantly to facilitate infringing uses, the Ninth Circuit raised the bar—or at least maintained the height of the bar—over which the plaintiffs had to jump: "[I]f the product at issue *is* capable of substantial or commercially significant noninfringing uses, the plaintiff must demonstrate that the defendant had reasonable knowledge of specific infringing files and failed to act on that knowledge or prevent infringement."[49] Moreover, notice of such specific infringement had to arrive at a time when the defendants could act on it by preventing infringement—a very tall order where, as seen above, defendants have no practical means to rein in their users.

Thus, like the paradigm of the three monkeys, Grokster and StreamCast saw no infringement, heard no infringement, and therefore, presumably, did nothing to speak or otherwise contribute to the infringement. Or, to paraphrase a National Rifle Association campaign, FastTrack and Morpheus don't kill copyright—users kill copyright.

The Ninth Circuit seemed to look for ways to impose secondary liability, but could not under the current structure of copyright law. For example, "*If* the Software Distributors were true access providers, failure to disable that access after acquiring specific knowledge of a user's infringement might be material contribution."[50] *If* the defendants stored files or indices, and received notice but failed to remove infringing files, the Ninth Circuit wrote, it may have found material contribution to infringing conduct.[51] But the copyright owners could not do miracles: the users of such software create their own networks and apparently cannot be stopped by any centralized authority.

The Ninth Circuit seemed to gloss over certain facts. While it may have implicitly relied on the lower court's findings, the appellate court leapt from three anecdotes to a conclusion that such uses have "commercial viability."[52] While acknowledging that StreamCast had records of websites that provided lists of active users and that the FastTrack software provider has lists of "currently active supernodes," the court's conclusion is, well, conclusory: "Both defendants also communicate with users incidentally, but not to facilitate infringement."[53] Similarly, the court apparently assumes that "the file-sharing technology at issue is not simply a tool engineered to get around the holdings of *Napster I* and *Napster II*" on the basis that "the technology has numerous other uses."[54] In fact, it is possible that the software at issue *was* engineered merely to circumvent prior case law established in *Napster.*

Apparently, the court saw the potential to use the copyright law abusively. For example, the Ninth Circuit noted that because claims for contributory infringement did not even require a finding of direct financial gain from the infringement, the court would not further expand the scope of that type of claim by requiring defendant to proactively change the software on its users' computers.[55] Similarly, the plaintiffs' view of vicarious liability—despite requiring a finding of direct financial gain[56]—could impose the inequitable result of shutting down an entire, carnival-like "swap meet" merely in order to exclude a few infringers from the chance to engage in infringing activity.

The Ninth Circuit suggests that copyright law, as developed from *Sony-Betamax* through *Napster* and now *Grokster*, encourages providers to adopt a policy of "don't ask, don't tell"—or even, "don't ask, and 90%-can-tell." Thus, the decision implies, copyright is ill-suited to prevent infringing conduct on the Internet.

Even if representatives of entertainment media like the Recording Industry Association of America attempt to locate and sue individual users,[57] direct infringers who use Morpheus or Gnutella software can hardly be identified. Moreover, *Grokster* affirms that larger, potentially more "centralized" defendants are immune from claims of third party infringement if they structure themselves *not* to know who their users are and what specifically they are doing.

To the extent the Ninth Circuit ruling is persuasive authority in other jurisdictions, a claim for vicarious infringement liability now requires the ability to identify, regulate and/or terminate users only *if* the would-be supervisor knows whether the user engaged in specific infringing conduct. Similarly, assuming that the distributor can demonstrate or sufficiently allege that some of its users could or perhaps actually engage in "substantial" legitimate use of their technology, contributory copyright infringement claims now require the distributor to know the specific files that are being illicitly swapped by the other, less responsible users. Without such knowledge, the distributor is not liable.

Absent legislation imposing supervisory duty upon such providers, and absent a fundamental shift in how copyright owners exploit, sell, and distribute their intellectual property, *Grokster* is a negative result for copyright owners. However, the present freedom from such "police state" control over intellectual property is attractive to civil libertarian sensibilities. One might ask whether, as a society, we want "big brother" media to stop users from communicating with each other—whether through talking, e-mailing, or sharing files, the most recent means of communication.

One must agree with the Ninth Circuit and recognize that new means of distribution have repeatedly altered rather than eviscerated old markets. For example, technology has evolved to prove that the videotape recorders at issue in *Sony* became a bonanza for the film industry by way of videotape sales and rentals. However, by definition, it is difficult for copyright owners like the *Grokster* plaintiffs at present to appreciate whether the future of peer-to-peer file sharing may provide similar, hidden benefits. The best way to adapt to such changes is not yet clear—but under this decision, copyright law will not provide the film, recording, and other established purveyors of content with the means of avoiding such change.

The hero of Heinlein's science fiction novel survived as an orphan stranded on Mars (a futuristic Tarzan), who brought back to Earth his other-worldly knowledge of "grokking." Perhaps *Grokster* ultimately indicates that such Darwinian adaptation is necessary for copyright owners and content providers to survive, as well.

[Editor's note: On December 10, 2004, the U.S. Supreme Court granted plaintiffs' petition for certiorari. A decision is expected by June 2005.]

Endnotes

1. *MGM Studios v. Grokster*, 380 F.3d 1154, 1158–59 (9th Cir. 2004).
2. *A & M Records v. Napster ("Napster")*, 239 F.3d 1004, 1011–12 (9th Cir. 2001).
3. *Grokster*, 380 F.3d at 1159.
4. *Id.*
5. *Sony Corp. of America v. Universal City Studios, Inc.,* 104 S. Ct. 774, 464 U.S. 417 ("*Sony-Betamax*").
6. *Napster,* 239 F.3d 1004, 1011–12 (9th Cir. 2001), and *Napster,* 114 F. Supp. 2d 896, 905–08 (N.D. Cal. 2000).
7. *Sony-Betamax*, 464 U.S. at 442.
8. *Grokster,* 380 F.3d at 1160–61, citing *Napster*, 239 F.3d 1004, 1027, and *Napster*, 284 F.3d 1091,1095–96 (9th Cir. 2002) (emphasis added).
9. *See Napster*, 239 F.3d 1004, 1029 (9th Cir. 2001)**.**
10. *MGM Studios v. Grokster*, 259 F. Supp. 2d 1029 (C.D. Cal. 2003). The District Court specifically reserved decision as to past versions of the software, hinting at its displeasure over potentially substantial differences with the current software. *Id*. at 1033.
11. *Id.* at 1034.
12. *Id.* at 1035.
13. *Id.*
14. *Id.* at 1035–36.
15. *Id.* at 1038.
16. *Id.* at 1037–38.
17. *Id.* at 1040, n.7.

