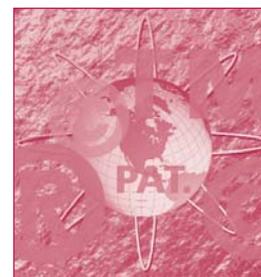


Bright Ideas

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



Message from the Chair

My two-year exclusive license to author this column expired at the end of May, so this is my last "Message" to the Section. I remember vividly that fateful telephone call one day in 1998 when I was asked by the then-Chair of the Section, Michael Chakansky, to serve as Co-Chair of the nascent Internet Law Committee. My Co-Chair would be Rory Radding, who was founding chair of the Section. I took a big gulp and said "Yes," not really knowing what I was getting myself into. From that day forward, I began developing wonderful personal and professional relationships within the Section. In fact, it was the camaraderie among the members and the stimulating legal seminars that drew me into the Section in the first place.



Richard L. Ravin

As Section Chair, I saw as my first priority to perpetuate the Section's rich tradition of producing first-rate, inspirational CLE programs, unsurpassed by other organizations and commercial enterprises. If

we could accomplish this, then the other goals, such as continuing our growth, would follow naturally.

During this past calendar year, Section membership broke the 2,000 mark for the first time. Due to our size, the bylaws of the NYSBA provide that we are entitled to send three delegates to the House of Delegates of the Association. Considering the maximum number of delegates any section can have is four, and that our Section is only fourteen years old, we continue to be one of the fastest-growing Sections in the Association.

Our Section also is one of the most active. In addition to producing three major programs each year, we present a Bridging-the-Gap series of programs in six locations around the state, several roundtable fora, an annual Women-in-IP program, and many committee meetings on patents, copyrights, trademarks, trade secrets, technology transfer and licensing, Internet law, and international IP law. We have recently embarked on a project to develop an intellectual property law desk reference to be published by the Section, and we are following through on an Association initiative to encourage the participation of "young" lawyers (admitted five years or less).

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Two years ago, the Section was chosen by the U.S. Copyright Office to sponsor its annual program "The Copyright Office Comes to New York." Besides being a great honor for the Section, the program itself is always terrific. This year, we held the event on Tuesday, May 23, 2006 at Fordham University School of Law. The all-day program included breakfast, lunch, and a cocktail reception. Top officials from the Copyright Office served as panelists, including the Register of Copyrights, the General Counsel, and the Chief of Examining Division, to name a few. Our Section's own walking copyright law encyclopedia, Robert Clarida, gave his patented rendition of "Copyright Litigation Year In Review," which is always lively and fun. The seminar is not only interesting and entertaining, but the price of admission is only a fraction of its fair market value.

The Annual Meeting in January was another example of the Section providing excellent continuing legal education on emerging IP legal issues such as gripe sites, domain parking, keyword marketing on the Internet, standard bodies in patent pools, discovery of electronic evidence, copyright registration, and ethics in IP transactions. We are grateful for the work of the program Co-Chairs, Thomas Curtin and Jonathan Matkowsky, in coordinating this event. New York State Bar Association President A. Vincent Buzard honored our Section with his remarks at the meeting, congratulating the Section on its achievements.

I am very fortunate to have had such an active Executive Committee and a remarkable team of officers in Debra Resnick (Chair-Elect), Joyce Creidy (Vice Chair-Elect), and Paul Fakler (Treasurer-Elect), all of whom shared the workload and provided valuable advice in conducting the affairs of the Section. Kelly Slavitt (Secretary-Elect), has done an outstanding job for years as Chair of the Young Lawyer's Committee and Chair of the Writing Competition. We all took care to have fun, kibitz, and share many good laughs along the way, whether in person, over the phone, or via email.

My successor, who took office June 1, has unbounded energy, enthusiasm, and professional contacts. Debra took the IP Law Section Executive Committee by storm only a few years ago after having co-chaired two Sagamore programs. She spearheaded yet another Fall Meeting last October, with the help of Kelly Slavitt. It was a huge success, appropriately spiced-up with a casino night, flamenco dancer, and Latin guitarist. I can think of no one

more worthy to take over the helm of the Section, and I cannot thank Debra enough for being my Vice Chair. Thank you, Debra!

I also want to recognize the Editor-in-Chief of *Bright Ideas*, Jonathan Bloom, who tirelessly works on this publication throughout the year in order to publish three superb issues annually. He is meticulous in his editing and unyielding in his demand that any article included in the Section's newsletter be of the highest caliber. Jonathan's contributions over the past eight years as captain of this publication have been incalculable, equal only to his modesty. We are lucky to have him. (Jonathan: leave it alone!)

The Section is indebted to the thoughtful work of its previous Chairs, and we are privileged that Past Chairs Rory Radding (1992-1994), Michael Chakan-sky (1998-2000), Vicki Cundiff (2000-2002), and Marc Lieberstein (2002-2004) remain active on the Executive Committee. Indeed, Marc has volunteered to be Co-Chair, along with Charles Weigell, of the 2007 Fall Meeting at the Sagamore. When it comes to organizing CLE programs that are stimulating and intriguing, Marc is a consummate professional. Be sure to mark your calendars – October 12 through 15, 2006. These former Section Chairs have been a great inspiration to me in many respects, and their continued participation is invaluable to the prosperity of the Section.

The importance of our staff in Albany cannot be overstated. Throughout the years, we have received enormous support from many individuals at the Association, in addition to our regular Association workforce: Kathy Heider, Pat Stockli, Linda Castilla, Cathy Teeter, and Naomi Pitts. Lyn Curtis and Wendy Pike do a superb job on *Bright Ideas*. The Section is especially grateful to the constant care and attention of Pat Stockli, whose experience and common sense has helped us navigate the NYSBA waters. Without the efforts of these dedicated people in Albany, we would never be able to produce our programs and publications.

While my work over the past four years as Vice-Chair and Chair has been arduous, it has also been immensely rewarding, personally and professionally. I thank you for having given me the opportunity to serve this outstanding organization and to work with so many exceptionally talented people. I look forward to learning and relaxing in the company of my friends at future Section events!

Richard L. Ravin

Nine Digits Is Not Creative Enough for Copyright Protection

By Noel D. Humphreys

I. Introduction

Brevity is the soul of wit, Shakespeare wrote, but no matter how witty a short phrase may be, copyright law does not prohibit copying a single, short string of characters. The Third Circuit Court of Appeals sitting *en banc*, a Sixth Circuit panel, and the Ninth Circuit all recently held that the Constitution demands, for copyright purposes, a creative work that is more than a short string of characters, and a decision from the Southern District of New York has found “the short phrase analysis” a “compelling basis” for concluding that copyright does not protect settlement prices for commodities contracts.¹



In the Third Circuit case² and the Sixth Circuit case,³ the plaintiffs sought copyright protection for parts identification numbers. In the Ninth Circuit case,⁴ the plaintiff sought protection for the word “KINGMASTER” used in connection with a chess game variant. In all three cases, the courts held that such short expressions lacked that “modicum of originality” that the Constitution requires⁵ and cited 37 C.F.R. § 202.1(a),⁶ which denies copyright registration to “words and short phrases such as names, titles and slogans, familiar symbols or designs” and the like.

The decisions do not set forth a standard for distinguishing between a “creative work” and a not-quite-creative-enough work, or between a fact and a “creative work.” Rather, the courts determined that the particular short works involved lacked sufficient creativity to warrant copyright protection. The lack of a standard for measuring the presence or absence of creativity has led to recurring attempts to suppress competition based on invoking copyright protection for short works.

II. The Parts Numbers Cases

A. *Southco*

In the Third Circuit case, plaintiff Southco assigned parts numbers to screws based on the screws’ characteristics. Each nine-digit product number represented a code that assigns a digit or group

of digits to a product characteristic, such as style, material, thread-size, or length.

