

Bright Ideas

A publication of the Intellectual Property Law Section
of the New York State Bar Association



Message from the Chair

The Intellectual Property Law Section got off to a great start this year, and it seems like the remainder of 2002 will provide our members with excellent educational programming and the opportunity to earn the required MCLE credit in the process.



Our 2002 Annual Meeting was one of the most successful we've had in years. The Section's upcoming 2002 Fall Meeting is scheduled for October 10-13 at The Sagamore on Lake George. The Fall Meeting promises to provide very topical programs about the recent Supreme Court patent decision in *Festo* and the upcoming Supreme Court argument in the *Victoria Secrets* dilution case, including how these decisions will impact intellectual property law and practice. We have also

scheduled Marybeth Peters, the Register of Copyrights, to update us on recent developments in copyright law and events at the Copyright Office. And there will be extensive programming on counterfeiting and its impact on the enforcement of intellectual property rights around the globe. In all, the Section will offer about 11 CLE credits, as well as a boat ride around Lake George, a golf tournament, and an evening of dancing over the weekend. Families are welcome, as we have also provided for child care and dining.

On September 18, 2002, the Section will present "Intellectual Property and Bankruptcy: Navigating Your Intellectual Property Through Rough Waters." This program, presented in conjunction with Benjamin N. Cardozo School of Law Alumni Association and the Office of Career Services, will feature a discussion, based on a hypothetical, of how intellectual property issues arise and are resolved in the bankruptcy context.

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SPECIAL SECTION: A DECADE OF INTELLECTUAL PROPERTY LAW (p. 39)

An Intellectual Property Ethics program (2 CLE Ethics credits) is scheduled for November 6, 2002, at Fordham University which will cover a variety of ethical dilemmas that arise in the intellectual property practice area.

In 2003, our Annual Meeting takes place at the Marriott Marquis in New York City on January 21, and in the spring/summer 2003 we plan to provide Bridge the Gap CLE programming for newly admitted attorneys in the intellectual property area at various locations throughout New York State.

This issue of *Bright Ideas* contains updates on important recent decisions and commemorates the tenth anniversary of the Section with surveys prepared by each committee of the most significant developments in intellectual property law over the last decade. *Bright Ideas* is always looking for articles about intellectual property cases and issues. If you would like to sub-

mit an article for publication, please send it in Word format to Jonathan Bloom (the Editor-in-Chief) for consideration.

I also encourage you to visit our Web site at www.nysba.org/ipi to learn more about our Intellectual Property Law Section as well as other upcoming events, recent articles, and information about our annual Law Student Intellectual Property Writing Contest sponsored by THOMSON & THOMSON, as well as past winning articles. The writing contest provides law students with an opportunity to publish articles in *Bright Ideas* and to win cash awards for articles on intellectual property subjects.

I invite you to participate in the Intellectual Property Law Section as well as its committees and look forward to seeing you at our upcoming events.

Marc A. Lieberstein

Thank You

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

- Pennie & Edmonds LLP
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Holmes v. Vornado: A Restatement of the “Arising Under” Jurisdiction of Federal Courts

By James W. Dabney

On June 3, 2002, the United States Supreme Court issued one of its most important decisions in decades construing the “arising under” jurisdiction of U.S. district courts. In *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*,¹ seven justices held that a civil action is not one “arising under” federal law—including federal patent, trademark, and copyright law—if the well-pleaded complaint of the plaintiff does not allege a claim whose resolution depends on a substantial question of federal law.² In particular, the Court held that a counterclaim asserted in a defendant’s answer does not and cannot render a civil action one “arising under” federal law for jurisdictional purposes, even if it asserts a claim based on federal patent law.



majority stated, “[W]e decline to transform the long-standing well-pleaded-complaint rule into the ‘well-pleaded complaint-or-counterclaim rule’ urged by respondent.”⁸ In a rhetorical flourish, Justice Scalia wrote that “[i]t would take an unprecedented feat of interpretive necromancy to say that §1338(a)’s ‘arising under’ language means one thing (the well-pleaded-complaint rule) in its own right, but something quite different (respondent’s complaint-or-counterclaim rule) when referred to by §1295(a)(1).”⁹

Holmes confirms that actions commenced in state court cannot be removed to federal court on the basis of a defendant’s assertion of a federal law counterclaim.¹⁰ More notably, *Holmes* is authority that state courts have jurisdiction to decide counterclaims for alleged patent or copyright infringement, notwithstanding that federal courts have exclusive jurisdiction over “civil action[s] arising under” federal patent and copyright law.¹¹ The *Holmes* majority went out of its way to justify its holding in terms of its impact on the jurisdiction of state courts:

Allowing a counterclaim to establish “arising under” jurisdiction would also contravene the longstanding policies underlying our precedents. First, since the plaintiff is “the master of the complaint,” the well-pleaded complaint rule enables him, “by eschewing claims based on federal law, . . . to have the cause heard in state court.” . . . The rule proposed by respondent, in contrast, would leave acceptance or rejection of a state forum to the master of the counterclaim. It would allow a defendant to remove a case brought in state court under state law, thereby defeating a plaintiff’s choice of forum, simply by raising a federal counterclaim. Second, conferring this power upon the defendant would radically expand the class of removable cases, contrary to the “[d]ue regard for the rightful independence of state governments” that our cases addressing removal require.¹²

The impact of *Holmes* on state court jurisdiction has been swift and dramatic. In *Green v. Hendrickson Publishers, Inc.*,¹³ a book publisher filed suit in Indiana state

“The impact of Holmes on state court jurisdiction has been swift and dramatic.”

The occasion for the Court’s restatement of federal court “arising under” jurisdiction was a case construing the appellate jurisdiction of the Court of Appeals for the Federal Circuit. In *Christianson v. Colt Indus. Operating Corp.*,³ the Court had held that “cases fall within the Federal Circuit’s patent jurisdiction ‘in the same sense that cases are said to “arise under” federal law for purposes of federal question jurisdiction.”⁴ Thus, “the Federal Circuit’s jurisdiction is fixed with reference to that of the district court, and turns on whether the action arises under federal patent law.”⁵

In *Holmes*, the Court held that “a counterclaim—which appears as part of the defendant’s answer, not as part of the plaintiff’s complaint—cannot serve as the basis for ‘arising under’ jurisdiction.”⁶ As construed by the Court, the statutory phrase “civil action arising under,” found in 28 U.S.C. §§ 1331 and 1338(a), is governed exclusively by the contents of a plaintiff’s well-pleaded complaint.⁷ A defendant’s patent law counterclaim thus can no more give rise to Federal Circuit appellate jurisdiction than it can give rise to original or removal jurisdiction in a district court. The *Holmes*

court for alleged breach of contract; the defendants counterclaimed for copyright infringement. In a unanimous decision issued on June 27, 2002, the Supreme Court of Indiana held, on the authority of *Holmes*, that notwithstanding federal courts' exclusive jurisdiction over "civil action[s] arising under" federal copyright law, a state court could exercise jurisdiction over a counterclaim for alleged copyright infringement:

[A]t the time this case arrived at our Court we regarded the federal authorities cited in this opinion as requiring us to force bifurcated litigation by finding exclusive federal jurisdiction over the Greens' counterclaim. However, we think the recent decision of the Supreme Court of the United States in *Holmes* . . . implies that there is no exclusive federal jurisdiction over this claim. . . .

....

[U]ntil very recently the logic and language of a consistent body of federal decisions appeared to preclude a state court from entertaining a counterclaim under copyright law.

....

. . . A number of state courts have also reached the conclusion that they may not entertain a claim that would be within [28 U.S.C.] section 1338 if filed as a complaint. . . .

All of the foregoing is, we think, trumped by the Supreme Court's ruling in *Holmes*. . . . [W]e think *Holmes* requires us to reject the federal authorities stating or implying that a state court may not entertain a counterclaim under patent or copyright law.¹⁴

Holmes thus overrules a substantial body of precedent holding that state courts lack jurisdiction to hear counterclaims arising under federal patent or copyright law.¹⁵ Although state courts have long been recognized as having jurisdiction to decide *questions* of patent and copyright law arising in non-federal cases,¹⁶ *Holmes* makes clear that state courts are equally competent to decide *claims* for alleged patent or copyright infringement when asserted in a state court defendant's answer. Omission of a compulsory counterclaim to a state court action can result in preclusion of the omitted claim in a subsequent federal court action.¹⁷

In the same way that *Holmes* has empowered state courts to hear patent and copyright counterclaims in

cases not otherwise "arising under" federal patent law, the *Holmes* decision has similarly empowered the regional courts of appeals to hear and determine patent counterclaims notwithstanding the Federal Circuit's exclusive appellate jurisdiction over civil actions "arising under" federal patent law. This point is well-illustrated by the outcome in *Holmes* itself, as well as by the Federal Circuit's recent *sua sponte* transfer of an antitrust case to the Eleventh Circuit on the authority of *Holmes*.

In *Holmes*, the plaintiff filed suit in federal court for (1) a declaratory judgment of non-infringement of alleged "trade dress" claimed by the defendant in a "spiral grill design" embodied in household fan and heater fan products sold by the defendant, and (2) injunctive relief and damages flowing from defendant's having allegedly competed unfairly with plaintiff by, among other things, making false, *ex parte* submissions to the United States International Trade Commission (ITC)¹⁸ and wrongfully disparaging products sold by the plaintiff. The plaintiff in *Holmes* asserted no claim "arising under" federal patent law; however, in its answer to the plaintiff's complaint, the defendant asserted what the Supreme Court characterized as a compulsory counterclaim for alleged patent infringement.

The "trade dress" claim at issue in *Holmes* was the exact same claim held invalid in *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.* ("*Vornado I*").¹⁹ Relying on the Tenth Circuit's judgment in *Vornado I* and the doctrine of offensive collateral estoppel,²⁰ the district court in *Holmes* awarded summary judgment to the *Holmes* plaintiff on its first cause of action seeking a declaratory judgment of non-infringement of "trade dress."²¹ The district court rejected the defendant's argument that a 1999 decision of the Federal Circuit constituted a "change in the law" sufficient to justify re-litigation of the validity of the "trade dress" claim held invalid in *Vornado I*.²² Final judgment was then entered in favor of the plaintiff under Fed. R. Civ. P. 54(b).

The *Holmes* defendant then took an appeal to the Federal Circuit, rather than to the Tenth Circuit, notwithstanding that (1) the plaintiff's complaint had alleged no claim arising under federal patent law; (2) the district court's judgment had determined no claim arising under federal patent law; (3) the defendant's patent counterclaim had been severed from the plaintiff's non-patent suit under Fed. R. Civ. P. 54(b); and (4) the defendant was openly seeking to mount a collateral attack on the final judgment of invalidity rendered by the Tenth Circuit in *Vornado I*. In its briefs to the Federal Circuit, the *Holmes* defendant openly urged that court not to follow or enforce the law of the Tenth Circuit embodied in the *Vornado I* judgment.

Notwithstanding objections raised to its appellate jurisdiction, the Federal Circuit issued a two-page order in June 2001 which summarily vacated the district court's summary judgment and remanded for further proceedings. The Federal Circuit appeared to accept the defendant's argument that under *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*,²³ the defendant's patent-law counterclaim was sufficient to oust the Tenth Circuit of appellate jurisdiction over the plaintiff's non-patent suit. *Aerojet* had held that a patent-law counterclaim was sufficient to bring a case within the exclusive appellate jurisdiction of the Federal Circuit, even if the plaintiff in an action sought no relief under patent law.

The Supreme Court granted *certiorari* in *Holmes* to consider whether the Federal Circuit properly had asserted jurisdiction over the defendant's appeal. In its decision, handed down June 3, 2002, the Court rejected *Aerojet* and held that a patent-law counterclaim could not be the basis of Federal Circuit appellate jurisdiction, any more than it could be the basis of a district court's original or removal jurisdiction. The Court accordingly vacated the Federal Circuit's judgment and remanded with instructions that the case be transferred to the Tenth Circuit for disposition.²⁴

In a concurring opinion, Justice Stevens stated that he was "persuaded that a correct interpretation of § 1295(a)(1) limits the Federal Circuit's exclusive jurisdiction to those cases in which the patent claim is alleged in either the original complaint or an amended pleading filed by the plaintiff."²⁵ Justice Stevens observed that "the interest in preserving the plaintiff's choice of forum includes not only the court that will conduct the trial but the appellate court as well. . . . In some cases that interest would be defeated by a rule that allowed a patent counterclaim to determine the appellate forum."²⁶ With regard to the respondent's policy argument that having regional circuits decide patent counterclaims could undermine the uniformity of, and thus be harmful to the development of, federal patent law, Justice Stevens responded: "An occasional conflict in decisions may be useful in identifying questions that merit this Court's attention. Moreover, occasional decisions by courts with broader jurisdiction will provide an antidote to the risk that the specialized court may develop an institutional bias."²⁷

Justice Ginsburg, in an opinion joined by Justice O'Connor, disagreed with the majority's view that the "well-pleaded complaint rule," as developed in the context of district court original and removal jurisdiction, governed the scope of Federal Circuit appellate jurisdiction. Justices Ginsburg and O'Connor would have held that when a compulsory counterclaim "aris[es] under" federal patent law and is adjudicated on the merits by a

federal district court, the Federal Circuit would have appellate jurisdiction over that adjudication and other determinations made in the same case.²⁸ The *Holmes* majority rejected Justice Ginsburg's position as foreclosed by the statutory language of 28 U.S.C. § 1295(a)(1) and by *Christianson*, which "held that the Federal Circuit's jurisdiction, like that of the district court, 'is determined by reference to the well-pleaded complaint, not the well-trying case.'"²⁹ Justices Ginsburg and O'Connor nevertheless concurred in the judgment of the majority; for even under their view of the law, it was error for the Federal Circuit to have taken jurisdiction in a case where no patent claim was actually adjudicated.³⁰

"Holmes makes clear that (a) regional circuits 'have some role to play in the development of this area [federal patent law]' and (b) the Federal Circuit will no longer be fashioning non-uniform liability rules in cases commenced under antitrust, trade dress, or other non-patent federal laws."

Early in its history, the Federal Circuit had justified taking an expansive view of its jurisdiction under 28 U.S.C. § 1295(a)(1) in part on the basis that it would be applying regional circuit law "in all but the substantive law fields assigned exclusively to this court."³¹ The Federal Circuit stated in 1984, relatively shortly after the enactment of 28 U.S.C. § 1295(a)(1), that the Congress's "passage" of that statute "reflect[ed] its expectation that this court would not appropriate or usurp for itself a broad guiding role for the district courts beyond its mandate to contribute to uniformity of the substantive law of patents, plant variety, and the Little Tucker Act."³²

In the late 1990s, however, the Federal Circuit reversed field and held that it would start fashioning its own substantive liability rules for antitrust, trade dress, and other claims over which it had only pendent or non-exclusive jurisdiction.³³ The Federal Circuit justified its changed position on the basis that it was, in its words, "the tribunal having sole appellate responsibility for the development of patent law,"³⁴ which "responsibility" was further said to include "decid[ing] what patent law permits and prohibits" when asserted as a defense to a claim arising under non-patent law.³⁵ *Holmes* makes clear that (a) regional circuits "have some role to play in the development of this area [federal patent law]";³⁶ and (b) the Federal Circuit will no

longer be fashioning non-uniform liability rules in cases commenced under antitrust, trade dress, or other non-patent federal laws.

Holmes' diminution of Federal Circuit influence on non-patent law is illustrated by a pair of recent Federal Circuit decisions. In 2000, the Federal Circuit took jurisdiction over an antitrust case, *CSU, L.L.C. v. Xerox Corp.*,³⁷ in which the plaintiffs alleged that the defendant had refused to supply them with patented replacement parts in alleged violation of section 2 of the Sherman Act.³⁸ The purported basis of Federal Circuit jurisdiction in *Xerox* was a counterclaim for patent infringement set up by the defendant. In a controversial ruling,³⁹ the Federal Circuit held that "[w]hether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Federal Circuit law."⁴⁰ The Federal Circuit then proceeded to hold that, according to its own view of federal antitrust legal standards, the defendant in *Xerox* was not liable. The Federal Circuit in *Xerox* expressly declined to follow the antitrust law articulated by the Ninth Circuit in *Image Technical Servs., Inc. v. Eastman Kodak Co.*,⁴¹ which involved similar facts and antitrust questions.

"Seldom has one case [Holmes] affected such a multi-faceted reform of federal and state court litigation practice."

Subsequent to *Holmes*, a case very similar to *Xerox* came before the Federal Circuit and resulted in a very different outcome. In *Telcomm Technical Serv., Inc. v. Siemens Rolm Communications, Inc.*,⁴² the plaintiffs— independent service organizations (ISOs) like the plaintiffs in *Xerox* and *Kodak*—sued under federal antitrust law based on the defendant's refusal to deal with them. The defendant counterclaimed for, among other things, patent infringement. In an order issued July 2, 2002, the Federal Circuit held:

When the ISO's originally filed this appeal, our jurisdiction was predicated on the patent infringement counterclaim. . . . In the Supreme Court's intervening decision in *Holmes Group*, it held that the well-pleaded complaint rule endures no necromancy that would vest the statutory phrase "arising under" with a meaning that encompasses appellate jurisdiction in the Federal Circuit based on a patent infringement counterclaim. . . . Thus, we do not have jurisdiction to entertain the issues

in the case, and accordingly we transfer this appeal to the Eleventh Circuit.⁴³

As exemplified by the recent *Green* and *Siemens* decisions, *Holmes* (1) strengthens the traditional right of plaintiffs to choose their law and forum; (2) contracts the exclusive appellate jurisdiction of the Federal Circuit; (3) reduces forum-shopping opportunities between the Federal Circuit and regional courts of appeals on non-patent claims; (4) restores regional circuit authority over cases commenced under antitrust, copyright, trade dress, contract, or other non-patent law; and (5) expands the power of state courts to decide the entirety of cases properly brought before them under non-federal law. Seldom has one case affected such a multi-faceted reform of federal and state court litigation practice.

Endnotes

1. 122 S. Ct. 1889 (2002).
2. The majority opinion was written by Justice Scalia and joined in by Justices Breyer, Kennedy, Rehnquist, Souter, and Thomas. Justice Stevens concurred in all but the portion of the majority opinion which likened to "necromancy" certain reasoning utilized by the Court of Appeals for the Federal Circuit in *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736 (Fed. Cir. 1990) (en banc).
3. 486 U.S. 800 (1988).
4. *Id.* at 814 (quoting H.R. Rep. No. 97-312 at 41 (1981)).
5. 122 S. Ct. at 1893.
6. *Id.* at 1894.
7. *See id.* at 1894 ("we have declined to adopt proposals that 'the answer as well as the complaint . . . be consulted before a determination [is] made whether the case 'ar[ises] under' federal law'" (quoting *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 10 n.9 (1983))). The *Holmes* majority left open whether an amended complaint filed subsequent to the commencement of an action could support "arising under" jurisdiction. *Id.* at 1893 n.1. Justice Stevens, in a concurring opinion, expressed the view that an amended complaint could support "arising under" jurisdiction. *Id.* at 1896.
8. 122 S. Ct. at 1894 (emphasis in original).
9. *Id.* at 1895.
10. *See, e.g., FDIC v. Elephant*, 790 F.2d 661, 667 (7th Cir. 1986) (federal counterclaim did not support removal of case to federal court); *Takeda v. Northwestern Nat'l Life Ins. Co.*, 765 F.2d 815, 822 (9th Cir. 1985) (same).
11. *See Holmes*, 122 S. Ct. at 1894 ("The rule proposed by respondent, in contrast, would leave acceptance or rejection of a state forum to the master of the counterclaim."); *Green v. Hendrickson Publishers, Inc.*, 2002 Ind. LEXIS 541 (Ind. June 27, 2002) (in action commenced in state court for alleged breach of contract, state court had jurisdiction to hear counterclaim for alleged copyright infringement; counterclaim did not render action one "arising under" federal copyright law for purposes of exclusive federal court jurisdiction).
12. 122 S. Ct. at 1894 (citations omitted).
13. 2002 Ind. LEXIS 541 (June 27, 2002).
14. *Green*, 2002 Ind. LEXIS 541, at *2, *16, *18-21.

15. See, e.g., *American Home Prods. Corp. v. Norden Laboratories, Inc.*, 1992 Del. Ch. LEXIS 262 (Del. Ch. 1992); *EMSA Ltd. Partnership v. Lincoln*, 691 So. 2d 547 (Fla. App. 1997); *Carbon Activation U.S., Inc. v. General Carbon Corp.*, 718 N.Y.S.2d 442 (App. Div. 2000); *Superior Clay Corp. v. Clay Sewer Pipe Ass'n*, 215 N.E.2d 437 (Ohio C.P. 1963).
 16. See, e.g., *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) (in action for breach of a patent license agreement, state court had jurisdiction to decide whether licensed patent was valid).
 17. See, e.g., *Conopco, Inc. v. Roll Int'l Corp.*, 231 F.3d 82, 87-88 (2d Cir. 2000). There is, notably, no compulsory counterclaim rule in New York state court practice; hence, defendants sued in New York state courts will retain the option to assert patent or copyright counterclaims in separate actions commenced in federal court.
 18. Shortly prior to the commencement of the *Holmes* case, the defendant in that case had lodged a complaint with the ITC accusing the *Holmes* plaintiff of both patent and "trade dress" infringement. The ITC subsequently instituted Investigation No. 337-TA-426. The ITC proceeding was eventually terminated on July 20, 2000, with no action having been taken. See 65 Fed. Reg. 45,999 (July 26, 2000).
 19. 58 F.3d 1498 (10th Cir. 1995).
 20. See *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 326 n.4 (1979) ("offensive use of collateral estoppel occurs when the plaintiff seeks to foreclose the defendant from litigating an issue the defendant has previously litigated unsuccessfully in an action with another party").
 21. See *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 93 F. Supp. 2d 1140 (D. Kan. 2000).
 22. In *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir.), cert. denied, 528 U.S. 1019 (1999), overruled by *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 121 S. Ct. 1255 (2001), the Federal Circuit held that it would start applying "its own" law, in place of regional Circuit law, in determining whether or to what extent product configurations were protectable as "trade dress" under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). 175 F.3d at 1361, overruling *Cable Elec. Prods., Inc. v. Genmark*, 770 F.2d 1015, 1029 (Fed. Cir. 1985). The Federal Circuit then proceeded to reiterate its long-standing view—which the Tenth Circuit had rejected in *Vornado I*—that any product configuration could be protectable as "trade dress" under 15 U.S.C. § 1125(a) unless found to be "functional" in a federal common law sense of having "such utility that its protection would hinder competition." 175 F.3d at 1361-62 (citing authorities).
- In *Traffix*, the Supreme Court resolved the conflict that had existed between the *Midwest* and *Vornado I* decisions by (a) rejecting the standard of "functionality" long embraced and re-articulated by the Federal Circuit in *Midwest*, and (b) embracing a standard of "functionality" that was and is fully consistent with both the reasoning and the holding of the Tenth Circuit in *Vornado I*. 121 S. Ct. at 1261-62.
23. 895 F.2d 736 (Fed. Cir. 1990) (en banc).
 24. 122 S. Ct. at 1895.
 25. *Id.* at 1896-97.
 26. *Id.* at 1897.
 27. *Id.* at 1898 (footnote omitted).
 28. *Id.* at 1898.
 29. *Id.* at 1894 n.3 (quoting *Christianson*, 486 U.S. at 814).
 30. *Id.* at 1898.
 31. *Atari, Inc. v. JS&A Group, Inc.*, 747 F.2d 1422, 1439 (Fed. Cir. 1984) (en banc), overruled by *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1068 (Fed. Cir.).
 32. *Atari*, 747 F.2d at 1438.
 33. See, e.g., *In re Independent Service Organizations Antitrust Litigation*, 203 F.3d 1322, 1324-27 (Fed. Cir. 2000), cert. denied, 121 S. Ct. 1077 (2001); *Zenith Electronics Corp. v. Elotouch Sys., Inc.*, 182 F.3d 1340, 1354-55 (Fed. Cir. 1999); *Hunter Douglas, Inc. v. Harmonic Designs, Inc.*, 153 F.3d 1318, 1335-38 (Fed. Cir. 1998), cert. denied, 525 F.2d 1143 (1999), overruled by *Midwest*, 175 F.3d at 1359; *Nobelpharma*, 141 F.3d at 1439.
 34. *Midwest*, 175 F.3d at 1360.
 35. *Id.* at 1360-61.
 36. 122 S. Ct. at 1898 (Stevens, J., concurring).
 37. 203 F.3d 1322 (Fed. Cir. 2000), cert. denied, 531 U.S. 1143 (2001).
 38. 15 U.S.C. § 2.
 39. See R. Katz & A. Safer, *Should One Patent Court Be Making Antitrust Law for the Whole Country?*, 69 Antitrust L.J. 687 (2002).
 40. 202 F.3d at 1325.
 41. 125 F.3d 1195 (9th Cir. 1997).
 42. 2002 U.S. App. LEXIS 13189 (Fed. Cir. July 2, 2002).
 43. 2002 U.S. App. LEXIS 13189, at *4-*5.

James W. Dabney is a partner in the New York office of Pennie & Edmonds LLP. Mr. Dabney represented the petitioner in *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 122 S. Ct. 1889 (2002). Mr. Dabney also represented the prevailing defendant in *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498 (10th Cir. 1995), cert. denied, 516 U.S. 1067 (1996).

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Festo Redux: A Practitioner's Guide

By Joel E. Lutzker

I. Introduction

Few patent law decisions in recent memory have generated as much debate as the Federal Circuit's en banc decision in 2000 in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*¹ The Federal Circuit held that the need for certainty and predictability in construing patent claims mandated that (1) prosecution history estoppel applies to all claim amendments made for a substantial reason relating to patentability, including amendments made to overcome non-prior art rejections, and (2) absolutely no range equivalence could be afforded to any such amended claim limitation. Immediately following the decision, most observers correctly predicted that the case was headed for Supreme Court review. The Supreme Court affirmed the Federal Circuit as to the first holding, but reversed as to the second. Instead, the Supreme Court established a rebuttable presumption in place of the Federal Circuit's absolute bar. Hence, after the Supreme Court's ruling in *Festo*, patentees still have to overcome two hurdles in order to successfully assert equivalence of an amended claim limitation, but the second hurdle is no longer absolute and impenetrable.² Thus, *Festo* eliminates the complete-bar rule established by the Federal Circuit in its en banc decision, but it still leaves the patentee to overcome what is now a rebuttable presumption that it surrendered the equivalent at issue.³

The extent to which the presumption of estoppel can be overcome under the Supreme Court's new standard will take years to become clear. For the patent prosecutor, the Supreme Court's shift to a rebuttable presumption should not be viewed as a license to amend without concern; rebuttal of the presumption is not something that can be taken for granted. For the patent litigator, the Supreme Court has created a new set of challenges and opportunities.

II. The First Presumption: A Substantial Reason Related to Patentability

Prosecution history estoppel is applied to preclude a range of equivalents which is given up during the patent amending process when the amendments were made in order to make the subject matter patentable.⁴ In *Warner-Jenkinson*, the Court held that when an amendment has been made to the patent claim that is not related to patentability, the patentee is not necessar-



ily estopped from invoking the doctrine of equivalents.⁵ Where it is not possible to tell whether or not the amendment has been made for a reason related to patentability, the Court held that it should be presumed "that the PTO had a substantial reason related to patentability for including the limiting element added by amendment."⁶ The burden is on the patentee to rebut this presumption.⁷

In a concurring opinion, Justice Ginsburg suggested how the patent practitioner should proceed post-*Warner-Jenkinson*.⁸ Justice Ginsburg noted that in cases prior to *Warner-Jenkinson*, the patentee would not have had much reason to memorialize reasons for the claim amendment, and the Court should keep that in mind as the patentee tries to establish that the amendment was made for a reason not substantially related to patentability.⁹ This leads to the conclusion that when future amendments are made, the patentee should make all efforts to state in the prosecution history the reason for the amendment and, where appropriate, explain why it is not substantially related to patentability. While the prosecution history should be examined for determining the reason an amendment has been made to pre-*Warner-Jenkinson* patents, the courts should be flexible in determining what evidence to consider in order to rebut the substantially related presumption.¹⁰ The Federal Circuit followed Justice Ginsburg's concurrence and, on remand, allowed the district court wide latitude in how to conduct the proceeding.¹¹

Should the patentee be able to overcome the presumption that the change was made because of a substantial reason related to patentability, there will be no prosecution history estoppel, and the full range of equivalents will be available.

III. The Second Presumption: Elements Given Up During Amendment Process

If the amendment is substantially related to patentability (or if the patentee is unable to prove it was not), that does not necessarily mean prosecution history estoppel should apply. The Supreme Court has applied differing standards to determine how a patent amendment should impact the application of prosecution history estoppel.

Prosecution history estoppel was developed to limit the doctrine of equivalents. As the Court stated in *Festo*, "[w]here the original [patent] application once embraced the purported equivalent but the patentee narrowed his claim to obtain the patent or to protect its

validity, the patentee cannot assert that he lacked the words to describe the subject matter in question."¹² Prior to the Federal Circuit's *Festo* decision, courts had followed a flexible-bar approach, examining on a case-by-case basis whether or not the patentee is estopped from claiming he or she did not give up the equivalent in question.¹³ The Federal Circuit in its en banc *Festo* decision adopted a complete-bar approach, finding that any time a claim is amended there is a complete bar to arguing the doctrine of equivalents for the amended claim limitation.¹⁴

In *Festo*, the Supreme Court stated that when a patentee makes an amendment, he has "conceded an inability to claim the broader subject matter or at least [has] abandoned his right to appeal a rejection."¹⁵ This being said, the Court noted that under the flexible-bar regime, patentees who amended their patents did not expect this amendment to be interpreted as conceding all equivalents.¹⁶ Had patentees felt that by accepting this amendment they were conceding all equivalents, they may have appealed the PTO's decision.¹⁷

To be fair to patent practitioners who may have not wanted to concede all equivalents when making an amendment, the Court suggested imposing a presumption on the patentee similar to the *Warner-Jenkinson* presumption.¹⁸ The Court thus placed the burden on the patentee to "show[] that the amendment does not surrender the particular equivalent in question."¹⁹

The Court listed three situations where it may be reasonable to believe that the patentee did not concede an equivalent: (1) where "the equivalent may have been unforeseeable at the time of the application"; (2) where "the rationale underlying the amendment may bear no more than a tangential relation to the equivalent in question"; or (3) where there is "some other reason suggesting that the patentee could not reasonably be expected to have described the insubstantial substitute in question."²⁰

A reasonableness test is used to determine whether or not the amendment should have included the equivalent.²¹ The United States, in an amicus brief cited with approval by the Court,²² stated that the patentee should meet its burden "based on the patent prosecution record relevant to the specific context of the infringement suit. . . ."²³ In particular, the showing should involve either

intrinsic evidence reflected in the patent prosecution or the specific technology involved that would lead one of ordinary skill in the art at the time of the amendment to conclude that the asserted equivalent was not fairly with-

in the subject matter surrendered.