18. *Id.* at 1040.
19. *Id.* at 1041.
20. *Id.*
21. *Id.*
22. *Id.* at 1042.
23. *Id.*
24. *Id.* at 1043.
25. *Id.* at 1043–44.
26 *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 261, 264 (9th Cir. 1996).
27. *Grokster*, 259 F. Supp. 2d at 1044, citing *Fonovisa*, 76 F.3d at 262–63.
28. *Id.* at 1044, citing *Napster*, 239 F.3d at 1011–12, 1023–24.
29. *Id.* at 1045.
30. 1059 F. Supp. 2d at 1045 (original emphasis).
31. *Grokster*, 380 F.3d at 1157.
32. *Id.* at 1158–59.
33. *Id.* at 1160.
34. *Sony-Betamax*, 104 S. Ct. at 789, 464 U.S. at 442.
35. *Grokster*, 380 F.3d at 1158.
36. *Id.* at 1162.
37. *Id.* at 1163.
38. *Id.* at 1165; *see also Grokster*, 250 F. Supp. 2d at 1045.
39. *Id.* at 1165.
40. *Id.* at 1166.
41. *Id.* at 1165.
42. *Id.*
43. *Id.* at 1167.
44. *Id.*
45. *Id.* at 1165 ("It does not appear from any of the evidence in the record that either of the defendants has the ability to block access to individual users.").
46. Brief Amici Curiae of 40 Intellectual Property and Technology Law Professors in *Grokster, available at* 2003 WL 22753810 at *8 (9th Cir. Sept. 26, 2003).
47. *Id*. at *9–10.
48. *Sony-Betamax*, 104 S. Ct. at 785, 464 U.S. at 434 ("the copying of the respondents' programs represents a small portion of the total use of VTR's.").
49. *Grokster*, 380 F.3d at 1161 (original emphasis).
50. *Id.* at 1163 (emphasis added).
51. *Id.* at 1163–64.
52. *Id.* at 1162.
53. *Id.* at 1164.
54. *Id.*
55. *Id.*
56. *Id.*
57. *See, e.g.*, Schwartz, *More Lawsuits Filed in Effort to Thwart File Sharing*, N.Y. Times, March 24, 2004 (532 people accused of illegal file sharing, including 89 using networks at universities).

Nissan Motor Co. v. Nissan Computer Corp.: Ninth Circuit Construes the Federal Trademark Dilution Act

By Marc Jonas Block

I. Introduction

Trademark holders are granted a variety of means to protect their marks under section 43(a) of the Lanham Act, 15 U.S.C. § 1125, especially as amended by the Federal Trademark Dilution Act ("FTDA") and the Anti-Cybersquatting Protection Act ("ACPA"). The statute provides for civil liability for trademark and trade dress infringement and false advertising.[1] If a mark is famous, the FTDA grants trademark holders a uniform federal standard of protection from dilution.[2] Meanwhile, the ACPA grants trademark holders civil remedies against the bad-faith use of an infringing domain name.[3] The ultimate relief sought will, of course, depend upon the section of the statute under which a claim is filed.

A recent case that demarcates the parameters of various Lanham Act remedies in cyberspace is *Nissan Motor Co. v. Nissan Computer Corp.*,[4] a trademark-dilution dispute wherein the Ninth Circuit held that (1) a party's trademark must have been famous before a defendant's alleged infringement in order to be entitled to protection against dilution;[5] (2) First Amendment concerns are implicated by injunctive relief that limits critical commentary on an Internet site;[6] and (3) the three most important factors to determining initial interest confusion on the Internet are the similarity of the marks, the relatedness of the goods or services, and the parties' simultaneous use of the Internet in marketing.[7]

II. Factual Background

Since 1960, plaintiffs Nissan Motor Co. and its subsidiary, Nissan North America, Inc. (collectively "Nissan Motor"), marketed, sold, and distributed automobiles in the United States. Nissan Motor registered the NISSAN mark for ships and vehicles in the United States in 1959. Until 1983, automobiles were sold in the United States under the trademark "DATSUN." In 1983, Nissan Motor began marketing its vehicles under the trademark "NISSAN." For a while the two names were used together, but since 1985 only the "NISSAN" mark has been used.[8]

Uzi Nissan, a resident of the state of North Carolina, incorporated his last name into the name of several business enterprises beginning in 1980. In 1991, he began using the term "nissan" as part of the name of a North Carolina computer store he owned, defendant Nissan Computer Corp. ("Nissan Computer"). In 1995, he registered a trademark for the Nissan Computer logo with the state of North Carolina. Nissan Computer registered the domain names nissan.com and nissan.net, (collectively the "domain names") in May 1994 and March 1996, respectively. In July 1995, Nissan Motor sent defendant a correspondence expressing "great concern" about the use of the term "Nissan" in defendant's domain name but received no response.[9] For the next several years, the defendant operated websites at these addresses providing computer-related information and services.[10]

In August 1999, defendant updated the nissan.com website by adding a "nissan.com" logo. It began selling space for advertising, receiving a payment for each time a user clicked through to an advertiser's website. In late September, Nissan Computer began adding automobile-related website advertisements. By December 1999, Nissan Computer had signed up several automobile-related advertisers.[11]

Little occurred regarding the matter until October 1999, when the parties met to discuss the possibility of Nissan Computer transferring the nissan.com domain name to Nissan Motor. In the course of said negotiations, Mr. Nissan stated that he "would not sell the domain name except for several million dollars, and made a proposal involving monthly payments in perpetuity."[12] Negotiations were unsuccessful.[13]

Nissan Motor filed the current action in the Central District of California on December 10, 1999, seeking to force the sale of the domain names. Nissan Motor asserted claims for (1) domain name piracy; (2) trademark dilution in violation of federal and state law; (3) trademark infringement; (4) false designation of origin; (5) and unfair competition.[14] Nissan Motor obtained a preliminary injunction (affirmed by the Ninth Circuit) that required Nissan Computer to