Kanebridge, the accused infringer, published charts comparing Kanebridge-numbered fasteners that are interchangeable with Southco-numbered fasteners. Southco sought a court order to stop Kanebridge from advertising that Kanebridge items could be substituted for Southco fasteners, claiming that copyright law prohibited Kanebridge from using the Southco part numbers in Kanebridge promotional materials.

The district court enjoined Kanebridge from referring to Southco’s part numbers.⁷ The court held that “Southco’s time, effort, creativity and expense over the years in authoring the Numbering System must be protected because copyright law grants its statutory monopoly to protect the investment made in expressing the results of innovation.”⁸ The court cited the copyright registration of Southco product manuals as *prima facie* evidence of the registration of the part numbers and found Southco’s intricate system that assigned individual part numbers to be sufficiently imaginative and original.⁹ The court distinguished cases in which circuit courts had found that product numbers that were randomly assigned were not copyrightable.¹⁰

On appeal, a Third Circuit panel that included now–Justice Samuel A. Alito, Jr., reversed.¹¹ The panel focused on the distinction between the parts numbering system and the parts numbers themselves. Although the numbering system may be sufficiently creative, in the court’s view, rigid assignment of particular numbers in accordance with a system is not expressive. The court held that “the creative spark is utterly lacking in Southco’s part numbers” and that “these numbers are examples of works that fall short of the minimal level of creativity required for copyright protection.”¹²

On remand, Southco submitted an affidavit by a Southco engineer named Bisbing that explained the creative choices and methods inherent in the code that determined the product numbers. Unpersuaded, the district court granted Kanebridge’s motion for summary judgment on the copyright infringement claim. Consistent with Judge Alito’s opinion, the court found the Bisbing affidavit irrelevant to evaluating the creativity of the numbers themselves.

This time, Southco appealed, and a different Third Circuit panel reversed the grant of summary judgment in favor of Kanebridge.¹³ The court's opinion, written by Judge Jane R. Roth, found that Bisbing's affidavit called "into doubt the *Southco I* panel's factual conclusions about the process by which Southco assigns numbers to new fasteners."¹⁴

At Kanebridge's urging, the Third Circuit voted to rehear the case *en banc*. The *en banc* court held that Southco's parts numbers were not copyrightable. Writing for the majority, Judge Alito cited two different lines of reasoning. First, the majority (eleven of the thirteen judges) characterized the part numbers as not "original." Since Kanebridge was copying part numbers for use in comparative advertising, the majority opinion focused on whether copyright law protected the part numbers. Echoing *Southco I*, the majority distinguished between the numbering system and the specific part numbers and held that the Southco part numbers "are not protected by copyright because they are mechanically produced by the inflexible rules of the Southco system."¹⁵

Second, eight judges concluded that copyright law does not protect Southco's part numbers "because they are analogous to short phrases or titles of works. Since at least 1899, it has been the practice of the Copyright Office to deny registration to 'words and phrases.'"¹⁶ The Code of Federal Regulations codifies this practice,¹⁷ and the majority stressed the importance of Copyright Office policies:

We believe that the Copyright Office's long-standing practice of denying registration to short phrases merits deference. We accept the Copyright Office position and believe that it logically extends to part numbers.¹⁸

The majority quoted the government's *amicus* brief to the effect that a short phrase "typically lacks any creativity whatsoever."¹⁹ If Southco could prohibit others from using Southco part numbers, other companies that used the same numbers for parts could be prevented from using such part numbers, even on unrelated products. Copyright confers "exclusive rights" on the owner, and "any use of the number could potentially infringe the copyright," Judge Alito wrote.²⁰ "Moreover," he added "if Southco's nine-digit numbers were protected, would there be a principled basis for denying protection to a number with, say, seven or five digits? Could a company or person thereby obtain the exclusive right to use the number 4,710,202 or 47,102?"²¹ The court speculated that "the fair use defense presumably would protect the use of such numbers in most situations," but having to

demonstrate "fair use" would probably "impose an undue burden."²²

Judge Edward R. Becker, in a concurring opinion, objected to the majority's deference to the Copyright Office's rules. In his view, the majority needed a test "to identify the point at which a title or short phrase becomes a descriptive narrative."²³ In addition, he wrote, the majority opinion failed to weigh competing considerations that might pertain to deference. Judge Becker believed that the "deference" the majority afforded the Copyright Office was unwarranted because of a lack of evidence that the Copyright Office had ever considered whether part numbers were uncopyrightable as short phrases.²⁴

Judge Jane R. Roth's dissent also objected to the majority's "short phrase" analysis. "Short phrases are typically unprotectable because they are either insufficiently independent or insufficiently creative or both, but it does not make sense to state categorically that no combination of numbers or words short enough to be deemed a 'phrase' can possess 'at least some minimal degree of creativity'" as required by *Feist*.²⁵

Judges Becker and Roth both struggled with the idea that a string of numbers constitutes a "phrase." Judge Roth noted the lack of precedent for the proposition that a work abounding in creativity was nonetheless unprotected because it was too short. Instead, she noted, courts analyze whether the work involved creative originality regardless of its length.²⁶

B. ATC Distribution

In the Sixth Circuit case,²⁷ plaintiff ATC Distribution claimed that a former employee (Hester) unlawfully copied parts numbers and a parts catalogue used by ATC. Hester's new start-up company also referred to ATC parts numbers in advertisements. The district court, in an unreported decision, granted summary judgment in favor of defendants. The district court found that the parts numbers lacked the originality required for copyright protection.

ATC appealed. ATC argued on appeal that its catalogue constituted a taxonomy or creative classification scheme. If the catalogue is a taxonomy, ATC argued, the individual parts numbers express the overall taxonomy. ATC argued that the numbering scheme for the parts involved at least five different creative aspects or elements.²⁸

The Sixth Circuit panel rejected these arguments. Chief Judge Danny J. Boggs, writing for a three-judge panel, found that the parts numbers themselves lacked originality or creativity, regardless of the level of creativity that went into the organizational

scheme. The part numbers, the court found, did not express the creativity that went into the classification scheme:

ATC's allocation of numbers to parts was an essentially random process, serving only to provide a useful shorthand way of referring to each part. The only reason that a "sealing ring, pump slide" is allocated number 176 is the random ordering of sub-categories of parts, and the random ordering of parts within that sub-category. . . . [T]he particular numbers allocated to each part do not express any of the creative ideas that went into the classification scheme in any way that could be considered eligible for copyright protection.²⁹

Like Judge Alito in the *Southco en banc* decision, Judge Boggs based his decision, in part, on the idea that granting copyright protection for short works like parts numbers would limit the ability of other companies to number parts.³⁰ Judge Boggs wrote that protection for these numbers would "provide a way for the creators of otherwise uncopyrightable ideas or works to gain some degree of copyright protection through the back door simply by assigning short numbers or other shorthand phrases to those ideas or works (or their component parts)."³¹ Judge Boggs also cited the Copyright Office's rule against registration of short phrases as congruent with *Feist's* constitution-based requirements of originality and creativity.³²

In another recent decision, *R & B, Inc. v. Needa Parts Manufacturing, Inc.*,³³ a federal district court in the Third Circuit granted summary judgment to defendants on plaintiff's copyright claim for protection of parts numbers, based on the *Southco en banc* decision. In that case, Needa copied R & B's parts numbers and added a digit. Following the *Southco* court's reasoning, the court stated that, regardless of the creativity of the numbering system, the numbers themselves do not "reflect the minimal degree of creativity necessary."