Extrinsic evidence, such as expert testimony, might be used to explain but not to contradict such intrinsic evidence.²⁴

To determine the impact of *Festo* on the patent practitioner, this article separately examines each reason suggested by the Court for the application of the rebuttable presumption.

A. Unforeseeability: The Impact of New Technology

The underlying rationale behind prosecution history estoppel is that during the patent amendment process, the patentee conceded the equivalent in question.²⁵ When a new technology is developed that the patentee could not have foreseen, it is not rational to think that the patent holder had conceded that equivalent.²⁶ In *Warner-Jenkinson*, the Court alluded to the impact of new technology and the fact that new technology could still be a non-conceded equivalent when it stated that the time to measure equivalency of elements when applying the doctrine of equivalents is the time of infringement.²⁷ Since equivalence is measured at the time of infringement, any subsequently developed technology can be examined for equivalence. Had the investigation been limited only to equivalents disclosed within the patent, new technologies deemed equivalent would be excluded from the doctrine.²⁸

Presumably, any technology described in the specification or discussed in prosecution is, by definition, *not* after-developed. Hence, while a patent prosecutor may be tempted to engage in expansive descriptions of the alternatives which may be used in place of the elements of the preferred embodiment, such an approach involves risk. A prosecutor's speculative recitation of alternatives which are not well entrenched and known could result in technology which otherwise might be considered "after-developed" being considered known and thus subject to estoppel.

Extrinsic evidence in the form of expert testimony from one skilled in the technology would be important to determine whether or not the equivalent was conceded. The expert would be able to testify as to whether or not the technology at issue was in existence during the time of the patent amendment process.

B. The Amendment Bears Only a Tangential Relationship to the Equivalent in Question

Like a new technology that is unforeseen at the time of the claim amendment, determining whether or not "the rationale underlying the amendment . . . bear[s] no more than a tangential relation to the equivalent in question"²⁹ will be something that the patent practitioner can do little to plan ahead for.

However, this is an area where the prosecution history should be valuable. The practitioner should have a thorough explanation in the prosecution history of why the claim was being amended, and this should establish a framework for determining whether or not there is a tangential relationship. It is “presumed the amended text was composed with awareness” of the presumption “and that the territory surrendered is not an equivalent of the territory claimed.”³⁰ While a detailed prosecution history would not show that the equivalent was not intended to be surrendered, it would help to explain the reasons for the amendment and demonstrate if the reason was tangential to the equivalent being claimed.

C. Some Other Reason the Inconsequential Substitute Was Not Mentioned

Sometimes it may not be “possible for one of ordinary skill in the art to draft a claim amendment that literally encompassed the allegedly equivalent element while disclaiming the surrendered subject matter.”³¹ Due to the complex nature of an amendment, a patentee may claim that it could not have been drafted with any greater particularity, but the court needs to determine if that is true.³² A court can conduct this inquiry by comparing “the actual claim formulations that a person of ordinary skill in the art could have adopted to provide literal coverage of the alleged equivalent.”³³

This inquiry is likely going to involve the use of extrinsic evidence. If the equivalent was mentioned in the prosecution history, one would not have arrived at the inquiry concerning whether or not one of “ordinary skill in the art” could have drafted language which would have included this equivalent. The only advice for the practitioner is to be as explicit as possible in the equivalents that are being conceded and hope the case does not arise where the equivalent is not mentioned.

IV. Case Study: *Festo* Applied to a Post-Warner-Jenkinson Pre-*Festo* Case

Festo appears to have changed the landscape with respect to applying the doctrine of equivalents. To illustrate, I examine a Federal Circuit decision rendered between *Warner-Jenkinson* and the *Festo* en banc decision to determine how it may have to be handled in a post-*Festo* world.

In *Litton Systems, Inc. v. Honeywell, Inc.*,³⁴ Honeywell tried to apply prosecution history estoppel to preclude Litton’s use of the doctrine of equivalents regarding an ion beam source.³⁵ During the patent amendment process, Litton had amended language calling for an ion beam source to a “Kaufman-type ion beam source.”³⁶ Applying *Warner-Jenkinson* to the prosecution history, the Federal Circuit determined that Litton “made its amendment for reasons related to patentability.”³⁷

While prosecution history estoppel may apply, the court noted that “the standard for determining whether subject matter has been relinquished is whether one of ordinary skill in the art would objectively conclude from the prosecution history that an applicant surrendered it.”³⁸ There were several alternative structures Honeywell argued Litton was estopped from including. One structure, the duoplasmatron source, was listed in the prior art cited by the examiner when rejecting Litton’s first patent claim.³⁹ After the rejection, Litton amended its claim to narrow it from being an “ion beam source” to a “Kaufman-type ion beam source.”⁴⁰ The court noted that this narrowing, and the evidence in the record, was sufficient to estop Litton from asserting the doctrine of equivalents for this issue.⁴¹ Had *Festo* been decided, the outcome would not have been different, as this was a clear case of prosecution history estoppel. Litton narrowed its claim for reasons related to patentability, and the claim language specifically narrowed the sources to exclude the duoplasmatron.

The Federal Circuit engaged in a different analysis of two other ion sources that Honeywell used, the hollow cathode or RF ion beam source.⁴² While the court noted that neither of these items was mentioned in the amendment, “this does not preclude estoppel.”⁴³ The court thus remanded on this issue.⁴⁴ Articles disclosed and distinguished by Litton during the patent process discussed beam sources that may have been similar to the Honeywell sources.⁴⁵ If the differences between the disclosed ion sources and Honeywell’s sources are trivial, then Litton would be estopped from arguing that the doctrine of equivalents applied.⁴⁶ If they are not trivial, then prosecution history estoppel would not apply and the lower court would then examine if the doctrine of equivalents applies.⁴⁷

Following *Festo*, this second inquiry would become more complex. If the Honeywell beam source was not a trivial variation on the disclosed sources, in a post-*Festo* world Litton would be presumed to have surrendered this technology even if it would be considered an equivalent.⁴⁸ It will likely be very difficult in a post-*Festo* world to overcome the presumption. Since technology similar to the Honeywell sources appeared in the articles disclosed by Litton, it is unlikely the court would find that the equivalent was “unforeseeable at the time of the application.”⁴⁹ Also, since the amendment revolved around ion beam sources, the amendment was “more than tangential[ly] relate[d] to the equivalent in question.”⁵⁰ The only possibility for Litton appears to be whether or not “there may be some other reason suggesting the patentee could not reasonably be expected to have described the insubstantial substitute in question.”⁵¹ In order to determine this, the court should examine whether someone with “ordinary skill in the art” could have drafted an amended claim that

would have encompassed the alleged equivalent.⁵² *Festo* appears to have greatly narrowed the options that would have been available to Litton in asserting the doctrine of equivalents.

Honeywell made one final argument for finding application of prosecution history estoppel.⁵³ Honeywell argued that since “one of ordinary skill in the art” knew that the Honeywell ion source could have been substituted for the Kaufman-type source, that knowledge should be imputed to Litton, and failure to mention the Honeywell source means it was an equivalent surrendered during the amendment process.⁵⁴ The Federal Circuit dispensed with that argument, stating that “[t]o accept this argument would be essentially to accept the premise that when an applicant makes an amendment to an element to overcome the prior art, he has automatically surrendered all then-known substitutes to the amended element.”⁵⁵ However, *Festo* may cut contrary to this view. In *Litton Systems*, the court disagreed with imputing the knowledge of an ordinary person skilled in the art to the patent applicant because “[a]n applicant cannot surrender that which he does not know.”⁵⁶ Under *Festo*, however, an equivalent can be surrendered if it was foreseeable at the time,⁵⁷ hence effectively imputing to an ordinary person knowledge of what was foreseeable. If it was foreseeable, the inquiry might turn to whether one skilled in the art could have drafted the amendment to include the Honeywell ion source.⁵⁸ Litton thus may have been presumed to have conceded the equivalent whether or not it was actually conceded.

The *Litton Systems* court stated that “[b]ecause the prosecution history is objective evidence of what knowledge the applicant has of the art, prosecution history estoppel should remain limited to the prosecution history.”⁵⁹ However, while *Festo* may not be clear as to whether or not evidence from beyond the prosecution history can be used to determine whether prosecution history estoppel applies, the Amicus Brief, cited with approval by the Court, clearly supports the use of extrinsic evidence, including the use of expert testimony.⁶⁰

V. Prosecution Tactics in Light of *Festo*

It will undoubtedly take years for the repercussions of *Festo* to become clear. In the interim, here are some suggestions for consideration:

- A. Avoid amending claims for any reason.
- B. Thoroughly research the prior art before filing an application.
- C. Draft a plethora of independent claims that encompass the entire spectrum of possible claims in breadth.

1. Include independent claims that clearly distinguish over the prior art even if they are narrow.
 2. Beware of undue multiplicity rejections.
 3. Any claims not pursued should be canceled without prejudice.
- D. Draft claims so that they are divided into discrete elements, and, if they must be amended, do so by adding separate elements, if possible.
1. Only the added portion may be subject to the presumed bar.
- E. Avoid making minor amendments to distinguish prior art cited by the Examiner where the rejection may be overcome without amendment.
- F. Where an independent claim is rejected based upon prior art but a dependent claim is indicated by the Examiner to be allowable, do not amend the independent claim to include the additional limitations of the dependent claim. Instead, cancel the independent claim and rewrite the dependent claim in independent form to retain the full benefit of the doctrine of equivalents.
- G. Use means-plus-function claims, since they have a statutorily mandated range of equivalents.
1. It may be possible to overcome a prior art rejection of a means-plus-function claim without having to amend it even though it would have been necessary to amend a corresponding claim not in means-plus-function format.
 2. Include many alternative equivalent structures and multiple embodiments in the specification.
- H. Conduct interviews with the Examiner before making any amendment that might be construed as having been made for a substantial reason related to patentability.
- I. If claims must be amended for reasons other than substantial reasons related to patentability, carefully document the reason for making the amendment.
1. Always argue that an amendment does not narrow the claim element.
 2. Always argue that an amendment was made for purposes unrelated to statutory concerns.
- J. The claims of cases that originate in foreign countries should be amended before the U.S. application is filed.

- K. When forced to amend claims in light of prior art, focus remarks on distinguishing the prior art rather than elaborating on the invention.

Endnotes

1. 234 F.3d 558 (Fed. Cir. 2000).
2. See 122 S. Ct. 1831, 1841-42 (2002).
3. *Id.* at 1842.
4. See *Warner-Jenkinson, Inc. v. Hilton Davis Chemical, Co.*, 520 U.S. 17, 30-31 (1997).
5. *Id.* at 33.
6. *Id.*
7. *Id.* *Warner-Jenkinson* was remanded to the Federal Circuit because it was not possible to tell whether the limiting amendment was made because of a reason substantially related to patentability, and the respondent had not been given an opportunity to rebut the presumption that it was. *Warner-Jenkinson*, 520 U.S. at 34.
8. See *id.* at 41-42 (Ginsburg, J., concurring).
9. See *id.*
10. See *id.* at 42 (“[O]n remand, the court can determine—bearing in mind the prior absence of clear rules of the game—whether suitable reasons for including the lower pH limit were earlier offered or, if not, whether they can now be established.”).
11. See *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.*, 114 F.3d 1161, 1163 (Fed. Cir. 1997) (stating that “[t]he better course is to allow the district court to use its discretion to decide whether hearings are necessary or whether the issue can adequately be determined on a written record.”).
12. *Festo*, 122 S. Ct. at 1839.
13. *Id.* at 1840.
14. *Id.*
15. *Id.* at 1840.
16. *Id.* at 1841.
17. See *id.*
18. See *id.* at 1841-42.
19. *Id.* at 1842.
20. *Id.*
21. See *id.* (noting that “[t]he patentee must show that at the time of the amendment one skilled in the art could not reasonably be expected to have drafted a claim that would have literally encompassed the alleged equivalent”).
22. See *id.*
23. Brief for the United States as Amicus Curiae Supporting Vacatur and Remand at 23, *Festo Corporation v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 122 S. Ct. 1831 (2002) (No. 00-1543) (“Amicus Brief”).
24. *Id.* at 23 n.4.
25. See *Festo*, 122 S. Ct. at 1840.
26. See Amicus Brief at 26 (noting that the patentee “should not be charged with such a surrender if the equivalent supposedly surrendered did not exist and was not reasonably within the contemplation of the PTO and the applicant at the time of the amendment.”).
27. See *Warner-Jenkinson*, 520 U.S. at 320.
28. See *id.*
29. *Festo*, 122 S. Ct. at 1842.
30. *Id.*
31. Amicus Brief at 26.
32. See *id.* at 27.
33. *Id.*
34. 140 F.3d 1449 (Fed. Cir. 1998).
35. See *id.* at 1458.
36. *Id.*
37. *Id.* at 1458-61.
38. *Id.* at 1462.
39. *Id.*
40. *Id.*
41. *Id.*
42. *Id.* at 1463.
43. *Id.*
44. See *id.* at 1464.
45. See *id.* at 1463-64.
46. See *id.*
47. See *id.* at 1464.
48. See *Festo*, 122 S. Ct. at 1842.
49. *Id.*
50. *Id.*
51. *Id.*
52. See Amicus Brief at 27.
53. See *Litton Systems*, 140 F.3d at 1464.
54. *Id.*
55. *Id.* at 1464-65.
56. *Id.* at 1465.
57. *Festo*, 122 S. Ct. at 1842.
58. See Amicus Brief at 27.
59. *Litton Systems*, 140 F.3d at 1465.
60. Amicus Brief at 23 n.4.

Joel E. Lutzker is a partner with Schulte Roth & Zabel, LLP.

In Copyright Law, the New Medium Matters

By Peter Johnson

I. Introduction

In the past year, courts, the Copyright Office, and Congress have continued to grapple with copyright issues involving digital media and the Internet. Several recent cases have shown that infringement can occur in the digital world in connection with activities that would be noninfringing in older media, and that, conversely, contracts covering print publication may not be broad enough to apply to digital publication. Specifically:



- The Supreme Court held that transferring a newspaper to a digital database, where its component articles may be individually accessed, requires copyright permission from individual freelance authors.
- The Eleventh Circuit ruled that a CD-ROM reproduction of *The Complete National Geographic* does not constitute a “revision” of the print magazines, but rather is a new collective work that infringes the copyrights of individual contributors.
- The Second Circuit upheld a U.S. district court preliminary injunction ruling that contracts covering publication “in book form” do not cover publication of the same works in “e-book” form.
- A U.S. district court upheld a Copyright Office ruling that AM/FM radio broadcasters who stream their broadcasts over the Internet are liable for performance royalties from which they would be exempt for over-the-air broadcasts.
- The author and publisher of a software program that circumvents copyright protections on e-books may be liable for criminal violations of the Digital Millennium Copyright Act, despite the program’s noninfringing uses.

II. *Tasini*: A Digital Revision Is Not a Revision

In *New York Times Co. v. Tasini*,¹ the Supreme Court held, 7-2, that the republication of print periodicals in electronic formats that allow perception of individual articles infringes the copyrights of individual contributors. Under section 201(c) of the Copyright Act,² a freelance contributor to a newspaper retains the right to sell the article again and again. The newspaper (a “collective work”) has the “privilege” to publish the story “as part

of that particular collective work, any revision of that collective work, and any later collective work in the same series.”³ The question throughout the *Tasini* litigation was whether this privilege extends to periodicals reproduced in ASCII text databases or on CD-ROMs, some of which reproduce the original printed text, digitized to fit alongside countless other periodicals. A district court ruling in favor of the publishers was reversed by the Second Circuit, a decision that the Supreme Court affirmed.⁴

The three formats at issue in *Tasini* were (1) Nexis, an ASCII-text database that reproduces the complete textual contents of thousands of publications, (2) New York Times OnDisc, an ASCII-text product that contains an entire year’s *New York Times* on a single CD-ROM; and (3) General Periodicals OnDisc, which reproduces exact photographic images of hundreds of periodicals on a jukebox set of CD-ROMs. The Court found each of these media infringing because each “presents” to the reader—as the result of a search—individual articles apart from the rest of the periodical, without requiring the reader to “flip” through, as with microfilm (a medium the Court found noninfringing).⁵

In dissent, Justice Stevens (joined by Justice Breyer) pointed out how medium-specific the decision is, finding infringement for a digital reproduction that would be privileged in print:

I do not see why the inclusion of other editions and other periodicals [in an electronic database] is any more significant than the placement of a single edition of *The New York Times* in a large public library or in a bookstore. Each individual [article] file still reminds the reader that he is viewing “part of” a particular collective work. And the entire editorial contents of that work still exists at the reader’s fingertips.⁶

The decision means that publishers of any publication that contains freelance contributions now must enter into an agreement allowing continued electronic publication of works already published and acquire future electronic rights by contract. Although in recent years many publishers have insisted on such “electronic rights” contracts, they still face infringement liability for works that they archived earlier. Publishers must track down the earlier writers and acquire the rights, delete freelance contributions from electronic archives, or block access to content that was archived before electronic rights were

acquired, as the *San Diego Union-Tribune* has done, blocking access in its online archive to all content created before January 1, 2000.

The *New York Times*' decision to delete freelance contributions—and its invitation to freelancers to have their articles restored to the databases—prompted a suit by Jonathan Tasini—president of the National Writers Union and the lead plaintiff in the Supreme Court case—seeking to enjoin it from doing so.⁷ This suit was dismissed on January 24, 2002, the court finding that Tasini himself had suffered no injury and consequently lacked standing to bring the suit.⁸ It also found that the claim did not implicate a question of copyright law, such that no federal cause of action arose.⁹ A second suit seeks class-action status for all freelance writers who have contributed to the *Times* to recover electronic royalties the Supreme Court says are owed them.¹⁰

Although the Supreme Court decision applies only to the “collective works” at issue, its further implications remain to be seen. In deciding that the key is what is “perceptible” to the reader, the Court seems to have backtracked from the Copyright Act, which declares that a copyrighted work (including a collective work) is the same work as long as it can be “perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.”¹¹ Taken literally, the Court’s analysis would also lead to the conclusion that a reproduction of a novel as an e-book is a different work from the printed version, because it is “presented to” and “perceptible by” the reader in a different manner. It also might mean that a computer program in source code (“perceptible” by human beings) is a different work from the same program fixed in “imperceptible” executable code on a disc.

The most perplexing aspect of the *Tasini* decision is its finding that even the image-based CD-ROM General Periodicals OnDisc (GPO), which photographically reproduces entire magazines, including photographs and advertising, is as infringing as ASCII-text CD-ROMs and Nexis, which do not. The Court reasoned that even such photographic reproductions “present articles to users clear of the context provided either by the original periodical editions or by any revision of those editions.”¹² The Court distinguished such reproductions from microfilm, where a reader “first encounters” an article in the context not only of the entire page on which it appears in print but “in precisely the position” relative to the entire newspaper or magazine.¹³

III. *Greenberg: The Complete National Geographic* CD-ROM Is Not a Magazine

The question left open by *Tasini* is whether there exists, somewhere between microfilm and GPO, a digital edition of a collective work that *would* qualify as a “revision” and fall within the section 201(c) privilege. That

shoe could have dropped had the Supreme Court granted *certiorari* in *Greenberg v. National Geographic Society*.¹⁴ At issue in *Greenberg* is a set of CD-ROMs called *The Complete National Geographic* (CNG), which exactly reproduces, cover-to-cover (and including covers), every issue of the magazine since its beginning in 1888. There appear to be two features of CNG that might distinguish it from GPO, the infringing image-based product in *Tasini*. First, CNG contains only the *National Geographic*, unlike the myriad periodicals within GPO. Second, CNG always presents the reader with the entire periodical issue that contains the article its search engine has retrieved. The reader has no ability to jump from page to page and can scroll through the entire magazine, as the Supreme Court found he could *not* do with GPO. CNG, in other words, appeared to present the Court with a digital product that was as close as the digital world has yet gotten to microfilm.

The Court, however, dropped the ball instead of the shoe, leaving in place the Eleventh Circuit decision, which rested its holding on grounds entirely different from *Tasini*. To the *Greenberg* court, CNG was neither “that particular collective work” nor a “revision” of it, but rather an “other collective work,” in which section 201(c) does not give the National Geographic Society the privilege to reproduce articles and photographs contributed to it by freelancers.¹⁵ The court held that this “other collective work” consists of three parts: (1) the photographically reproduced magazines, (2) a “moving covers” animation that plays for 25 seconds when any of the CD-ROMs is activated and (3) a computer program that allows the CD-ROMs to be searched.¹⁶

This holding—that adding minor variations to the collective work makes it a different work entirely—severely limits the ability of any publisher to incorporate collective works into a database. Most restricting is the implication that merely adding a computer program creates a “new collective work.” If that is so, the logical extension is that no collective work can be imported into a computerized database without infringing the copyrights in its component parts, because any such computerization inevitably involves a program. Fortunately, the Eleventh Circuit did not go that far, holding only that the combination of *all three* elements created the infringement, and finding no need to decide “whether the addition of only the Program would result in the creation of a new collective work.”¹⁷ In any event, *Greenberg* now joins *Tasini* in cautioning that publishers who plan to create electronic versions of newspapers, magazines and encyclopedias should have explicit permission to do so from all contributors.

IV. *RosettaBooks: An E-Book Is Not a Book*

As noted above, a possible conclusion from the Court’s *Tasini* analysis is that transforming a printed book into an electronic book creates a completely differ-

ent work, “presented to” and “perceptible by” the reader in an entirely different manner from the printed book. In *Random House, Inc. v. RosettaBooks LLC*,¹⁸ Random House had published, in print, novels including Kurt Vonnegut’s *Cat’s Cradle*, William Styron’s *Sophie’s Choice* and Robert B. Parker’s *Promised Land*. In February 2001, start-up e-publisher RosettaBooks offered the same works for sale in digital format as electronic books, or “e-books.” Claiming copyright infringement, Random House sought a preliminary injunction prohibiting such sales.

Although it bears a superficial resemblance to issues raised in *Tasini* and *Goldberg*, *Rosetta* turns less on copyright than on contract law. The standard Random House publishing agreement—a variation of which it signed with each author—allows Random House to “print, publish and sell the work in book form.” Each author subsequently signed a separate contract with RosettaBooks which allowed it to offer its e-book versions of the works. Random House contended that its own contract language—“in book form”—was broad enough to cover any reproduction of the author’s text “in its complete form as a reading experience,” and argued that “since e-books concededly contain the complete text of the work, Rosetta cannot also possess those rights.”¹⁹

Judge Sidney H. Stein, however, held that Random House’s contract language restricted books to “printed words on paper” and that an e-book is something different—“electronic digital signals sent over the Internet.”²⁰ He buttressed this narrow interpretation of “book” by referring to the subsidiary rights clauses of the Random House contracts, which appeared to distinguish “book form” from, among other things, “book club editions,” “reprint editions,” “abridged forms” and “editions in Braille.”²¹ Clearly, in Judge Stein’s view, if Random House felt that “book form” was sufficiently limiting to require a separate grant for each of these *print* forms, it was insufficiently broad to cover non-print e-books.

Judge Stein found further support for this literal interpretation of “book form” in the phrasing of the provision itself, which, he opined, “distinguishes between the pure content—i.e., ‘the work’—and the format of display—‘in book form.’”²² This distinction echoes the Copyright Act drafters’ explanation of the difference between a “work” and “copies.” “[A] ‘book’ is not a work of authorship, but is a particular kind of ‘copy.’ Instead, the author may write a ‘literary work,’ which in turn can be embodied in a wide range of ‘copies’ . . . including books, periodicals, computer punch cards, microfilm, tape recordings, and so forth.”²³ Writing today, the drafters might have included e-books in their list of “copies.”

In affirming Judge Stein’s denial of Random House’s preliminary injunction motion, the Second Circuit, although finding “some appeal” to the argument that an e-book “is simply a ‘form’ of a book, and therefore with-

in the coverage of appellant’s licenses,” stuck to the letter of the contract. New York contract law, it found, “has arguably adopted a restrictive view of the kinds of ‘new uses’ to which an exclusive license may apply when the contracting parties do not expressly provide for coverage of such future forms.”²⁴

Like *Tasini* and *Greenberg*, *RosettaBooks* is a cautionary tale about what explicit rights a publisher must secure before venturing (or seeking to prevent a venture) into new media. In particular, publishers are wrong to assume that when they acquire the rights to publish a book or article in print they also acquire the electronic rights.

V. *Bonneville*: A Webcast Is Not a Broadcast

Bonneville International Corp. v. Peters,²⁵ upheld a Copyright Office rule that when an AM or FM radio station streams music over its Web site simultaneously with its broadcast, the streaming constitutes a separate, non-broadcast transmission for which royalties are due.

At issue was the performance right in sound recordings. Until 1995, the public performance of a sound recording—such as the radio broadcast of a CD—required the copyright permission of the owner of the musical composition but not that of the holder of copyright in the recording itself, i.e., the record company and/or recording artists. In 1995, the Digital Performance Right in Sound Recordings Act (DPRA) added to the exclusive right of copyright a new right for public performances of sound recording by digital audio transmission.²⁶ The right, however, applies only to subscription and interactive services and specifically exempts “broadcasting transmissions,”²⁷ defined as “a transmission made by a terrestrial broadcast station licensed as such by the FCC.”²⁸

The DPRA was a reaction to the Internet’s proliferation of services offering music to the public. Such worldwide distribution of digital copies allows the downloading of studio-quality recordings. The performance right royalty is specifically designed to protect record companies and recording artists from reduced record sales as a result of high-quality copying by numerous listeners.

As the Internet increased in popularity, AM and FM radio stations began simultaneous audio streaming of the music they were broadcasting over the air and refused to pay performance royalties. In March 2000 the Recording Industry Association of America (RIAA) petitioned the Copyright Office for a rulemaking on whether the 114(d)(1)(A) exemption applied. On December 11, 2000, the Copyright Office ruled that such “AM/FM webcasters” are not exempt from the digital performance right, which applies only to over-the-air transmissions, not to any other transmissions by FCC-licensed broadcasters.²⁹

The owners and operators of hundreds of AM and FM radio stations sought judicial review. The district court affirmed both the Copyright Office's authority to promulgate the rule and the reasonableness of the rule itself.³⁰ The court concluded that Congress "most likely did not foresee" the advent of AM/FM webcasting and so could not have meant to exempt it.³¹ It further found that the continual use of "over-the-air" in the legislative history to describe the exempt transmission showed that Congress had only traditional broadcasting in mind.³² Finally, it determined that part of the statutory scheme exempting broadcasts was to preserve the traditional relationship between broadcasters and the recording industry. Broadcasting was to be exempt because it was unlikely to harm sales of records. Webcasting by AM/FM broadcasters, however,

is entirely different from traditional over-the-air broadcasting because it is global in nature . . . and because the digital nature of the transmissions . . . enhances the ability to create high-quality copies from the transmissions. The global nature and the enhanced quality of the transmissions increase the likelihood that record sales could be affected by the streaming of AM/FM broadcasts.³³

The decision ratifies—and refuses to expand—the unique and narrow place held by local over-the-air broadcasting in the U.S. communications pantheon. As the court noted, to extend the exemption to all webcasts by broadcasters would expand the reach of each broadcaster from a local, "geographically-defined area[] determined by the FCC" to a global scope via the Internet.³⁴ A webcast by an FCC-licensed broadcaster enjoys no greater exemption to copyright royalties than the same transmission by a non-FCC webcaster. The medium, not the messenger, is key.

VI. *Sklyarov*: A Noninfringing Use Is Not Enough

In July 2001, a Russian software programmer was arrested after a hacker conference in Las Vegas for trafficking in a product designed "primarily" to circumvent copyright protection for electronic books, such as those available from amazon.com and barnesandnoble.com.³⁵ This arrest began the first criminal prosecution under the provision of the 1998 Digital Millennium Copyright Act (DMCA)³⁶ that criminalizes such circumvention devices, which provision previously had been invoked in civil actions to enjoin (1) the posting on the Internet of a program that allows users to copy movies stored on DVDs (digital video disks)³⁷ and (2) the distribution of the Streambox VCR, which bypasses the code that prevents RealPlayer music streams from being copied onto a computer.³⁸

The *Sklyarov* case may turn on whether his device, the Advanced eBook Processor (AEBPR), is "primarily" designed for circumventing copyright protections. Sold by Sklyarov's Russian employer ElComSoft, against which charges also were brought, AEBPR allows users to unlock protections for the Adobe Acrobat eBook reader. The Adobe software allows only a single copy of a book to be downloaded from an online e-bookseller to the personal computer or personal digital assistant (PDA) from which it is ordered online, and it does not permit transfer from one device to another. The AEBPR permits exactly that, converting the e-book from Acrobat eBook to the plain Acrobat format, so that a user who downloads an e-book to her computer can copy it to a PDA for transportability. In addition to its use for such likely non-infringing purposes, however, the AEBPR also can be used to decode e-books wholesale and distribute them over the Internet.

In the pre-digital age, the Supreme Court refused to enjoin the sale and use of devices, such as the VCR, that could be used to infringe copyrights as long as the same devices were "capable of substantial noninfringing uses."³⁹ A VCR can be used to record and play uncopyrighted material as well as copyrighted material, and its use for home recording purposes would likely qualify as fair use.

Under the DMCA, however, though such use of the copyrighted material may still be fair, sale or use of a program that makes the fair use possible is potentially criminal. This catch-22 has come to the attention of civil libertarians. According to Robin Gross, staff attorney of the Electronic Frontier Foundation, the DMCA allows copyright holders to place "*uber* protections" on the use of their material, such as preventing buyers from making fair use of their downloaded e-books. The ability of a copyright holder to "enforce whatever restriction he or she chooses simply does not comport with First Amendment protection."⁴⁰ One exception to the law, for instance, allows use of a device such as the AEBPR when malfunctioning copyright safeguards disable access to a work that the user already has purchased. If manufacture and distribution of the AEBPR is criminal, however, the exception is meaningless. The DMCA provides a right but criminalizes the tools needed to exercise the right unless the user herself has the improbable savvy to invent her own anti-circumvention device.

Charges against Sklyarov were dropped in return for his testimony at the trial of ElComSoft, which was scheduled to begin August 26, 2002. On May 8, 2002, Judge Ronald Whyte cleared the way for trial by denying two motions to dismiss the charges.⁴¹ First, he held that the DMCA anticircumvention provisions were not unconstitutionally vague but, rather, gave clear notice as to which devices were prohibited—"any device that bypasses or circumvents a restriction on copying or performing a

work,” regardless of whether the use enabled was “a fair use, as opposed to an infringing use.”⁴²

Another ground on which dismissal was sought was that the provisions unconstitutionally eliminated the right of fair use of copyrighted material by prohibiting all devices, even those that simply enable fair use. Although rejecting the government’s contention that “the DMCA does not implicate the First Amendment because defendant’s sale of circumvention technology is not speech,” the court refused to dismiss on these grounds. The statute, it found, is content-neutral because it bans certain computer codes regardless of their “expressive content.”⁴³ Applying intermediate scrutiny, the court found “substantial” government interests in preventing copyright infringement and promoting electronic commerce, and it further found the statute sufficiently “narrowly tailored” to further that interest.⁴⁴ The statute, the court said, does not “eliminate” fair use, as defendants contended. Rather, it prevents trafficking in one kind of device that facilitates fair use, so that “although certain fair uses may become more difficult, no fair use has been prohibited.”⁴⁵ It may be true, the court noted, that, “from a technological perspective, the fair user may find it more difficult,” but copyright law does not “guarantee[] a fair user the right to the most technologically convenient way.”⁴⁶

VII. Conclusion

When new media are created, copyright law first attempts to deal with them by analogy to the older medium they most closely resemble. Thus, motion pictures were initially treated, for copyright purposes, as if they were a series of still photographs, and player piano rolls, which resembled no other media, were initially denied copyright protection altogether. It took the law a while to catch up with the media, recognizing the non-analogous features of motion pictures and the expressive content of player piano rolls. So with digital media. After an initial phase of treating digital works the same as their old-media analogues, courts, Congress, and the Copyright Office are developing a new body of law for the digital media that recognizes its unique qualities and abjures analogies to the analog world.