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2004 Fall Meeting
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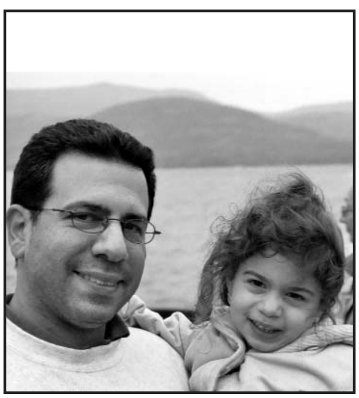


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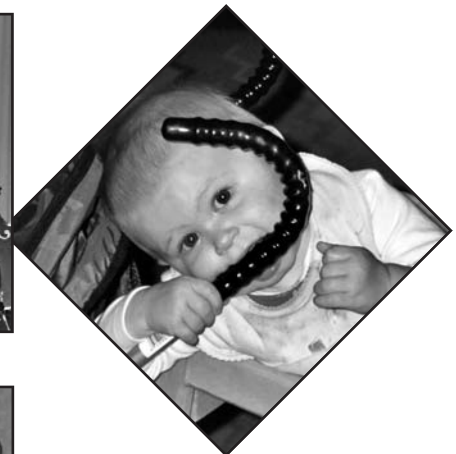









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identify the domain names as affiliates of Nissan Computer, to disclaim any connection with Nissan Motor, and to refrain from displaying automobile-related information, advertisements, and links.[15]

In March 2000, during the course of the action, Nissan Computer started posting commentaries about the litigation on its websites. For example, it posted a link on its websites stating "Nissan Motor's Lawsuit Against Nissan Computer." From there the user was redirected to ncchelp.org. A banner at ncchelp.org stated, "We Are Being Sued!!!" and included links regarding (1) the "story," i.e., Mr. Nissan's description of this litigation;[16] (2) "How you can help," which included links for e-mailing the parties and the media, and a link to a site operated by The Internet Center (TIC), which had auto-related advertising; (3) "people's opinions," which contained e-mail messages by third parties commenting on the action; and (4) "news," which linked to media reports.[17] TIC was owned and operated by Uzi Nissan and was added as a defendant to Nissan Motor's First Amended Complaint.[18]

III. The District Court Ruling

On October 15, 2001, Nissan Computer filed a motion for partial summary judgment regarding Nissan Motor's cause of action for domain-name piracy, i.e., cybersquatting. As the District Court stated:

> Cybersquatting is the practice of registering "well-known brand names as Internet domain names" in order to force the rightful owners of the marks "to pay for the right to engage in electronic commerce under their own brand name."[19]

To be liable under the ACPA, the defendant must (1) possess bad-faith intent to profit from another's mark and (2) register, traffic, or use a domain name that is confusingly similar to a "famous" or "distinctive" mark.[20]

The District Court held that Nissan Motor's ACPA claim failed because Nissan Computer lacked the requisite bad faith. The websites at issue consisted of the actual name of the corporate defendants and part of the name of the owner of the sites. Nissan Computer used the sites as part of its actual legitimate business and did not have a history of registering famous marks and extorting them to their owners.[21] Because Nissan Computer did not adopt the nissan.com and nissan.net sites in bad faith, it did not violate the ACPA.

Thereafter, in 2002, Nissan Motor moved for a permanent injunction to force Nissan Computer to transfer the domain names nissan.com and nissan.net.[22] The District Court held that the disparaging commentary at the domain sites was sufficiently commercial to bring defendant's use within the FTDA because central commentary at those sites, which use the "NISSAN" mark in the domain name, exploit the mark's goodwill.[23] Applying the test for famousness provided in 15 U.S.C. § 1125(c),[24] the court concluded that the "NISSAN" trademark was famous at the time that Nissan Computer registered the "nissan.com" domain name in 1994.[25] Furthermore, Nissan Computer's use of the term "nissan" in its domain names diluted Nissan Motor's mark by

> blurring its ability to distinguish Nissan Motor's goods from other companies' products and by tarnishing it because the look and design of the nissan.com website fall short of the high standards that Nissan Motor sets for itself, and because the site posts disparaging remarks about Nissan Motor and this lawsuit.[26]

The court further held that Nissan Computer's use of the domain names to sell non-automobile-related goods did not infringe the plaintiff's trademark. However, it held that use of the domain names to sell automobile-related goods was infringing.

The court expressly denied the application to force the transfer of the domain names but granted a permanent injunction prohibiting:

1) Posting commercial content at nissan.com and nissan.net;

2) Posting advertising (and permitting advertising to be posted by third parties) at nissan.com and nissan.net;

3) Posting disparaging remarks or negative commentary regarding Nissan Motor Co., Ltd. or Nissan North America, Inc. at nissan.com and nissan.net;

4) Placing, on nissan.com or nissan.net, links to other websites containing commercial content, including advertising; and

5) Placing, on nissan.com or nissan.net, links to other websites containing disparaging remarks or negative commentary regarding Nissan Motor Co., Ltd. or Nissan North America, Inc."[27]

In denying Nissan Computer's request for a stay, the court explained that the limitations placed on the domain names did not implicate the First Amendment because the use of the marks was commercial and the domain names were used as source identifiers, not as part of the communicative message.[28]

IV. The Appeal

The principal issues raised on appeal by Nissan Computer concerned the findings of dilution and infringement as to automobile-related use of the domain names, as well as the scope of the permanent injunction. Nissan Motor cross-appealed, seeking to broaden the injunction to include the forced transfer of the domain names to itself in exchange for the fair value of Nissan Computer's investment.[29] Nissan Motor also cross-appealed the finding of no infringement for non-automobile-related use of the domain names.

A. Dilution and the Importance of Being Famous

After discussing and analyzing four preliminary issues,[30] the Ninth Circuit focused on Nissan Motor's dilution FTDA claim. As the court explained:

> Dilution is "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." . . . [T]he purpose of the FTDA "is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion.". . . "Dilution refers to the whittling away of the value of a trademark when it's used to identify different products."[31]

Famousness is the *sine qua non* of the FTDA. As provided in 15 U.S.C. § 1125(c)(1):

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection.