III. The KINGMASTER Case

Plaintiff Ronald Planesi claimed to have originated the word "KINGMASTER" in 1984 in connection with a six-person board game that is a variant on chess. He apparently registered the name and the game instructions with the Copyright Office, but he did not seek to register KINGMASTER as a trademark. Planesi brought suit, *pro se*, in 2003 against a fishing tackle maker (Penn Fishing), the Southern

Kingfish Association, a cable television production company, and a maker of electronic board games, all of which used the name KINGMASTER in connection with products or services. Planesi asserted that copyright law provided him a remedy against defendants' uses of the name KINGMASTER which, he claimed, had damaged him.

In September 2004, relying on facts determined by a magistrate judge, the district court held that KINGMASTER was not copyrightable, finding that this "one word title" is "simply too short and insubstantial" to warrant copyright protection.³⁴

Planesi appealed. His appellate brief focused on the need for governmental policy to foster creativity and argued that the court should protect the word KINGMASTER "especially when directly connected to substantial works of original nature."³⁵ Penn Fishing argued that extending copyright protection to words, names, titles, and concepts would discourage creativity because authors would face "the insurmountable task of ensuring that the title or name is not used in any other work."³⁶

The Ninth Circuit, in a memorandum opinion, stated that the district court had "properly dismissed" Planesi's claim, citing the Copyright Office regulations. The word KINGMASTER was not a literary work, in the court's view. Planesi's copyright registration of the rules for his chess variant did not transform the game's name into a copyrightable work. Planesi's claim illustrates that extending copyright protection to a short string of characters has the potential to confer to a copyright holder undue power to prevent use of words, phrases, or slogans by others.

IV. Other Circuits

The concept of copyright protection for words or short phrases reached both the First Circuit and the Second Circuit in the 1990s. In a dispute over the words "Retail Plus" used as the name of an insurance policy, a First Circuit panel wrote: "It is a basic proposition of copyright law that mere words and short phrases, even if they occur in a copyrighted work, do not themselves enjoy protection against copying. The non-copyrightability of titles in particular has been authoritatively established."³⁷

Another First Circuit case involved allegations of a more substantial pattern of copying than the mere copying of one or two words. That case, *CMM Cable Rep. Inc. v. Ocean Coast Properties*,³⁸ involved competing radio promotions that used employment-oriented terms. CMM developed and marketed radio promotions, working with only one outlet in a market. CMM declined to sell an employment-oriented pro-

motion to radio station WPOR because CMM already had a client in the market. WPOR went ahead with a similarly formatted call-in promotion. WPOR used employment imagery and terms such as “payday,” “punch in,” “go on the clock,” and “begin earning \$25 an hour.”³⁹ Citing the Copyright Office regulation, among other bases, the district court granted summary judgment (on most of the claims) in favor of WPOR, in part because words and slogans are not subject to copyright protection.⁴⁰

Both parties appealed on a variety of issues. On CMM’s claim that WPOR had infringed a CMM-owned copyright, the First Circuit considered whether CMM held a valid copyright interest in the language in question. As the panel noted: “It is axiomatic that copyright law denies protection to ‘fragmentary words and phrases’ and to ‘forms of expression dictated solely by functional considerations’ on the grounds that these materials do not exhibit the minimal level of creativity necessary to warrant copyright expression.”⁴¹ The cases that CMM cited in support of its argument, the court wrote, “stand for, or otherwise support, the proposition that copyright protection simply does not extend to ‘words and short phrases, such as names, titles and slogans.’”⁴²

The court held that the disputed phrases were not copyrightable, although the panel affirmed that the brochure, published advertisements, and scripts in which such phrases appeared could receive copyright protection when considered as a whole. The panel wrote:

While the parties are essentially operating the same promotion, and while WPOR may well have decided to “copy” the ideas underlying CMM’s promotion, WPOR’s supporting materials do not constitute actionable copying to the extent that the similarities arise from uncopyrightable elements, such as the original employment metaphor or de minimis phraseology, or involve standard “how to” features of a direct mail radio promotion.⁴³

In *Arica Institute, Inc. v. Palmer*,⁴⁴ the plaintiff Arica Institute, Inc., a not-for-profit educational institution, published in various training manuals, books, and journals assertions that its founder, Oscar Ichazo, “discovered” the personality traits described in the “enneagram” (a diagram consisting of a nine-pointed star inside a circle) as scientifically verifiable and objective facts of human nature. Arica claimed that defendants Helen Palmer and Harper & Row, the

author and publisher, respectively, of a book on the enneagram, infringed its copyrights based on alleged copying of numerous words and phrases from the copyrighted materials, reproduction of seven Ichazo enneagrams, and appropriation of Ichazo’s decision to attach “ego fixation labels” to the enneagram figure.

The district court treated the claim relating to copying of the words in the enneagram labels as an attempt to protect concepts that Ichazo himself described as facts of human nature that he had discovered, which the court treated as a concession that it was non-copyrightable subject matter. The court also found with respect to the alleged copying of words and phrases that “of the approximately 250 instances of alleged copying where access was found, all but twenty or so refer to single words or short phrases which do not exhibit the minimal creativity required for copyright protection.”⁴⁵ The court determined that the balance of plaintiff’s infringement claims were subject to a valid fair use defense and granted summary judgment for the defendants. On appeal, the Second Circuit affirmed.⁴⁶

V. Settlement Prices Case

In *New York Mercantile Exchange, Inc. v. Intercontinentalexchange, Inc.*,⁴⁷ NYMEX brought a copyright infringement action in the Southern District of New York against a company that facilitated derivatives trading based on NYMEX’s daily settlement prices. Initially, the Copyright Office rejected NYMEX’s application for registration of the settlement prices. Thereafter, NYMEX registered a database as a compilation without claiming protection for the settlement prices. Judge John G. Koeltl granted summary judgment to the defendants on two grounds. First, however artfully determined, he concluded that settlement prices were facts that cannot be distinguished from the expression of the fact in dollars. Second, “[t]he reasoning in *ATC Distribution* and *Southco II* denying copyright protection for parts numbers applies with equal force to NYMEX settlement prices.”⁴⁸ Like Judges Alito and Boggs, Judge Koeltl feared that copyright protection for a string of numbers would adversely affect the public interest: “If a NYMEX settlement price in dollars constituted copyrightable subject matter, public conduct would be limited, regardless of the use of the price and regardless of the context.”⁴⁹

VI. Modes of Analysis

A. What Is Creativity?

The cases discussed above stand for the proposition that copyright law does not protect short phrases or words that lack creativity. However, the cases

do not articulate a benchmark for measuring the presence or absence of creativity in small expressions. The *Planesi*, *Southco*, and *ATC* courts would have benefited from a test for determining what creativity is. As Judge Becker wrote in dissent in *Southco*, copyright law needs a boundary between an “original work of authorship” and a work that is too insubstantial to be an “original work of authorship”⁵⁰ and between a fact and an “original work of authorship.”