Endnotes

1. 121 S. Ct. 2381 (2001).
2. 17 U.S.C. § 201(c).
3. *Id.*
4. *Tasini v. New York Times Co.*, 972 F. Supp. 804 (S.D.N.Y. 1997), *rev’d*, 206 F.3d 161 (2d Cir. 2000), *aff’d sub nom. New York Times Co. v. Tasini*, 121 S. Ct. 2381 (2001).
5. 121 S. Ct. at 2836 n.2.
6. *Id.* at 2400.
7. *Tasini v. New York Times Co.*, 184 F. Supp. 2d 350 (S.D.N.Y. 2002).
8. *Id.* at 355-57.
9. *Id.* at 358-59.
10. *The Authors Guild, Inc. v. The New York Times Co.*, No. 01-CV-6032 (S.D.N.Y. July 3, 2001).
11. 17 U.S.C. § 101.
12. 121 S. Ct. at 2391.
13. *Id.*
14. 244 F.3d 1267 (11th Cir.), *cert. denied*, 122 S. Ct. 347 (2001).
15. 244 F.3d at 1273.
16. *Id.*
17. *Id.* at 1273 n.12.
18. 150 F. Supp. 2d 613 (S.D.N.Y. 2001), *aff’d*, 283 F.3d 490 (2nd Cir. 2002).
19. 150 F. Supp. at 620.
20. *Id.* at 622.
21. *Id.* at 620.
22. *Id.*
23. H.R. Rep. No. 94-1476 (1976).
24. 283 F.3d at 491.
25. 153 F. Supp. 2d 763 (E.D. Pa. 2001).
26. 17 U.S.C. § 106(6).
27. 17 U.S.C. § 114(d)(1)(A).
28. 17 U.S.C. § 114(j)(2).
29. 153 F. Supp. 2d at 765.
30. *Id.* at 783.
31. *Id.* at 780.
32. *Id.* at 781.
33. *Id.* at 778.
34. *Id.* at 784.
35. *United States v. Sklyarov*, No. 5-01-257P (N.D. Cal. July 10, 2001).
36. 17 U.S.C. § 1201(b).
37. *Universal City Studios, Inc. v. Reimerdes*, 111 F. Supp. 2d 294 (S.D.N.Y. 2000), *aff’d sub nom. Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001).
38. *RealNetworks, Inc. v. Streambox, Inc.*, No. C99-2070P, 2000 WL 127311 (W.D. Wash. Jan. 18, 2000).
39. *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 441 (1984).
40. *Russian Author of Software Program Prosecuted Under New Digital Copyright Law*, Pike & Fischer Internet Law & Regulation (July 18, 2001), <http://www.internetlaw.pf.com> (visited Aug. 10, 2001).
41. *United States v. Elcom Ltd.*, 203 F. Supp. 2d 1111 (N.D. Cal. 2002).
42. *Id.* at 1124.
43. *Id.* at 1128.
44. *Id.* at 1129-30.
45. *Id.* at 1131.
46. *Id.*

Peter Johnson is an associate at Debevoise & Plimpton and an Adjunct Professor of Law at New York Law School. The author and his firm represent the publishers in *Tasini*, which colors the author’s view of the merits in that case.

Who Owns the Law?

By Kent E. Basson

I. Introduction

Although section 105 of the Copyright Act of 1976 clearly prohibits copyrighting works of the federal government,¹ the Act gives no direction regarding works of state and local governments. In addition, there is ambiguity as to what constitutes a government “work.” The adoption of privately developed building codes by state and local governments presents an especially thorny issue. Forbidding copyright protection allows maximum access to these codes but reduces the incentive to create the codes in the first place.



There are at least two significant arguments for the noncopyrightability of government works. The first is that government works are created at public expense, and the public should not be forced to pay for the work twice—once in taxes to produce the work and again in the purchase price of the work.² A second argument is that forbidding copyrights in government works promotes an informed public through free dissemination of information.³

“The adoption of privately developed building codes by state and local governments presents an especially thorny issue. Forbidding copyright protection allows maximum access to these codes but reduces the incentive to create the codes in the first place.”

Related to the free dissemination argument against copyrightability of government works is the claim that such copyrights would allow a government body to charge exorbitant prices for information, including compilations of law not subject to market competition.⁴ Government bodies could also award exclusive licenses to publishers, allowing the publishers to profit handsomely from their government-granted monopolies. Between pure government works and private works are privately developed codes and standards adopted by governments. The government adoption of these privately developed codes creates a conflict between the policies against the copyrighting of government works and the purpose of copyright, “[t]o promote the

progress of science and useful arts, by securing for limited times to authors . . . the exclusive right to their respective writings. . . .”⁵

Private developers of codes and standards such as the American Society of Civil Engineers (ASCE)⁶ and the National Electrical Manufacturers Association (NEMA)⁷ encourage governmental entities to adopt their products by incorporating the codes and standards by reference into statutes, ordinances, and regulations.⁸ These organizations often support themselves by selling copies of their standards.⁹ Many of the same arguments for denying copyright protection for government works also apply to privately developed, government-adopted standards. However, denying copyright protection for these standards would deprive the private standards organizations of much of their financial support and possibly threaten the organizations’ existence.

This article discusses the legal and policy issues involved in copyright protection of privately developed codes and standards incorporated by reference into state and local law. It will analyze the issues addressed by the Fifth Circuit in the most recent decision on copyrightability of building codes, *Veeck v. Southern Bldg. Code Congress Int’l Inc.*¹⁰ Finally, it proposes guidelines for determining when copyright protection should be provided for privately developed codes and standards.

II. Legal Considerations

A. Copyrightability of Judicial Opinions

In its first copyright decision, *Wheaton v. Peters*,¹¹ the Supreme Court held that opinions of the Court are not copyrightable. Subsequent cases expand upon the *Wheaton* decision, holding that neither court decisions nor statutes can be copyrighted by individuals or the government.¹² Unfortunately, the Court did not elaborate on its logic in the *Wheaton* decision in that the Copyright Act of 1790 allowed copyrights in any “map, chart, book or books. . . .”¹³ It is unclear why the Court’s own former reporter, Wheaton, was not entitled to a copyright in his *Reports* on that basis alone.

Fifty years passed before the Supreme Court again addressed the issue of the copyrightability of court reporters. In 1888, in *Banks v. Manchester*,¹⁴ the Court struck down a copyright claimed by the state of Ohio in published opinions of the Supreme Court of Ohio. In the same year, in *Callaghan v. Myers*,¹⁵ the Court addressed what portions of a commercially published court reporter are copyrightable. In *Banks*, a publisher

of court decisions, operating under an exclusive contract with the state, sued a competing publisher who had reprinted the decisions of the Supreme Court of Ohio.¹⁶ The circuit court in *Banks* had broken the materials in the original reporters into two parts, the uncopyrightable portion authored by the court itself and the copyrightable work of the reporter (indices, tables of cases, and summaries of counsel's arguments).¹⁷ The Supreme Court agreed with the conclusions of the circuit court, finding that:

Judges, as is well understood, receive from the public treasury a stated annual salary, fixed by law, and can themselves have no pecuniary interest or proprietorship, as against the public at large, in the fruits of their labor. This extends to whatever work they perform in their capacity as judges, and as well to the statements of cases and head notes prepared by them as such, as to the opinions and decisions themselves. . . . The whole work done by the judges constitutes the authentic exposition and interpretation of the law, which, binding every citizen, is free for publication to all, whether it is a declaration of unwritten law, or an interpretation of a constitution or a statute. . . . What a court, or a judge, cannot confer on a reporter as the basis of a copyright in him, they cannot confer in any other person or on the State.¹⁸

Although the Court said that “[w]hether the State could take out a copyright for itself . . . is a question not involved in the present case,” it noted that copyrights were available to citizens or residents of the United States, that the state fit neither category and, therefore, it could not hold a copyright.¹⁹

Callaghan involved the scope of copyright protection for court reporters rather than copyrightability of the decisions themselves. The defendant, Callaghan, claimed that it had only edited the public domain matter from plaintiff Myers' reporters, and, therefore, Callaghan's reporters were independent works of its own employees.²⁰ Upon comparing the Myers and Callaghan volumes, the Court found that Callaghan had indeed infringed on copyrightable aspects of the Myers reporters.²¹ The Court noted that not only “the title page, table of cases, head-notes, statement of facts, arguments of counsel, and index” were copyrightable, but also

the order of arrangement of cases, the division of the reports into volumes, the numbering and paging of the vol-

umes, the table of the cases cited in the opinions, (where such table is made,) and the subdivision of the index into appropriate, condensed titles, involving the distribution of the subjects of the various head-notes, and cross-references, where such exist.²²

In 1986, the Eighth Circuit addressed the issue of copyrightability of the arrangement and pagination of legal reports in *West Publ'g Co. v. Mead Data Central, Inc.*²³ The court in *Mead* found that West's case arrangements were protected by copyright because it was the “result of considerable labor, talent, and judgment.”²⁴ The court also found that Mead's use of West's page numbers infringed West's copyright because,

[w]ith MDC's star pagination, consumers would no longer need to purchase West's reporters to get every aspect of West's arrangement. Since knowledge of the location of opinions and parts of opinions within West's arrangement is a large part of the reason one would purchase West's volumes, the LEXIS star pagination feature would adversely affect West's market position.²⁵

In *Matthew Bender & Co., Inc. v. West Publishing Co.*,²⁶ the Second Circuit found that court reporter volume and page numbers did not meet the creativity standard necessary to merit copyright protection.²⁷ *Matthew Bender* can be distinguished from *Callaghan* in the way page numbers and page breaks were assigned; the court noted that “West concedes that the pagination of its volumes—i.e., the insertion of page breaks and page numbers—is determined by an automatic computer program, and West does not seriously claim that there is anything original or creative in that process.”²⁸

The Second Circuit found that the automatic computer assignment of page numbers eliminated any creativity in the process that the *Myers* Court relied upon in finding copyrightability of page numbering in court reporters. The conflicting results of *Bender* and *Mead* are attributable to an intervening Supreme Court decision, *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*,²⁹ in which the scope of the “sweat of the brow” doctrine was significantly reduced.³⁰

B. What Constitutes a “Government Work”?

The Copyright Act denies copyright protection “for any work of the United States Government.”³¹ The Act defines a “work of the United States Government” as “a work prepared by an officer or employee of the United States Government as part of that person's official duties.”³² Although these definitions would seem to

exclude works made on commission by government contract or grant, such a conclusion is unwarranted based on the legislative history of the Copyright Act.³³ The House Report on the 1976 Copyright Act states that “[a]lthough the wording of the definition ‘work of the United States Government’ differs somewhat from that of the definition of ‘work made for hire,’ the concepts are intended to be construed in the same way.”³⁴ The report further explains that each government agency “could determine in each case whether to allow an independent contractor” to obtain a copyright in government commissioned works.³⁵ The report states that copyright protection should be withheld from a work commissioned by an agency for its own purposes if the work was contracted out “merely as an alternative to having one of its own employees prepare the work.”³⁶

Congress further noted that “[t]here are almost certainly . . . cases where the denial of copyright protection would be unfair or hamper the production and publication of important works.”³⁷ The 1909 Copyright Act contained a “saving clause” preventing a private work from losing its copyright protection due to government publication.³⁸ The House determined that such language was unnecessary in the 1976 Act because “(1) there is nothing in section 105 that would relieve the Government of its obligation to secure permission in order to publish a copyrighted work; and (2) publication or other use by the Government of a private work would not affect its copyright in any way.”³⁹

The thrust of the House Report in regard to copyrightability of works published seems to be that copyright protection is not allowed in “official records and documents.”⁴⁰ This allows for the protection of privately authored works not normally considered to be a product of government.

One of the most obvious examples of government commissioned or subsidized works eligible for copyright protection is programming on the Public Broadcasting Service. Television programming in many countries is controlled and produced by the government. In contrast, most programming in the United States is controlled and produced by private entities. Thus, television programming in the United States is not generally considered to be a product or responsibility of government. The attitude that programming is generally a private function entitles even government-commissioned or subsidized television programs to copyright protection. A less obvious example of government-related works eligible for copyright protection is publication of the results of scientific investigation.

In the 1970s, Congress became concerned that foreign and private entities were getting a free ride due to government published scientific reports being in the public domain.⁴¹ The National Technical Information

Service (NTIS) of the Department of Commerce is supposed to support itself by selling government publications, but private and foreign entities were simply copying the publications for themselves, cutting into the NTIS’s revenue.⁴² In order to discourage such copying, Congress informally granted NTIS the right to copyright its publications for a five-year term to begin upon the date of first publication.⁴³ A more difficult problem is determining the copyrightability of privately developed material that the federal government mandates as a standard.

The Physician’s Current Procedural Terminology (CPT) is a coding system, developed by the American Medical Association (AMA), that allows medical personnel to identify medical procedures with precision.⁴⁴ In 1977, when Congress instructed the Health Care Financing Administration (HCFA) to establish a code for use in completing Medicare and Medicaid claim forms, the HCFA contracted with the AMA to use the CPT.⁴⁵ Practice Management Information Corp., a publisher of medical books, filed a lawsuit seeking:

A declaratory judgment that the AMA’s copyright in the CPT was invalid for two reasons: (1) the CPT became uncopyrightable law when the HCFA adopted the regulation mandating use of CPT code numbers in applications for Medicaid reimbursement, and (2) the AMA misused its copyright by entering into the agreement that HCFA would require use of the CPT to the exclusion of any other code.⁴⁶

In *Practice Management Information Corp. v. American Medical Ass’n*, the Ninth Circuit found that the AMA did not lose its copyright in the CPT due to its adoption by the HCFA.⁴⁷ However, the court found that by licensing the CPT to HCFA on the condition that the HCFA not use another coding system, the AMA had abused its copyright because the agreement “gave the AMA a substantial and unfair advantage over its competitors.”⁴⁸

Although section 105 of the 1976 Copyright Act refers only to the federal government in denying copyright protection to government works, the rationale behind the provision also applies to state and local governments. The Ninth Circuit relied heavily upon *CCC Information Servs., Inc. v. MacLean Hunter Market Reports*⁴⁹ in its *Practice Management* decision.⁵⁰ In *CCC*, a computer database provider challenged the copyrightability of the *Red Book*, a publisher’s compilation of used car valuations.⁵¹ Among other reasons the plaintiff offered against copyrightability of the *Red Book* was that state insurance statutes and regulations mandating insurance payments tied to *Red Book* values had caused

the *Red Book* to pass into the public domain.⁵² According to the plaintiff, “the public must have free access to the content of the laws that govern it; if a copyrighted work is incorporated into the laws, the public need for access to the content of the laws requires the elimination of the copyright protection.”⁵³

In response to this argument, the Second Circuit compared state-mandated use of the *Red Book* with state adoption of copyrighted textbooks for use in mandatory school curriculums and pointed out that “a rule that adoption of such a reference by a state legislature or administrative body deprived the copyright owner of its property would raise very substantial problems under the Takings Clause of the Constitution.”⁵⁴

State and local adoption of privately developed building codes usually falls somewhere between the situations present in *Practice Management* and CCC in that the developers of the codes actively encourage the adoption of their products.⁵⁵ Local governments that adopt model building codes make copies of the codes available at the appropriate city hall, county courthouse, or other government office.⁵⁶ Much of the income of the organizations responsible for development of these model codes comes from selling additional copies of the codes to building contractors, insurance providers, and other interested parties.⁵⁷

C. Challenges to the Validity of Privately Developed Building Codes

There have been a number of challenges to the incorporation of privately developed building codes into statutes and ordinances. These challenges relate not only to copyrights, but also to the validity of the adoption of the codes at all. While most authorities support the validity of government adoption of codes, the minority view is that such adoption is open to the objection of being indefinite and uncertain.⁵⁸

In *State v. Crawford*⁵⁹ the Supreme Court of Kansas addressed the adoption of the National Electric Code (NEC) by the legislature. The court pointed out that the NEC is revised every two years and found that:

The laws of this state to which our people owe obedience must be officially published. The people may learn what these laws are, and they are privileged to meet legislative committees and petition the Legislature for amendment, improvement, and amelioration of the laws. . . . If the Legislature desires to adopt a rule of the National Electric Code as a law of this state, it should copy that rule, and give it a title and an enacting clause, and pass it through the

Senate and the House of Representatives by a constitutional majority, and give the Governor a chance to approve or veto it, and then hand it over to the secretary of state for publication.⁶⁰

The *Crawford* court did not want Kansans to be subject “to some voluntary and unofficial conference of underwriters and electricians which occasionally meets here, there, or anywhere in North America for redress of grievances.”⁶¹ The problems with such an arrangement were “so obvious that elaborate illustration or discussion of its infirmities is unnecessary.”⁶²

Despite the *Crawford* court’s assertion that elaboration on the shortcomings of adoption by reference of private codes is unnecessary, it described a potential scenario as a result of a general policy of incorporation by reference:

If assent to such a doctrine could be given, a situation would arise where owners of property with considerable persistence might learn what all these Code rules were, and incur the expense of making their property conform thereto, only to find that the National Fire Protective Association had reconvened in Chicago, New York, or New Orleans, and had revised the Code, and that the work and expense had to be undertaken anew. And there would be no end of such a state of affairs. Furthermore, there is no official way, indeed no practical way, for the average property owner to know what these Code rules are.⁶³

Although the general public has much easier access to codes than when the court spoke in 1919, it is true that codes and standards are in a constant state of flux and that various adopted codes might conflict. But these shortcomings are not limited to privately developed codes.

Incorporation by reference of the NEC was once again at issue in *City of Tucson v. Stewart*.⁶⁴ In *City of Tucson*, the Supreme Court of Arizona distinguished the case from *Crawford* in that it was the city of Tucson rather than the state legislature that adopted the NEC.⁶⁵ Although the court held the ordinance at issue in *City of Tucson* invalid as “discriminatory, arbitrary, oppressive, and unreasonable,”⁶⁶ it reversed the lower court’s judgment that “the ordinance [was] invalid because the electrical code was not published and posted.”⁶⁷

Adoption of the NEC by local governments continued to be a source of controversy into the 1950s. A Cali-

fornia court held the adoption of the NEC invalid in *Agnew v. City of Culver City*.⁶⁸ In language reminiscent of *Crawford*, the *Culver City* court found that:

[Adoption of the NEC by city ordinances] constitute[s] an unlawful delegation of power. [The ordinances] leave it entirely to the opinion of the persons who formulate the National Electrical Code, to various private and public bodies, and to the license inspector to determine the character and quality of various electrical installations, and confer on them the power to create an offense to which criminal sanctions are attached. The regulations can be changed at any time at the will of such parties and at the whim of the license inspector, whoever he might be. They fix no ascertainable standard whereby an electrical contractor may be governed.⁶⁹

D. Challenges to Copyrights in Privately Developed Building Codes

Rather than attempt to develop their own building codes with limited resources and expertise, many local governments have adopted privately developed standard building codes. At least two of the developers of these standard codes, Building Officials and Code Administrators International, Inc. (BOCA) and the Southern Building Code Congress International Inc. (SBCCI), have seen the copyrights to their products challenged as a result of incorporation by reference by local governments. As with challenges based on indefiniteness and uncertainty, the copyright challenges have met with mixed results.

In *Building Officials & Code Adm. v. Code Technology, Inc.*,⁷⁰ the First Circuit addressed copyright protection of model building codes after adoption by a state government. The First Circuit held that BOCA failed to establish likelihood of success on merits on the issue of whether a state's adoption by reference of a building code resulted in the code becoming part of the public domain.⁷¹ Despite its ruling against BOCA, the court found that:

Groups such as BOCA serve an important public function; arguably they do a better job than could the state alone in seeing that complex yet essential regulations are drafted, kept up to date and made available. Since the rule denying copyright protection to judicial opinions and statutes grew out of a much different set of circumstances than do these technical regulatory codes, we

think BOCA should at least be allowed to argue its position fully on the basis of the evidentiary record, into which testimony and materials shedding light on the policy issues discussed herein may be placed.⁷²

In *Georgia v. The Harrison Co.*,⁷³ the state of Georgia sued for a preliminary injunction against a publisher that sold copies of its code. The state had granted The Michie Company a contract to publish the code of Georgia, for which it claimed copyright protection.⁷⁴ The United States District Court for the Northern District of Georgia relied heavily on BOCA in denying the injunction against Harrison, finding that the "enactment by reference had the effect of putting the statutory portion of the codification in the public domain."⁷⁵

In *Rand McNally & Co. v. Fleet Management Systems, Inc.*,⁷⁶ Rand McNally accused Fleet Management of infringing the copyrights of a highway mileage guide.⁷⁷ The defendant maintained that when the Interstate Commerce Commission allowed Rand McNally's mileage guide to be used in determining common carrier charges, the guide entered the public domain.⁷⁸ The District Court for the Northern District of Illinois found that "[t]he government cannot be said to have adopted the *Mileage Guide*, since the regulations leave to private choice what type of distance information, if any, should be on file."⁷⁹ The court further pointed out that if defendant's contentions were correct, "a private party's choice of a map or mileage guide would automatically move otherwise copyrightable material into the public domain. While a state actor may be able to do so, see *Building Officials*, it is questionable whether a private person may do so."⁸⁰

The Fifth Circuit addressed a situation very similar to BOCA in *Veeck v. Southern Bldg. Code Congress Int'l Inc.*⁸¹ Veeck operated a Web site called RegionalWeb that provided information about news, sports and entertainment in North Texas and Oklahoma.⁸² At least three of the towns in Veeck's coverage area had adopted SBCCI model building codes.⁸³ Upon learning of the cities' adoption of the SBCCI codes, Veeck ordered electronic copies of the codes from SBCCI and placed them on his Web site despite the software license and copyright notice included with the software.⁸⁴ Disregarding the cease-and-desist orders SBCCI sent upon learning of Veeck's posting of the codes, Veeck filed a declaratory judgment action in an attempt to have the federal district court rule that he did not violate the Copyright Act.⁸⁵ SBCCI counterclaimed, asserting copyright infringement, unfair competition, and breach of contract.⁸⁶

The Fifth Circuit, sitting *en banc*, reversed the district court's summary judgment in favor of SBCCI—as

well as its own panel ruling that affirmed the district court's judgment.⁸⁷ The court relied on the principle that "the law" is part of the public domain "not subject to the copyright holder's exclusive prerogatives."⁸⁸ The court also found that the model codes "were transformed into the 'fact' and 'idea' of the towns' building codes," and were thus unprotectible under copyright law.⁸⁹

The decision in *Veeck*, rather than clarifying the status of commercial codes adopted by government bodies, further confused the issue. The majority and dissent interpreted the facts differently, thereby reaching different conclusions. The court asserted that "the result of this case would have been different if Veeck had published not the building codes of Anna and Savoy, Texas, but the SBCCI model codes, as model codes."⁹⁰ However, the dissent authored by Judge Wiener countered that: "[T]he codes copied here were not, literally speaking, 'the' codes of Anna and Savoy: Even though the towns' ordinances adopted the model codes that Veeck copied, the enacting ordinances also contained modifications and clarifications not found in the verbatim versions of the SBCCI codes posted by Veeck."⁹¹

The court in *Veeck* relied heavily on the holding of *Banks* in finding that "[a]s governing law . . . the building codes of Anna and Savoy cannot be copyrighted."⁹² Judge Wiener countered with the argument, rejected by the majority, that "*Banks* turns not on the nature of the work, but on the nature of the author."⁹³

Although the *Veeck* court based its decision largely on ensuring access to the law, both dissents pointed out that Veeck had not contended that SBCCI had used its copyright to deny anyone access to the municipal codes of Anna and Savoy, Texas.⁹⁴ Judge Higginbotham pointed out in his dissent that SBCCI had actually increased access to building codes and had "empowered" small towns such as Anna and Savoy, Texas:

They gained the benefit of uniformity in regulation with other cities in their codes as well as proven quality—with the ability to charge a small fee for copies. Any person wishing a copy of the code can obtain it. They can reproduce it for critical commentary or to express their displeasure with its content, even making copies to circulate in a campaign urging that it be rescinded.⁹⁵

The majority in *Veeck* asserted the doctrine of "merger" as another justification for invalidating SBCCI's copyrights.⁹⁶ According to this doctrine, an expression cannot be copyrighted if a given idea or fact is inseparably tied to that expression.⁹⁷ The court

explained that "because there is only one way to express the meaning of the building codes, the 'idea' embodied in the law merges with SBCCI's expression, and at this point, renders copyright protection unavailable."⁹⁸ The court also found that the codes, upon adoption, became "facts" and thus could not be copyrighted.⁹⁹

Judge Wiener rejected the application of the merger doctrine, saying that "nothing of which I am aware can magically change the *expression* that is the copyrighted code into a copyright *idea* by the simple act of adoption as a body of law."¹⁰⁰ Instead, he asserted that "a building code can be expressed in myriad ways," making the merger doctrine inapplicable.¹⁰¹

The *Veeck* court distinguished the case from CCC and *Practice Management*, stating: "This case does not involve references to extrinsic standards. Instead, it concerns the *wholesale* adoption of a model code promoted by its author, SBCCI, precisely for use as legislation."¹⁰² Judge Wiener countered that current policy encouraged the adoption by federal agencies and departments of privately developed standards while protecting the rights of copyright holders.¹⁰³ He also cited with approval the two-pronged test the Second Circuit adopted in *County of Suffolk v. First American Real Estate*¹⁰⁴ for determining whether a work should be in the public domain: "(1) [W]hether the entity or individual who created the work needs an economic incentive to create or has a proprietary interest in creating the work and (2) whether the public needs notice of this particular work to have notice of the law."¹⁰⁵

Judge Wiener feared that SBCCI might well survive the court's ruling, only to become "entirely beholden for its existence to self-interested" dues-paying members because of reduced revenue from code sales.¹⁰⁶ The Fifth Circuit disregarded this argument (and any presumption of the validity of SBCCI's copyrights), announcing that SBCCI had survived for over 60 years despite "no court [having] previously awarded copyright protection for the copying of an enacted building code under circumstances like these."¹⁰⁷

III. Policy Considerations

A. Privately Developed Codes and Standards in the United States

Americans, compared with Europeans, tend to be leery of centralized power.¹⁰⁸ James Madison argued that promoting a large number of competing factions protects minorities from domination by majority factions.¹⁰⁹ In keeping with this spirit, the original American standards organizations were private.¹¹⁰

The United States Pharmacopial Convention, the earliest American standards organization, was set up in

1829 to establish uniform standards for drugs.¹¹¹ The 1850s saw the establishment of the American Iron and Steel Institute (AISI)¹¹² and the American Society of Civil Engineers (ASCE).¹¹³ The greatest accomplishment of private American standard setting may have been the development of railroad standards in the late 19th century, allowing the creation of over 1,100 independent railroads and 240,000 miles of track with little government assistance.¹¹⁴ The railroads also privately developed standardized time.¹¹⁵ Despite the proliferation of government regulatory bodies, private standards organizations are still plentiful in the United States. There are approximately 400 organizations within the United States standards community.¹¹⁶ There are five different types of standards organizations: trade associations, professional societies, general membership organizations, third-party certifiers, and consortia.¹¹⁷

Trade associations are made up of companies within a given industry such as the American Petroleum Institute (API)¹¹⁸ and the National Electrical Manufacturers Association (NEMA).¹¹⁹ Membership dues are the primary means of financing these organizations, but sales of standards are also a major source of revenue.¹²⁰

Professional societies, such as the Institute of Electrical and Electronic Engineers (IEEE),¹²¹ are made up of individual members of professions rather than industry representatives.¹²² These societies often receive much of their financial support from selling standards.¹²³

General membership organizations, such as the American Society for Testing and Materials (ASTM)¹²⁴ and National Fire Protection Association (NFPA),¹²⁵ have memberships representing a wide variety of backgrounds and interests. Among the 69,000 members of the NFPA are architects, engineers, firefighters, manufacturers, insurance company representatives, and government and union members.¹²⁶ All members are allowed to vote in making standards.¹²⁷ Sales of standards can make up as much as 80 percent of a general membership organization's income.¹²⁸

Third-party certifiers are mainly supported by manufacturers who pay the organizations to test their products for conformance with standards.¹²⁹ Underwriters Laboratories (UL) is probably the most familiar of these organizations.¹³⁰

Consortia are groups that have emerged in recent years to develop pioneering standards in such fields as information and communication technologies.¹³¹ They are not generally included among standards developers and operate mainly without input from nonmembers.¹³²

The confidence of Americans in a market economy is demonstrated by the proliferation of private stan-

dards development. The purposes of these standards include:

- *Commercial Communication:* Standardization provides shortcuts and reduces transaction costs for consumers searching for products with certain characteristics. A consumer buying batteries for a portable radio has only to look at the radio to determine whether it needs, e.g., A, AA, or D size batteries, and then picks the appropriate batteries from the sales rack.
- *Technology Diffusion:* The use of personal computers expanded rapidly once IBM provided a widely adopted standard.
- *Production Efficiency:* Henry Ford made automobiles affordable to the masses by producing the Model T with standardized parts and scale in production.
- *Enhanced Competition:* Octane ratings on gasoline make price comparison between similar products easier.
- *Compatibility:* Stereo and computer equipment use standard cables and jacks that allow interconnection of components produced by different manufacturers.
- *Process Management:* Standard computer languages allow rapid reconfiguration of numerically controlled tools.
- *Public Welfare:* Standard building codes backed up by inspections allow buyers of homes and office buildings to feel confident in the safety of the finished product.¹³³

One advantage of privately developed standards over government-created and mandated standards is that the privately developed standards are more likely to reflect market realities and achieve the desired results. Consumer dissatisfaction with federally imposed standards requiring toilets to use no more than 1.6 gallons per flush have resulted in Americans buying American-made old-style 3.5-gallons-per-flush toilets in Canada and reimporting them into the United States for installation in their homes.¹³⁴ Seventy-two percent of respondents to a 1998 membership survey by the National Association of Homebuilders said that the low-flow toilets were a problem, leading to this creative but inefficient method of avoiding the standard.¹³⁵

Federally mandated Corporate Average Fuel Economy (CAFE) requirements were intended to reduce fuel consumption by making cars lighter and more efficient. Instead, the standards are believed to be one of the main factors in the increased popularity of trucks and

SUVs, with a resulting *increase* in average vehicle weight and an increase in deaths as a result of collisions between trucks and automobiles.¹³⁶ The standards also put American automakers at a disadvantage to foreign—especially Japanese—manufacturers that specialized in smaller cars.¹³⁷ Unlike politically motivated, government-mandated requirements, privately developed standards must be responsive to consumer preferences.