The central issue in *Nissan* was the relevant point in time for determining whether Nissan Motor's trademark was famous. Nissan Motor claimed that the proper date was 1994, when defendants registered the Internet domain name "nissan.com."[32] Nissan Motor argued that the famousness of its mark had to be measured as of the first time Nissan Computer used the term by itself instead of as part of a composite trade or company name. Nissan Motor argued that the text of 15 U.S.C. § 1125(c)(1) refers to "such use," which they claimed means not just any use, but the "commercial use in commerce of a mark." Based on the anti-dissection rule from trademark infringement law, Nissan Motor also argued that defendants' use of the "NISSAN" trademark by itself is a different "commercial use in commerce" than its use of the mark in the company name "Nissan Computer Corp."[33]

Nissan Computer argued the date for determining the fame of the "NISSAN" trademark should be that of its first actual use of the mark, i.e., 1991, when Nissan Computers was incorporated.[34] By focusing on the first actual use, Nissan Computer sought to rely on Uzi Nissan's various other uses of his name and also to emphasize third-party uses of the term "nissan."

The Ninth Circuit, after analyzing the purpose of the FTDA, determined that the proper focus of the inquiry is the use of the mark in question by a defendant which, "assuming it occurs after another's mark has become famous, would arguably dilute the mark."[35] Therefore, the first actual use of the "Nissan" term by Nissan Computer was the point for determining fame, since the use of "Nissan" in the name of Nissan Computer is arguably diluting, notwithstanding that it is used in combination with another identifier.[36] The court therefore held that

> any commercial use of a famous mark in commerce is arguably a diluting use that fixes the time by which famousness is to be measured. In this respect as in others, a dilution claim differs from a claim for infringement, because not all uses of a mark are actionable.[37]

After reviewing the record, the court held that there were serious issues as to the fame and distinctiveness of Nissan Motor's "NISSAN" mark in 1991. The court focused on the plethora of third-party uses of the term "nissan." Prior to becoming a trademark of Nissan Motor, the term "nissan" was (1) a common Jewish/Israeli family name; (2) a Biblical term originally identifying the first month in the calendar; (3) the contemporary name of the seventh month in the Hebrew calendar; and (4) the Arabic word for April.[38] Further, the court noted the plethora of third-party trademark uses of the term "Nissan": (1) it is part of the trademark or trade name of more than 190 unaffiliated businesses in the United States; (2) it is an acronym in Japanese for "Japanese Industries KK"; (3) Nissan Motor itself is a party to a Trademark Basic Agreement with several other corporations in which each agrees to cooperate to ensure the proper use and protection of the "NISSAN" trademark; and (4) there are thousands of domain names that incorporate the word "nissan."[39] The court thus remanded the issue of the mark's fame in 1991 for further review.[40] And in view of the Supreme Court's decision in *Moseley v. V Secret Catalogue*,[41] the court remanded for a determination of whether the defendant had caused actual dilution of the "NISSAN" mark.

B. The Scope of Injunction

The Ninth Circuit next reviewed the validity of the permanent injunction. Nissan Computer sought relief from that part of the permanent injunction which restrained it from making disparaging remarks about Nissan Motors on nissan.com and nissan.net as well as from placing links to other sites with negative remarks or comments about Nissan Motors. The Ninth Circuit held that the District Court's injunction was a content-based speech restriction because it sought to control the message. As such it was not "justified without reference to the content of the regulated speech."[42]

As a content-based speech restriction, the injunction was presumptively invalid. Content-based restrictions "pass constitutional muster only if they are the least restrictive means to further a compelling interest."[43] The Ninth Circuit found support for its holding in the FTDA itself:

> The FTDA anticipates the constitutional problem where the speech is not commercial but is potentially dilutive by including an exception for noncommercial use of a mark. . . . So, the relevant question is whether linking to sites that contain disparaging comments about Nissan Motor on the nissan.com website is commercial.[44]

The determination as to whether the disparaging comments on Nissan Computer's websites were commercial speech was significant because full First Amendment protection is accorded to speech that is not purely commercial, i.e., that does more than propose a commercial transaction.[45] Nissan Motor argued that disparaging remarks on the Internet are commercial speech because the comments have an effect on commerce.[46] However, the Ninth Circuit rejected this argument, stating that it had "never adopted an 'effect on commerce' test to determine whether speech is commercial. . . ."[47] The court held that negative commentary about Nissan Motor was informational, not commercial speech. The commentary reflected a point of view and therefore was protected. The court held that the permanent injunction violated the First Amendment to the extent it enjoined the placing of links on nisson.com to sites with disparaging comments about Nissan Motor.[48]

C. Trademark Infringement

Finally, the Ninth Circuit affirmed the District Court's ruling that Nissan Computer's use of the domain names to sell automobile-related goods was infringing based on initial-interest confusion.[49] "Initial interest confusion," as explained by the Ninth Circuit,

> occurs when the defendant uses the plaintiff's trademark "in a manner calculated to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion."[50]

The court noted that with respect to claims concerning the Internet that

> the three most important [likelihood of confusion] factors are the similarity of the marks, the relatedness of the goods or services, and the parties' simultaneous use of the Internet in marketing.[51]

The court held that Nissan Computers did not infringe Nissan Motor's trademark when "nissan.com" and "nissan.net" were used to sell non-automobile related products because of widespread use of the term "nissan" and the fact that the products offered by the parties differ significantly.[52] However, with respect to use of the domain names to sell automobile-related products, the court found that all three of the most significant factors weighed in favor of a finding of likely confusion:

> The marks are legally identical; the goods or services are related as to auto-related advertising, but not related as to anything else; and the parties simultaneously use the internet in marketing.[53]

After applying the remaining facts, the court found that Nissan Computers infringed Nissan Motor's trademark when "nissan.com" and "nissan.net" were used to sell automobile-related products.[54] The court explained why there was initial-interest confusion only when the products being sold were automobile-related:

> An internet user interested in purchasing, or gaining information about Nissan automobiles would be likely to enter nissan.com. When the item on that website was computers, the auto-seeking consumer would realize in one hot second that she was in the wrong place and either guess again or resort to a search engine to locate Nissan Motor's site. A consumer might initially be incorrect about the website, but Nissan Computer would not capitalize on the misdirected consumer. However, once nissan.com offered links to auto-related websites, then the auto-seeking consumer might logically be expected to follow those links to obtain information about automobiles. Nissan Computer financially benefited because it received money for every click. Although nissan.com itself did not provide the information about automobiles, it provided direct links to such information. Due to the ease of clicking on a link, the required extra click does not rebut the conclusion that Nissan Computer traded on the goodwill of Nissan Motor's mark.[55]

V. Conclusion

The Ninth Circuit's decision in *Nissan* offers valuable guidance for practitioners of both trademark and communications law. The court provides a clear bright-line rule for determining whether a trademark is famous and therefore entitled to protection under the FTDA. A plaintiff must demonstrate that its mark was famous at the time of a defendant's first infringing use. A party is therefore precluded from retroactively applying its now-famous mark to alleged infringements that occurred before the trademark in question became famous.