The Supreme Court in *Feist* did not establish a test for differentiating between a fact and an “original work of authorship.” The Court deemed phone numbers and addresses to be facts. It did not need a jury to distinguish a fact from an original work of authorship, but it did not explain the test for determining the difference. “It is this bedrock principle of copyright that mandates the law’s seemingly disparate treatment of facts and factual compilations. ‘No one may claim originality as to facts.’ This is because facts do not owe their origin to an act of authorship.”⁵¹

Similarly, the “short phrase” rule is somewhat arbitrary. Judge Becker labeled it a rule of thumb.⁵² Both the concurring and the dissenting judges in *Southco* opined that the court should make its own inquiry into the creativity of the parts numbers without relying on the Copyright Office rule. Plaintiffs *Southco* and *ATC* argued that their parts numbers reflected considerable creativity because the numbering systems from which they derived manifested creativity. The *Southco* majority cited the government’s *amicus* brief for the proposition that a short phrase “typically lacks any creativity whatsoever,”⁵³ but neither the government nor Kanebridge provided evidence that *Southco*’s parts number system was “typical,” as Judge Becker noted in his concurrence. He struggled with the problem: “In order for any test that purports to distinguish between short phrases and copyright compositions to be viable it would have to identify the point at which a title or short phrase becomes a descriptive narrative.”⁵⁴ “Put differently,” he stated,

the problem in this case is whether the *Southco* parts numbers are words, short phrases or titles, or whether they are instead a compilation of data, a system of classification or something else. Indeed, the part numbers seem to fall into the gray area between a short phrase and a more extensive work.⁵⁵

Judge Roth, dissenting in *Southco*, pointed out that short expressions that are not names, titles, or

slogans may not be covered by the Copyright Office’s regulation.⁵⁶ She proposed that the court’s task should be to determine whether the string of characters used as a part number is both creative enough and not a “name, title or slogan” described by the Copyright Office rule. She concluded: “However, the majority is incorrect insofar as it contends that *Southco*’s part numbers, even if quite creative, are unprotected simply because they are short.”⁵⁷

B. The Purpose of Copyright Law

The Constitution creates in Congress the power to establish copyright rights to “promote the progress of science and the useful arts.”⁵⁸ However, none of these cases discussed in this article examines whether one ruling or another would “promote” any “progress” at all. In *Southco*, *ATC*, and *NYMEX*, the courts expressed concern that, if plaintiff prevailed, competition would be stifled because other parties potentially would be prohibited from using particular numbers or strings of numbers. These cases suggest that courts are sensitive to the balance of the public’s need for language and expression and the public’s need for innovation. Judge Roth referred to this balance as the “two contradictory imperatives” of “protection and dissemination.”⁵⁹ The courts might have cast that sensitivity as promotion of progress of the useful arts, but the courts did not express the idea in those terms.

Plaintiffs and defendants could have presented evidence to show that a particular position tended to promote progress of some sort. Litigants have argued this approach but without much evidence. *Planesi* argued that he needed the motivation of strong copyright protection to trigger his own particular genius. On the other hand, the government’s *amicus* brief in *Planesi*, relying on *Feist*, also focused on creativity.⁶⁰ Emphasizing the constitutional mandate “to promote the progress of science and the useful arts,” the government argued that protecting one word does not encourage or motivate the kind of creativity for the public benefit that the Constitution’s framers had in mind.⁶¹ The government relied on *Sony*⁶² for the proposition that “progress” means “to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow public access to the products of their genius after the limited period of exclusive control has expired.”⁶³ However, the litigants apparently had no evidence to adduce as to the impact on the progress of the useful arts if *Planesi* stopped a fishing tackle company from using KINGMASTER on its fishing equipment.

In the *en banc* proceeding in *Southco*, the Department of Justice’s *amicus* brief argued for the importance of creativity and originality to the balance

between an exclusive right to use and benefit from an author's works for a limited time, on the one hand, and promotion of "the progress of science and the useful arts," on the other.⁶⁴ Short phrases, the government argued, typically lack "any creativity whatsoever," and granting Southco copyright protection would deny the public "ordinary access to a string of numbers." Judge Alito was receptive to this argument. But the government ultimately placed reliance on the courts' judgment as to the amount of creativity inherent in a string of numbers and the propensity of a particular balance to foster creativity.

VII. Conclusion

Several recent decisions support the idea that copyright law does not protect short words and phrases. These recent cases demonstrate that plaintiffs who want to use copyright law to protect numbered expressions of ideas will have to overcome the barrier that courts typically regard short expressions, especially expressions consisting of numbers, as lacking creativity. So far, however, those who claim copyright protection for short expressions have no legal test to establish that sufficient creativity is present to justify the protection they seek.

Endnotes

1. *New York Mercantile Exchange, Inc. v. Intercontinentalexchange, Inc.*, 389 F. Supp. 2d 527 (S.D.N.Y. 2005).
2. *Southco, Inc. v. Kanebridge Corporation*, 390 F.3d 276 (3d Cir. 2004), cert. denied, 126 S.Ct. 336 (2005).
3. *ATC Distribution Group Inc. v. Whatever It Takes Transmissions & Parts Inc.*, 402 F.3d 700 (6th Cir. 2005) ("ATC"), reh'g en banc denied, <http://www.ca6.uscourts.gov/opinions.pdf/05a0149p-06.pdf>.
4. *Planesi v. Peters*, 2005 WL 1939885 (9th Cir. Dec. 16, 2004); cert. denied, 126 S. Ct. 1182 (2005).
5. *Feist Publications, Inc. v. Rural Telephone Service, Co.*, 499 U.S. 340, 351 (1991).
6. 37 C.F.R. § 202.1 states in part: "The following are examples of works not subject to copyright and applications for registration of such works cannot be entertained:
 "(a) Words and short phrases such as names, titles, and slogans; familiar symbols or designs; mere variations of typographic ornamentation, lettering or coloring; mere listing of ingredients or contents"; "While this Copyright Office regulation 'does not have the force of statute,' it is a fair summary of the law." *Kitchens of Sara Lee, Inc. v. Nifty Foods Corp.*, 266 F.2d 541, 544 (2d Cir. 1959).
7. The district court's initial order appears at 2000 WL 21257 (E.D. Pa Jan. 12, 2000).
8. Memorandum and Order dated Jan. 12, 2000, at 18, available at <http://www.paed.uscourts.gov/documents/opinions/00D0032P.pdf>.
9. Memorandum and Order dated January 12, 2000, at 6, <http://www.paed.uscourts.gov/documents/opinions/00D0032P.pdf>.
10. *Toro Co. v. R&R Prods. Co.*, 787 F.2d 1208 (8th Cir. 1986); *Mitel, Inc., v. Iqtel, Inc.* 124 F.3d 1366 (10th Cir 1997).
11. *Southco, Inc. v. Kanebridge Corporation*, 258 F.3d 148 (3d Cir. 2001).
12. *Id.* at 152.
13. *Southco, Inc. v. Kanebridge Corporation*, 324 F.3d 190 (3d Cir. 2003).
14. *Id.* at 197.
15. 390 F.3d at 285.
16. *Id.*
17. 37 C.F.R. § 202.1(a).
18. 390 F.3d at 286.
19. *Id.*
20. *Id.*
21. *Id.*
22. *Id.*
23. *Id.* at 289.
24. *Id.* at 290.
25. *Id.* at 298.
26. *Id.*
27. *ATC*, at 704.
28. *Id.* at 706. The five creative elements are (1) deciding what kind of information to convey in part numbers; (2) predicting future developments in the industry and deciding how many slots to leave open in a particular category for such developments; (3) deciding whether a particular part fits within a particular existing category or calls for a new category; (4) "designing the part numbers"; and (5) devising the overall taxonomy.
29. *Id.* at 709.
30. *Id.*
31. *Id.*
32. *Id.* at 710.
33. 2005 WL 2033389 (E.D. Pa. 2005).
34. The lower court's decision is not reported, apparently. A party shared a copy. Westlaw collected certain briefs of the parties. Planesi's Ninth Circuit brief dated November 4, 2004, in case No. 04-16936 is available at 2004 WL 2919557. The Register of Copyrights' brief dated December 16, 2004, appears at 2004 WL 3140392.
35. 2004 WL 2919557, at 29.
36. 2004 WL 3167465, at 13.
37. *Arvelo v. American International Insurance Company*, 66 F. 3d 306 (1st Cir. 1995 (Table)), 1995 WL 561530.
38. 97 F.3d 1504, 1519 (1st Cir. 1996) ("It is axiomatic that copyright law denies protection to 'fragmentary words and phrases' and to 'forms of expression dictated solely at functional considerations' on the grounds that these materials do not exhibit the minimal level of creativity necessary to warrant copyright protection.") (holding unprotectable "if you're still 'on the clock' at quitting time" and "clock in and make \$50 an hour").
39. *CMM Cable Rep. Inc. v. Ocean Coast Properties*, 888 F. Supp. 192, 198 (D. Mass. 1995).
40. 888 F. Supp. at 198.
41. 97 F.3d at 1519.
42. *Id.* at 1520.