Building codes are not only imposed by local governments, but compliance with such codes is also often required by construction contracts in areas not otherwise subject to building codes. The provision for building code compliance in private contracts reflects the fact that the codes are responsive to the requirements of construction companies, building owners, and construction lenders.

As mentioned earlier, SBCCI is a not-for-profit professional society standards developer providing codes that “cover the entire scope of the building industry.”¹³⁸ SBCCI was founded in 1940, and approximately 2,200 communities, primarily in the Sunbelt, have adopted its codes by reference.¹³⁹ Although SBCCI’s standards staff is made up of only ten employees, 5,500 members are active in standards activities, and SBCCI holds public hearings twice a year to update codes.¹⁴⁰ Any interested party may participate in the public hearings and submit proposed changes.¹⁴¹

SBCCI has six membership categories, with members ranging from governmental units and agencies to students and information subscribers.¹⁴² Rather than developing their own codes, state and local governments can incorporate portions of the SBCCI’s standard codes and receive support from SBCCI for an annual membership fee.¹⁴³ The annual membership fees for governmental units range from \$40 for communities with populations under 5,000 to \$250 for populations over 300,000.¹⁴⁴ These memberships include a set of codes, free code interpretations accessible by a toll-free number, and unlimited use of SBCCI administrative, technical, and educational support services.¹⁴⁵

SBCCI is only one of at least four organizations writing model building codes.¹⁴⁶ The other three organizations are the Building Officials & Code Administrators International, Inc. (BOCA), the International Conference of Building Officials (ICBO), and the Council of American Building Officials (CABO).¹⁴⁷ One particular code is generally favored by local governments throughout a given region.¹⁴⁸ The regional favoritism is partly a reflection of different climatic, soil, and other conditions particular to a given region.¹⁴⁹ The predominance of a particular code within a region also means that builders and inspectors can count on some uniformity in building practices if they work in more than one municipality.¹⁵⁰

B. The Risk of a Private Monopoly on Publishing of Law Compilations

According to one theory, the public creates, and thus owns, the law.¹⁵¹ This theory is reflected in the Printing Law of 1895,¹⁵² which provided for sale of the printing plates used to print government documents with the condition that works printed with the plates could not be copyrighted.¹⁵³

Another justification for denying copyright protection to court reports and compilations of statutes is that “citizens must have free access to the laws which govern them.”¹⁵⁴ Copyright protection of the law would limit access, causing the public to be deprived of “the notice to which due process entitles” them.¹⁵⁵ The same concept of right to free access of the law arguably applies to regulations such as building codes.¹⁵⁶

Copyright protection of laws and regulations presents several potential problems. One problem is that a copyright holder could restrict access to politically favored individuals or groups.¹⁵⁷ While blatant attempts to deny access to certain groups would clearly violate constitutional principles such as equal protection, a marginally creative copyright holder could develop facially neutral licensing conditions that will disadvantage certain groups of individuals.¹⁵⁸

Holders of copyrights in the law or regulations would also be able to charge monopoly prices for their products.¹⁵⁹ A building code developer could induce state and local officials to incorporate its standards and then charge builders, with no alternative, monopolistic prices for its codes.

C. The Risk of Government Copyrights in Law Compilations

The U.S. policy against government copyright is far from universal. Both the United Kingdom and Canada have a tradition of Crown copyright, including copyrighting of government regulations.¹⁶⁰ The policy of allowing government copyrights can have far more serious consequences than a policy allowing copyrights in model building codes.

A government copyright holder can use political or other discriminatory criteria to determine which violations to prosecute.¹⁶¹ An incident in Great Britain demonstrates the mischief that can result from government copyrights and how such power can be used to control or punish those out of favor.¹⁶² In 1993, the Queen of England sued a British newspaper for copyright infringement for publishing the text of her annual Christmas message.¹⁶³ The offending newspaper also found that its press accreditation to photograph the royal family attending Christmas day church services had been withdrawn.¹⁶⁴ The Queen was reportedly angry over press reporting concerning marital difficul-

ties of the Queen's children.¹⁶⁵ The Queen dropped the suit when the newspaper agreed to print a front-page apology, donate about \$280,000 to charity, and pay the Queen's legal costs.¹⁶⁶

Although the incident with the Queen did not involve access to laws or regulations, it demonstrated how control of access to *any* government information can be used against those out of favor.¹⁶⁷ In addition to its discretion in prosecuting infringement of government copyrights, a bureaucratic organization can use complex, time-consuming, and expensive procedures to control access to its copyrighted material.¹⁶⁸ The copyright holder could offer favored users a much easier path through the bureaucratic maze than the disfavored would be forced to endure.¹⁶⁹

One of the contentions of the plaintiff in *Veeck* was that allowing copyrights in model building codes adopted by local governments restricted the public's access to the building codes.¹⁷⁰ Judge Wiener, in his dissent, pointed out that although Veeck was unable to buy copies of complete building codes in approximately 20 towns he visited in North Texas (not all of whose building codes had been produced by SBCCI or based on SBCCI codes), he was able to order copies of the model codes from SBCCI with a choice of electronic or hard-copy formats.¹⁷¹

D. An Analogy to the Doctrine of Sovereign Immunity

In questions of sovereign immunity from tort actions, many courts first determine whether the act or function giving rise to the injury can be described as governmental or proprietary in nature.¹⁷² The Supreme Court distinguished governmental and proprietary activities of local governments in *Trenton v. New Jersey*:

It has been held that municipalities are not liable for such acts and omissions in the exercise of the police power, or in the performance of such municipal faculties as the erection and maintenance of a city hall and courthouse, the protection of the city's inhabitants against disease and unsanitary conditions, the care of the sick, the operation of fire departments, the inspection of steam boilers, the promotion of education and the administration of public charities. On the other hand, they have been held liable when such acts or omissions occur in the exercise of the power to build and maintain bridges, streets and highways, and waterworks, construct sewers, collect refuse and care for the dump where it is deposited. Recovery is denied where the act or omission

occurs in the exercise of what are deemed to be governmental powers, and is permitted if it occurs in a proprietary capacity. The basis of the distinction is difficult to state, and there is no established rule for the determination of what belongs to the one or the other class.¹⁷³

The difficulty in distinguishing governmental and proprietary functions becomes clear in that, almost 80 years later, most Americans would probably consider "the power to build and maintain bridges, streets and highways, and waterworks, construct sewers, collect refuse and care for the dump" to be governmental functions, while many states leave "the inspection of steam boilers" to private organizations.

The distinction between governmental and proprietary functions derived from the doctrine of sovereign immunity may provide useful guidelines in determining whether model building codes should lose copyright protection upon adoption by local governments. As with many functions carried out by government bodies, whether the development and enforcement of building codes is properly considered a government or proprietary function is subject to debate.¹⁷⁴ Most Americans, if asked, would probably respond that development and enforcement of building codes is a government function. However, for most of American history, private organizations have taken the lead in development of codes and standards, as described above. In addition, insurance companies have been a driving force in enforcement of building codes and standards.¹⁷⁵

In 1625, the Dutch West India Company established rules governing types and locations of houses that could be built by colonists in New Amsterdam.¹⁷⁶ Extensive laws governing construction, sanitation, and fire prevention were in effect by 1674.¹⁷⁷ Despite the early regulations on building, New York City did not have a "Superintendent of Buildings" until 1860 and did not have an independent "Buildings Department" until 1892.¹⁷⁸

Government involvement in building regulation came much later in California than in New York City. The National Board of Fire Underwriters began promoting a "Recommended National Building Code" in 1905.¹⁷⁹ It was 1909 before California enacted its first public building law, the State Tenement Housing Act.¹⁸⁰ In 1913, the state of California created the state Division of Immigration and Housing, and the state Division of Safety.¹⁸¹ This resulted in confusion, as each department responded individually to building problems with little coordination between the departments.¹⁸² A private group, the Pacific Coast Building Officials, established uniformity of building codes in California by publish-

ing the first Uniform Building Code (UBC) in 1927.¹⁸³ The Pacific Coast Building Officials became the International Conference of Building Officials (ICBO), and most local governments in California have either adopted the ICBO family of codes by reference or used the codes as a pattern.¹⁸⁴

For more than 165 years Factory Mutual has worked with industrial customers in setting standards and preventing and controlling property loss.¹⁸⁵ Factory Mutual is only one of many insurance and loss prevention-related organizations engaged in research and standard setting for various fields. The development of standards is much more complicated than passing a law. Economist Ludwig von Mises pointed out the importance of protecting intellectual property in promoting technological progress:

[I]t is obvious that handing down knowledge to the rising generation and familiarizing the acting individuals with the amount of knowledge they need for the realization of their plans requires textbooks, manuals, handbooks, and other nonfiction works. It is unlikely that people would undertake the laborious task of writing such publications if everyone were free to reproduce them. This is still more manifest in the field of technological invention and discovery. The extensive experimentation necessary for such achievements is often very expensive. It is very probable that technological progress would be seriously retarded if, for the inventor and for those who defray the expenses incurred by his experimentation, the results obtained were nothing but external economies.¹⁸⁶

Supporting the proposition that standards development and enforcement should be considered a proprietary, rather than governmental function, is the fact that the loss prevention function of building codes is of great interest to both property owners and insurance providers. Insurance providers are looking to reduce potential losses by requiring compliance with standards, while owners are looking to reduce losses and insurance premiums. In addition, in areas where there are no government building codes, building contracts often require compliance with model building codes as a means of ensuring quality, uniformity, and safety in the finished product.

E. Do Model Building Codes Actually Increase Access to the Law?

In 1949, a report to the California state legislature said that:

The state has no one agency concerned principally with building regulations. There are at least ten state agencies having some degree of authority in this field, and not one of them is responsible for taking the lead in coordinating the activity of all of them. This produces two kinds of confusion: conflict between state agencies themselves and too many kinds of relationships between state and local agencies. There is no consistent pattern for defining the relative responsibility of the state and local agencies in enforcing state regulations.¹⁸⁷

Not only were multiple state agencies responsible for producing and enforcing building regulations, but the standards were dispersed throughout the various titles and over 30,000 pages (as of 1953) of the California Administrative Code.¹⁸⁸

The accessibility of the standard building codes developed by SBCCI, BOCA, ICBO, and CABO presents quite a contrast to the difficulty involved in sifting through the California Administrative Code. Nonmembers can order a copy of the latest SBCCI Standard Building Code for \$82.50, and a *Standard Discount Code Package*, 1999, containing 1999 editions of building, plumbing, fire prevention, and gas codes, is available for \$262.50.¹⁸⁹ SBCCI also provides copies of the standard codes to member local governments¹⁹⁰ and concedes that copying of portions of the codes for personal use constitutes fair use.¹⁹¹ Further, for \$25 per year an individual can become an "Information Subscription Member" of SBCCI, entitling her to "unlimited use of most SBCCI administrative, computer, educational, and technical support services and member prices for publications and educational courses."¹⁹² Some membership categories of SBCCI include free code interpretations via a toll-free number.¹⁹³

Buying a copy of a standard building code may well be the simplest and least expensive thing a builder can do. The purchase is certainly simpler and cheaper than overcoming the obstacles put in place by federal, state, and local governments.¹⁹⁴

A simple addition to a home can involve obtaining permissions from a planning and zoning commission, a conservation commission, and a health district.¹⁹⁵ It can take years to obtain all of the appropriate permissions—if permission can be obtained at all.¹⁹⁶ Government officials responsible for making these decisions are little affected by market forces, and the safest course for them often is delaying the project until it fades away.¹⁹⁷ No one can accuse an official of being wrong if he can avoid a decision entirely.¹⁹⁸

Unlike the arbitrary bureaucrat, standard building codes are definite (although obviously open to some interpretation) and accessible to anyone. One of the motives for making the law freely available is so that citizens do not violate the law because they are unaware of it. With the multitude of government controls on building, a building code violation is not something a typical citizen will commit due to lack of access to knowledge—unless he is already violating other laws and regulations by building without the appropriate permits.

“Despite the claim that allowing copyright protection of building codes restricts access to the law, the evidence shows that privately developed building codes are much more accessible than locally authored statutes and local ordinances.”

There are four nationally known producers of building codes. Unlike local governments, they must compete in the marketplace and offer their products at a competitive price. A city can charge any price it wants for building permits, and officials can use the bureaucratic process to deny permission to those out of favor. Builders relying on a standard code can obtain interpretations of provisions from the code authors themselves instead of being at the mercy of local enforcement officials.

IV. Conclusion

The primary rationale for denying copyright protection to court decisions and statutory compilations—that the public has already paid for the decision when it paid the judge who wrote the decision or the legislators who wrote and passed the statute—does not apply to privately developed building codes. The organizations developing the codes offer them to government entities for a fraction of the price at which a municipality could develop its own code.

One rationale for denying copyright protection to building codes is that a copyright holder could restrict access or charge exorbitant prices for copies of its code(s). Although municipalities within a given region tend to adopt the same building code, limiting the effects of competition between the code authors, this has not been shown to be a problem. The popularity of a particular code enhances its availability far beyond what would be expected of a city-specific and locally developed code. In addition, local governments have copies of model codes available for the public’s use

during normal working hours, and the code developers agree that copying for personal use constitutes fair use.

Upon adoption of a complete model code, a city would arguably be within its rights to offer its citizens access to the code by posting a complete copy of the code on a Web site or making copies available on request. This situation is easily distinguished from *Veck* in that Veck posted the entire model code rather than the code as adopted by local communities, posted the code on a commercial site, and reproduced the code without permission from SBCCI. This ability to copy the local governments’ volumes of the codes effectively limits what code authors can charge for their products.

Unlike laws regulating primary behavior, citizens are unlikely to violate building codes unknowingly. Building is usually done by people with expertise in the construction field who are aware of the codes. Local governments put many obstacles in the way of those wanting to build on private property: zoning restrictions, taxes, and the requirement of easements. Unlike these restrictions, which can be exercised arbitrarily by local politicians, building codes are known factors for would-be builders.

Finally, the production of building codes has not historically been a government function in the United States. As such, the codes should not be considered “government works,” ineligible for copyright protection.

Denying copyright protection to privately developed building codes would significantly reduce incentives to code authors as they witnessed their incomes drop from code sales. This reduction in income could lead to code authors going out of business or seriously reducing support staffs. It could also result in slower revisions to codes with technological advances.

Despite the claim that allowing copyright protection of building codes restricts access to the law, the evidence shows that privately developed building codes are much more accessible than locally authored statutes and local ordinances. In addition, such codes provide uniformity that would be difficult to obtain with each local government producing its own code. Until the problems anticipated by critics of copyright protection for building codes become reality, we would do well to allow such protection to continue.

Endnotes

1. 17 U.S.C. § 105. “Copyright protection under this title is not available for any work of the United States Government, but the United States Government is not precluded from receiving and holding copyrights transferred to it by assignment, bequest, or otherwise.”
2. Marvin J. Nodiff, *Copyrightability of Works of the Federal and State Governments Under the 1976 Act*, 29 St. Louis U. L.J. 91, 93 (1984).

3. *Id.*
4. Robert M. Gellman, *Twin Evils: Government Copyright and Copyright-Like Controls Over Government Information*, 45 Syracuse L. Rev. 999, 1008 (1995).
5. U.S. Const. art. I, § 8, cl. 8.
6. See ASCE/About ASCE (visited Mar. 1, 2001), <<http://www.asce.org/aboutasce/allabout.html>>.
7. See NEMA Government Affairs (visited June 18, 2001), <<http://www.nema.org/government/>>.
8. E.g., in July 1991, the American National Standards Institute (ANSI) proposed that the federal government establish a “memorandum of understanding” with ANSI. U.S. Congress, Office of Technology Assessment, *Global Standards: Building Blocks for the Future* 23 (1992) (“Building Blocks”).
9. *Id.* at 50.
10. No. 99-40632, 2002 WL 1270117 (5th Cir. June 7, 2002).
11. 33 U.S. (8 Pet.) 591 (1834).
12. See, e.g., *Banks v. Manchester*, 128 U.S. 244 (1888) (recognizing the public’s right to access to opinions of state court judges), *Callaghan v. Myers*, 128 U.S. 617 (1888) (limiting copyrightable elements of court reports to the “result of the [Reporter’s] intellectual labor” such as “the title page, table of cases, headnotes, statement of facts, arguments of counsel, and index”), and *Banks Law Publishing Co. v. Lawyers’ Co-operative Publishing Co.*, 169 F. 386 (2d Cir. 1909) (finding defendant not liable for copyright infringement of court report despite copying of case sequence, paging, and distribution into volumes).
13. Act of May 31, 1790, ch. 15, § 1, 1 Stat. 124 (*repealed by* Act of Feb. 3, 1831, ch. 16-74, 4 Stat. 436, 439).
14. 128 U.S. 244 (1888).
15. 128 U.S. 617 (1888).
16. 128 U.S. at 245-48.
17. *Id.* at 250.
18. *Id.* at 253-54.
19. *Id.* at 252-53.
20. “[Callaghan] also averred that the titles of the volumes of the defendants were so different from those claimed by the plaintiff that they could not be mistaken therefore even by a casual purchaser or observer; and that the volumes of the defendants were new and original tables of cases, head-notes, statements of facts, abstracts of briefs of counsel, corrected opinions, foot-notes, and indexes, and were in no manner copies of, or infringements upon, the volumes of the plaintiff.” 128 U.S. at 630.
21. “[I]t appears from the evidence that all the volumes of Mr. Freeman [from whom Myers had purchased the proprietary rights in the reporters] were used in thus editing or annotating; and although it may have been their intention to make an independent work, it is apparent, from a comparison of the Freeman volumes and those of defendants, that the former were used throughout by the defendants.” *Id.* at 660.
22. *Id.* at 649.
23. 799 F.2d 1219 (8th Cir. 1986).
24. *Id.* at 1226. The court distinguished *Banks*, *supra* note 12, by pointing out that the copyright was denied in *Banks* because of the reporter’s official status and the modern trend of requiring less intellectual creativity to merit copyright protection.
25. *Id.* at 1228.
26. 158 F.3d 693 (2d Cir. 1998).
27. *Id.* at 699.
28. *Id.*
29. 499 U.S. 340 (1991).
30. In *Feist*, the Court addressed the copyrightability of an alphabetized phone directory. The Court found that an alphabetized listing was obvious and, thus, the directory was not a creative work meriting copyright protection. The “sweat of the brow” doctrine allowed all effort involved in producing a work to be considered in copyrightability rather than creative effort alone. *Id.*
31. 17 U.S.C. § 105.
32. 17 U.S.C. § 101. The word “officer” of the United States Government replaced the word “employee” to make it clear that elected officials are included in the prohibition on copyright protection. Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 5.06(b)(1) n.8 at 5-83 (April 2002).
33. Nimmer & Nimmer, *id.* at § 5.06(B)(2) at 5-84.
34. H.R. Rep. No. 94-1476, at 58 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5672.
35. *Id.* at 59.
36. *Id.*
37. *Id.*
38. *Id.* at 60.
39. *Id.*
40. Nimmer & Nimmer, *supra* note 32, at 5-81.
41. H.R. Conf. Rep. No. 94-1733, at 69-70, *reprinted in* 1976 U.S.C.C.A.N. 5810-11.
42. *Id.* The House of Representatives’ original version of the 1976 Copyright Act retained the general prohibition against copyright in government works but made an exception in favor of NTIS publications. This exception would have allowed the Secretary of Commerce to secure copyright in NTIS works, on behalf of the United States as author or copyright owner, for a limited term not to exceed five years. The Senate’s version of section 105, excluding both published and unpublished government works from copyright protection, became law, and Congress has not yet readdressed the issue.
43. *Id.*
44. *Practice Management Info. Corp. v. American Med. Ass’n*, 121 F.2d 516, 517 (9th Cir. 1997).
45. *Id.*
46. *Id.* at 518.
47. *Id.* at 521.
48. *Id.*
49. 44 F.3d 61 (2d Cir. 1994).
50. 121 F.2d at 520.
51. 44 F.3d at 64.
52. *Id.* at 37.
53. *Id.*
54. *Id.* at 74.
55. See, e.g., *Veeck*, 2002 WL 1270117, at *1.
56. *Id.*
57. *Id.*
58. See, e.g., *State v. Crawford*, 177 P. 360 (Kan. 1919).
59. *Id.*
60. *Id.* at 361. Many local governments avoid the problem of uncertainty due to constant revision by adopting a certain version of a code. For example, the Southern Building Code Congress International Inc. (SBCCI) sells 1994, 1997, and 1999 versions of

many of its codes. *Codes and Comment Price List* (visited June 10, 2001), <<http://www.sbcci.org/Orders/codes&com.htm>>.

61. *Crawford*, 177 P. at 361.
62. *Id.*
63. *Id.*
64. 40 P.2d 72 (Ariz. 1935).
65. *Id.* at 80.
66. *Id.* at 81.
67. *Id.* The court found the ordinance invalid due to other provisions which required that electricians conform with “approved methods” and giving a city electrician “final say as to whether the construction conforms with approved methods.” The court considered these provisions to be too vague and to allow too much discretion to a city official. *Id.* at 80.
68. 304 P.2d 788 (Cal. Ct. App. 1956).
69. *Id.* at 797.
70. 628 F.2d 730 (1st Cir. 1980).
71. *Id.* at 736.
72. *Id.*
73. 548 F. Supp. 110 (N.D. Ga. 1982).
74. *Id.* at 111-13.
75. *Id.* at 115.
76. 591 F. Supp. 726 (N.D. Ill. 1983).
77. *Id.* at 728.
78. *Id.* at 729.
79. *Id.* at 736.
80. *Id.* at n.9.
81. 2002 WL 1270117.
82. *Id.* at *1.
83. *Id.* at *16.
84. *Id.* at *1.
85. *Id.* at *2.
86. *Id.* SBCCI did not assert violation of the software’s shrinkwrap agreement. This is possibly because the 5th Circuit, in *Vault v. Quaid*, 847 F.2d 255, 269-70 (5th Cir. 1988), found that a license agreement for software was preempted by federal copyright law and therefore unenforceable.
87. *Id.* at *14.
88. *Id.* at *1.
89. *Id.* at *9.
90. *Id.* at *13.
91. *Id.* at *29 (Wiener, J., dissenting).
92. *Id.* at *4.
93. *Id.* at *18 (Wiener, J., dissenting).
94. *Id.* at *15 (Higginbotham, J., dissenting); *id.* at *27 (Wiener, J., dissenting).
95. *Id.* at *15 (Higginbotham, J., dissenting).
96. *Id.* at *8.
97. *Nimmer & Nimmer*, *supra* note 32, § 13.03(B)(3) at 13-69.
98. *Veeck*, at *8.
99. *Id.* at *9.
100. *Id.* at *26 (Wiener, J., dissenting).
101. *Id.* Judge Higginbotham, in another dissent in *Veeck*, argued that the argument that “the law” can only be expressed in one way “is a restatement of the conclusion that adopting the codes invalidated the copyright, not an independent reason why that is so.” *Id.* at *14 (Higginbotham, J., dissenting).
102. *Id.* at *10.
103. “Finally, Congress itself has provided the strongest support for the proposition that these privately created codes should be treated differently than other laws. Recognizing that the production of a comprehensive technical code requires a great deal of research, labor, time, and expertise, Congress in the National Technology and Transfer Act of 1995 (the “NTTA”) expressly directs that ‘Federal agencies and departments shall use technical standards that are developed or adopted by voluntary consensus standards bodies. . . .’ The OMB, in its Circular A-119, which was designed to provide guidance to federal agencies in the wake of the NTTA, requires that ‘[i]f a voluntary standard is used and published in an agency document, your agency must observe and protect the rights of the copyright holder and any other similar obligations.’” *Id.* at *21 (Wiener, J., dissenting) (citations omitted) (emphasis in original).
104. 261 F.3d 179 (2d Cir. 2001).
105. *Veeck*, 2002 WL 1270117, at *22 (Wiener, J., dissenting) (citing *County of Suffolk*, 261 F.3d at 194).
106. *Id.* at *23 (Wiener, J., dissenting).
107. *Id.* at *13.
108. *Building Blocks*, *supra* note 8, at 44.
109. *The Federalist* No. 10 (James Madison).
110. *Building Blocks*, *supra* note 8, at 46.
111. *Id.*
112. AISI was founded in 1855 as American Iron and Associates. The name was changed to American Iron and Steel Association in 1864, and the American Iron and Steel Association merged into the American Iron and Steel Institute in 1908. *History of the American Iron and Steel Institute* (visited June 18, 2001), <<http://www.steel.org/about/history.htm>>.
113. ASCE has more than 123,000 members and was founded in 1852. *ASCE: 150 Years of Civil Engineering* (visited March 3, 2001), <<http://www.asce.org/150/150years.html>>.
114. At the beginning of the Civil War more than 20 rail gauges were in use, ranging from 3 feet to 6 feet. Some major railroads ran multiple tracks in parallel with various gauges to facilitate interchange between lines. In 1867 representatives of at least 29 railroads met in Altoona, Pennsylvania to form the Master Car Builders Association (MCBA). The MCBA’s first goal was to standardize gauges throughout the country. The organization recommended a standard gauge of 4 feet 8 1/2 inches to match the English standard because of the locomotives imported into the United States from Britain. Congress required a standard gauge in the Pacific railroads, but it was not until 1886 that the last major holdouts adopted the standard gauge. The MCBA also encouraged the development and installation of automatic air brakes and automatic couplers and worked to standardize rolling stock specifications. Robert L. Frey, *The Encyclopedia of American Business History and Biography: “Railroads in the Nineteenth”* 333 (1988).
115. The General Superintendents for the Arrangement of a Summer Time Schedule was formed in 1872 with the goal of reducing the chaos resulting from the use of more than seventy time zones in the United States. In 1886 the General Superintendents changed its name to the General Time Convention and was the catalyst in persuading Congress in 1918 to establish the system of four time zones. The group also pushed for standardization of train signals, train orders, car movement reports, and car rental payment rules. Because of the expanded interests of the group it

- changed its name again, in 1891, to the American Railway Association. *Id.* at 334.
116. Building Blocks, *supra* note 8, at 49.
 117. *Id.*
 118. “API has developed some 500 equipment and operating standards used around the world” and “distributes more than 200,000 publications each year.” *American Petroleum Institute in Brief* (visited June 18, 2001), <<http://www.api.org/about/aboutindex.htm>>.
 119. “The primary reason behind the formation of NEMA in 1926 was to provide a forum for the standardization of electrical equipment. The standardization process benefits the user by making products that are available globally, delivered locally, competitively priced, able to perform predictably, and are safe and environmentally sound.” *NEMA Electrical Standards* (visited March 3, 2001) <<http://www.nema.org/standards/>>.
 120. Building Blocks, *supra* note 8, at 50.
 121. The IEEE has over 366,000 members, making it the world’s largest professional society. The society was founded in 1884, and its “earliest efforts were directed toward standardizing units, definitions, and nomenclature relating to basic electrical science.” *IEEE News Briefs* (visited March 3, 2001) <<http://www.ieee.org/newsinfo/briefs.htm>>, *History of the IEEE* (visited June 18, 2001), <http://www.ieee.org/organizations/history_center/historical_articles/history_of_ieee.html>.
 122. Building Blocks, *supra* note 8, at 50.
 123. *Id.*
 124. ASTM was organized in 1898 and has more than 32,000 members from over 100 countries. Over 10,000 ASTM standards are published each year in 73 volumes of the Annual Book of ASTM Standards. *What is ASTM?* (visited June 18, 2001), <<http://www.astm.org/FAQ/1.html>>.
 125. NFPA was established in 1896 and its membership totals more than 75,000 individuals and more than 80 national trade and professional organizations. “NFPA is a worldwide leader in providing fire, electrical, and life safety to the public.” *About NFPA* (visited June 18, 2001), <http://www.nfpa.org/About_NFPA/about_nfpa.html>.
 126. Building Blocks, *supra* note 8, at 51.
 127. *Id.*
 128. *Id.*
 129. *Id.*
 130. UL was founded in 1894 and has a staff of almost 6,000. Almost 62,000 manufacturers in 92 countries produce UL certified products. It currently has 776 standards. *About UL* (visited June 18, 2001), <<http://www.ul.com/about/index.html>>.
 131. Building Blocks, *supra* note 8, at 51.
 132. *Id.*
 133. International Standards, Conformity Assessment, and U.S. Trade Policy Project Committee, National Research Council; Standards, Conformity Assessment, and U.S. Trade Policy Project Committee, National Research Council; Standards, Conformity Assessment, and Trade: Into the 21st Century 11-17 (1995).
 134. James Brooke, *Canada is Flush with American Toilet Shoppers*, *Times Union* (Albany, NY), Aug. 6, 2000, at A22.
 135. *Id.*
 136. When CAFE requirements were put into effect, only about 25 percent of personal vehicle sales were of trucks and vans. Automakers were forced to reduce the size of cars to meet the requirements, and sales of trucks and vans, subject to a lower mileage requirement, increased. Trucks and vans now make up more than 50 percent of American personal vehicle sales. The hard points on trucks, SUVs, and vans are also higher than the hard points on cars, resulting in more damage and higher injury and death rates in automobiles hit by trucks—especially when an automobile is hit in the side by a truck. Bob McElwaine, *Farewell, Vans and SUV’s? Proposed Corporate Average Fuel Economy Standards for Vans and Sports Utility Vehicles*, *Ward’s Dealer Business*, December 1996, at 17.
 137. The standards allow manufacturers to accumulate credits for exceeding the mileage requirements that can be used to offset failure to meet the requirements in future years. Since Japanese manufacturers produced almost nothing but small cars at the time the standards were put into effect, they were able to use the credits to move into the market for larger cars as American manufacturers struggled to meet the requirements by selling their compact cars at losses. Pietro S. Nivola & Robert W. Crandall, *The Extra Mile* 30 (1995).
 138. Office of Standards Services, National Institute of Standards and Technology, U.S. Dep’t of Commerce, Special Pub. No. 806, *Standards Activities of Organizations in the United States* 514 (1996).
 139. *Id.* “One Model Code is generally favored by municipalities throughout a given region. For example, some version of SBCCI Standard Building Code is adopted by the states south of the Mason-Dixon line and east of the Mississippi River.”
 140. *Id.*
 141. *Id.*
 142. *Membership Information* (visited June 18, 2001), <<http://www.sbcci.org/membershipservices/mbrinfo.htm>>.
 143. The *Standard Codes* consist of the *Standard Building, Plumbing, Mechanical, Fire Prevention, Gas, Housing, Existing Building, and Swimming Pool Codes*. SBCCI also develops and offers international codes covering many areas, including energy conservation, private sewage disposal, and zoning. *Id.*
 144. *Id.*
 145. *Id.*
 146. *Building Codes* (visited June 18, 2001), <<http://www.umass.edu/bmatwt/codes.html>>.
 147. *Id.*
 148. *Id.*
 149. *Id.*
 150. *Id.*
 151. Andrea Simon, Note, *A Constitutional Analysis of Copyrighting Government-Commissioned Work*, 84 *Colum. L. Rev.* 425, 429 (1984).
 152. Ch. 23, 28 Stat. 601 (amended 1976).
 153. *Id.*
 154. *BOCA*, 628 F.2d at 734.
 155. *Id.*
 156. *Id.* at 735.
 157. Gellman, *supra* note 4, at 1008.
 158. *Id.* “The creative bureaucrat or politician who is also a copyright holder has a broad range of options available that allow for considerably more subtlety than a crude political standard. For some information (e.g., criticism of a Republican Administration), only Democrats might have a political incentive to reproduce it. It would be easy to deny a license to everyone while only adversely affecting Democrats. For other information, the terms under which reproduction is permitted would be more welcomed by some than by others.”
 159. *Id.*

160. *Id.* at 1002.
161. *Id.* at 1009. “[T]he federal government should not be permitted to use copyright as a tool for censoring the publication of embarrassing information appearing in government documents.” Paul Goldstein, Copyright § 2.5.2, at 2:44 (2d ed. 1996 and Supp. 2001).
162. Alan Hamilton, *Editor Links BBC Worker to Leak of Royal Speech*, *The Times* (London), Feb. 16, 1993.
163. *Id.*
164. *Id.*
165. Gellman, *supra* note 4, at 1000.
166. *Id.*
167. Unlike the Queen, a U.S. president cannot copyright works created as a result of his official duties. The definition of “official duties” is broadly defined. In addition, the newsworthiness of purely political speeches ensures that the fair use doctrine will be broadly defined. Thus, contrary to the situation with Royal speeches, the circumstances under which a news outlet can be sued for quoting the president are extremely limited. *Id.* at 1011 n.5.
168. *Id.* at 1011.
169. *Id.*
170. 2002 WL 1270117, at *17.
171. *Id.* at *16.
172. *See, e.g., Trenton v. New Jersey*, 262 U.S. 182 (1923).
173. *Id.* at 191-92.
174. Ludwig von Mises on the role of government in regulating commercial activity:

There are, for instance, people who argue thus: It is obvious that traffic regulations on the public roads are necessary. Nobody objects to the government’s interference with the car driver’s conduct. The advocates of laissez faire contradict themselves in fighting government interference with market prices and yet not advocating the abolition of government traffic regulation.