The court's decision with respect to the scope of the injunction, specifically whether disparaging commentary about a commercial plaintiff constitutes commercial speech, protects website owners who link to other sites that post commentary about a third party. To hold otherwise, as the District Court did, obviously would limit the flow of valuable information and opinion on the Internet. Business websites would be unable to link to any studies or commentaries concerning an industry or competitor that contained negative information. However, although non-defamatory critical speech enjoys First Amendment protection, owners of websites are not, of course, free to infringe trademark rights. The Ninth Circuit's reliance on initial-interest confusion as a basis for finding infringement through the use of confusingly similar domain names reaffirms an important tool for trademark owners to prevent utilization of their marks in a manner that diverts consumer attention.

Endnotes

1. *See* 15 U.S.C. § 1125(a).
2. *See* 15 U.S.C. § 1125(c).
3. *See* 15 U.S.C. § 1125(d).
4. *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002 (9th Cir. 2004).
5. *Id*. at 1007.
6. *Id*. at 1016–17.
7. *Id*. at 1018–19.
8. 378 F.3d at 1007.
9. *Id*.
10. *Id*. at 1006; 231 F. Supp. 2d 977, 978; 2002 U.S. Dist. LEXIS 6488 at 3, 61 U.S.P.Q.2d (BNA) 1839.
11. 378 F.3d at 1007–8.
12. 2002 U.S. Dist. LEXIS 6488 at 4, 61 U.S.P.Q.2d (BNA) 1839.
13. 378 F.3d at 1008.
14. *Id*.
15. *Id*.
16. The "story" is related at http://ncchelp.org/The_Story/the_story.htm.
17. 378 F.3d at 1008; *see also* http://www.ncchelp.org.
18. 378 F.3d at 1008.
19. *See* 2002 U.S. Dist. LEXIS 6488, at 8, 61 U.S.P.Q.2d (BNA) 1839, *citing Virtual Works, Inc. v. Volkswagen of America, Inc.*, 238 F.3d 264, 266 (4th Cir. 2001).
20. 15 U.S.C. § 1125(d)(1)(A)(i).
21. 2002 U.S. Dist. LEXIS 6488 at 12, 61 U.S.P.Q.2d (BNA) 1839.
22. 231 F. Supp. 2d 977, 978.
23. *Id*. at 980.
24. 15 U.S.C. § 1125(c)(1) states:

    > . . . In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to:
    >
    > (A) the degree of inherent or acquired distinctiveness of the mark;
    >
    > (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

25. 378 F.3d at 1008.
26. *Id*. at 1008–9.
27. 231 F. Supp. 2d at 982.
28. *Id*. at 981.
29. 378 F.3d at 1008.
30. The Ninth Circuit summarily determined four preliminary issues. First, the District Court acted well within its discretion in finding that Nissan Computer was not prejudiced by issues of statute of limitations and laches. Second, Nissan Computer argued that application of the FTDA in the dispute would be retroactive in nature since the alleged dilution occurred prior to the statute's creation. However, application of the FTDA is not retroactive because it only authorizes prospective relief. Third, the District Court did not violate due process by changing the date for determining fame of the NISSAN mark from 1991, the date used when the District Court denied partial summary judgment, to 1994, used in the District Court's final order granting summary judgment. The court had discretion to see things differently without affronting due process. Finally, defendant contends that TIC is not an alter ego of Nissan Computer. The Ninth Circuit affirmed the District Court's findings that the separate identity of each was not respected, and that sufficient injustice could occur to Nissan Motor from misuse of the corporate form to permit Nissan Computer to capitalize on the NISSAN mark while rendering itself judgment proof. 378 F.3d 1009–10.
31. 378 F.3d at 1011 (citations omitted).
32. *Id*.
33. *Id*.
34. *Id*.
35. *Id*.
36. *Id*. at 1012.
37. *Id*. at 1013.
38. *Id*. at 1014.
39. *Id*.
40. *Id*. at 1013–4.
41. 537 U.S. 418, 123 S. Ct. 1115.
42. 378 F.3d at 1016, citing *Ward v. Rock Against Racism*, 491 U.S. 781, 791, 109 S. Ct. 2746 (1989).
43. *Id*. at 1016, citing *S.O.C., Inc. v. County of Clark*, 152 F.3d 1136, 1145 (9th Cir. 1998).
44. *Id*. at 1016–17.
45. *Id*. at 1017.
46. *Id*., citing *Jews for Jesus v. Brodsky*, 993 F. Supp. 282, 308 (D. N.J. 1998).
47. *Id*.
48. *Id*.
49. *Id*. at 1018.
50. *Id*. (citation omitted).
51. *Id*. (citation omitted).
52. *Id*. at 1019.
53. *Id*.
54. *Id*. ("The NISSAN mark is an incontestable mark, but it is also used in many channels of commerce, is a last name, and is a month. The degree of care exercised by a purchaser is disputable. Whereas a consumer purchasing an automobile will exercise great care, a consumer searching for information about automobiles on the internet may exercise little care and will click on all information about automobiles. The intent of Nissan Computer in selecting the mark weighs to some extent in favor of Nissan Computer because Uzi Nissan chose a domain name to correspond with his own name, but its intent in posting automobile-related links cuts the other way. There is evidence of actual confusion in that consumers have clicked on nissan.com to find out information about Nissan Motor. The likelihood of expansion in product lines can again cut both ways. Nissan Computer is unlikely to enter the automobile sales business, however, it is likely to advertise more auto-related products.").
55. *Id*. (citation omitted).

Marc Jonas Block is a partner at the law firm of Ray & Block, LLP.

Trade Winds

Trade Winds offers Section members a way to keep up on the comings and goings of their colleagues and upcoming events of interest. Has there been a change in your practice? Any recent or forthcoming articles or lecture presentations? Won any awards recently? Please e-mail submissions to Jonathan Bloom at jonathan.bloom@weil.com.