43. *Id.* at 1522.
44. *Arica Institute, Inc. v. Palmer*, 970 F.2d 1067 (2d Cir. 1992).
45. 970 F.2d at 1072.
46. *Arica Institute, Inc. v. Palmer*, 761 F. Supp. 1056 (S.D.N.Y. 1991).
47. 389 F. Supp. 2d 527 (S.D.N.Y. 2005).
48. *Id.* at 544.
49. *Id.*
50. 17 U.S.C. § 102(a).
51. *Feist*, 499 U.S. at 347.
52. *Southco*, 390 F.3d at 290.
53. *Id.* at 286.
54. *Id.* at 289.
55. *Id.* at 289-90.
56. *Id.* at 295.
57. *Id.* at 300.
58. Art. I, sec. 8.
59. 390 F.3d at 291.
60. 2004 WL 3140392, at *8.
61. *Id.*
62. *Sony Corp. of Am. v. Universal City Studios*, 464 U.S. 417, 429 (1984).
63. A recent article argues that “progress” in the copyright sense would be understood in a way that better corresponds to the framers’ intent if copyright law emphasized “dissemination” or “spread” of knowledge rather than improvement upon what went before. See Maria Pollack, “The Democratic Public Domain: Reconnecting the Modern First Amendment and the Original Progress Clause (a.k.a Copyright and Patent Clause),” 45 *Jurimetrics J.* 23-40 (2004).
64. Brief *amicus curiae* of the United States of America, 2000 WL 33982403 (2000), at <http://www.usdoj.gov/atr/cases/f201000/201034.htm>.

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Case Note: *Perfect 10 v. Google, Inc.*

By Shirley Blaiher-Stein

I. Introduction

The recent preliminary injunction decision in *Perfect 10 v. Google*¹ further defines the scope of copyright protection on the Internet. The decision addresses the increasingly familiar conflict between intellectual property rights, on the one hand, and the ever-growing capacity of Internet technology to assemble, organize, store, access, and display content, on the other. Specifically, the court addressed the following issues: (i) Does an infringement occur when a search engine displays copyrighted images served by another website through in-line linking? (ii) Does a search engine infringe copyrighted images by displaying them on an “image search” function in the form of “thumbnails”? and (iii) If either of the foregoing is an infringement, is there a valid fair use defense? In short, to what extent does copyright protection prohibit the display of a protected image? What is the test by which an infringing technology can be separated from a noninfringing one?



II. Factual Background

Perfect 10 publishes and sells the adult magazine *Perfect 10* and maintains the subscription website, perfect10.com, both featuring high-quality copyrighted nude photographs of models. Perfect 10 also generates revenue from the sales of copyrighted reduced-size images for download and use on mobile phones. Google, of course, is a software, technology, Internet, advertising, and media company that maintains one of the Internet’s most frequently visited websites, Google.com. Google’s search engine indexes websites on the Internet via a web-crawler, a scanning software that stores the content of each website in a user-friendly catalog. Websites can avoid indexing by Google by sending an appropriate signal to its web-crawler. Google honors any such request. Google operates different search engines for different web contents, and the results of such searches may appear as text, images, or videos.

When a user searches for an image on Google Image Search, the results appear as reduced-size, or

“thumbnail,” images organized into a grid. The user then can quickly scan the thumbnails to determine whether any of them is what he or she is looking for. By clicking on the chosen thumbnail, the user will get more information about the image. The Google-supplied program will cause the user’s browser to open a window displaying the web-page hosting the image, a process called “framing.”

An important distinction is between regular Internet hyperlinks and “in-line” linking. A hyperlink transports the user to a different web page that displays the information or images. An “in-line link,” as applied by Google, enables a web page to incorporate by reference information or images stored on another website; it allows a website operator to import a graphic from a source website and incorporate it into its own website. This incorporation creates the appearance that the in-lined graphic is a seamless part of the operator’s web page. Internet users may not realize that the information or image appearing on their computers actually resides on another website.

III. Court Proceedings

Perfect 10 petitioned the Central District of California for a preliminary injunction to enjoin Google from copying its copyrighted photographs and also from linking to third-party websites that provide access to its photographs. While Perfect 10 asserted a variety of other claims, it moved for a preliminary injunction only on its direct, contributory, and vicarious copyright infringement claims.

A. Direct Infringement

To establish direct copyright infringement, a plaintiff must prove (i) ownership of a valid copyright and (ii) the defendant’s violation of an exclusive right granted under the copyright law. In this case, Perfect 10 argued that the rights infringed were the rights to create, display, and distribute the copyrighted work.

The key issue as to direct infringement was whether Google’s in-line linking to or framing of content stored on and served by other websites constitutes “display” of the content within the meaning of section 106(5) of the Copyright Act, 17 U.S.C. § 106(5).

1. Display

a. Hyperlinking

The court identified two approaches to defining “display” in the context of in-line linking: the “server” test and the “incorporation” test. Under the “server” test, the appearance of an image on a website page does not indicate that it is stored on or transferred through that website. By using the standard HTML, a website may in fact be in-line linking to a photo stored on another website. Driven by this technology, the user’s browser (i) downloads the first website’s page; (ii) parses through the relevant HTML commands of the web page; (iii) per HTML code, displays the text placed by the website; (iv) also per HTML code, follows and in-line links to the image stored on another website; (v) downloads the image to the user’s computer directly from the second website; and (vi) displays the image in the browser below the text of the original website. Because these computerized operations are invisible, the user may assume that he or she obtains the image from the first website. Indeed, the Internet address that will show on the user’s browser still will be the address the user originally logged onto.

Under the “incorporation” test, by contrast, the definition of “display” is broader, accommodating incorporation of informational content into a web page pulled up by the browser.

The court found that the existing precedents supported the “server” test. In *Playboy Enters., Inc. v. Webworld, Inc.*,² defendant Webworld, an adult website, received a “news feed” of nude photos from adult Internet newsgroups, downloaded them to its computers, and then uploaded them to its own publicly accessible web servers. The photos included plaintiff Playboy’s copyrighted images. Webworld charged Internet users a monthly subscription fee to view the images on its website. The court concluded that Webworld “displayed” Playboy’s photos because it caused them to be shown on users’ computers and because the image was stored in digital form on Webworld’s servers. Google, by contrast, did not store or serve any full-size images on its servers.

In *Playboy Enters., Inc. v. Russ Hardenburg, Inc.*,³ defendant Rusty-N-Edie’s operated an electronic bulletin board through its own computers, onto which paying subscribers could upload various files and receive access to (and the license to download) all the files that other subscribers had uploaded. When users downloaded files from the bulletin board, those files were transferred to the user’s computer directly from the defendant’s computers (not from the original file uploader’s computer). The court decided that Rusty-N-Edie’s had publicly displayed

and distributed the files posted on the bulletin board. The court relied, in part, on the fact that, after reviewing the files in the upload queue, Rusty-N-Edie’s moved them to its own servers that were accessible to other subscribers. Again, the defendant (unlike Google) was storing the images on its servers.