The fallacy of this argument is manifest. The regulation of traffic on a road is one of the tasks that is incumbent upon the agency that operates the road. If this agency is the government or the municipality, it is bound to attend to this task. It is the task of a railroad’s management to fix the timetable of the trains and it is the task of a hotel’s management to decide whether or not there should be music in the dining room. If the government operates a railroad or a hotel, it is the government’s task to regulate these things. It is not an instance of government interference with the operation of the market economy that the postmaster general chooses the pattern and color of the postage stamps. With a state opera the government decides which operas should be produced and which not; it is a non sequitur to deduce from this fact that it is also a task of the government to decide these things for a nongovernmental opera.”

Ludwig von Mises, *Human Action* 718-19 (1st ed. 1949).
175. *See, e.g., FM Global: Research, Standards & Testing* (visited Feb. 9, 2001), <http://www.factorymutual.com/research_standard_testing/index.html>.
176. *DOB Introduction* (visited Feb. 13, 2001), <<http://www.ci.nyc.ny.us/html/introd.html>>.
177. *Id.*
178. *Id.*
179. *California Building Standards Commission Historical Information* (visited June 18, 2001), <<http://www.bsc.ca.gov/AboutUs/Historical.html>>.
180. *Id.*
181. *Id.*
182. *Id.*
183. *Id.*
184. *Id.*
185. *FM Global: Research, Standards & Testing* (visited Feb. 9, 2001), <http://www.factorymutual.com/research_standard_testing/index.html>.
186. Mises, *supra* note 174, at 657-58.
187. *California Building Standards Commission Historical Information*, *supra* note 179.
188. *Id.*
189. *Codes & Comment Price List* (visited June 20, 2002), <http://www.sbcci.org/orders/orders%20price%20list/standard_codes_comm.htm>.
190. *Membership Information*, *supra* note 142.
191. SBCCI pointed out that libraries and building officials routinely give out or allow copying of sections of its *Standard Building Code* with SBCCI’s knowledge and consent. In addition, SBCCI conceded that a city adopting the Code would probably have a fair use defense were it to post the Code on a Web site or hand out copies to citizens. SBCCI distinguished Veeck’s posting of the Code in that he had no fair use defense as a private individual. Transcript of oral argument at 8-10, *Veeck v. Southern Bldg Code Congress Int’l Inc.* (5th Cir. 2001) (No. 99-40632) (visited Dec. 20, 2000), <<http://regionalweb.texoma.net/cr/appealtranscript.html>>.
192. *Membership Information*, *supra* note 142.
193. *Id.*
194. *See, e.g., Gene Callahan, Shaky Ground: Why Flexible Rules and Reasonable Regulators Are a Builder’s Worst Nightmare*, *Reason*, Jan. 2001, at 41.
195. *Id.* at 42.
196. *Id.* at 43.
197. Callahan notes that one California property owner spent over \$600,000 and three-and-a-half years to get permission to build a home on a 1.1 acre lot. *Id.*
198. *Id.*

Kent E. Basson is an associate with Pennie & Edmonds LLP in Washington, D.C. This article is an updated version of an article first published in the Spring 2002 issue of the *Entertainment, Arts and Sports Law Journal*, a publication of the Entertainment, Arts and Sports Law Section of the New York State Bar Association.

Parallel Imports in the EU: Limits on Repackaging

By Gérard Dossmann

On June 26, 2002, the Paris Court of Appeals delivered a significant ruling in a trademark infringement case involving the parallel import into France of herbicide products originating from Spain and Italy that were repackaged and relabeled by the importer.

I. The Facts

Phytheron 2000 (“Phytheron”) imports and markets an herbicide in France that is purchased on the Spanish market under the trademark ROUNDUP PLUS and on the Italian market under the trademark ROUNDUP BIOFLOW. The herbicide is repackaged in one-liter cans for Phytheron by a company with ISO 9002 certification. The new cans are relabeled with the trademark ROUNDUP BIOFORCE, which is used in France by Monsanto, together with the importer’s brand name PROVESP.

Monsanto filed suit against Phytheron in January 2001 for trademark infringement and unfair competition. In its defense, Phytheron invoked the provisions of French law on Community exhaustion of rights as well as decisions of the Court of Justice of the European Community (the “Court” or “CJEC”) establishing conditions pursuant to which a trademark holder is precluded from enforcing its trademark rights against a parallel importer. On December 14, 2001, the Paris Court of First Instance ruled that Phytheron was guilty of trademark infringement and unfair competition. The decision was appealed to the Paris Court of Appeals, which confirmed the ruling by an order issued on June 26, 2002.

II. Discussion

In its decision, the Court of Appeals ruled on the following issues, each of which is discussed in further detail below:

- (1) the conditions under which Community exhaustion of trademark rights may be invoked;
- (2) the interpretation of legitimate grounds for opposing repackaging;
- (3) unfair competition linked to the use of a trademark for products with a different composition, despite a simplified PMA (product marketing authorization).

A. Conditions Necessary to Invoke the Community Exhaustion of Trademark Rights

According to article 7 of the Council Directive of EU relating to trademarks of December 21, 1988, the

trademark “shall not entitle the proprietor to prohibit the use in relation to goods which have been put on the market of the Community under that trademark by the proprietor or with his consent.” This limitation of the rights of the trademark owner is generally called “the exhaustion of rights.”

Because of the alleged risk of “retaliation” and to “preserve its credibility with its suppliers,” Phytheron refused to provide the names of its Spanish and Italian suppliers or the lot numbers of the products purchased. Further, during the court-authorized seizure of the infringing products, it first refused to provide the relevant invoices and subsequently produced partial invoices and certified Spanish and Italian documents purportedly demonstrating that Monsanto’s Italian and Spanish subsidiaries had provided a portion of the herbicides that had been sold to Phytheron by its suppliers.

Phytheron also tried to reverse the burden of proof by demanding that Monsanto provide all of the lot numbers for the products it delivered in Spain and Italy in order to prove that the parallel import lots corresponded to one of the lot numbers provided by Monsanto.

The court correctly rejected Phytheron’s request, citing the legal principle that “the onus is on the party relying upon the exhaustion of trademark rights to provide evidence that the products that he imports or that he markets have been lawfully acquired under the manufacturer’s trademark and placed on the market in the European Economic Area either by the proprietor of the trademark or with his consent.”

Therefore, the court held that the importer may only invoke the exhaustion of trademark rights if he furnishes proof of origin of the products in question and of the sale of such products under the trademark in the Community.¹

B. Legitimate Grounds for Opposing Repackaging

In *Hoffmann La Roche v. Centrafarm*,² the joined cases *Bristol-Myers Squibb v. Paranova*,³ and *Pharmacia & Upjohn*,⁴ the court established the conditions under which the holder of a trademark protected in two different member states is precluded from prohibiting a product that is sold by him or with his consent in one of the member states under such trademark from being repackaged in new packaging upon which such trademark appears and placed on the market in the second member state by a third party.

According to the Court of Justice, in order for the repackaging to be legal, the following conditions must be satisfied:

- (1) it must be established that the owner's objection to the marketing of products repackaged under the trademark on the basis of his trademark rights would contribute to the artificial segregation of the market between member states;
- (2) it must be shown that the repackaging will not affect the original condition of the repackaged product;
- (3) the name of the party responsible for the repackaging of the product and the name of the original manufacturer must be clearly indicated on the new packaging;
- (4) the appearance of the product must not harm the reputation of the trademark or that of its holder;
- (5) the importer must have given the holder of the trademark prior warning that the repackaged product would be put on the market and must have given the holder, upon his request, a sample of the repackaged product.

1. Conditions for Repackaging

In the decisions cited above, the Court of Justice set forth the conditions required in order for a product to be repackaged legally.

The essential element is that when repackaging a product, one must preserve the essential function of the trademark, namely to guarantee the original condition of the manufactured product. For example, in *Eurim Pharm v. Beiersdorf*,⁵ the court stated that removing the blister strips from their original outside packaging and placing them with one or more other original packages in a new outside packaging or inserting them into another original packaging was permissible provided that the national judge had assured that the cutting of the strips or their reprinting was carried out in such a way as to avoid any concrete risk of altering the original condition of the pills contained within the strips.

In another decision, *Bristol-Myers Squibb v. Paranova*,⁶ the court provided examples of repackaging methods that would not affect the original state of the product. For example, repackaging was considered legal if the trademark holder used a double packaging system in which the repackaging affected only the outer layer of packaging, leaving intact the inner layer of packaging that came in contact with the product, or if the repackaging was conducted under the supervision of a public authority capable of guaranteeing that the product remained intact. Therefore, acts such as removing blister strips, bottles, vials, or inhalers from their

original packaging and placing them in a new outer packaging is permissible, as this does not create any risk of altering the original product.

In the present case, Phytheron, as admitted and confirmed during the seizure, transferred the contents of the original Monsanto cans sealed and crimped by the Monsanto company into one-liter containers with new labels, resealed with safety seals and new caps. This transfer was carried out by a company compliant with ISO 9002 standards for the manufacturing, custom packaging, and internal transfer of agrochemical products. However, the fact that a company is ISO 9002 certified, which also implies that the company undergoes rigorous inspections, was not considered sufficient by the Court of Appeals to conclude that the repackaging was carried out under the supervision of the state or a public authority.

Rather, the Court of Appeals held that from the moment the product was exposed to the outside air, and thus exposed to risks of contamination during manipulation, the condition set forth by the Court of Justice that repackaging may not in any way alter the original state of the product was not fulfilled in that Monsanto could not exert the slightest control over the repackaging process. According to the Court of Appeals, the exposure of the contents of a can to outside air and its transfer by a private company compliant with official standards does not permit the trademark to carry out its essential function, which is to guarantee that the manufactured product remains in its original state.

2. Conditions of Prior Notice

In *Hoffmann La Roche*,⁷ the initial decision establishing the conditions under which repackaging may be considered lawful, the Court of Justice held that the importer must give the trademark holder prior notice that the repackaged product will be put on the market and provide a sample of the repackaged product at the holder's request. The justification for this requirement, which has been confirmed in many subsequent cases,⁸ is to ensure the fundamental function of the trademark, which is to guarantee the original state of the trademarked product for the consumer or end user. The trademark holder must be able to:

- verify the condition of the repackaging, in particular to see if it was conducted in a way that may directly or indirectly affect the original condition of the product;
- verify the presentation to make sure that it does not harm the reputation of its trademark; and
- protect itself from counterfeiting.

In *Boehringer Ingelheim v. Swingward*, the court held that under the circumstances, 15 days was a reasonable period to wait prior to placing the products on the market after having notified the trademark holder and providing a sample of the product.⁹ It left the judgment as to whether the relevant time period was reasonable to the discretion of the national courts. The court specifically noted that it was necessary to reconcile the contradictory interests of the importer and the trademark holder by giving the holder a reasonable amount of time in which to respond to the repackaged product, while at the same time avoiding an overly long delay in the parallel import process once the importer has obtained the necessary authorization from the proper authorities.

In the case at hand, the parallel importer sent a notice on August 25, 2000, without including a sample of the product. It subsequently put the product on the market on August 30, only five days later. The Paris Court ruled that five days could not be considered a reasonable period of time. Moreover, the importer had begun importing the product it intended to repackage as of January 2000, and did not inform the holder of its intentions until the night before the products were put on the market.

In addition, the court confirmed the position taken by the Court of Justice in *Boehringer Ingelheim*, in which the fact that the trademark holder had personal knowledge of the repackaging operation was not sufficient to excuse the lack of proper notice.

3. Risks of Artificial Segregation of the Market

The Court of Justice, in *Upjohn* and *Boehringer Ingelheim*, reiterated the conditions of market segregation that could justify repackaging. In particular, it noted that if different packaging is necessary to market medications in the importing state, this contributes to an artificial segregation of the markets between member states and is in violation of Community law. In such a case, repackaging by the importer is justified as it is the only possible means of effective access for imported products to the market of the importing state.

Elements that should be taken into consideration are the cases in which imported products cannot be marketed in their original packaging due to:

- regulations or national laws related to packaging;
- health insurance regulations which require that certain packaging conditions be fulfilled before medical expenses are reimbursed;
- medication prescription practices, especially those concerning the number of medications sold in each package;

- strong resistance from a significant consumer population to relabeled medications.

By contrast, the jurisprudence of the Court of Justice has clearly established that one is justified in opposing parallel imports if the repackaging is exclusively being carried out in order to obtain marketing benefits.

These cases have reinforced in particular the point that if it is possible for the importer to reuse the original outside packaging by simply adding stickers printed in the importing country's language, the importer cannot justify repackaging. Similarly, some consumer reticence should not automatically be considered a hindrance to the sale of the products.

In the present case, Phytheron admitted to having repackaged the products in one-liter containers and justified the repackaging by the need to access the amateur gardening market. The Court of Appeals rejected this argument on the grounds that repackaging was not justified by either regulations or national practices imposed upon the importer or the established behavior of amateur gardeners. To the extent that the trademark holder and its competitors marketed the products in both one-liter and five-liter cans, the repackaging in one-liter cans appeared to be unnecessary.

In fact, the court considered that this repackaging was "exclusively motivated by an attempt to gain a marketing advantage," which was further aggravated by the fact that the importer had included its own mark together with that of Monsanto. The Court of Appeals denounced this action as a parasitic activity on the importer's part, designed to appropriate a portion of the substantial advertising campaign launched by the trademark holder and to use this name recognition for its own promotion.

4. Unfair Competition

Monsanto marketed an herbicide in Spain containing the same amount of active ingredients but containing half the amount of surfactants, i.e., the agent allowing the substance to distribute evenly over the leaves of the plant. The fact that the authorities had approved the product under a similar name despite the difference in surfactants was not considered to be a sufficient justification for the importer to market products having different amounts of surfactants under the same trademark.

The Court of Appeals condemned this act as unfair competition using much the same justification as for parallel imports, namely that since the fundamental function of the trademark should be to guarantee the original condition of the product, it is not possible to use the same trademark for products with different

compositions. It should be noted, however, that the Court of Justice has rejected complaints related to the use of the same presentation, referencing the telephone number designed for consumer complaints.

It is also worth mentioning that this is the first time that the Court of Appeals has also found the individual responsible for the organizing of the parallel imports guilty on a personal basis.

III. Conclusion

This decision of the Paris Court of Appeals is important, as it is the first time that the court has issued a decision based on the criteria set forth by the Court of Justice of the European Community relating to the repackaging of products.

The Court of Appeals could have ruled against Phytheron simply on the basis of its finding that Phytheron did not prove the origin of the products in the Community. Nevertheless, it also considered all of the other criteria established by the Court of Justice, in particular in *Hoffmann La Roche*, and ruled that:

- repackaging involving the transfer and exposure of the product to outside air constituted a repackaging that could alter the original nature of the product and was thus illegal;
- the period of five days that the trademark holder was given to respond to the notification of the sale of the repackaged imported products was not reasonable; and

- the fact that the trademark holder already had sold the product in question in one-liter containers on the amateur gardening market was not a sufficient reason to justify the repackaging, which was motivated simply in order to obtain a marketing advantage.

Endnotes

1. In light of this holding, it will be interesting to receive the CJCE's decision in the currently pending *Van Doren + GmbH* case (C-244), in which the Avocat-Generale, in his June 18, 2002, brief, advocates a reversal of the burden of proof when the alleged infringer is required to reveal his suppliers.
2. Case C-102/77, 1978 E.C.R. 1139.
3. Cases C-427/93, C-429/93 and C-436/93, 1996 E.C.R. I-3457.
4. Case C-379/97, 1999 All ER (EC) 880.
5. Case C-71/94, 1996 E.C.R. I-3603.
6. Case C-427/93, E.C.R. I-3457.
7. Case C-102/77, 1978 E.C.R. 1139.
8. See *Bristol-Myers Squibb*, Case C-427/93, 1996 E.C.R. I-3457 and, more recently, the April 23, 2002, *Boehringer Ingelheim v. Swingward*, Case C-143/00.
9. Case C-143/00.

Gérard Dossmann is a partner at Bureau Casalonga Josse, a firm concentrating on European and French intellectual property law, with offices in Paris, Alicante (Spain), and Munich (Germany).

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Federal Circuit Affirms the Board's Authority to Terminate Interferences Under 35 U.S.C. § 135

By Steven J. Lee and Kenneth R. Corsello

I. Introduction

In *Berman v. Housey*,¹ the Court of Appeals for the Federal Circuit affirmed a decision of the Patent and Trademark Office's Board of Patent Appeals and Interferences (the "Board") terminating an interference for failure to bring the interference within the one-year period mandated by 35 U.S.C. § 135(b) without reaching the issues of priority or validity. The Federal Circuit held that the Board had discretion to terminate the interference without deciding Genentech's motion to invalidate Housey's claims,² and refused to adopt Genentech's proposed exception to the statutory bar of section 135(b) when multiple patents issue from the same parent application.³



Steven J. Lee

II. Background

Gerard M. Housey, M.D., Ph.D., is the President of Housey Pharmaceuticals. The Patent and Trademark Office issued patents to Dr. Housey in 1990, 1993, and 1997 for his method of screening for new drugs, and for new uses of old drugs, using cell-based assays.⁴ On behalf of Phillip Berman and a number of listed co-inventors ("Berman"), Genentech filed a continuation application along with a request that an interference be declared between the continuation application and the Housey application that would later issue as Housey's 1997 patent.⁵ The Board eventually declared an interference between claim 64 of the Berman application, which was the only remaining claim in that application, and claims of Housey's 1990, 1993, and 1997 patents.⁶

III. The Decision of the Board of Patent Appeals and Interferences

Shortly after the interference was declared, Housey filed an expedited preliminary motion to terminate the interference because Berman's claim 64 either does not interfere with Housey's claims, as required by section 135(a), or would be barred under section 135(b).⁷ Section 135(b), which is now section 135(b)(1), provides that

[a] claim which is the same as, or for the same or substantially the same sub-

ject matter as, a claim of an issued patent may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted.⁸



Kenneth R. Corsello

While the Board was considering Housey's motion to dissolve the interference because it was improper, Berman filed a preliminary motion for judgment that claims of Housey's 1990, 1993, and 1997 patents were invalid under 35 U.S.C. § 102 and/or 35 U.S.C. § 103.⁹ The Board eventually granted Housey's motion and held that Berman's claim 64 was barred under section 135(b) because that claim was not made within a year from the issuance of Housey's 1990 and 1993 patents.¹⁰ The Board also held that it would not consider the merits of Berman's invalidity motion because that motion became moot in view of the decision that Berman's only claim in the interference was barred.¹¹

IV. The Federal Circuit Decision

Berman made two primary arguments on appeal. First, Berman argued that the Board erred by refusing to address its unpatentability motion.¹² According to Berman, prior Federal Circuit decisions had required that all issues that are fairly raised in an interference proceeding must be decided by the Board, regardless of whether the moving party's claims are found to be unpatentable.¹³ For additional support, Berman also relied upon 35 U.S.C. § 7(b) (now section 6(b)), which provides that the Board "shall determine priority and patentability of invention in interferences declared under section 135(a)."¹⁴ Second, Berman argued that the Board erred by terminating the interference under section 135(b) because Berman's claim 64 is not directed to the "same or substantially the same subject matter" as the claims in Housey's 1990 and 1993 patents and, even if it was, Berman's claim was made within one year of the issuance of Housey's 1997 patent and is thus entitled to separately trigger an interference with that patent.¹⁵

The Federal Circuit held that the absence of an interfering claim that is not barred under section 135(b) renders an interference nonexistent and thus deprives the Board of its authority to continue the proceeding.¹⁶

According to the Federal Circuit, the cases relied upon by Berman

do not hold that *all* issues relating to patentability that are fairly raised in an interference *must* be addressed by the Board. Rather, those cases stand for the proposition that if, in a properly declared interference, an issue of priority or patentability is fairly raised and fully developed on the record, then the Board has the *authority* to consider that issue even after the Board determines that one party was not entitled to its claims.¹⁷

The Federal Circuit dismissed Berman's reliance upon section 7 because that section "does not require the Board to do anything."¹⁸ In view of the legislative history, the Federal Circuit held that section 7 is an enabling provision which addresses only what issues the Board is empowered to consider and does not establish any affirmative obligations that it must perform.¹⁹ The Federal Circuit also noted that Berman's reading of section 7 would create an internal conflict with the language of section 135(a) which states that "[t]he Board of Patent Appeals and Interferences shall determine questions of priority and *may* determine questions of patentability."²⁰ Finally, the court held that it was sound policy to provide an "early resolution of quasi-jurisdictional issues before the parties have expended resources briefing [other] issues that should never have been raised given the lack of an underlying interference."²¹

As for Berman's second primary argument, the Federal Circuit held that Berman had waived the argument that claim 64 is not directed to the same or substantially the same subject matter as the relevant claims in Housey's 1990 and 1993 patents because Berman had not made that argument to the Board and had not demonstrated that special circumstances exist that militate against a finding of waiver.²² The court also rejected Berman's argument that even if claim 64 is directed to the same or substantially the same subject matter as the claims of Housey's 1990 and 1993 patents, Berman is entitled to have a separate interference declared with

Housey's 1997 patent. The court held that Berman's contention was contrary to the plain language of section 135(b), which states that a claim that is the same as "a claim of an *issued patent* may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted."²³

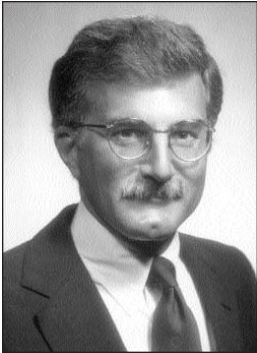
Endnotes

1. *Berman v. Housey*, 291 F.3d 1345 (Fed. Cir. May 29, 2002).
2. *Id.* at 1354.
3. *Id.* at 1354-55.
4. *Id.* at 1347.
5. *Id.*
6. *Id.* at 1349.
7. *Id.*
8. 35 U.S.C. § 135(b) (Supp. V 1999).
9. *Id.*
10. *Id.* at 1349-50.
11. *Id.* at 1350.
12. *Id.* at 1351.
13. *Id.*
14. 35 U.S.C. § 7(b) (Supp. V 1999) (emphases added).
15. *Berman*, 291 F.3d at 1351.
16. *Id.*
17. *Id.* at 1352.
18. *Id.* at 1353.
19. *Id.* at 1354.
20. 35 U.S.C. § 135(a) (emphasis added).
21. *Berman* 291 F.3d at 1354 (quoting *Gluckman v. Lewis*, 59 USPQ2d 1542, 1543-44 (Bd. Pat. App. & Inter. 2001)).
22. *Id.* at 1355.
23. *Id.* (quoting 35 U.S.C. § 135(b) (Supp. V 1999) (emphasis added)).

Steven J. Lee is a partner in the New York office of Kenyon & Kenyon, and Kenneth R. Corsello is an associate in the firm's Washington, D.C. office. The authors represented Housey in the *Berman* case, along with Joe Green and Gomer Walters of Stadheim & Grear.

Reflections by the Founder

By Rory J. Radding



I look back over ten years with fondness for the Section albeit with a few more gray hairs.

I thought about creating this Section over ten years ago when I foresaw that intellectual property was going to become extremely prominent and important both to the legal and business communities as we

entered and then traveled through the 21st century. Technology was borderless, but the laws were not, so I saw the greater need to protect IP as globalization took hold and innovation accelerated. General firms were just starting to see that intellectual property was a viable adjunct to the other legal practice fields, and businesses were starting to recognize the value of intellectual property not only in terms of litigation but also in terms of assets which could be exploited for additional income. Also, I believed the creation of the Section was important to enable the small general practice firms, which are the backbone and mainstay of the New York State Bar Association, to have a forum for learning about this "boutique" area of the law. Many single practitioners and two- or three-person firms needed to issue-spot intellectual property matters brought to them by small and large clients, and the New York State Bar Association needed a Section which could fill the void and assist those local lawyers so they could assist their clients.

The Section grew out of this desire, but it took a lot of hard work to get the New York State Bar Association Executive Committee to recognize it was important that a new Section be created. We created the new Section from two committees then existing in the New York State Bar Association: the Special Committee on Patents and Trademarks, which was chaired by me, and the Special Committee on Copyrights, which was chaired by Tricia Semmelhack. Trish did not need much convincing. She thought it was a good idea as well. Therefore, we joined forces and, with the help of Peter Kirschenbaum, who had been recently made chair of

the Special Committee on Patents and Trademarks, Michael Chakansky, and others, we applied to the New York State Bar Association to create the IP Law Section. After I presented our position before the NYSBA Executive Committee and the House of Delegates, we were approved as a new Section in 1992, beginning with a little over 400 members. Today we have grown to over 2,000 members due in no small part to those chairpersons who succeeded me and placed their respective unique imprimaturs on their tenures as chair. I want to thank each of them for their tireless efforts, for their collegiality, and for their respective visions in making the IP Law Section the fastest growing Section in the New York State Bar Association.

I begin to feel old when I reflect on the practice of IP law over the last ten years. It was a time of "expanding the envelope" on IP legal issues and business concerns. Technology seemed to be everywhere, culminating in the dot.com boom, then bust. One of the major areas of law confirmed and expanded in the last ten years is the recognition of patents on business models and methods, which spawned new industries and supported new businesses such as the Internet-based Amazon.com and Priceline.com. Business model patents have now taken hold of non-Internet business and will certainly assist in changing the way we all do business and live our lives in the future. The last ten years also have seen a dramatic increase in the number of IP cases taken up by the U.S. Supreme Court, covering patents, trademarks, copyrights, right of privacy, etc., which simply reflects the growing importance of IP to our society.

I want to thank you for the opportunity to have served you, the members of the Intellectual Property Law Section, over the years not only as Chair, but as Editor-in-Chief of *Bright Ideas*, Co-Chair of the Internet Law Committee, and as the *de facto* Section historian.

I look forward to an ever-growing Section and a continued evolution of IP law in the 21st century.

Rory J. Radding is a senior partner with Pennie & Edmonds LLP in New York City.

A DECADE OF INTELLECTUAL PROPERTY LAW

Editor's note: As we celebrate the tenth anniversary of the Intellectual Property Law Section, it seemed an appropriate time to take stock of the milestones in intellectual property law over the past decade. What have been the most important court decisions, statutes, treaties, and other developments in terms of their impact on the practice areas encompassed by the Section's activities? To answer that question, we asked each Committee to identify and briefly discuss the most significant developments in its substantive area of the law over the last ten years or so. Their responses follow. While some Committees took our encouragement to be concise more strictly than others, we have not sought to impose a uniform style or format on the responses.

We thank the Committees for their contributions and encourage readers who have not yet joined a Committee to do so. It's a great way to keep abreast of the evolution of intellectual property law and obtain the insights of colleagues in the field regarding the practical implications of changes in the law. A Committee Assignment Request form may be found on page 73, and contact information for each of the Committee Chairs is found on page 74.

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Copyright Law

- **Feist Publ. v. Rural Tel. Serv. Co.**, 499 U.S. 361 (1991). The Supreme Court abolished the doctrine of "sweat of the brow" copyright protection for factual compilations, holding that a telephone white pages directory was not copyrightable. Because the selection, coordination, and arrangement of the contents lacked even a "modicum of originality" the compiler could not be considered an author, and the work was not copyrightable as a constitutional matter. The case was a landmark in defining the boundaries of protectable authorship and has been broadly applied, not only for factual compilations but for visual, literary, and musical works as well.
- **Campbell v. Acuff-Rose**, 510 U.S. 569 (1994). The Supreme Court held that 2 Live Crew's bawdy rap "parody" of the Roy Orbison song "Oh Pretty Woman" was likely a fair use. Even though the rap record was commercial, it altered the song in a manner the Court found "transformative," thus making a fair use likely. Since this decision, virtually every fair use case has featured a discussion of the degree to which the second user's work is transformative, and the former presumption against commercial uses has been discontinued.
- **American Geophysical Union v. Texaco Inc.**, 37 F.3d 881 (2d Cir. 1994). On a certified interlocutory appeal, the Second Circuit affirmed a ruling that the unauthorized photocopying of scientific journal articles by a Texaco researcher was not a fair use, where the copying was primarily for archival purposes, and photocopying licenses for the copied articles were readily available. The court expressly declined to decide the outcome of the fair use analysis for cases in which photocopying licenses were not available, or to make the availability of such licenses conclusive as to fair use. Following *Texaco*, the loss of potential licensing fees has frequently been recognized as a form of market harm under the fourth fair use factor, at least where the market for such licenses is "traditional, reasonable, or likely to be developed."
- **Lotus Devel. Corp. v. Borland Int'l, Inc.**, 49 F.3d 807 (1st Cir. 1995). Reversing a series of district court decisions, the First Circuit held that the menu command hierarchy of the popular computer spreadsheet program Lotus 1-2-3 was a "method of operation" under section 102(b) of the Copyright Act and thus not copyrightable subject matter. Even accepting the district court's finding that the plaintiff made expressive choices in selecting and arranging the command terms, the court nonetheless found plaintiff's expression was uncopyrightable because it was "part of Lotus 1-2-3's method of operation. . . . If specific words are essential to operating something, then they are part of a 'method of operation' and, as such, are unprotectable." The decision was affirmed by an equally divided Supreme Court, 4-4, with one justice abstaining. Since *Lotus*, the courts have tended to provide narrower copyright protection for software, leading many programmers to pursue patent protection.
- **ProCD, Inc. v. Zeidenberg**, 86 F.3d 1447 (7th Cir. 1996). The Seventh Circuit held that a shrinkwrap license purporting to restrict commercial use and resale of uncopyrightable data in a CD-ROM telephone directory was not preempted by section 301 of the Copyright Act, which prohibits state law protection "equivalent" to federal copyright protection. Because the agreement governed only the conduct of the two parties and did not create rights against the world at large, the Seventh Circuit held that the restriction on copying under the agreement was not "equivalent" to the restrictions imposed by the Copyright Act. Shrinkwrap licenses, and online versions such as click-wrap

and query-wrap licenses, have since generally been upheld against preemption challenges.