ANNUAL LAW STUDENT WRITING CONTEST

The 2004 writing contest awards will be presented at the **Annual Meeting of the Intellectual Property Law Section, January 25, 2005, New York, NY** to the authors of the best law review quality articles on subjects relating to the protection of intellectual property **not published elsewhere, scheduled for publication or awarded a prize.**

Welcome New Members:

Francis Agyare
Ronald E. Aikens
Aaron Albert
Boaz Amir
Arthur Mikael Antonelli
Matthew D. Asbell
Nabihah Azam
Brooke Jospe Barona
Mischa Z. Beitz
Andrew H. Berks
Landis Cox Best
Dave A. Birnbaum
Michelle I. Blat
Eric Keith Blumenfeld
Robert A. Bourque
Matthew W. Bower
Gregg B. Brelsford
Sandra Brown
Aaron P. Bumgarner
Amy Byrom
Wendy Callaghan
Gavin Carrucan
Michael Martin Chelus
Sunghae Chung
Robert Colletti
Clinton Lee Conner
Michael J. Cronin
Donald David
Marla Ann Decker
James P. Demers
Lawrence C. Drucker
Louis C. Dujmich
Shahrokh Falati
Dean Louis Fanelli
Michael Fenton
Chad Fights
Allison N. Fihma
Daniel S. Finnegan
Thomas J. Fitzgerald
Steven Gauthier
Elie Hy Gendloff
Aravinda Ghosh
Brian James Gillin
Martin E. Gilmore
Ilana Golant
David Goldman
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Thomas Axel Haag
Mike Hamersky
Efraim A. Harari
Gerard C. Haskins
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Vanessa Claire Hew
Monique Heyneke
Curtis D.W. Hom
Fawn M. Horvath
Sarah Chih-jen Hsia
Pamela Ann Huelster
Jonathan Deda Ivezaj
Eleanor Nancy Johnson
Marion E. Johnson
Lawrence Kamenetsky
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Regina Kent
David J. Kerwick
Gretchen Lyn Koehler
Thomas J. Kowalski
Adam E. Kraidin
Rachel Kretser
Jean-Leonid Krymkier
Mark O. Kuehn
Yinka Mark O Kuponiyi
Michelle N. Langhoff
Scott J. Lebson
Hyun W. Lee
Roman Leonov
Paul A. Levy
Wen-chun Li
Christopher Samuel Lick
Chih-Sheng Lin
Kelly Lusk
Susan Ann Maher
Michael Makarius
Lauren N. Mallin
Marie Andree Martial
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Maria Rocio Mendoza
John D. Mercer
Allan E. Mesia
Frederick J. Micale
Aaron M. Miller
Zaheeda Mitha
Ryan Stephen Montegut
Diane Reese Moriarty
Mari Nakajima
Ambre Nerinck-Seltzer
Jennie Nolon
Charles J. Noth
Martin M. Novack
Christine M. Ongchin
Kara R. Paldino
John M. Paolino
Herman Walter Paris
Woong C. Park
Eugene Parrs
Mark I. Peroff
Gregory D. Pierce
Gregory M. Poehler
Shreya N. Ramchandani
Charles Rath
James Leonard Rogers
Kristen S. Ruisi
Rajeev Kumar Rumalla
Kenneth A. Russell
Richard Santalesa
Ronald R. Santucci
David Aaron Schepard
Connie Schin
Stacey Lauren Schreiber
Howard M. Schupak
Steve A. Semerdjian
Elizabeth Jean Shampnoi
Alissa N. Shapiro
Wynton Olliviere Sharpe
Todd S. Shaw
Eric Joseph Shimanoff
Daniel Marc Shulman
Daniel A. Silien
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Darren M. Simon
Christopher M. Slowik
Robert C. Smith
Catherine H. Stockell
Natalie Sulimani Nahoum
Charles David Thill
Sarah E. Tollner
Jason M. Tom
Carl Van Der Zandt
Alex Vaysbaum
Peter Waibel
Andrew C. Weinstock
David Wildman
Robert Lee Williams
Jack Withiam
Anna Wroblewska
Kafu Yu
Sarah Beth Yuhasz

New York State Bar Association
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The Intellectual Property Law Section
introduces its newly-formed

International IP Law Committee
(Ray Mantle and Sheila Francis, Co-Chairs)

with its inaugural program on January 25, 2005:

Going Global: *A Mock Arbitration of an International Intellectual Property Legal Dispute With Commentary*

The program features a distinguished panel of judges and lawyers from a variety of countries in a simulated arbitration based on a hypothetical multijurisdictional Intellectual Property Law dispute including copyright, patent, trademark, trade secrets, licensing, digital rights management, First Amendment, and damages issues. The program also features a panel on IP "hot topics" from around the world.

To access the fact pattern and other documents for the dispute, visit the Section's website at:

www.nysba.org/ipl

Attendees are encouraged to read the fact pattern and related materials prior to attending the meeting, and be prepared for a lively debate on the issues! Hope you can attend.

Sincerely,

Richard L. Ravin
Section Chair

See Annual Meeting Program on pages 26 and 27 of this Newsletter.

New York State Bar Association

Intellectual Property Law Section
Annual Meeting

TUESDAY, JANUARY 25, 2005
New York Marriott Marquis
1535 Broadway, New York City

MORNING PROGRAM, 8:45 a.m.
Marquis Ballroom, 9th Floor

LUNCHEON, 12:15 p.m.
16th Floor Sky Lounge

AFTERNOON PROGRAM, 1:30 p.m.
Marquis Ballroom, 9th Floor

COCKTAIL RECEPTION, 5:30 p.m.
16th Floor Sky Lounge

IMPORTANT INFORMATION

Under New York's MCLE rule, this program has been approved for a total of up to 7 credit hours, consisting of 7 credit hours in practice management and/or areas of professional practice. **This course will not qualify for credit for newly admitted attorneys because it is not a basic practical skills program.**

Discounts and Scholarships: New York State Bar Association members may apply for a discount or scholarship to attend this program based on financial hardship. Under that policy, any member of our Association who has a genuine financial hardship may apply in writing not later than two working days prior to the program, explaining the basis of his/her hardship, and if approved, can receive a discount or scholarship, depending on the circumstances. For more details, please contact: Linda Castilla at: New York State Bar Association, One Elk Street, Albany, New York 12207.