In *Perfect 10 v. Cybernet Ventures, Inc.*,⁴ the court found doubtful the proposition that liability for direct copyright infringement can be imposed when the defendant’s website does not store or serve the infringing content. The court explained that “Cybernet does not use its hardware to either store the infringing images or move them from one location to another for display. This technical separation between its facilities and those of its webmasters prevents Cybernet from engaging in reproduction or distribution, and makes it doubtful that Cybernet publicly displays the works.”⁵

Finally, in *Kelly v. Arriba Soft Corp.*,⁶ the court dealt with liability for direct infringement resulting from in-line linking. Defendant Arriba operated an image search engine similar to Google’s. The engine in-line linked and framed to full-size copies of plaintiff’s photographs without storing or serving them. The court drew an analogy to the facts of *Webbworld* and *Hardenburgh* without noting that the defendants in those cases actually hosted and served the infringing information. Based on this faulty analogy, the court concluded that Arriba directly infringed plaintiff’s exclusive right to display. The court explained that Arriba actively participated in displaying plaintiff’s images by having its program in-line link and frame those images within its website (without this program, users would have been unable to access plaintiff’s images within the context of Arriba’s site). The court stated that Arriba acted as “more than a passive conduit” by establishing a direct link to the copyrighted images.

Kelly was criticized for creating an overbroad liability rule. Under this rule, AOL, Dell, Microsoft, and Netscape, for example, could easily be considered as direct infringers. Seventeen months later, the Ninth Circuit withdrew its opinion on the direct infringement issue.⁷ In doing so, the court stated that the district court should not have reached the issue of whether framing of full-size images constituted direct infringement because neither party had moved for summary judgment on that issue.

Rulings in traditional hyperlinking cases—in which the defendants, instead of incorporating third-party content via in-line linking or framing, created hyperlinks that transported the user directly to the linked-to infringing page—have held that such linking implicates no exclusive copyright rights. The

court in *Perfect 10*, however, noted that those cases were distinguishable in that they involved defendants who did not display any protected materials.⁸ Google's in-line linking, on the other hand, affected the appearance of copyrighted materials on Google's web pages.

Having reviewed the relevant case law, the *Perfect 10* court adopted the "server" test, under which the website on which the content is stored and by which it is served directly to a user is the website that "displays" the content. The court based its conclusion on the following:

- (1) When a user views images after clicking Google's thumbnails, the computer plugs into the third-party websites responsible for transferring content.
- (2) The server test neither invites nor precludes liability for infringement. Copyright owners still can prevail on contributory or vicarious liability grounds.
- (3) The test is easy to apply.
- (4) The direct infringers are the websites that stole Perfect 10's images and posted them on the Internet.
- (5) The "server" test maintains the proper balance between incentivizing creation and encouraging the dissemination of information.

The court concluded that merely indexing the Web, so that users can more readily find the information they seek, does not constitute direct infringement, whereas hosting and serving infringing content directly violate the rights of copyright holders.

b. In-line Linking

Applying the "server" test, the court concluded that Google's application of frames and in-line links does not "display" the images stored on and served by infringing third-party websites. Although Google frames and in-line links to third-party infringing websites, it is those websites—not Google—that actually transfer the full-size images to users' computers. Because Google is not involved in the transfer, it does not display the infringing content for purposes of copyright law. The court thus concluded that Perfect 10's direct infringement claim was not likely to succeed.

c. Thumbnails

Based on the same test, however, the court found that Google does display the thumbnails of Perfect 10's copyrighted images because the thumbnails are stored on Google's servers.

2. Distribution

Having found that Google's creation and display of thumbnails directly infringes Perfect 10's copyright, the court stated that discussion of whether Google distributes thumbnails was moot. With respect to full-size images, the court concluded that Google does not directly infringe Perfect 10's distribution right. A distribution of a copyrighted work requires an "actual dissemination" of copies.⁹ In the Internet context, actual dissemination means the transfer of a file from one computer to another.¹⁰ Because Google only in-line links to other websites, and because those websites are the ones that actually transfer the images, the court found that Google does not disseminate and therefore does not distribute the infringing content.

B. Fair Use

Having found that the thumbnails directly infringe Perfect 10's copyrights, the court turned to Google's fair use defense.

Use of a copyrighted work for purposes such as criticism, comment, news reporting, teaching, scholarship, or research is presumptively not an infringement of copyright. Fair use, under section 107 of the Copyright Act, 17 U.S.C. § 107, depends upon application of the following non-exclusive factors:

- (1) the purpose and character of the use, including whether it is commercial or for nonprofit educational purposes and whether it is transformative;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or the value of the copyrighted work.

1. The Purpose and Character of the Use

The central purpose of the first fair use factor is to determine whether the new work merely supersedes the object of the original creation or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks whether and to what extent the new work is "transformative."¹¹ The *Perfect 10* court noted that although there is a presumption that a commercial use is an unfair exploitation of copyright, this presumption does not preclude a finding of fair use, and the more transformative the new work is, the less important the other factors, including commercialism, become.¹²

The court found that Google's use was commercial in nature. Google offers and derives commercial benefit from its AdSense program, which allows third-party websites to carry Google-sponsored advertising and to share revenue that flows from the advertising displays and click-throughs. As to whether Google's use is transformative, as opposed to consumptive (a use that merely supersedes the object of the original instead of adding a further purpose or different character), the court noted that Google's use of thumbnails does not supersede Perfect 10's use. Perfect 10 uses the images to provide entertainment, whereas Google does not profit from providing adult content, but rather from locating, managing and making information generally more accessible. "In this respect," the court stated, "Google's wide-ranging use of the marks is highly transformative: their creation and display is designed to, and does, display visual search results quietly and efficiently to users of Google Image Search."¹³ But the court noted that although Google provides great value to the public, the thumbnails were consumptive and superseded Perfect 10's images in that they are the same size and quality as reduced-size images that Perfect 10 had licensed for downloading to mobile phones.

The court concluded that this factor weighed slightly in favor of Perfect 10.

2. Nature of the Copyrighted Work

The court noted that Perfect 10's photographs are creative works which are "closer to the core of intended copyright protection than are more fact-based works."¹⁴ Although published works are more likely to qualify for fair use than unpublished works, the court found that this factor weighed slightly in Perfect 10's favor.

3. Amount and Substantiality of the Portion Used

With respect to the third factor, the court found that although Google copied entire works, such copying was necessary to provide the users with information on whether they wish to proceed and view the website shown. Therefore, the court concluded that this factor did not favor either party.

4. Effect of the Use Upon Potential Market for and the Value of the Copyrighted Work

As for the fourth factor, the court found that the reduced-sized images are not a substitute for the full-size images provided by Perfect 10 because the quality of the image is different when it is reduced in size. Nevertheless, the court found that Google's use of thumbnails did harm Perfect 10's business of providing downloads to mobile phones, as potential cus-

tomers of such downloads would be less likely to purchase images that they can download for free through Google.

Weighing all of the factors, the court concluded that Google was not likely to establish that its use of thumbnail images was fair use.

C. Secondary Copyright Liability

Perfect 10 also sought to hold Google liable as a contributory and vicarious infringer. One infringes contributorily by intentionally inducing or encouraging direct infringement, and one infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it.¹⁵ Perfect 10 argued that parties other than Google directly infringe its copyright in two ways: (i) third-party websites infringe by reproducing, displaying, and distributing unauthorized copies of Perfect 10's copyrighted photographs; and (ii) users of Google infringe by downloading images, thereby making infringing reproductions. Google argued that there was no evidence that Google users actually infringe, as opposed to making fair use of the search results, and that Perfect 10 only showed that users are *capable* of directly infringing.