- ***Wendt v. Host International, Inc.***, 197 F.3d 1284 (9th Cir. 1999). Dissenting from the Ninth Circuit's rejection of defendant's petition for rehearing en banc, Judge Kozinski (joined by Judges Kleinfeld and Tashima) contended that a California right of publicity claim brought by the actors who portrayed "Norm" and "Cliff" in the "Cheers" television series should be preempted by the Copyright Act. Under license from the copyright owner, defendant had created robotic replicas of the "Norm" and "Cliff" characters for use in "Cheers"-themed airport cocktail lounges. The Ninth Circuit upheld the actors' claim. Judge Kozinski asserted that the copyright owner's right to create derivative works based on "Cheers" should prevail over the actors' publicity rights, "at least insofar as the [actors] interfere with Paramount's right to exploit the Cheers characters." Despite Judge Kozinski's efforts, the *Wendt* case establishes that right-of-publicity claims can be brought by performers in copyrighted works, even if the copyright owner has approved the challenged use.
- ***A&M Records, Inc. v. Napster, Inc.***, 239 F.3d 1004 (9th Cir. 2001). A unanimous Ninth Circuit panel held that online music service Napster was a contributory and vicarious infringer of copyrighted songs and sound recordings. Napster provided access to digital music files without the permission of the copyright owners, but it did not maintain its own unauthorized database of copyrighted music. Rather, the service facilitated communications between "host" computers (which contain unauthorized MP3-format copies of particular sound recordings) and users seeking music stored on those host computers. As to liability, the court found that "Napster users infringe at least two of the copyright holder's exclusive rights . . . Napster users who upload file names to the search index for others to copy violate plaintiffs' distribution rights. Napster users who download files containing copyrighted music violate plaintiffs' reproduction rights." By making this activity possible, Napster was indirectly liable. This decision effectively shut down Napster, but it has not stopped the proliferation of smaller, less centralized "peer-to-peer" operations which permit the same sorts of unauthorized file-sharing.

- ***Kelly v. Arriba Soft Corp.***, 280 F.3d 934 (9th Cir. 2002). The Ninth Circuit held that an Internet-based "visual search engine" did not infringe a photographer's works by including reduced-size reference images of them, but it did infringe the works by framing full-size images from the photographer's own site. The Ninth Circuit found that the photos were not infringed by the reduced images because the small images were "transformative," and did not serve the same intrinsic function or purpose as the originals. As the district court noted, "the character of the thumbnail index is not esthetic but functional; its purpose is not to be artistic, but comprehensive." With respect to the full-size images, however, the Ninth Circuit found that unauthorized display was not a fair use because it served the same aesthetic purpose as Kelly's own display, and was not merely a functional tool to help users locate images on the Web. A petition for rehearing is pending.

Robert W. Clarida

* * *

Internet Law

Although the modern Internet (accessible by the public via Web browsers) is less than ten years old, the areas of development are numerous and it would be impossible to create an all-inclusive list of the most important legal developments of the Internet. So it was that we arbitrarily picked the number ten. Set forth below in no particular order are ten vignettes of important legal developments pertaining to the Internet.

Trademarks and Domain Names

The practice of registering another's trademark as a domain name was sharply limited in 1999 by the adoption of the Uniform Domain Name Dispute Resolution Policy (UDRP)¹ and enactment of the federal Anti-Cybersquatting Consumer Protection Act (ACPA).² Under the UDRP, all domain name registrants are bound by UDRP arbitration, which can direct the transfer of a domain name to a complainant or terminate a registration.³ The procedure's speed (often concluded within two months) and relatively low price (often \$1,500 in administrative filing fees) are attractive. While many respondents lose by default, the UDRP is not binding if either party files a court action within the specified time periods.⁴

The ACPA was enacted to reduce abusive registration of Internet domain names. While existing trademark laws already protected mark owners against infringing use by one in a similar channel of trade (e.g., a competitor), the ACPA gave mark owners the ability to prevent the use of their mark as a domain name regardless of the domain name registrant's business, or even if the registrant has no business but is merely warehousing the domain name. Under the ACPA, a plaintiff must establish that its mark is distinctive or famous, that defendant's domain name is identical or confusingly similar, and that defendant used or registered the domain name in bad faith.

The theory of initial interest confusion has also blossomed on the Internet. The theory forbids a party (usually a competitor) from initially passing off its goods or services as those of another, even if it dispels confusion as to the goods' source by the time sales are completed.⁵ Courts have enjoined Web-based companies from using a competitor's trade name and marks in metatags—key words hidden in the computer code that affect search results—which divert the Web user, even though the consumer quickly learns the true identity of the source, or is only momentarily confused as to the source.⁶ The courts have recognized that the Internet user has a very short attention span, and that even a momentary delay in reaching the correct Web site could result in frustration on the part of the consumer and cause the consumer to abandon his or her quest for the intended source.⁷ Some courts, however, have held that the products or services offered by the parties must be at least similar.⁸

Copyright

The enactment of the Digital Millennium Copyright Act (DMCA)⁹ in October 1998 represents one of the most significant efforts in the past decade to strengthen the copyright law. Congress passed the DMCA "in recognition of the fact that in the digital age, authors must employ protective technologies in order to prevent their works from being unlawfully copied or exploited."¹⁰ The DMCA seeks to balance the exclusive rights of copyright owners with the right of "fair use."¹¹ The DMCA contains an "anti-circumvention" provision, which prohibits "circumvent[ing] a technological measure that effectively controls access" to a copyrighted work (e.g., encryption).¹² It also contains two "anti-trafficking" provisions, which prohibit manufacturing or trafficking in any device designed primarily "for the purpose of circumventing a technological measure" that

"effectively controls access" to a copyrighted work¹³ or "effectively protects a right of a copyright owner."¹⁴ All three of these provisions have thus far survived constitutional challenges.¹⁵

Two high-profile cases involving online music services—MP3.com and Napster—ended (at least temporarily) the public's ability to download and "swap" music files over the Internet for free after the courts held that the online services committed copyright infringement. In *UMG Recordings, Inc. v. MP3.com, Inc.*¹⁶ the district court held that MP3.com's practice of copying thousands of compact disks (CDs) to a central server and selling access to those music files over the Internet to individuals who either could demonstrate that they already owned a licensed copy of the song, or who purchased the CD online constituted direct copyright infringement. The district court rejected MP3.com's argument that its actions were protected "fair use," distinguishing the commercial service from end users who make their own copies. In *A&M Records, Inc. v. Napster, Inc.* the Ninth Circuit ruled that Napster's online service, which enabled individual users' computers to search each other's hard drives and "swap" music files over the Internet free of charge constituted contributory copyright infringement.¹⁷

Business Model Patents

Although software patents have been permitted since the early 1980s, and although it was believed for decades that you could not obtain a patent on a business model, it was not until 1998 that the Federal Circuit in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*¹⁸ finally confirmed that patents could be obtained on business models and business methods, especially those which are software-related. Basically, the business method patent was allowed after disclosing in sufficient detail the steps of a process for making money. The decision, authored by Judge Rich, who also authored the 1952 Patent Act, held that "the transformation of data, representing discrete dollar amounts by a machine through a series of mathematical calculations into a final share price" constituted "a practical application of a mathematical algorithm, formula, or calculation" because it produced "'a useful, concrete and tangible result'"—a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades."¹⁹ After this decision, an entire industry grew up around the Internet, with its leading proponents, Amazon.com and Priceline.com, basing their entire businesses on business method patents.

First Amendment

Attempts to federally regulate sexually explicit Internet speech in order to protect minors (the Communications Decency Act (CDA), the Child Online Protection Act (COPA), and the Children's Internet Protection Act (CIPA)) were each struck down as unconstitutional.²⁰ While the courts have recognized a compelling government interest in protecting minors, Congress' attempts to prevent minors from viewing inappropriate sexual material over the Internet were struck down for the following reasons: the vagueness of operative terms such as "patently offensive" and "indecent" and the inability, given the nature of the Internet, to restrict the access of minors to prohibited transmissions without depriving adults of speech that is protected as to them (CDA); lack of narrow tailoring attributable to the fact that filtering software inevitably blocks protected speech (CIPA); and the impossibility of applying the geographically-based "community standards" aspect of the harmful-to-minors test to World Wide Web postings that can be accessed from anywhere (COPA). (The latter ruling by the Third Circuit was reversed and remanded by the Supreme Court).

At the other end of the spectrum, where defamation sets the limits on First Amendment rights, anonymous online speech has given rise to a patchwork of cases across the country dealing with how and when defamation plaintiffs are entitled to the learn the true identity of John Doe defendants. Most notably, New Jersey's Appellate Division's *Dendrite* opinion²¹ requires plaintiffs to present evidence that they have a *prima facie* case (not merely that they can survive a motion to dismiss for failure to state a claim), and that their case is strong enough to warrant intrusion on the speaker's First Amendment right to not only speak freely but also anonymously.

Privacy

Privacy is among the more controversial topics in Internet law. While our lives and businesses have certainly become much less private as a result of the Internet, there has been significant legislation imposing affirmative duties on individuals and businesses to keep certain information private. The Electronic Communications Privacy Act²² amended the Federal Wiretap Act to provide that interception of an electronic communication and the accessing of stored electronic communications (i.e., e-mails) was prohibited without the consent of one of the parties to the communication. However, employers operating a computer network have the

right to monitor the e-mail of their employees without the consent of the employees.

The Gramm Leach Bliley Act (GLBA)²³ was passed in 1999 to restrict the disclosure and use of personally identifiable information obtained by financial institutions and other financial services businesses. Prior to the disclosure of such information, the financial institution must notify its customer of its privacy policy and offer the customer the opportunity to "opt out" of the institution's information-sharing policies. State and federal regulators are empowered to enforce the GLBA, but there is no right of private action.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA)²⁴ prevents disclosure of "individually identifiable health information" by hospitals, doctors and health plans without the authorization of the patient. Violations result in hefty civil and criminal penalties. Experts predict that compliance with HIPAA within the health care industry will dwarf Y2K readiness.

The Children's Online Privacy Protection Act (COPPA)²⁵ requires Web sites that collect personal information from children under 13 to prominently display their privacy policies specifying the types of information collected at the Web site, the purposes for which it is collected, and any third parties with which it will be shared. The Federal Trade Commission (FTC) has brought numerous enforcement actions against Web sites catering to children that failed to comply with their posted privacy policies.

The FTC also issued principles of fair information practice that include notice, consent, access, and security. Though largely voluntary, subsequent FTC enforcement focused on Web sites that failed to abide by these guidelines, particularly those that did not give adequate notice of their information practices. Failure to post and maintain a privacy policy or to adhere to terms of a posted policy have been most likely to trigger FTC scrutiny.

To date, privacy has not given rise to widespread civil litigation. It remains to be seen whether traditional legal theories, recent legislation discussed above, or some combination of the two will offer a viable basis for the recovery of damages for Web-based privacy violations. Privacy issues online constitute a component of some forms of specialized insurance policies designed to insure a range of Web-based activities. The growth and viability of this class of insurance will be impacted by litigation trends as well as by the ability to maintain

the necessary security environment for Web-based activities.

Data privacy issues have become international in scope. The European Union has passed stringent privacy laws to be enforced by separate Data Protection Authorities in the member states. This legislation threatened to create a trade issue between the U.S. and the EU as the result of a clause that prohibits the transfer of data from the EU to any third party with “inadequate” privacy safeguards. The matter has been at least temporarily defused by the creation of a safe harbor for U.S. companies that voluntarily pledge to abide by a set of principles that satisfy EU standards.

E-Signatures

Technology changed the way that we conduct business. As more and more transactions were conducted electronically, concerns over the validity, legality, and enforceability of those transactions grew.²⁶ While many states already had electronic signature laws, there was a lack of uniformity in their scope and application.²⁷

This lack of a consistent, nationwide framework prompted the National Conference of Commissioners on Uniform State Laws (NCCUSL) to draft the Uniform Electronic Transactions Act (UETA).²⁸ While 41 states have enacted UETA in some form, and six more are in the process of doing so, there are still states that have their own electronic signature laws.²⁹ For example, New York has the Electronic Signatures and Records Act,³⁰ which, like UETA, gives the same validity and effect to electronic signatures as handwritten signatures, but with some specific exclusions.³¹

Congress felt that this patchwork of laws would impede the growth of electronic commerce.³² As a result, Congress passed the Electronic Signatures in Global and National Commerce Act (“E-sign”),³³ which provides that “transactions in or affecting interstate or foreign commerce will not be denied legal effect, validity, or enforceability solely because they are in electronic form or because an electronic signature or record was used in the formation of a contract relating to such a transaction.”³⁴ E-sign, however, did not lead to the clarity and standardization it proposed to create. Instead, it raised the issue of preemption of UETA and other state laws governing electronic transactions, and therefore created confusion over which law to comply with.³⁵ While the preemption issue has yet to be resolved, New York has taken a proactive approach by modifying its technology law to comply with E-sign.³⁶

Personal Jurisdiction

The application of jurisdictional rules to Internet-based conduct has generated intense debate, interest, and a significant body of case law during the past several years. Judicial analysis has focused on application of the Due Process Clause of the Fourteenth Amendment along with the forum state’s long-arm statute to determine whether the defendant has purposefully availed itself of the benefits of the laws of the forum.³⁷ The nature and level of defendant’s activity within the forum state are scrutinized to ascertain the existence of constitutionally mandated minimum contacts that give rise to purposeful availment.

In the Internet context, decisive elements of jurisdiction include the distinction between active and passive Web sites and the transaction of business via the Internet in the forum. The more active the site, the greater the likelihood that purposeful availment will be found to exist, which gives rise to the minimum contacts necessary to support the exercise of jurisdiction. The conduct of business, while not dispositive, strongly favors a finding of jurisdiction. The mere maintenance of a Web site, even for business purposes, that is not interactive and is not used to transact business generally will not support the exercise of jurisdiction.³⁸

The trend in these and other decisions has been to assert jurisdiction over defendants whose Web-based conduct actively targets residents of the forum in some manner. Jurisdiction has been denied under circumstances where the Internet activity or presence is merely incidental to the forum and, although accessible to its residents, does not particularly target them.

Expansion of Traditional Legal Theories

The doctrine of trespass to chattels (itself derived from real property law) was extended to unauthorized use of a portal Web site. In one such case,³⁹ eBay Inc. sought to prohibit Bidder’s Edge from using a Web crawler (spider) to repetitively search for data in a manner violative of both eBay’s terms of service (TOS) and a “no robot protocol” on eBay’s home page, on the grounds that the activities of Bidder’s Edge placed an excessive burden on eBay’s facilities and interfered with other potential users. After finding that eBay’s Web site was private property, the court then held that the use by Bidder’s Edge of Web crawlers (spiders) was a trespass to chattels and should be barred. The critical factors in finding a trespass to chattels included (a) the Web site is private property; (b) a third party accessing or using the Web site by robotic search means (such as

crawlers) in violation of the TOS and “no robot protocol”; and (c) the search activities burdened the Web site facilities to an unreasonable level.

Trespass law was also applied to decisions holding that if bulk spam overloaded a portal’s facilities, it could be banned as a trespass based on a private property analogy even though the sending of spam was not subject to the portal’s TOS.⁴⁰ However, as described below, whether a portal’s TOS are accepted by a user and become an enforceable contract itself raises issues about what type of manifestation of assent is adequate for these purposes.

“Click-wrap” contracts followed the precedent of shrink-wrap software licenses, so that a Web user who clicks an “I accept” button or takes some other action expressly manifesting assent will be bound by the TOS.⁴¹ But users of Web sites with “browser-wrap” terms, where the user merely accesses the Web site to browse through it or perhaps even to download content, but without any requirement of reviewing or even seeing the TOS, will not be contractually bound.⁴²

Whether an electronic signature would be binding on the signatory was an open question that the courts did not fully resolve, principally because of a concern about authentication and whether the signature was genuine. As a result, state and federal legislation was adopted to provide a statutory basis for electronic signatures.⁴³ In contrast, the electronic filing of trademark applications with the USPTO does not require a digital signature.⁴⁴

Defamation and libel laws are being impacted by the global reach of the Internet. The New York Court of Appeals recently held that when a defamatory statement is posted on the Internet, the libel is no different than if published in conventional media with a lesser geographic reach, such that the single publication rule should apply to Internet postings.⁴⁵

Law Enforcement

The government has applied search warrants to computers. Pursuant to lawful search warrants,⁴⁶ the FBI surreptitiously entered the office of Nicky Scarfo, son of the Philadelphia Mafia boss and head of the Gambino family’s gambling and loan-sharking businesses in Philadelphia, and made a copy of his hard disk to evidence gambling and loan-sharking activities. One of the files on the drive was encrypted with PGP software. The FBI obtained another warrant, re-entered Scarfo’s office, and planted Key Logger Software (KLS) trojan horse software in his computer, which logged keystrokes typed into the computer (when the comput-

er was not actively connected to any communications devices) and saved the resulting data. When the data was later retrieved, it was used to recover the keystrokes that were used to decode the encrypted file.

Scarfo moved to be provided with a full description of the operating characteristics of the KLS software and to exclude all material obtained in the searches. The United States argued that disclosure of the secret software would be detrimental to national security, and sought an *ex parte* hearing pursuant to the Classified Information Procedures Act (CIPA). The court was obliged to hold such a hearing to determine: (1) the use, relevance, or admissibility of such information at the (pre-) trial proceeding and (2) whether provision of the information in summary, rather than complete, form to the defendant would provide the defendant with substantially the same ability to make his defense as would disclosure of all of the specific secret information. When the court determined that the information was relevant to the pre-trial suppression motion and that a summary was sufficient, CIPA required that the court issue a written order specifying the reasons for its decision. (A defense expert was unable to convince the court that the summary description was insufficient to determine whether or not the software operated as designed.)

The court held that the government’s search was lawful because the search was conducted pursuant to the specificity requirements of the Fourth Amendment in that the software seized only those data required to obtain needed keystroke information. Moreover, the court concluded that the search did not have to meet the (more stringent) statutory requirements for interception of wire communications, because the software was not operational while Scarfo’s computer engaged in communication functions. Accordingly, Scarfo’s exclusionary motion was denied and he entered a negotiated guilty plea. Passage of the USA Patriot Act,⁴⁷ which, *inter alia*, simplified procedures (and lowered the barrier) for the government to obtain a warrant to access certain electronic communications, would not have affected the result in the case.

The 1996 Telecommunication Act and the Regulatory “Subsidizing” of Internet ISPs

While it is well chronicled how the U.S. government created the Internet, it is not as widely known how the U.S. government advanced the Internet’s growth via regulation or lack thereof. Indisputably, the 1996 Telecommunications Act,⁴⁸ with its indirect and direct regulation of the Internet, significantly shaped the growth of the Internet. Arguably, its most significant sections are: (i) non-discriminatory unbundling and

access to wholesale transport services by Incumbent Local Exchange Carriers ("ILECs"); and (ii) Reciprocal Compensation (FCC ISP Declaratory Ruling⁴⁹—an FCC interpretation of the '96 Act) regulating how Internet service providers (ISPs) pay or do not pay ILECs for transporting traffic over their network. As a result of this pro-Internet regulation, ISPs have been given a regulatory "free ride" onto the information superhighway's heavily regulated pipes, which has resulted in the explosion of Internet dial-up access but, conversely, might have slowed the last mile of broadband's march into the home.

Regulating the Internet is not the exclusive domain of the FCC. In fact, currently the federal government and most state governments have either enacted bills or have bills on their floors addressing issues such as Internet gaming, unsolicited commercial electronic mail, regulated goods distribution—including but not limited to tobacco, prescription drugs, and alcohol—and of course taxation of goods and services being distributed over or via the Internet.

Irrespective of regulation, because of the borderless nature of the Internet, each governmental agency will encounter the difficult burden of establishing jurisdiction. For instance, while Internet gaming has been in existence for as long as consumers have been dialing up the Internet, it is only recently that gaming has gained enough public popularity to warrant U.S. governmental review. In response, despite not having jurisdiction over foreign-run gaming Web sites, the U.S. government has been able to regulate said activity by pressuring major U.S. credit card companies to decline authorization to U.S. customers. Thus, even where it does not have jurisdiction, governmental agencies are finding indirect ways to regulate the Internet.

Endnotes

1. The UDRP was implemented in 1999 by the Internet Corporation for Assigned Names and Numbers (ICANN). See www.icann.org/udrp.
2. 15 U.S.C. § 1125(d).
3. ICANN currently approves four organizations to provide arbitrators to resolve Web site name disputes, which each follow the UDRP as well as its own supplemental rules: the CPR Institute for Dispute Resolution (www.cpradr.org), the National Arbitration Forum (www.arbforum.com/domains), and the World Intellectual Property Organization (www.arbiter.wipo.int/domains), as well as the Asian Domain Name Dispute Resolution Centre (www.adndrc.org).
4. See, e.g., *Sallen v. Corinthians Licenciamentos*, 273 F.3d 14 (1st Cir. 2001) (finding that Congress explicitly provided a cause of action to registrants that lose their domain names in UDRP proceedings); *Parisi v. Netlearning Inc.*, 139 F. Supp. 2d 745 (E.D. Va. 2001) (Federal Arbitration Act did not bar plaintiff's efforts to relitigate the dispute decided under the UDRP); *Broadbridge Media L.L.C. v. Hypercd.com*, 106 F. Supp. 2d 505 (S.D.N.Y. 2000).
5. See, e.g., 3 *McCarthy on Trademarks and Unfair Competition* § 23:6 (4th ed. 2001); *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331 (2d Cir. 1975) ("Grotrian-Steinweg" for pianos infringed "Steinway & Sons"; potential purchaser may initially believe that plaintiff had some connection with "Steinway," and, thus would unfairly attract potential customers based on Steinway's senior reputation); see also *BigStar Entertainment Inc. v. Next BigStar, Inc.*, 105 F. Supp. 2d 185, 207 (S.D.N.Y. 2000) (crediting the Second Circuit with the development of the initial interest confusion doctrine).
6. See, e.g., *Eli Lilly & Co. v. Natural Answers, Inc.*, 86 F. Supp. 2d 834, 844 (S.D. Ind. 2000) (use of plaintiff's PROZAC mark in metatags of defendant's Web site advertising its HERBROZAC herbal alternative created initial interest confusion), *aff'd*, 233 F.3d 456 (7th Cir. 2000) (remarking that use of another trademark as a metatag "is significant evidence of intent to confuse and mislead").
7. See, e.g., *Brookfield Communications Inc. v. West Coast Entertainment*, 174 F.3d 1036 (9th Cir. 1999) (defendant liable for initial interest confusion because Web surfers searching for plaintiff's trademark MovieBuff would be diverted by defendant's metatags containing "MovieBuff" and "moviebuff.com"; a sizeable number of consumers who found a product similar to plaintiff's movie database could decide to utilize defendant's offerings instead).
8. See, e.g., *Hasbro Inc. v. Clue Computing Inc.*, 232 F.3d 1 (1st Cir. 2000) (upholding refusal "to enter the initial interest confusion thicket" because plaintiff's board game and defendant's computer product had little if any similarity); see also *Playboy Enterprises, Inc. v. Welles*, ___ F.3d ___ (9th Cir. 2002, No. 00-55009) (a former Playboy model could use metatags comprising Playboy's trademarks on her Web site under the fair use doctrine to describe who she is and what Playboy titles she held; no liability where it would be impractical to describe defendant's factual history and "credentials" without using plaintiff's trademarks).
9. 17 U.S.C. §§ 1201 *et seq.*
10. *United States v. Elcom Ltd.*, No. CR 01-20138 RMW, 2002 WL 1009662 (N.D. Cal. May 8, 2002); see also *Universal City Studios, Inc. v. Corley*, 273 F.3d 429 (2d Cir. 2001).
11. See *Corley*, 273 F.3d at 458-60; *Elcom*, 2002 WL 1009662.
12. 17 U.S.C. § 1201(a)(1).
13. 17 U.S.C. § 1201(a)(2).
14. 17 U.S.C. § 1201(b).
15. *Id.*; see also *Corley*, 273 F.3d at 440.
16. *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000).
17. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001).
18. *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1093 (1999).
19. *Id.* at 1373.
20. *Reno v. ACLU*, 521 U.S. 844 (1997); *Ashcroft v. ACLU*, ___ U.S. ___ (Docket No. 00-1293, May 13, 2002); *American Library Ass'n v. U.S.*, ___ F.3d ___ (E.D. Pa., Docket Nos. CIV.A. 01-1303 and 1322, May 31, 2002).
21. *Dendrite Int'l v. Doe No. 3*, 342 N.J. Super. 134 (App. Div. 2001).
22. Electronic Communications Privacy Act, 18 U.S.C. §§ 2510 *et seq.* (wire and electronic communications interception and intercept-

tion of oral communications) and 2701 *et seq.* (unlawful access to stored communications).

23. Gramm-Leach-Bliley Act, 15 U.S.C. §§ 6801-6810 (Disclosure of Nonpublic Personal Information) (Pub. Law 106-102; S.90).
24. Health Insurance Portability and Accountability Act of 1996, 42 U.S.C. §§ 6801-6809 (Disclosure of Nonpublic Personal Information) (Pub. Law 104-191; HR 3103).
25. 15 U.S.C. § 6501.
26. See Committee Report to accompany S.761, Senator McCain, from the Committee on Commerce, Science and Technology, 106th Congress, July 1999, *available at* www.thomas.loc.gov.
27. See www.mbc.com/ecommerce/legislative.
28. See Prefatory Note to UETA at www.law.upenn.edu/bll/ulc/fnact99/1990s/ueta99.htm.
29. See *supra* note 27.
30. Consolidated Laws of New York, Ch. 57-A §§ 101 *et seq.*
31. *Id.* § 107.
32. Senator McCain from the Committee on Commerce, Science and Technology, report to accompany S.761, Millenium Digital Commerce Act, July 30, 1999.
33. 15 U.S.C. §§ 7001 *et seq.*
34. *Id.* § 101(a).
35. See Patricia Brumfield Fry, "A Preliminary Analysis of Federal and State Electronic Commerce Laws," July 2000, at www.uetaonline.com.
36. See SB 7289-A, amends Ch. 57-A, Consolidated Laws of New York §§ 101 *et seq.*
37. *Compuserve v. Patterson*, 89 F.3d 1257 (6th Cir. 1996).
38. *Mink v. AAAA Development*, 190 F.3d 333 (5th Cir. 1999); *see also* *Bochan v. La Fontaine*, 68 F. Supp. 2d 692 (E.D. Va. 1999) (Virginia exercised personal jurisdiction over Texas defendants who posted defamatory messages targeting a Virginia resident, where defendants utilized an AOL account and the requisite AOL hardware for distribution of the messages causing "publication" was located in Virginia).
39. *eBay v. Bidders Edge*, 100 F. Supp. 2d 1058 (N.D. Cal. 2000); *Register.com v. Verio*, 126 F. Supp. 2d 238 (S.D.N.Y. 2000); *cf. Ticketmaster v. Tickets Com*, 2000 WL 525390 (C.D. Cal. 2000).
40. *CompuServe v. Cyber Promotions*, 962 F. Supp. 1015 (S.D. Ohio 1997); *America Online v. LCGM*, 46 F. Supp. 2d 444 (E.D. Va. 1998).
41. *Specht v. Netscape Communications*, 150 F. Supp. 2d 585 (S.D.N.Y. 2001).
42. See *Pollstar v. Gigmania*, 170 F. Supp. 2d 974 (E.D. Cal. 2000).
43. Uniform Electronic Transactions Act. See www.uetaonline.com for information about the various state statutes, etc. Electronic Signatures in Global and National Commerce Act, 15 USC 7001.
44. 37 C.F.R. 1.4(d)(1)(iii).
45. *Firth v. State*, No. 87, 2002 N.Y. LEXIS 1901 (July 2, 2002).
46. *U.S. v. Scarfo* (D.N.J., Dec. 26, 2001), <http://www.epic.org/crypto/scarfo/opinion.html>.
47. USA Patriot Act, Pub. L. No. 107-56, 115 Stat. 272 (2001).
48. See generally Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996).
49. 14 F.C.C. Rec. 3689.

The following Internet Law Committee members contributed to this article: Rory Radding, Richard Ravin, Ray Mantle, Peter Szendro, Joyce Creidy, Mark Kaufman, Adam Kraidin, Paul Marino, Michael Rose, and Kelly Slavitt.

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Patent Law

When thinking about the past ten years, and the growth of this Section, one cannot help but notice the coincidental rise in interest in intellectual property law, and patent law in particular. While many in the public (and even among the legal profession) always had a sense of what trademarks, copyrights and patents *are*, patents were typically consigned to the borders of esoterica, the realm of mad geniuses and entrepreneurs, on the one hand, and zillion-dollar research organizations on the other. Suddenly, patents were at the center of the maelstrom that was the Internet revolution.

Business Method Patents

As the foregoing suggests, I would select, as the single most important event in patent law of the last ten years, the landmark decision in *State Street Bank and Trust Co. v. Signature Financial Group*.¹ This decision, once and for all, made it clear that business methods relying on computer processing were in fact statutory subject matter and patentable, provided such methods meet the other requirements for patentability. All at once, the patent bar breathed a deep sigh of relief (remember, the decision reversing the district court's finding that the patent was invalid took nearly two years to come down), as many of us had been counseling our clients for many years to file their business method applications in the wake of *Arrhythmia Research Technology v. Corazonix Corp.*² and *In re Alappat*,³ two important decisions in which the Federal Circuit upheld software patents.

The patent in *State Street* was directed to a computer program for allocating expenses and profits and losses from stock trades consolidated among several participating mutual fund companies, arranged, for accounting purposes, in a "hub and spoke" partnership structure. The district court found the patent invalid because it claimed either a mathematical algorithm or a business method, and, in any case, was *per se* unpatentable. The Federal Circuit reversed, holding that the claimed process was indeed patentable subject matter, particularly under section 101, and that validity would therefore have to be determined, like any other patent application, with reference to the additional

statutory requirements of sections 102, 103, and 112 of the patent law. In so holding, the Federal Circuit vitiated the *per se* ban on business method patents.