Section Chair
Richard L. Ravin, Esq.
Hartman & Winnicki, P.C.
Paramus, New Jersey and New York City

Program Co-Chair
Ray Mantle, Esq.
Reitler Brown & Rosenblatt LLC
New York City

Program Co-Chair
Sheila Francis, Esq.
Rouse & Co. International
New York City

8:15 - 8:45 a.m. **Continental Breakfast -** The Section thanks **Smart & Biggar Featherstonhaugh** (Toronto, Canada) for sponsoring breakfast. Their support of the Section is greatly appreciated.

SMART & BIGGAR
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Going Global: A Mock Arbitration of an International Intellectual Property Legal Dispute With Commentary

8:45 - 8:55 a.m. **Welcoming Remarks - Richard L. Ravin, Esq.**, Section Chair

8:55 - 9:15 a.m. ***Introduction:*** **Ray Mantle, Esq. and Sheila Francis, Esq.**, Program Co-Chairs

Arbitrators:

Honorable Marshall E. Rothstein
Judge, The Federal Court of Appeals, Ottawa, Canada

Honorable Loretta A. Preska,
United States District Judge, Southern District of New York, New York City

Robert Harrison, Esq.
Rouse & Co. International, Munich, Germany

Mario A. Soerenson, Esq.
DiBlasi Parente Soerenson Garcia & Associados, Rio de Janeiro, Brazil

The Plaintiffs' Counsel:

Counsel: **Rory J. Radding, Esq.**
Morrison & Foerster LLP, New York City

Eduardo M. Machado, Esq.
Montaury, Pimenta, Machado & Lioce, Rio de Janeiro, Brazil

The Defendants' Counsel:

Counsel: **Bruce Stratton, Esq.**
Dimock, Stratton LLP, Toronto, Canada

Simon Chapman, Esq.
Field Fisher Waterhouse, London, United Kingdom

9:15 - 10:30 a.m. ***The Plaintiffs' Case***
Expert counsel from United States, Brazil, Canada and United Kingdom will present both legal and policy arguments on behalf of the plaintiffs and defendants on issues relating to copyright, patent and trademark infringement, trade secrets and breach of licensing terms and digital rights management and the First Amendment issues.

10:30 - 10:35 a.m. **Break**

10:35 - 11:50 a.m. ***The Defendants' Response***

11:50 - 12:15 p.m. ***"Show Me the Money": Quantifying Damages for a Multi-jurisdictional Intellectual Property Dispute***

Speaker: **Brian W. Napper**
StoneTurn Group, LLP, Northern California

12:15 - 1:30 p.m. **Lunch** - 16th Floor Sky Lounge

The Intellectual Property Law Section would like to thank StoneTurn Group, LLP for sponsoring lunch. Their support of the Section is greatly appreciated.

1:30 - 3:00 p.m. ***The Arbitrators and Commentators Speak***

The mock arbitration panel members will comment on the arguments raised by counsel in their presentations, followed by specific thoughts raised by the comentators.

Commentators:

Jeffrey B. Cahn, Esq.
Sill Cummis Epstein & Gross PC, New York City

Victoria A. Cundiff, Esq.
Paul, Hastings, Janofsky & Walker LLP, New York City

Philip Harris, Esq.
Institute of Trademark Attorneys, London, United Kingdom

Fernando Triana, Esq.
Triana Uribe & Michelsen, Bogota, Columbia

3:00 - 3:05 p.m. **Break**

3:05 - 3:15 p.m. ***Introduction of DOAR Litigation Support and Trial Services***

Speaker: **Susan Flamm, Esq.**
DOAR, New York City

The Intellectual Property Law Section would like to thank DOAR for technical assistance in preparing visual aids. Their support of the Section is greatly appreciated.

3:15 - 3:45 p.m. ***Views from Abroad: Hot IP Tips***

In this session, various experts from South America, Europe, and the Far East will share their thoughts on some of the pressing intellectual property issues faced in their respective jurisdictions.

Hot Topics in Latin America: "Protecting IP Assets in Latin America"

An overview of protecting IP assets in Latin America including well known trademarks, tackling infringements and recent IP cases.

Speaker: **Monica Ruiz A., Esq.**
Gallegos, Neidl & Asociados, Quito, Equador

3:45 - 4:15 p.m. ***Hot Topics in Europe: "Image Rights in Europe"***

A discussion on conceptual differences between Image and Privacy Rights in Europe and Publicity Rights in the US; landmark cases and drafting tips for European image rights contracts.

Speaker: **Carolina Pina Sanchez, Esq.**
Garrigues Abogados, Madrid, Spain

4:15 - 4:55 p.m. ***Hot Topics in Asia: "Practical Implications of Recent Legislative Reforms"***

A discussion on recent legislative reforms embraced by local courts and government officials in Asia, with an emphasis on China, and practical improvements in IP protection available to foreign companies and persons.

Speakers:

Lindsay Elser, Esq.
Deacons, Hong Kong

Annie Tsoi, Esq.
Deacons, Hong Kong

5:30 p.m. **Cocktail Reception** - 16th Floor Sky Lounge

Please join us for a Cocktail Reception sponsored by Thomson & Thomson following the program. The Section is most grateful toThomson & Thomson for its continued support of the Section year after year!

If you need assistance relating to a disability, please contact the NYSBA Meetings Department sufficiently in advance so that we can make every effort to provide reasonable accommodations.

For overnight room accommodations, please call the New York Marriott Marquis at 1-800-843-4898 and identify yourself as a member of the New York State Bar Association. Room rates are $224.00 for single/double occupancy. Reservations must be made by Friday, December 24, 2004.

For questions about this specific program, please contact Linda Castilla at 518-487-5562. For registration questions only, please call 518-487-5621.