1. Contributory Infringement

The test for contributory infringement is that the defendant (i) had knowledge of the infringing activity; and (ii) induced, caused, or materially contributed to that activity.¹⁶

a. Knowledge

Under *A & M Records, Inc. v. Napster, Inc.*,¹⁷ whether an alleged contributory infringer has knowledge of an infringing activity generally can be established by showing either actual or constructive knowledge. Perfect 10 argued that Google had actual knowledge of infringement based upon (i) notices of infringement Perfect 10 sent Google; (ii) the fact that certain infringed images contained copyright notices or labels; and (iii) the fact that Google monitors the content of allegedly infringing sites.¹⁸ The court rejected the second and third contentions, noting that Google does not know whether a given image on the Internet is infringing, nor does it have actual knowledge as a result of its monitoring practices. Only upon receiving proper notice could Google have knowledge of the infringement. Google did receive notices from Perfect 10 and acted upon those notices by blocking infringing websites. Because the court found that Google did not materially contribute to the direct infringement, it assumed without deciding for purposes of its analysis that Google had actual knowledge.

b. Material Contribution

To materially contribute to directly infringing activity, the defendant must engage in personal conduct that encourages or assists the infringement.¹⁹ Perfect 10 argued that Google gave infringing websites an audience and provided infringing websites with a revenue stream from AdSense, increasing their revenue. For legal support Perfect 10 relied heavily on *Napster*, but the court distinguished *Napster* on a variety of grounds, including that, unlike *Napster*, Google does not enable users to download images, as the capacity to download the displayed images is a function of the user's browser, not Google; Google users do not use Google proprietary software; Google does not provide a link between users' computers necessary to facilitate the transmission of copyrighted material; Google does not boast of facilitating downloads or of enabling third-party websites to serve infringing content; and the content on the third-party websites was publicly available irrespective of Google Image Search.²⁰

The court concluded that Google resembles *Napster* only in facilitating *searches* (i.e., helping users find information) and even there it found significant differences. Whereas *Napster* dedicated itself to helping users locate audio files found on the otherwise inaccessible hard drives of individual users, Google helps users locate all types of information (text, images, video, newsgroup discussion threads, blogs, academic papers, price information, maps, driving directions) found on the entire, publicly accessible web.

In sum, the court held that Perfect 10 had failed to establish that Google would likely be found contributory liable.

2. Vicarious infringement

Vicarious infringement is established where the defendant (i) receives a direct financial benefit from the infringing activity and (ii) fails to exercise the right and ability to supervise or control the infringing activity.²¹ The parties did not submit economic evidence, but, under *Napster*, a future "hope to monetize"²² can satisfy the financial benefit factor, and the court found it clear that Google would benefit financially from users visiting AdSense partners' websites that contain infringing photos. As for the control factor, unlike in *Napster*, the court found that Google does not control a "particular environment."²³ Google's software cannot analyze every image to determine if it is infringing, and Google cannot shut down infringing websites. Therefore, the

court concluded that Perfect 10 did not show that Google was likely to be found vicariously liable.

IV. Conclusion

The court held that Perfect 10 had failed to establish that Google's framing of and in-line linking to infringing images was a display or distribution that could render Google liable as a direct infringer and that Perfect 10 also had failed to adduce evidence substantiating its secondary infringement claims. But it held that Perfect 10 did establish a likelihood of proving that Google's creation and display of thumbnail images directly infringed Perfect 10's copyrights. As a result, the court ordered the parties to jointly propose a draft of the injunction to "accomplish a balance of the competing interests, facilitating and improving access to information on the Internet, and protecting copyright holders from acts of infringement."

Endnotes

1. 416 F. Supp. 2d 828 (C.D. Cal. 2006).
2. 991 F. Supp. 543 (N.D. Tex. 1997).
3. 982 F. Supp. 503 (N.D. Ohio 1997).
4. 213 F. Supp. 2d 1146 (C.D. Cal. 2002).
5. *Id.* at 1168-69.
6. 280 F.3d 934 (9th Cir. 2002).
7. *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 817 (9th Cir. 2003).
8. 416 F. Supp. 2d at 842.
9. *In re Napster, Inc. Copyright Litigation*, 377 F. Supp. 2d 796 (N.D. Cal. 2005).
10. 416 F. Supp. 2d at 845.
11. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994).
12. 416 F. Supp. 2d at 845.
13. *Id.* at 849 (citation omitted).
14. *Id.* at 848.
15. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 125 S. Ct. 2764 (2005).
16. *Ellison v. Robertson*, 357 F.3d 1072, 1076 (9th Cir. 2004).
17. 239 F.3d 1004, 1013-14 (9th Cir. 2001).
18. 416 F. Supp. 2d at 853.
19. 239 F.3d at 1019.
20. 416 F. Supp. 2d at 854.
21. *Ellison*, 357 F.3d at 1076.
22. Nimmer on Copyright § 12.04[A][1].
23. 416 F. Supp. 2d at 857-58.

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COCKTAIL RECEPTION



An Olympic Perspective: Intellectual Property in International Sports Marketing

By Sheila Francis and Matthew Asbell

I. Introduction

On November 17, 2005, members of the New York State Bar Association's Entertainment, Arts and Sports Law (EASL) and Intellectual Property Law Sections gathered at the offices of Pitney Hardin in New York for "An Olympic Perspective," a roundtable CLE event jointly organized by EASL's Sports and the recently formed International IP Committees. The purpose of the program was to highlight some of the practical issues that intellectual property attorneys face as a result of the increasing globalization of sports marketing and other companies. While neither spoke on behalf of the U.S. or International Olympic Committees (USOC and IOC, respectively), Ayala Deutsch (senior vice president and chief intellectual property counsel for NBA Properties, Inc., and co-chair of the Sports Law Committee) and Anastasia Danias (counsel for the National Football League and recent interviewee on the topic of ambush marketing in the *INTA Daily News*) shared their practical advice with respect to the international enforcement of IP rights, First Amendment-based defenses, and competing sponsorship issues.

Their qualifications as experts on international intellectual property issues arise from the very global nature of their businesses and brands. NBA Properties manages the intellectual property assets of the National Basketball Association, the Women's National Basketball Association, the National Basketball Association Development League, and all of the corresponding teams, as well as the trademark portfolio of USA Basketball, the entity that participates in the Olympics and other world competitions on behalf of the United States. With a trademark portfolio of over 30,000 records in over 100 countries around the world, offices on several continents, and broadcasts in over 200 countries, NBA Properties has become quite globalized in the past decade. Similarly, NFL Properties manages the marks and logos of the National Football Leagues and its member clubs. With several thousand marks prosecuted and enforced around the world and offices in New York, California, Canada, Mexico, Japan, London, and soon Germany, the NFL's expansion of its global presence is not a new phenomenon. It has held preseason and exhibition games outside the United States since 1986, although its first foreign regular-season game did not take place until 2005.

Globalization of these companies has resulted from the growth of world markets and the ease of market entry facilitated by the internet, wireless, and other technologies. Surveys on the percentage of the population in various countries that recognizes the "logo-man,"—NBA's red, white, and blue player silhouette logo—show very high numbers throughout the world—ninety-seven percent brand recognition in China's larger cities and provinces, for example. These companies also cite the increased number of international players on their rosters and increases in the popularity of these particular sports as responsible for their worldwide expansion.

II. International Enforcement of Intellectual Property Rights

Globalization has brought with it a growing and increasingly sophisticated counterfeiting problem. Ms. Deutsch noted:

When your brand becomes global, your enforcement challenges become global, and that becomes really really hard. One of the things Anastasia and I both deal with an enormous amount on behalf of our clients is plain, old-fashioned, hard-goods counterfeiting. We see an enormous amount of counterfeit NFL and NBA branded product. . . . Five to eight percent of all world trade is in counterfeited goods, which makes counterfeiting one of the more significant industries in world trade. You can also see that world customs is estimating that seven percent of merchandise is counterfeit, and the estimated value last year was over \$500 billion. [In the sporting apparel business], the estimated loss attributed to counterfeit in the U.S. only was \$12 billion. . . . [These numbers] in my mind are under-assessments. . . .

[Also, one thing I've noticed] in the past 2 or 3 [years] is a really increased sophistication among counterfeiters that is yielding much higher quality counterfeit product, and I think a lot of that has to do

with technology. They're using digital technology for screen printing and embroidering. We've seen attempts to counterfeit our hologram tabs. It's all making the difference between the fake product and the real product closer. . . . [M]ore and more pieces . . . are shipped from China to the U.S. as unfinished product, and then they get some cheap labor somewhere in New York City to sew on the NBA logo. When that package is stopped at customs either in China or the U.S., there may be no basis on which to seize the goods.