The Federal Circuit in *State Street Bank* also clarified that if an algorithm is practically applied (i.e., to produce a “useful, concrete, and tangible” result), then the entire method including the algorithm may yet be patentable. For example, in the Federal Circuit’s earlier decisions on software inventions—*Arrhythmia*, involving a computer program analyzing electrocardiogram signals and comparing the results to predetermined levels in order to assess heart activity, and *Alappat*, involving a computer program transforming spatial coordinate data through known mathematical equations resulting in the form of a smooth waveform display for guiding motion—the claimed software processes were found to be patentable. In *State Street*, the claimed business method included an algorithm for transforming dollar amount data (i.e., from the stock trades) into final stock share prices (for each participating mutual fund’s respective net asset value). The mathematical algorithm exception is nonetheless still relevant, because while many business methods may involve little more than the process of manipulating numbers in accordance with an algorithm, it forces the applicant and the Patent Office to focus on the practical application, not on the algorithm itself.

Since the *State Street* business method floodgate opened, the Patent Office has reported business method applications numbering in the hundreds of thousands each year. The Patent Office has responded to this explosion in the number of applications by substantially revising its Examination Guidelines for Computer Implemented Inventions and by issuing its Business Methods White Paper, which outlines the initiatives the Patent Office is engaged in to keep pace with the demand and to improve the overall quality of the examination of these business method applications. These initiatives include public outreach among the patent bar and their clients, additional senior level review of allowed business method applications, and increased educational and prior art resources made available to examiners. Nonetheless, the quality of issued business method patents continues to be a controversial issue, and it would not be surprising to see additional responses from the Patent Office in the near future.

Finally, the *State Street* decision also resulted in a legislative response. Answering the criticism that the patent system allows too many “common” and “well known” business methods to be patented, the American Inventors Protection Act codified a new defense to

patent infringement suits,⁴ in effect protecting an accused infringer who used the claimed business method commercially at least one year before the effective filing date of the issued patent.

International Agreements

Globally significant patent law events that touched far more than just patent lawyers were the General Agreement on Tariffs and Trade (GATT), the North American Free Trade Agreement (NAFTA), and specifically, the Trade-Related Aspects of Intellectual Property Rights (TRIPS) provisions, all of the foregoing as subsumed by the World Trade Organization (WTO). As a result of TRIPS, both the U.S. Code and the Patent Office regulations were substantially revised to harmonize U.S. patent laws with the patent laws of the rest of the world. Significantly, the patent term was changed to 20 years and is now measured from the date of the first national filing. Additionally, inventors are now allowed to rely on activities occurring in a WTO country to prove a date of invention for the purpose of obtaining a patent. And, finally, a new type of patent application, called the provisional application, which has the effect of staying for one year the start of the 20-year patent term while establishing an early national priority date, was created. These changes have fundamentally altered the strategies used by applicants in prosecuting patents in the Patent Office in order to maximize the value of their inventions.

Claim Construction

The past ten years have marked unprecedented Supreme Court activism in the poorly understood field of patent claim interpretation. The Supreme Court’s decision in *Warner-Jenkinson Co. v. Hilton-Davis Chemical Co.*⁵ began a thorough reevaluation of the half-decade old doctrine of equivalents, which permits a patentee to interpret the patent claims in a manner that captures an infringer’s product or method even if that product or method does not literally infringe the claims (thus, ultimately defining the broadest limits of a claim). The doctrine of equivalents is being still further refined, as witnessed by the Supreme Court’s recent decision in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*⁶

Most important, the Supreme Court in *Hilton-Davis* unanimously upheld the doctrine of equivalents as a viable and important part of the patent grant. But the Court explained that the doctrine is only to be applied to individual elements of patent claims, not to the invention as a whole, and that the range of equivalents

may well be limited by amendments and arguments made during prosecution of a patent (prosecution history estoppel). However, the Court left open the question of whether a judge or jury should determine infringement under the doctrine. Also, while providing some general guidance, the Court stopped short of setting forth a specific formulation of a test to be used for determining whether there is infringement under the doctrine, endorsing instead the steady evolution of judicial precedent.

In *Festo*, the Court further expanded the effects of prosecution history estoppel by affirming that it can apply to an amendment made for any purpose related to the requirements for patentability (as opposed to merely circumventing prior art), but the Court did not go as far as the Federal Circuit's holding that any such narrowing amendment effects a complete bar to application of the doctrine of equivalents to the narrowed claim element. The Court held that "[t]hough prosecution history estoppel can bar challenges to a wide range of equivalents, its reach requires an examination of the subject matter surrendered by the narrowing amendment," thus re-establishing the "flexible bar" approach to the doctrine of equivalents.

Separately, the Supreme Court's affirmation in *Markman v. Westview Instruments, Inc.*⁷ completely changed the way patent suits are tried and decided. The seminal Federal Circuit en banc decision had held that the court had both the power and the duty to interpret the claims of a patent and to instruct the jury accordingly. Thus, claim interpretation became a matter for the court, generally addressed in a pretrial "Markman hearing."

Further clarification as to how district courts are to interpret patent claims came from the important Federal Circuit decision in *Vitronics Corp. v. Conception, Inc.*⁸ There, the Federal Circuit said that whenever possible, claim interpretation should be based solely on publicly available patent documents, namely, the claims themselves, the specification, and the prosecution history, i.e., the "intrinsic evidence." Only in the case of a clear ambiguity should expert testimony and other extrinsic sources be used. Courts may not, however, interpret a claim element so as to reclaim any meaning explicitly disclaimed during prosecution, or so as to capture prior art.

The effect of these decisions has been to radically alter both the conduct and content of patent jury trials. Literal infringement, once the chief focus of the patent

jury trial, is now largely relegated to pretrial Markman hearings before a judge, while the doctrine of equivalents, which in the past had often been treated as an afterthought in patent jury trials, has become the main goal of the evidentiary presentation on liability.

Sovereign Immunity

Issues of federalism rose like a phoenix from the ashes of dwindling states' rights left over from decades of expanding executive power. In *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Bd.*,⁹ the Supreme Court held that the individual states may be protected from being sued for patent infringement and struck down portions of the 1992 Patent Remedy Clarification Act abrogating state sovereign immunity.

Subject Matter Jurisdiction

In *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*,¹⁰ in an opinion by Justice Scalia, the Court held that the Federal Circuit cannot assert jurisdiction over a case in which the complaint does not allege a patent law claim (even if the answer contains a patent-law counterclaim). According to the Court, "[n]ot all cases involving a patent-law claim fall within the Federal Circuit's jurisdiction. . . . [T]he well-pleaded-complaint rule provides that whether a case 'arises under' patent law 'must be determined from what necessarily appears in the plaintiff's statement of his own claim in the bill or declaration.'" If it were otherwise, the Court reasoned, "it would allow a defendant to remove a case brought in state court under state law, thereby defeating a plaintiff's choice of forum, simply by raising a federal counterclaim."

Philip A. Gilman

Endnotes

1. 149 F.3d 1368 (Fed. Cir. 1998).
2. 958 F.2d 1053 (Fed. Cir. 1992).
3. 33 F.3d 1526 (Fed. Cir. 1994).
4. See 35 U.S.C. § 273.
5. 520 U.S. 17 (1997).
6. 122 S. Ct. 1831 (2002).
7. 517 U.S. 370 (1996).
8. 90 F.3d 1576 (Fed. Cir. 1996).
9. 527 U.S. 666 (1999).
10. 122 S. Ct. 1889 (2002).

* * *

Trademark Law

Sovereign Immunity

- *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666 (1999). Petitioner sued under section 43(a) of the Lanham Act, claiming that respondent falsely misrepresented its state tuition savings plan. Holding that Congress cannot authorize private party suits against states in federal court for violations of the Lanham Act, the Supreme Court invalidated the provision of the Trademark Remedy Clarification Act subjecting states to suits brought under the Lanham Act, thereby reestablishing the immunity of states from suit thereunder.
- To close the intellectual property sovereign immunity “loophole” created by the *Florida Prepaid* decision, on March 19, 2002, Sen. Patrick Leahy and Sen. Sam Brownback reintroduced the **Intellectual Property Protection Restoration Act of 2002**. The Act would restore to intellectual property owners the right to sue states for infringement and would require a state to waive immunity from private suits against it as a condition of the state’s ability to recover damages in intellectual property actions.

Trade Dress

- *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992). The Supreme Court considered the availability of trade dress protection under section 43(a) of the Lanham Act without proof of secondary meaning. The Court held that the lower court correctly found that respondent restaurant’s trade dress, including its exterior, signage, décor, menu, equipment, servers’ uniforms and color scheme, was inherently distinctive and therefore could be protected without proof of secondary meaning. The Court held that proof of secondary meaning is required only when the trade dress is merely descriptive.
- *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000). Respondent claimed trade dress protection in its line of seersucker clothing decorated with appliques. Reversing the lower court’s decision that respondent’s clothing line could be legally protected as distinctive trade dress, the Court held that product design is not

inherently distinctive and is only entitled to protection upon a showing that the design has acquired secondary meaning. The Court reaffirmed *Two Pesos* as a product packaging, not a product design, case, and noted that ambiguous trade dress should be classified as product design.

- *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001). The Supreme Court addressed whether the existence of an expired utility patent prevents trade dress protection in the product’s design. The Court unanimously held that respondent’s “dual spring design” mechanism, which held upright temporary road and other outdoor signs in windy conditions, did not constitute protectible trade dress because respondent did not meet the “heavy burden” of demonstrating that the product features previously disclosed in the expired utility patent constituted non-functional trade dress. The Court did note, however, that if there is proof that the product features in issue “do not serve a purpose within the terms of the utility patent” (i.e., are ornamental), trade dress protection may be available.

Color

- *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159 (1995). In resolving a split among the circuits, the Supreme Court held that under certain circumstances color alone may serve as a trademark. In holding that petitioner’s trademark registration for its green-gold colored dry cleaning press pads was valid, the Court made clear that a single color can be considered a “symbol” or “device” used to identify and distinguish goods under section 45 of the Lanham Act and thus may function as a trademark if it is non-functional and has attained secondary meaning.

Dilution

- Effective as of January 1996, the **Federal Trademark Dilution Act (FTDA)** created a new subsection (c) to section 43 of the Lanham Act. The FTDA permits the owner of a “famous” mark to enjoin unauthorized commercial use of a similar or identical mark that causes the dilution of the “distinctive quality” of the mark, even where there is no likelihood of confusion or direct competition between the parties’ respective goods and/or services. The statute enumerates several

factors to be weighed in determining whether a mark is famous, including the distinctiveness of the mark, the duration and extent of use and advertising, the geographic area in which the mark has been used, the degree of recognition of the mark, the channels of trade, the use of the mark by third parties, and whether the mark is federally registered.

- ***TCPIP Holding Co. v. Haar Communications, Inc.***, 57 U.S.P.Q.2d 1969 (2d Cir. 2001). Plaintiff, owner of the mark THE CHILDREN'S PLACE for stores selling children's clothing and accessories, sued defendant, who registered numerous domain names containing combinations of the words "child," "children," and "place," for trademark infringement and dilution. Although the Second Circuit found a likelihood of confusion, it held that the mark THE CHILDREN'S PLACE did not qualify for protection under the FTDA because it was merely descriptive and not inherently distinctive. Thus, even if famous, a descriptive mark that has acquired secondary meaning is not eligible for protection under the FTDA.
- ***Victor Moseley and Cathy Moseley d/b/a Victor's Secret v. V Secret Catalogue, Inc.***, No. 01-1015 (U.S., cert. granted April 15, 2002). Petitioners appealed a decision of the Sixth Circuit which upheld the district court's finding that the "Victoria's Secret" trademark, while not infringed, had been diluted through "blurring" and "tarnishing" because of the type of merchandise sold by petitioners (women's lingerie, adult videos, sex toys, and adult novelties) and the similarities between the parties' names (*Victoria's Secret v. Victor's Secret* and *Victor's Little Secret*). The Supreme Court agreed to decide whether trademark dilution requires proof of actual injury to the economic value of a famous mark or whether plaintiffs need only to show a likelihood of dilution.
- ***Toro Co. v. ToroHead, Inc.***, 61 U.S.P.Q.2d 1164 (T.T.A.B. 2001). Petitioner opposed an ITU application alleging likelihood of confusion and dilution. In dismissing the opposition, the TTAB concluded that there was no likelihood of confusion and that respondent's mark was not likely to dilute petitioner's TORO mark. The TTAB held that for a mark to qualify for protection under the FTDA, it must not only be famous, but also distinctive. In its decision, the TTAB also set forth standards for determining fame, distinctiveness, and dilution by blurring.

Statutes

- **The Anti-Counterfeiting Consumer Protection Act**, signed into law on July 2, 1996, provided new and enhanced tools to curtail further the sale of counterfeit consumer goods. The new Act amended the RICO Act to make trafficking in counterfeit goods a RICO offense and to permit law enforcement officials to seize counterfeit goods and the tools, property, and vehicles used in connection with the manufacture and sale of such goods. The Act also amended the Lanham Act to allow state and local law enforcement officials to seize counterfeit goods, and it provided for greater civil remedies, including awards of up to \$1,000,000 "per counterfeit trademark per type of goods or services sold" in cases where the use of the counterfeit mark is willful. The Act also expanded the authority of Customs officials in numerous ways, including allowing the imposition of civil fines and requiring the destruction of counterfeit merchandise.
- **The Anti-Cybersquatting Consumer Protection Act**, signed into law on November 29, 1999, created a new cause of action under section 43(d) of the Lanham Act, 15 U.S.C. § 1125(d), providing for civil liability for bad-faith registration or use of a trademark, service mark, or personal name as a domain name. Owners of trademarks or personal names may bring a civil action against anyone who, with a bad-faith intent to profit, registers, traffics in, or uses a domain name that is: (1) identical or confusingly similar to a mark that was distinctive when the domain name was registered or (2) identical or confusingly similar to or dilutive of a mark that was famous when the domain name was registered. The Act provides a list of non-exclusive factors to be considered in determining bad-faith intent and also provides for an election of remedies, injunctive relief, attorney's fees in exceptional cases, and *in rem* jurisdiction over the domain name in the judicial district of the registrar in certain circumstances.

International

- In 1996, the **European Community Trademark**, or CTM, was introduced, allowing trademark owners to apply for a single registration covering all of the 15 member states. A CTM registration, with an initial ten-year term from the date of filing, exists alongside national registrations. The advantages of a CTM include a single application and

registration, single central examination, opposition and appeal procedures, and increased territorial rights. Disadvantages include a lengthy registration process, the ability of a national registration in a member state to defeat the CTM application, and the availability of attorney's fees awards in opposition proceedings.

- **The TRIPS Agreement**, signed in 1996 by 131 member states of the World Trade Organization (WTO), was intended to expand and harmonize protection for all intellectual property rights. Generally, the TRIPS Agreement requires WTO member states to extend the same intellectual property rights granted to its own citizens to foreign nationals of other member states. With respect to trademarks, the agreement defined what signs may be protected, minimum terms of protection, and the minimum permissible period of non-use. In addition, the agreement required WTO member states to, *inter alia*, allow applications to be filed for marks not yet in use; register service marks; enhance protection of well-known marks; provide greater geographical protection for marks; forbid the compulsory licensing of trademarks; bar encumbrances, such as linking, on the use of a trademark; provide for criminal procedures and penalties for willful trademark infringement; and establish procedures to allow customs authorities to intercept counterfeit goods.
- **The Trademark Law Treaty Implementation Act (TLTIA)**, signed into law in June 1998, implemented the United States' accession to the Trademark Law Treaty (TLT). On November 1, 1999, the TLT and the PTO's new rules that administer and implement the TLTIA went into effect. The TLTIA revised trademark registration and renewal requirements by, *inter alia*, allowing for electronic filings; no longer requiring three specimens of use; no longer allowing bulky specimens; allowing full color applications; relaxing the standard for reviving abandoned applications; and permitting revivals when a delay is shown to be unintentional as opposed to unavoidable. In addition, the TLTIA added a new defense of functionality against infringement of an incontestable mark and clarified rules relating to use of certification marks in advertising.

Debra I. Resnick

* * *

Trade Secret Law

A cursory review of trade secret law over the past decade reveals a substantial increase in the scope of protection courts afford to trade secrets. This expansion of the scope of protection afforded to trade secrets has undoubtedly increased the number of companies relying on trade secret law to protect confidential information and led to a corresponding increase in the number of trade secret actions.

Inevitable Misappropriation

Over the past ten years, the widespread emergence of the doctrine of inevitable misappropriation has been the most significant development in the field of trade secret law. The emergence of this doctrine has helped lower the bar that an employer must clear in order to obtain injunctive relief to prevent an employee from misappropriating an employer's trade secrets. Although the doctrine has been applied in New York since 1919, its application in other jurisdictions across the United States is a recent development.¹

In applying the doctrine, courts must strike a balance between two legitimate competing interests: the need of employers to protect their investments in their confidential trade secrets against society's need for free competition and the free movement of labor.² Increasingly, courts are willing to issue injunctions where there is only circumstantial evidence suggesting that an employee is likely to misappropriate trade secret information.³ In assessing this risk, a court will review whether the employer has sufficiently identified a trade secret, whether the employee has knowledge of the at-risk trade secret, whether such a trade secret would be useful to the employee's new employer, and whether the employee's new position would lead the employee to rely upon the former employer's trade secret.⁴ In addition, some jurisdictions require a showing that the employee has acted in bad faith and that the employee's new employer lacked comparable levels of knowledge and achievement.⁵ However, New York courts have specifically rejected the necessity of such a showing.⁶

The application of this doctrine does not usually result in a complete prohibition against employment with a competitor, but, rather, a limited injunction preventing the employee from working in narrowly tailored areas implicated by the trade secrets.⁷ However, under certain circumstances, New York courts have seen fit to issue broad, comprehensive bans against employment.⁸ Accordingly, although injunctions against

employment rendered pursuant to the doctrine generally are narrow, the doctrine nevertheless provides employers with another valuable tool with which to protect trade secrets.

Adoption of the Uniform Trade Secret Act

Another significant development in the field of trade secret law has been the widespread adoption of the Uniform Trade Secret Act (UTSA). The UTSA was enacted to bring uniformity to the field of trade secret law by codifying and strengthening the basic principles of common-law trade secret protection, thereby “preserving its distinctions from patent law.”⁹ At present, 41 states and the District of Columbia have adopted the UTSA.¹⁰ In addition, Alabama, Massachusetts, and North Carolina have enacted trade secret statutes that adopt many of the same definitions and remedies contained in the UTSA.¹¹ New York, New Jersey, Pennsylvania, Texas, Tennessee, and Wyoming have not adopted the UTSA or any other trade secret statute.¹²

Critics have argued that because major commercial states like New York and Texas have not adopted the UTSA and because most adopting states have customized parts of the act, the UTSA has failed to strengthen trade secret protection.¹³ However, the criticism ignores the fact that the provisions of the act have given businesses the ability to obtain injunctive relief against threatened as well as actual trade secret misappropriation.¹⁴ Accordingly, the UTSA has successfully broadened the sphere of trade secret protection by affording businesses the opportunity to obtain injunctive relief before their trade secrets are misappropriated.

Advancements in Technology

Rapid advancements in technology have had a major impact on trade secret law. The competition driving the current technological revolution has forced businesses to be more vigilant and to implement increasingly sophisticated plans to protect trade secrets. The proliferation of computer usage and new communication media such as electronic mail and wireless communication present those developing and protecting trade secrets with a double-edged sword. On the one hand, it has never been easier to gather, organize, and store information, including trade secrets. On the other hand, it has never been easier for misappropriators to obtain and distribute this information over the various new communication media.¹⁵

Businesses have responded to these challenges in two ways. First, by employing sophisticated electronic

safeguards to protect information from outside misappropriations. Second, by compelling employees to enter into increasingly more elaborate non-disclosure agreements to protect information from insider misappropriation. The importance businesses have placed on protecting confidential proprietary information and the plans they have implemented to accomplish this goal are directly connected to the spike in the number of trade secret and patent infringement suits.¹⁶

Increased Employee Mobility

The increased mobility of the American workforce has also had a major impact on trade secret law. The average American worker switches jobs with much greater frequency than he or she did 20 years ago.¹⁷ This transient work force, which very often moves amongst competing businesses, presents a major challenge to businesses seeking to prevent former employees from disclosing trade secrets to competitors. Business has responded to this challenge by compelling employees to enter into elaborate non-compete, non-disclosure employment agreements. The increasing use of non-compete, non-disclosure employment agreements is a direct cause of the upswing in the number of lawsuits filed by employers seeking to enforce such agreements.¹⁸

Expanding Definition of Trade Secrets

Legal theorists have always wrestled with the question of what exactly comprises a trade secret. Even the *Restatement of Torts* states “an exact definition of a trade secret is not possible.”¹⁹ This lack of clarity is rooted in the fact that the primary source of trade secret law—judicial opinions rendered in fact-specific cases—does not lend itself to facile universal principles of law.²⁰ Nevertheless, the general definition accepted in most jurisdictions for the past 60 years has defined a trade secret as consisting of “any formula, pattern, device or compilation of information which is used in one’s business and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.”²¹

For most of the period dating back to the inception of trade secret law, courts limited the application of trade secret protection to technical or scientific data such as secret recipes, chemical processes, manufacturing methods, or confidential information concerning the operation of certain machines or devices.²² The classic example of such a trade secret would be the closely guarded secret recipe for Coca-Cola. However, over the past 15 years courts have expanded the definition of

trade secrets to include business plans, pricing and credit policies, marketing plans, financial information, customer lists, compilations of public records, and information concerning failed manufacturing methods or processes.²³

Accordingly, the expanded definition courts have given to trade secrets is at the heart of the courts' movement to afford greater protection to trade secrets.

Loosening of the Standard for Proving Protectible Interests

Another component of the movement to afford greater protection to trade secrets has been the shrinking hurdle plaintiff businesses must clear in order to prove a protectible interest.

The remarkable advances made in computer and communications technology, coupled with the increasing mobility of the American workforce, have conspired to create an economic environment where businesses are extremely vulnerable to the misappropriation and disclosure of trade secrets. As previously discussed, businesses have sought to counter these developments by compelling employees to enter into increasingly sophisticated non-compete/non-disclosure employment agreements. In recent years, courts in general, and New York courts in particular, have begun to recognize the trade secret disclosure problems facing businesses and have responded to the problem by loosening the standard necessary for proving a protectible interest and enforcing the non-compete/non-disclosure covenants in employment agreements.²⁴

Before the emergence of this trend, courts narrowly construed the protectible interests necessary to enforce an employment agreement. Courts were only willing to find a protectible interest when the employee in question possessed extraordinarily unique skills which could not be replaced or duplicated by an employer.²⁵ However, with the recent trend toward looser protectible interest standards, courts are now focusing less on the uniqueness of the employee's talents and more on the employee's relationship to the employer's business.²⁶ The courts are now willing to find an employee to be "unique" for the purpose of finding a protectible interest necessary to enforce a non-compete/non-disclosure covenant in an employment agreement when the employee has used a substantial amount of a business's assets in order to forge close relationships with the business's clients.²⁷ As a result, courts have greatly expanded the number of employees against whom employers can enforce restrictive covenants and have

significantly increased the level of protection afforded to trade secrets.

Adoption of Sophisticated Trade Secret Protection Programs

As previously discussed, employers have responded to the increasing threat of trade secret misappropriation and disclosure by adopting and implementing sophisticated trade secret protection programs. These programs can be divided into protective measures taken during employment and protective measures taken post-employment. Measures taken during employment consist of the execution of employment agreements containing non-compete/non-solicit/non-disclosure provisions, the distribution of employee handbooks setting forth company policies with respect to the protection of trade secrets, and security programs designed to prevent trade secret information from being removed from a business' premises. Post-employment measures include exit interviews with the departing employee in which trade secret protection policies are again set forth, systematic contact with clients serviced by the departing employee in order to guard against illicit solicitation, and, on occasion, contacting the departing employee's new employer to make them aware of the departing employee's continuing obligation not to disclose trade secrets.

The implementation of these sophisticated programs has provided a layer of protection preventing the misappropriation of trade secrets. More important, they also have provided a means for obtaining legal protection after misappropriation has occurred, thereby limiting damage caused by such misappropriations.

Loosening of the Standard for Obtaining Preliminary Injunctive Relief

Immediate injunctive relief is the most effective means of preventing misappropriation. Because a trade secret only has value if it remains a secret, and because it is difficult, if not impossible to identify or quantify monetary damages arising from the misappropriation of a trade secret, a business' most effective remedy against misappropriation is to prevent it before it can occur.

As previously discussed, over the last decade or so, courts have expanded the scope of protection afforded to trade secrets by adopting the doctrine of inevitable disclosure, expanding the definition of trade secrets, and loosening the standards for proving a protectible interest.²⁸ Inevitably, these developments have made it

easier for a business to obtain injunctive relief against a misappropriator because it has made it easier for a business to prove irreparable harm, a likelihood of success on the merits, and that the balance of hardships tilts in its favor.²⁹ The result of this development is that an increasing number of trade secret suits are nipped in the bud, as defendants, facing a lengthy and expensive discovery process and a costly trial that they are likely to lose, elect to settle on terms very favorable to plaintiffs.³⁰

Increase in Patent Litigation

Every patent starts out as a trade secret before the patent is issued. The technological boom has seen an increase in patent applications and issuances and a corresponding increase in the number of patent litigation suits.³¹ The increase in patent applications and patent litigation has forced many potential applicants to think seriously about trade secrets, as these potential applicants are forced to weigh the benefits of applying for a patent or maintaining a trade secret.³² Although a trade secret could potentially be disclosed to and exploited by a competitor at any moment, the patent application process can be fraught with peril. The application discloses the patent to the public, and there is always a good possibility that the application will be denied. Moreover, even if a patent is issued, the protection is limited in duration, as opposed to a trade secret which, with vigilance and luck, can be held in perpetuity. As a consequence, as the number of potential patent applicants increases, an increasing number of potential applicants are deciding to maintain potential patents as trade secrets, thereby raising the profile of trade secret law.³³

The California Gold Rush

California has resisted the idea of enforcing non-compete provisions contained in employment agreements.³⁴ The only basis for restricting an employee from working for a competitor under California law is to protect against the disclosure of trade secrets.³⁵ Accordingly, many companies hiring employees from a competitor place such employees, at least initially, in offices located in California. These employees then bring declaratory judgment actions to declare any operating restrictive covenants null and void. As a result, there has been a significant increase in the number of these declaratory actions in California and a corresponding increase in the emphasis parties seeking to enforce such agreements before California courts place on the need to protect trade secrets.³⁶

Michael B. Carlinsky

Endnotes

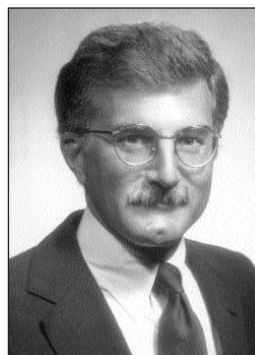
1. See *Eastman Kodak Co. v. Powers Film Products*, 189 A.D. 556, 179 N.Y.S. 325 (App. Div. 1919).
2. See Restatement (Third) of Unfair Competition § 44, comment C.
3. See *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1268 (7th Cir. 1995); *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1460 (M.D.N.C. 1996); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 627, (E.D.N.Y. 1996); *Southwestern Energy Co. v. Eickenhorst*, 955 F. Supp. 1078, 1085 (W.D. Ark. 1997); *La Calhene, Inc. v. Spolyar*, 938 F. Supp. 523, 531 (W.D. Wis. 1996); *Neveux v. Webcraft Techs., Inc.*, 921 F. Supp. 1568, 1573 (E.D. Mich. 1996); *Diversified Fastening Sys., Inc. v. Rogge*, 786 F. Supp. 1486, 1492-93 (N.D. Iowa 1991); *Ackerman v. Kimball Int'l. Inc.*, 652 N.E. 2d 507, 510-11 (Ind. 1995); *Thomas v. Alloy Fastners*, 664 So. 2d 59 (Ct. App. Fl. 1995).
4. See *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269-1270 (7th Cir. 1995); *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 629-635, (E.D.N.Y. 1996).
5. *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1460 (M.D.N.C. 1996); *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270 (7th Cir. 1995); *FMC Corp. v. Varco International Inc.*, 667 F.2d 500, 504 (5th Cir. 1982); *Modern Controls Inc. v. Andreadakis*, 578 F.2d 1264 (8th Cir. 1978).
6. *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 634, (E.D.N.Y. 1996).
7. *E. I. DuPont de Nemours & Co. v. American Potash & Chemical Corp.*, 200 A.2d 428 (Del. Ch. 1964); *Essex Group Inc. v. Southwire, Co.*, 501 S.E.2d 501 (Ga. 1998).
8. *Lumex, Inc. v. Highsmith*, 919 F. Supp. 624, 634 (E.D.N.Y. 1996).
9. See generally 14 U.L.A. 434-467; *Vacco Industries v. Van Der Berg*, 5 Cal. App. 4th 34, 506 Cal. Rptr. 2d 602, 611 (Cal. App. 1992).
10. Pooley, *Trade Secrets*, § 2.03 [7].
11. *Id.* at § 2.03 [7](a), fn.51
12. *Id.*
13. See Pace, *The Case For a Federal Trade Secrets Act*, 8 Harv. J.L. & T. 427 (1995); Samuels and Johnson, *The Uniform Trade Secrets Act: The States' Response*, 24 Creighton L. Rev. 49 (1990).
14. Uniform Trade Secret Act, § 2(a)(b)(c).
15. Arick, *The TCP/IP Companion* (QED Publishing Group 1993); Levy, *Hackers: Heros of the Computer Revolution* (Delta Books 1994).
16. Beckerman-Rodau, *The Choice Between Patent Protection and Trade Secret Protection: A Legal and Business Decision*, The Journal of the Patent and Trademark Society, May 2002.
17. Anawalt, *I.P. Strategy: Complete Intellectual Property Planning*, § 3.21.
18. *Id.*
19. Restatement of Torts § 757, comment B (1939).
20. *ILG Industries, Inc. v. Scott*, 49 Ill. 2d 88, 93-94, 273 N.E.2d 393 (Ill. 1971).
21. Restatement of Torts § 757, comment B (1939).
22. See, e.g. *Eastman Co. v. Reichenbach*, 47 N.Y. 435, 20 N.Y. Supp. 110 (1892); *Ferroline Corp. v. General Aniline & Film Corp.*, 207 F.2d 912 (7th Cir. 1953), cert. denied, 347 U.S. 953 (1954); *Nickelson v. General Motors Corp.*, 361 F.2d 196 (7th Cir. 1966); *Femlee v. Lockett*, 351 A.2d 273 (Pa. 1976); *Henry Hope X-Ray Prods., Inc. v. Marron Carrel, Inc.*, 674 F.2d 1336 (9th Cir. 1982).
23. See *AMP, Inc. v. Fleishackes*, 823 F.2d 1199, 1203-04 (7th Cir. 1987) (specific business plans are protectible); *Augat, Inc. v. Aegis, Inc.*, 565 N.E.2d 515, 418 (Mass. 1991) (financial information concern-

ing sales figures, gross revenues, and accounting procedures are trade secrets); *Unistar Corp. v. Child*, 415 So. 2d 733 (Fla. Dist. Ct. App. 1982) (customer lists are protectible); *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 521 (9th Cir. 1993); *Ingersoll-Rand Co. v. Ciavatta*, 542 A.2d 879, 887 (N.J. 1988) (information concerning skills of highly-trained personnel is protectible); *Metalurgical Industries Inc. v. Fourteck, Inc.*, 790 F. Supp. 1195, 1203 (5th Cir. 1986) (negative information is protectible).