Intellectual Property Law Section

Tuesday, January 25, 2005
New York Marriott Marquis
1535 Broadway, New York City

MORNING PROGRAM, 8:45 a.m.
Marquis Ballroom, 9th Floor

LUNCHEON, 12:15 p.m.
16th Floor Sky Lounge

AFTERNOON PROGRAM, 1:30 p.m.
Marquis Ballroom, 9th Floor

COCKTAIL RECEPTION, 5:30 p.m.
16th Floor Sky Lounge

ANNOUNCING THE

Intellectual Property Law Section's

ANNUAL LAW STUDENT WRITING CONTEST

To be presented at the **Annual Meeting of the Intellectual Property Law Section, January 25, 2005, New York, NY** to the authors of the best law review quality articles on subjects relating to the protection of intellectual property **not published elsewhere, scheduled for publication or awarded a prize.**

First Prize: $2,000 Second Prize: $1,000

CONTEST RULES

To be eligible for consideration, the paper must have been written solely by students in full-time attendance at a law school (day or evening program) located in New York State or by out-of-state students who are members of the Section. One hard copy of the paper and an electronic copy in Word format on a 3.5″ H.D. disk must be submitted by mail, postmarked not later than **November 4, 2004**, to the person named below. As an alternative to sending the disk, the contestant may e-mail the electronic copies, provided that they are e-mailed before 5:00 p.m. EST, **November 4, 2004**. Papers should be no longer than 35 pages, double-spaced, including footnotes. Submissions must include one file with a cover page indicating the submitter's name; law school and expected year of graduation; mailing address; e-mail address; telephone number; and employment information, if applicable.

Send entries to:

Kelly M. Slavitt
Thelen Reid & Priest LLP
875 Third Avenue
New York, NY 10022
(212) 603-6553
(e-mail: kslavitt@thelenreid.com)

Reasonable expenses will be reimbursed to the author of the winning paper for attendance at the Annual Meeting to receive the Award.

Please direct any questions to Kelly Slavitt.

Law Student Writing Contest Winners

2000

First Prize:	Michael J. Kasdan, New York University School of Law
Second Prize:	David R. Johnstone, SUNY Buffalo School of Law
Third Prize:	Donna Furey, St. John's University School of Law
Hon. Mention:	Darryll Towsley, Albany Law School

2001

First Prize:	Maryellen O'Brien, SUNY Buffalo School of Law
Second Prize:	Safia A. Nurbhai, Brooklyn Law School
Third Prize:	Stephen C. Giametta, St. John's University School of Law

2002

First Prize:	Deborah Salzberg, Fordham Law School
Second Prize:	David V. Lampman, II, Albany Law School
Hon. Mention:	Larry Coury, Fordham Law School

2003

First Prize:	Christopher Barbaruolo, Hofstra School of Law
Second Prize:	Anna Kingsbury, New York University School of Law

The Section reserves the right not to consider any papers submitted late or with incomplete information.

MEMBERSHIP APPLICATION
New York State Bar Association:

INTELLECTUAL PROPERTY LAW SECTION

Membership in the New York State Bar Association's Intellectual Property Law Section is a valuable way to:

- enhance professional skills;
- keep up-to-date with important developments in the legal profession;
- join colleagues in exciting Section events.

OPPORTUNITIES FOR EDUCATION

The Intellectual Property Law Section offers both the experienced and novice practitioner excellent opportunities to enhance their practical and legal knowledge and expertise. Through Section activities, including conferences on intellectual property (an annual fall event), members may examine vital legal developments in intellectual property law. The Section's Web site provides current information regarding Section events and offers "members only" access to current issues of *Bright Ideas* and current Committee bulletins providing updates on intellectual property law. The Section plans to sponsor continuing legal education (CLE) credit-bearing programs for Section members at reduced rates. Recent programs offered by the Section related to computer software and biotechnology protection, conducting intellectual property audits, and practical considerations in trade secret law. The Section sponsors an annual Intellectual Property Law writing contest for New York State Law Students.

OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT

Intellectual Property Law Section committees address unique issues facing attorneys, the profession and the public. The Section offers opportunities to serve on committees such as Patent Law; Trademark Law; Copyright Law; Internet Law; Trade Secrets; Technology, Transfer and Licensing and Young Lawyers.

Committees allow you to network with other attorneys from across the state and give you the opportunity to research issues and influence the laws that can affect your practice. Committees are also an outstanding way to achieve professional development and recognition. Law students are automatically members of the Young Lawyers Committee. Section members may join more than one committee.

A VOICE IN THE ASSOCIATION

The Intellectual Property Law Section takes positions on major professional issues that affect practitioners and advocates those positions within the New York State Bar Association, the legislature, and the public.

See page 30 to become a member of the Intellectual Property Law Section

COMMITTEE ASSIGNMENT REQUEST

Please designate, from the list below, those committees in which you wish to participate. For a list of Committee Chairs and their e-mail addresses, please refer to page 29 of this issue.

___ Copyright Law (IPS1100)

___ International Intellectual Property Issues (IPS2200)

___ Internet Law (IPS1800)

___ Legislative/Amicus (IPS2300)

___ Meetings and Membership (IPS1040)

___ Patent Law (IPS1300)

___ Technology, Transfer and Licensing (IPS1400)

___ Trade Secrets (IPS1500)

___ Trademark Law (IPS1600)

___ Young Lawyers (IPS1700)

Please e-mail your committee selection(s) to Naomi Pitts at: npitts@nysba.org

* * *

To be eligible for membership in the Intellectual Property Law Section, you first **must** be a member of the NYSBA.

❒ As a member of the NYSBA, I enclose my payment of $30 for Intellectual Property Law Section dues. (Law student rate: $15)

❒ I wish to become a member of the NYSBA and the Intellectual Property Law Section. I enclose both an Association and Section application with my payment.

❒ Please send me a NYSBA application. No payment is enclosed.

Name ____

Office ____

Office Address ____

Home Address ____

E-mail Address ____

Office Phone No. ____

Office Fax No. ____

Home Phone No. ____

Please return payment and application to:

Membership Department
New York State Bar Association
One Elk Street
Albany, New York 12207
Telephone: 518/487-5577
FAX: 518/487-5579
http://www.nysba.org

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The Intellectual Property Law Section encourages members to participate in its programs and to contact the Section officers or Committee Chairs for information.

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Submission of Articles

Anyone wishing to submit an article, announcement, practice tip, etc., for publication in an upcoming issue of *Bright Ideas* is encouraged to do so. Articles should be works of original authorship on any topic relating to intellectual property. Submissions may be of any length.

Submissions should preferably be sent by e-mail to Jonathan Bloom, Editor-in-Chief, at the address indicated on this page. Submissions for the Spring/Summer 2005 issue must be received by March 1, 2005.

BRIGHT IDEAS

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