24. See *Ticor Title Insurance Co. v. Cohen*, 173 F.3d 63 (2d Cir. 1999); *Maltby v. Harlow Meyer Savage, Inc.*, 166 Misc. 2d 481, 633 N.Y.S.2d 926 (Sup. Ct., N.Y. Co. 1995).
25. See *Reed, Roberts Assocs. v. Stauman*, 40 N.Y.2d 303, 307, 386 N.Y.S.2d 677 (1976); *American Broadcasting Companies v. Wolf*, 52 N.Y.2d 394, 402, 438 N.Y.S.2d 482 (1981); *Columbia Ribbon & Carbon Mfg. Co. v. A-1-A Corp.*, 42 N.Y.2d 496, 499, 398 N.Y.S.2d 1004 (1977).
26. *Ticor Title Insurance Co. v. Cohen*, 173 F.3d 63, 71 (2d Cir. 1999).
27. See *Ticor Title Insurance Co. v. Cohen*, 173 F.3d 63 (2d Cir. 1999); *Maltby v. Harlow Meyer Savage, Inc.*, 633 N.Y.S.2d 926 (Sup. Ct. N.Y. Co. 1995).
28. *Merck & Co. v. Lyon*, 941 F. Supp. 1443, 1460 (M.D.N.C. 1996); *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1270 (7th Cir. 1995); *FMC Corp. v. Varco International Inc.*, 667 F.2d 500, 504 (5th Cir. 1982); *Modern Controls Inc. v. Andreadakis*, 578 F.2d 1264 (8th Cir. 1978); *AMP, Inc. v. Fleishackes*, 823 F.2d 1199, 1203-04 (7th Cir. 1987) (specific business plans are protectible); *Augat, Inc. v. Aegis, Inc.*, 565 N.E.2d 515, 418 (Mass. 1991) (financial information concerning sales figures, gross revenues and accounting procedures are trade secrets); *Unistar Corp. v. Child*, 415 So. 2d 733 (Fla. Dist. Ct. App. 1982) (customer lists are protectible); *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 521 (9th Cir. 1993); *Ingersoll-Rand Co. v. Ciavatta*, 542 A.2d 879, 887 (N.J. 1988) (information concerning skills of highly-trained personnel is protectible); *Metalurgical Industries Inc. v. Fourteck, Inc.*, 790 F. Supp. 1195, 1203 (5th Cir. 1986) (negative information is protectible); *Ticor Title Insurance Co. v. Cohen*, 173 F.3d 63 (2d Cir. 1999); *Maltby v. Harlow Meyer Savage, Inc.*, 633 N.Y.S.2d 926 (Sup. Ct., N.Y. Co. 1995).
29. See *Computer Associates International, Inc. v. Bryan*, 784 F. Supp. 982, 986 (E.D.N.Y. 1992).
30. Pooley, *Trade Secrets*, § 7.02.
31. Beckerman-Rodau, *The Choice Between Patent Protection and Trade Secret Protection: A Legal and Business Decision*, *The Journal of the Patent and Trademark Society* (May 2002).
32. *Id.*
33. *Id.*
34. See *The Application Group, Inc. v. The Hunter Group, Inc.*, 61 Cal. App. 4th 881, 893-894, 72 Cal. Rptr. 73, 80 (1st Dist. Cal. App. 1998).
35. 61 Cal. App. 4th at 893-94, 72 Cal Rptr. at 80-81.
36. Wong, *Representing Technology Companies in the New Business Environment*, PLI Order No. Go-00XJ (Jan. 2002).

Thank You Past Chairs

Editor's note: Beginning with Rory Radding, the Section's growth has been attributable in part to the excellent leadership of the Section's chairs, each of whose contributions to the Section we hereby acknowledge, with gratitude for their efforts:



Rory J. Radding
1992-1994



Tricia T. Semmelhack
1994-1996



Robert M. Hallenbeck
1996-1998



Michael I. Chakansky
1998-2000



Victoria A. Cundiff
2000-2002

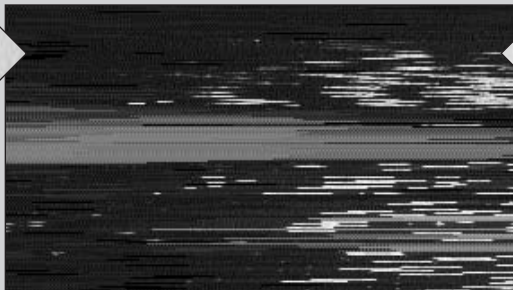
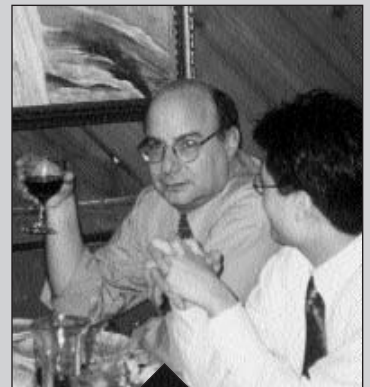


Marc A. Lieberstein
2002-2004

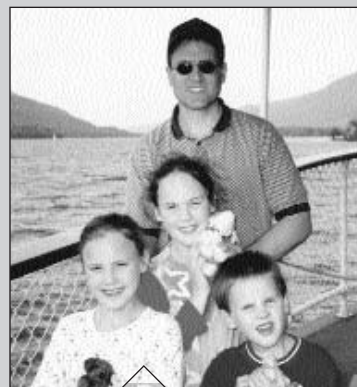
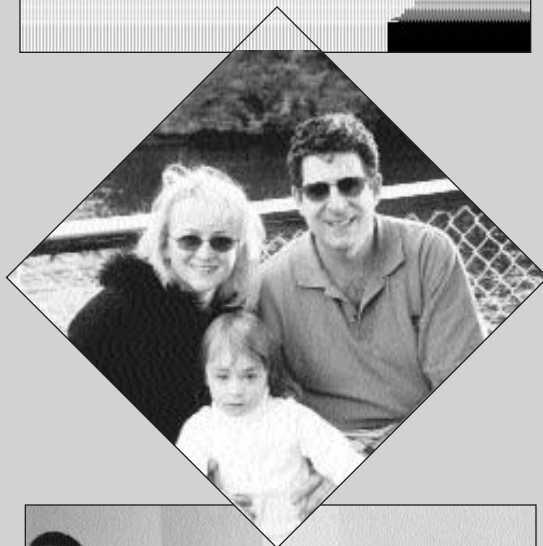
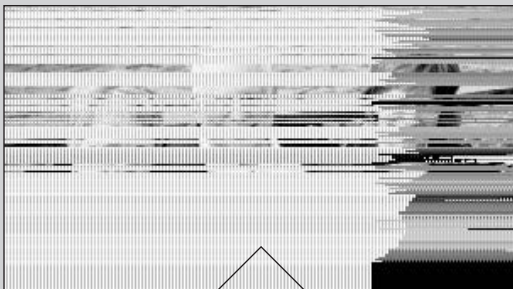
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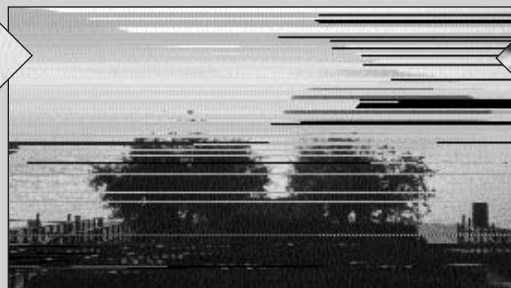
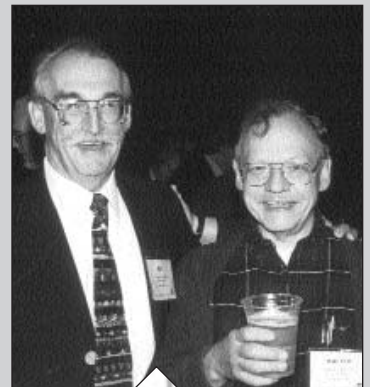
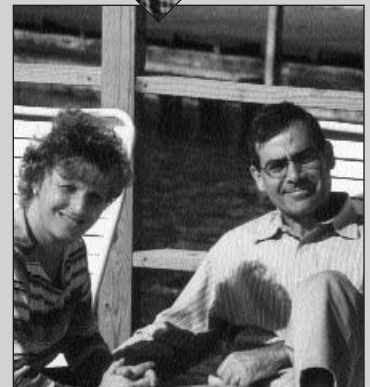
Ten Terrific Years A Pictorial Retrospective



A DECADE OF INTELLECTUAL PROPERTY LAW



A DECADE OF INTELLECTUAL PROPERTY LAW



ANNOUNCING THE
Intellectual Property Law Section's
ANNUAL LAW STUDENT WRITING CONTEST
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Sponsored by THOMSON & THOMSON

To be presented at **The Annual Meeting of the Intellectual Property Law Section, January 21, 2003, New York, NY** to the authors of the best articles on subjects relating to the protection of intellectual property not published elsewhere.

First Prize: \$2,000

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CONTEST RULES

To be eligible for consideration, the paper must have been written solely by a student or students in full-time attendance at a law school (day or evening) located in New York State or by an out-of-state law student or 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 15, 2002**, to each of the persons named below. As an alternative to sending the disks, the contestant may e-mail the electronic copies, provided that they are e-mailed before 5:00 p.m. EST, **November 15, 2002**. Papers should be no longer than 35 pages, double-spaced, including footnotes. Submissions must include 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:

and:

Walter J. Bayer, II
GE Licensing
One Independence Way
Princeton, NJ 08540
(609) 734-9413

(e-mail: walter.bayer@corporate.ge.com)

Victoria A. Cundiff
Paul, Hastings, Janofsky & Walker LLP
75 East 55th Street
New York, NY 10022
(212) 318-6030

(e-mail: victoriacundiff@paulhastings.com)

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

Please direct any questions to Walter Bayer.

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Second Prize: Juan C. Gonzalez

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

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NYSBA

Intellectual Property Law Section Fall Meeting at Lake George

The Sagamore, Bolton Landing, New York

October 10 - 13, 2002



Your attendance at this program will provide you with a total of **11.0 MCLE credit hours** consisting of 10.5 credit hours in practice management and/or areas of professional practice and .5 credit hour in ethics.

Intellectual Property Law Section Fall Meeting at Lake George

IMPORTANT INFORMATION

Under New York's MCLE rule, this program has been approved for 11.0 credit hours, consisting of 10.5 credit hours in practice management and/or areas of professional practice and .5 credit hour in ethics. **Except for the ethics portion, this program 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. This discount applies to the educational portion of the program only. Under that policy, any member of our Association who has a genuine basis of his/her hardship, and if approved, can receive a discount or scholarship, depending on the circumstances. To apply for a discount or scholarship, please send your request in writing to Catherine Dolginko at: New York State Bar Association, One Elk Street, Albany, New York 12207.

UPCOMING SECTION EVENTS

Wednesday, September 18: Benjamin Cardozo School of Law and IP Law Section present: When Intellectual Property Law Meets Bankruptcy and U.C.C. Article 9: Navigating your IP Clients Through Rough Waters. Benjamin N. Cardozo School of Law, 55 5th Avenue, New York, NY. 6 pm to 8:30 pm. Complimentary wine & cheese reception following. \$50 fee; call 212-790-0293 by September 13 to register.

Wednesday, November 6: Fordham University Intellectual Property, Media & Entertainment Law Journal and IP Law Section present: Ethical Issues in Intellectual Property Litigation -- A Dramatization. Fordham University School of Law, 140 West 62nd St., New York, NY. 6 pm to 9 pm. Call 212-636-6948 or visit www.iplj.org for additional seminar and registration information.

Tuesday, January 21, 2003: IP Law Section Meeting during NYSBA Annual Meeting. Marriott Marquis, 1535 Broadway, New York, NY. 9 am to 5:30 pm. Luncheon break from 12:45 pm to 1:45 pm.

SCHEDULE OF EVENTS

Thursday, October 10

7:00 pm - 11:00 pm

Buffet Dinner for Arriving Guests - Sagamore Dining Room, Main Hotel
(Spouses, Significant Others and Children Welcome!)

Friday, October 11

8:00 am - 12:00 pm

Golf Tournament

A pre-paid entry/greens fee of \$110.00 is required and includes a box lunch. Register for the tournament on the enclosed Meeting Registration Form and be sure to include the fee. Awards will be given to the 1st and 2nd place winners of this 18 hole tournament.

Neil Baumgarten, Esq. - Golf Chair

Merrick, New York

9:00 am - 1:00 pm

Registration

12:00 noon - 1:00 pm

Lunch - Trillium Dining Room, Main Hotel

GENERAL SESSION

1:00 pm - 1:15 pm

Introductory Remarks

Marc A. Lieberstein, Esq. - Section Chair

Ostrolenk, Faber, Gerb & Soffen, LLP
New York, New York

1:15 pm - 2:35 pm

Current Developments in Copyright Law

issues.

Experts will discuss the latest developments in copyright laws and related

1:15 pm - 1:40 pm

Marybeth Peters, Esq.

Register of Copyrights
United States Copyright Office
Washington, D.C.

1:40 pm - 2:05 pm

William F. Patry, Esq.

Skadden, Arps, Slate, Meagher & Flom, LLP
New York, New York

2:05 pm - 2:35 pm

Michael A. Einhorn

LECG
New York, New York

2:35 pm - 4:05 pm

PANEL DISCUSSION

The Supreme Court's *Festo* Decision: the Doctrine of Equivalents Survives – the *Festo* Debate and its Impact on U.S Patent Laws and Practice.

Attorneys and *amicus curiae* from both sides will discuss their respective positions, the Supreme Court's landmark decision, and will opine on *Festo's* impact on patent prosecution and litigation.

Moderator

Douglas Miro, Esq.,

Ostrolenk, Faber, Gerb & Soffen, LLP
New York, New York

Charles R. Hoffmann, Esq.

Hoffmann & Baron, LLP
Syosset, New York

Attorneys for Festo Corp.

Rory J. Radding, Esq.

Pennie & Edmonds, LLP
New York, New York

Attorneys for Litton Systems, Inc., *Amicus Curiae*

Mark J. Abate, Esq.

Morgan & Finnegan, LLP
New York, New York

Attorneys for IBM Corp., *Amicus Curiae*

4:05 pm - 4:15 pm

Break

4:15 pm - 5:05 pm

Dilution Arrives at the Supreme Court:

The *Victoria's Secret* Case

The Supreme Court is about to decide whether the Federal Trademark Dilution Act requires proof of actual dilution or whether plaintiff need only show a likelihood of dilution. Listen in as our experienced trademark presenters debate the issue and tell us how you would vote.

4:15 pm - 4:40 pm

George R. McGuire, Esq.

Hancock & Estabrook, LLP
Syracuse, New York

4:40 pm - 5:05 pm

Thomas H. Curtin, Esq.

King & Spalding
New York, New York

Adjourn

6:30 pm

Child Care

Drop off your children and attend the Cocktail Hour

6:30 pm - 7:30 pm

Cocktail Hour - Wapanak Room, Conference Center

Sponsors: MOREA & SCHWARTZ, P.C.

OSTROLENK, FABER, GERB & SOFFEN, LLP

PAUL, HASTINGS, JANOFSKY & WALKER LLP

7:30 pm

Children's Dinner - Abenia Room, Conference Center

7:30 pm

Dinner - Nirvana Room, Conference Center

Join us for dinner and music featuring the NAT PHIPPS TRIO

9:30 pm - 12:30 am

Drinks and Dancing - Wapanak Room, Conference Center

Join us for a cash bar and dancing to Kevin Pepe, DJ

Sponsored by: PINKERTON CONSULTING & INVESTIGATIONS

Saturday, October 12

7:45 am - 8:45 am

Registration

MORNING SESSION

8:45 am - 9:35 am

Signal and Copyright Piracy under the Digital Millennium Copyright Act and Federal Communications Act

8:45 am - 9:05 am

Richard L. Ravin, Esq., Section Vice Chair

Hartman & Winnicki, P.C.

Paramus, New Jersey and New York, New York

9:05 am - 9:35 am

Mark J. Zwillinger, Esq.

Kirkland & Ellis

Washington, DC

9:35 am - 9:45 am

Break

9:45 am - 11:05 am

Trademark Counterfeiting – A Global Business Perspective

9:45 am - 10:10 am

Bharat Dube, Esq.

Associate Counsel, Intellectual Property

Richemont Group

Geneva, Switzerland

10:10 am - 10:35 am

Barbara Kolsun, Esq.

General Counsel, Senior Vice President

Kate Spade

New York, New York

10:35 am - 11:05 am

William B. Belmont, Esq.

Director of Operations

Pinkerton Consulting & Investigations

New York, New York

11:05 am - 11:40 am

Trademark Searching and Ethics in the Digital Age

Kathleen Donohue

Thomson & Thomson

New York, New York

11:40 am - 12:30 pm

Historical Perspectives on the Current Business Crisis

Keynote Speaker: Professor George David Smith

New York University Stern School of Business

New York, New York

12:30 pm - 1:30 pm

Lunch - Trillium Room

AFTERNOON SESSION

1:35 pm - 3:30 pm

So, You Think They Are Counterfeits, What Now?

1:35 pm - 2:05 pm

Anthony F. LoCicero, Esq.

Amster Rothstein & Ebenstein

New York, New York

2:05 pm - 2:35 pm

Thomas S. Fusco, Esq.

Senior Investigative Attorney
Office of Unfair Import Investigations
International Trade Commission
Washington, DC

2:35 pm - 3:05 pm

George Frederick McCray, Esq.

Senior Attorney Advisor
Office of Rules and Regulations
IPR Branch
United States Customs Service
Washington, DC

3:05 pm - 3:30 pm

Scott Phillips

InteCap, Inc.
Chicago, Illinois

4:15 pm

Boat Ride Around Lake George on "THE MORGAN"

Sponsored by: THOMSON & THOMSON

Boarding begins at 4:15 pm at the dock behind the Main Hotel.

THE MORGAN departs promptly ***at 4:30 pm!***

7:30 pm

Children's Dinner - Abenia Room, Conference Center

7:30 pm

Dinner - Nirvana Room, Conference Center

Join us for dinner and music featuring the NAT PHIPPS TRIO

Sunday, October 13

9:00 am

Executive Committee Breakfast Meeting

Adjourn



We wish to express special thanks to our
PROGRAM SPONSORS:

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THOMSON & THOMSON
North Quincy, Massachusetts

Friday Cocktail Reception
MOREA & SCHWARTZ, P.C.
OSTROLENK, FABER, GERB & SOFFEN, LLP
PAUL, HASTINGS, JANOFKY & WALKER, LLP
New York, New York

Friday Evening of Dancing
PINKERTON CONSULTING
& INVESTIGATIONS
New York, New York

Hotel:

- **Miniature Golf** - Complimentary - adjacent to the Tennis Center
- **Fitness Center** - Complimentary - open 6:30 am to 8:00 pm
- **Step Aerobic Classes** - Complimentary - sign up in the Fitness Center
- **Indoor Pool and Whirlpool Bath** - One level below the Spa
- **Golf** - Donald Ross 18-Hole championship course. Call 800/358-3583 x 6380 for reservations
- **Tennis** - One indoor hard court and 4 outdoor courts. Call 518/644-9400 x6390 for reservations
- **Racquetball** - Located in the Tennis Complex. Call 518/644-9400 x6390 for reservations
- **Spa** - Features, massages, facials, herbal and seaweed wraps, loofah scrubs aromatherapy. Open daily from 9:00 am to 7 pm. Call 518/644-9400 x5175 for reservations
- **Teepee Club** - Supervised enrichment program offering activities for children ages 4 - 12. Available on Saturday: 9 am to 12 noon (\$25 per child plus tax) or 9 am to 4 pm (\$45 per child plus tax). Reservations required. Call 800-358-3585 and ask for the Teepee Program.
- **Outlet Shopping** - At **1:00 pm**, The Sagamore shuttle will take you shopping to the Lake George Outlets. The shuttle departs from the outlets back to The Sagamore at **4 pm**. \$10 per person. Call x5101 for reservations

Other:

- **Fort Ticonderoga** - Ticonderoga, NY. Tour the grounds of the Fort and visit the Native American Harvest Moon Festival (Oct. 12, 13) with a Fort Guide or on your own. Reenactors will portray Eastern Woodland Indians, carrying on the traditions of the people who made their home in the region long before the Fort came to be in the mid-1700's. Demonstrations may include a council with French or British military officers, cooking, deerskin dressing, bead and quillwork, and games such as lacrosse. Battle reenactments at 2 pm each day. Call 518-585-2821 for information.



Group Code: A-404261

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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.

* * *

On Friday, October 25, 2002, the National Sports Law Institute will present an all-day program on "Intellectual Property Issues in Sports: How They Have Affected the Modern Sports Industry and Its Business Practices" at Marquette University in Milwaukee, WI. Topics include Athletes' Rights of Publicity, Licensing and Merchandising; Scope of Protectible Rights in Sports Events and Game Accounts; Scope of Protectible Rights in Sports Team and Event Trademarks and Logos; and Scope of Protection for Methods/Styles of Play and Playing Equipment. For more information, call Professor Paul Anderson, Associate Director of the National Sports Law Institute, at (414) 288-5815 or view information online at www.marquette.edu/law/sports/events.html.

* * *

Welcome New Members:

Harris J. Aaron
Janet Rose Abrams
Harvey Agosto
Marilyn Bersh Ampolsk
Pamela C. Ancona
Graham Bassett
Karen J. Bernstein
Hila Boaz
Anne Briggs
Kevin C. Brown
Nicole J. Buckner
Paul Burns
Gregory T. Casamento
Perry A. Cerrato
Arianne H. De Govia
Paul Diamond
Lee Anne Egnal
Kathleen K. Elsner
David F. Fernandes
John J. Figueroa
Natasha J. Finlen
Andra Fraiberg
Laura J. Freedman
Markus R. Frick
Margaret A. Geisst
Philip A. Gilman
Richard T. Girards
Steven W. Green
Marie-Claude Grenier
Robert D. Guadalupe
Anthony H. Handal
Maureen Cohen Harrington
Timothy P. Heaton
Brett A. Hertzberg
Cheryl A. Heyman
Mami Hino
Ulana Holubec
Jonathan F. Horn

Kevin A. Janus
Jonathan Jelen
Maitland Kalton
Arti Kane
Ian R. Kaplan
Jack B. Kim
Adam E. Kraidin
Charles S. Kwalwasser
David M. La Bruno
John LaBatt
Bernice K. Leber
Neil H. Lebowitz
Jenny Nahyoung Lee
Sandra Sohee Lee
James Michael Lennon
Harold C. Lentz
Brian Lawrence Levine
Allison L. Lucas
Sarah L. Lucchina
Kalama M. Lui-Kwan
Jonathan A. Maltby
Jeffrey Mann
Heather C. Mapstone
Amy Marshall
Roxanne A. Marvasti
Francis J. Matthews
Christine McMillan
Stefano Mechelli
Daniel J. Melman
Charles G. Minkoff
David P. Miranda
Darren Mogil
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Lance Moore
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Kevin Moses
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Darren E. Pogoda
Frederick J. Price
Elena V. Reshetnikova
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Victor Rivera
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Robert G. Spampata
Afaf S. Sulieman
Takashi Tanaka
Pei-ling Tong
Anastasios Tselekas
Kimberly C. Turina
Jessica Lynn Turko
Allison M. Villafane
Deborah J. Weiss
Dorothy R. Whitney
Brian J. Winterfeldt
Thomas C. Wolski
Daniel R. Wood
Wendy Tai Yun Wu
Shin Yamazaki
Omid Zareh
Ling Zeng

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 73 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 74 of this issue.

- | | |
|---|--|
| <input type="checkbox"/> Copyright Law (IPS1100) | <input type="checkbox"/> Trade Secrets (IPS1500) |
| <input type="checkbox"/> Internet Law (IPS1800) | <input type="checkbox"/> Trademark Law (IPS1600) |
| <input type="checkbox"/> Patent Law (IPS1300) | <input type="checkbox"/> Young Lawyers (IPS1700) |
| <input type="checkbox"/> Technology, Transfer and Licensing (IPS1400) | |

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>

Section Committees and Chairs

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

Committee on Copyright Law

Jeffrey Barton Cahn (Co-Chair)
Sills Cummis et al.
The Legal Center
Newark, NJ 07102
Tel.: (973) 643-5858
Fax: (973) 643-6500
e-mail: jcahn@sillscummis.com

Robert W. Clarida (Co-Chair)
Cowan, Liebowitz & Latman, P.C.
1133 Avenue of the Americas
New York, NY 10036
Tel.: (212) 790-9200
Fax: (212) 575-0671
e-mail: rwc@cll.com

Committee on Internet Law

Raymond A. Mantle (Co-Chair)
Reitler Brown LLC
800 Third Avenue
21st Floor
New York, NY 10022
Tel.: (212) 209-3050
e-mail: rmantle@reitlerbrown.com

Rory J. Radding (Co-Chair)
Pennie & Edmonds LLP
1155 Avenue of the Americas
22nd Floor
New York, NY 10036
Tel.: (212) 790-6511
Fax: (212) 869-8864
e-mail: rjradding@pennie.com

Committee on Membership

Michael I. Chakansky (Chair)
Sills Cummis et al.
712 5th Avenue
New York, NY 10019
Tel.: (212) 643-7000
Fax: (212) 643-6550
e-mail:
mchakansky@sillscummis.com

Committee on Patent Law

Philip A. Furgang (Co-Chair)
Furgang & Adwar, LLP
Two Crosfield Avenue, Suite 210
West Nyack, NY 10994
Tel.: (845) 353-1818
Fax: (845) 353-1996
e-mail: philip@furgang.com

Philip A. Gilman (Co-Chair)
Willkie Farr
787 7th Avenue
New York, NY 10019
Tel.: (212) 728-8000
Fax: (212) 728-8111
e-mail: pgilman@willkie.com

Committee on Technology, Transfer and Licensing

Walter J. Bayer, II (Co-Chair)
GE Licensing
One Independence Way
Princeton, NJ 08540
Tel.: (609) 734-9413
Fax: (609) 734-9899
e-mail:
walter.bayer@corporate.ge.com

Neil A. Baumgarten (Co-Chair)
1885 Cynthia Lane
Merrick, NY 11566
Tel.: (516) 868-6617
Fax: (516) 868-7666
e-mail: nsbaumg@aol.com

Committee on Trade Secrets

Michael B. Carlinsky
Quinn Emanuel et al.
900 3rd Avenue
11th Floor
New York, NY 10022
Tel.: (212) 995-2500
Fax: (212) 813-0695
e-mail: mbc@quinnemanuel.com

Committee on Trademark Law

Debra Ivy Resnick (Chair)
Morea & Schwartz P.C.
120 Broadway
New York, NY 10271
Tel.: (212) 608-1266
Fax: (212) 608-1309
e-mail:
dresnick@morea-schwartz.com

Committee on Young Lawyers

Marie-Eleana First (Co-Chair)
Law Office of Marie-Eleana First
353 Broadway
2nd Floor
New York, NY 10013
Tel.: (212) 334-1232
e-mail: mfirst622@aol.com

Vejay G. Lalla (Co-Chair)
61 West 62nd Street, Apt. 23A
New York, NY 10023
Tel.: (212) 813-5900
Fax: (212) 813-5901
e-mail: vlalla@frosszelnick.com

Save the Date!

Intellectual Property Section ANNUAL MEETING

Tuesday, January 21, 2003 • New York Marriott Marquis

Benjamin N. Cardozo School of Law Alumni Association and
the Office of Career Services
in conjunction with the
Intellectual Property Law Section of the New York State Bar Association

present

When Intellectual Property Meets Bankruptcy and U.C.C. Article 9:

Navigating Your IP Clients Through Rough Waters

- IP Licenses in Bankruptcy—Debtor's Right to Assume and Assign, or Reject License
- Rights of Licensee When Licensor is in Bankruptcy
- License vs. Sale of IP
- Perfecting Security Interests in IP
- Effect of Rev. UCC Art. 9 on Assignment of IP Rights
- Source Code Escrow Agreements in Bankruptcy
- Drafting Tips to Avoid Adverse Consequences in Bankruptcy
- Valuation of IP
- Increasing Inventory Collateral Value By Obtaining Related IP Rights
- Securing Domain Name Registrations
- Effect of Privacy Policies in Bankruptcy

Moderator: **Richard L. Ravin, Esq.**, Hartman & Winnicki, P.C.
Vice Chair, Intellectual Property Law Section (NYSBA)

Panelists: **Gerard Catalanello, Esq.**, Brown Raysman Millstein Felder & Steiner LLP
William S. Coats, Esq., Orrick, Herrington & Sutcliffe, LLP
Terry H. Korn, CPA, ABV, Berdon LLP
Justin Hughes, Esq., Professor, Cardozo Law School
Elaine Ziff, Esq., Skadden, Arps, Slate, Meagher & Flom LLP

Wednesday, September 18, 2002

6:00 to 8:30 p.m.

Reception to follow

Cardozo School of Law
55 Fifth Ave. (12th Street)

Benjamin N. Cardozo School of Law is an accredited provider of New York State Continuing Legal Education courses and programs. This is a transitional course approved for 2.5 hours of CLE in the skills category.

Full and partial tuition grants are available. For more information call or e-mail Naomi Pitts at the New York State Bar Association (518) 487-5587 (npitts@nysba.org).

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. Initially, 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 Winter 2002 issue must be received by October 15, 2002.



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BRIGHT IDEAS

Editor-in-Chief

Jonathan Bloom
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153
e-mail: jonathan.bloom@weil.com

Executive Editor

Rory J. Radding
Pennie & Edmonds LLP
1155 Avenue of the Americas, 22nd Floor
New York, NY 10036
e-mail: rjradding@pennie.com

Assistant Editor

Walter J. Bayer, II
GE Licensing
One Independence Way
Princeton, NJ 08540
e-mail: walter.bayer@corporate.ge.com

Section Officers

Chair

Marc Ari Lieberstein
Ostrolenk Faber et al.
1180 Avenue of the Americas, 7th Floor
New York, NY 10036
e-mail: mlieberstein@ostrolenk.com

Vice Chair

Richard L. Ravin
Hartman & Winnicki, PC
115 West Century Road
Paramus, NJ 07654
e-mail: rick@ravin.com

Treasurer

Michael B. Carlinsky
Quinn Emanuel et al.
900 3rd Avenue, 11th Floor
New York, NY 10022
e-mail: mbc@quinnemanuel.com

Secretary

Joyce L. Creidy
4617 6th Avenue
Brooklyn, NY 11220
e-mail: jcreidy@email.msn.com

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Intellectual Property Law Section
New York State Bar Association
One Elk Street
Albany, NY 12207-1002

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