Since the problem is so widespread, attorneys have to consider their strategy for globally enforcing their intellectual property rights. Ms. Deutsch and Ms. Danias advised that the question of whether or not a company should enforce its marks is "not a one-size-fits-all type question" and depends upon "the enforcement culture of the client. . . . [W]hat are the factors that are going to make an infringement rise to the level of something where you're really going to roll the dice? . . . It's not going to be every case." Enforcement will also be limited by the company's budget and the image the company seeks to project to the outside world. Ms. Deutsch said that "we hear all the time, almost more in non-U.S. than in U.S. markets, that repeated high-profile aggressive enforcement action yields benefits beyond just the immediate case that you are enforcing because the word gets out."

Also, in many countries outside the United States, enforcement is registration-dependent. Ms. Danias said that you "have to establish consistent evidence that you are using the marks in those countries. You may not be able to successfully defend against somebody who has infringed your logo in a particular country unless you are using that logo in that country."

However, even if a trademark is registered and is being used in a particular country, the country may not have the laws or supply the resources to enforce against what many used to believe was "a victimless crime." As Ms. Deutsch noted:

Either [they] don't have strong enough laws on the books or you have the laws but do not have resources dedicated to applying those laws. . . . In countries where they don't have the governmental resources we [now] have [in the United States], we get some serious

resistance to the notion that this is where they are going to put their law enforcement personnel.

III. First Amendment Freedoms

First Amendment freedoms of speech and of the press allow United States-based defendants more leeway than potential defendants abroad. Ms. Deutsch and Ms. Danias discussed criticism, fair use, and media merchandising as domestic defenses that would not necessarily apply abroad.

A. Criticism

All brands, including sports brands, are criticized on a regular basis. Brand owners consider responding to criticism in a number of ways, including by making infringement claims against critical websites. United States case law is inconsistent on this topic, but defendants in such cases often win on the basis of their First Amendment rights. However, Ms. Deutsch pointed out, the heightened speech protection in the United States

is not equally applicable in all the countries around the world. . . . [W]hen you are assessing the chances of prevailing or what the right strategy may be, it is not necessarily the same strategy everywhere in the world.

While critics may be able to get away with using the company or team name in the United States, the use of trademarked logos is treated differently. As Ms. Deutsch explained:

[U]nder the First Amendment or other theories, there is, definitely in the United States, some latitude for using the name, the word, of a trademark to criticize or describe your genuine products or services. The use of the logo is treated a little differently. . . . It's not that you can't ever use it, but there is a little more of a heightened standard of looking at whether you truly need to be using that logo in order to engage in your First Amendment protected criticism. . . .

Similar arguments apply to parodies.

B. Fair Use

Generally, sports trademark holders do not go after fans for use of their marks, particularly if the use is non-commercial, because such use is not bad for business. "However, when there is true commer-

cial activity involving your intellectual property, the mere fact that it happens to be conducted by a fan should not necessarily stop you from looking at whether enforcement makes sense,” Ms. Deutsch advised. Even so, fans and others can sometimes escape liability. A case out of the Ninth Circuit involved an unsuccessful suit against a newspaper for a pay-to-participate popularity poll concerning the singing group New Kids on the Block.² The defendants won under the doctrine of nominative fair use, as Ms. Deutsch described:

That test had three elements. The first element was there was no way for you to describe the product or service you were offering without referring to the plaintiff’s trademark. You couldn’t say, “I’m conducting a poll on the New Kids on the Block” without using the phrase, “New Kids on the Block.” So that was the first element. The second element, and this goes back to the logo usage, was that you were only taking so much of the plaintiff’s trademark as was necessary to describe your product or service. . . . The third element was kind of this catch-all and brought it back into a Lanham Act confusion context, and that was, even if you meet those first two elements, to the extent the overall combination of circumstances regarding your use of the plaintiff’s mark was such that there would be some likelihood of confusion as to sponsorship or affiliation, you were still going to be out of luck. And that kind of makes sense even if you look at the second factor. Maybe there’s more likelihood of sponsorship confusion if you use the logo than if you don’t. That was the test. That doctrine has not necessarily been widely accepted everywhere and there has not been a lot of case law on it although it is very much a part of our day-to-day practice. . . . There was a case last month out of the Third Circuit, *Century 21 Real Estate v. Lendingtree*, and the Third Circuit offered its own take on nominative fair use and slightly modified some of the Ninth Circuit factors.³

In the international context, a similar issue was addressed in the *Arsenal Football Club*⁴ case. This

involved a suit against a fan for selling memorabilia outside the stadium. As Deutsch explained:

His defense was “This is not a source identifier. I’m not using your trademark in the trademark sense. Every fan knows this is not coming from Arsenal. This is an expression of the fan’s identification with the team. It has nothing to do with trademark law. It’s a graphic. It’s not a source identifier.” The lower court in *Arsenal* actually agreed with this defense, and the case went through a series of appeals and ultimately the high court overturned it.

An additional concern in going after fans includes the potential for public relations backlashes that end up damaging the brand.

C. Media Merchandising

As much as media entities report the news, they also have become entertainment businesses. They own broadcasting stations, produce independent programming, run consumer sweepstakes, and merchandize. In the United States, the First Amendment press protections have allowed a newspaper to sell posters of a famous sports figure without obtaining rights to his likeness. In *Montana v. San Jose Mercury News*,⁵ the media ran a special edition on one of the 49ers’ many Super Bowl victories in which they had a double-paged insert spread of Joe Montana to celebrate the Super Bowl. When they reproduced and sold it as a stand-alone poster, Joe Montana sued for violation of his right of publicity. The newspaper won, claiming it was just promoting its news reporting services, that Montana is a noteworthy person, and that the Super Bowl is a noteworthy event. Whether the defendant is a media outlet is important under U.S. law. In Europe and other countries, however, Ms. Deutsch explained that

they will focus more on what the entity you are pursuing is doing and less on who that entity is. They are not going to be impressed if what they view as conventional genuine infringing conduct is being carried out by Rupert Murdoch.

Nonetheless, one should consider that enforcing against the media subjects you to negative press.

Criticism and parody, fair use by fans and others, and media merchandising efforts all play an important role in protecting defendants in the United States, but they may have significantly less effect on trademark enforcement issues abroad.

IV. Competing Sponsorship

Whether domestically or in a worldwide context, competing sponsorship in the form of advertising or endorsements is a common and growing issue.

A. Ambush Marketing

In the efforts to draw the line between what infringes and what does not, there is a lot of room for clever maneuvering, especially in the realm of advertising, as illustrated by the concept of ambush marketing. Ambush marketing is when a company tries to get the benefit of association with an event without paying the customary licensing fee as an official sponsor. While this is done in a number of ways, one example of its successful application in the international community is the following American Express television advertisement that ran right before the 1994 Norway Olympic Winter Games, officially sponsored by Visa.

On the way through Oslo and Lillehammer, you could easily miss the [name of establishment], a favorite haunt among the locals. Travel with the American Express card and you get the inside scoop on this and many other special spots because American Express is locally established in Norway since 1916. Today, our card is gladly accepted at over 20,000 places. So, if you're traveling to Norway, you need a passport, but you don't need a visa. The American Express card. [Don't leave home without it *in Norwegian*].

The ad conjures up the Olympics without ever saying the word or showing any sporting imagery, etc. Visa and the IOC were powerless to stop it. Another example featured David Beckham in a Pepsi advertisement during the World Cup, which was sponsored by Coca-Cola. These ambushes do not use any of the trademark holder's intellectual property and are not created in such a way that the consumers or the public are confused. Sometimes, though, the ambushing party does go over the line and does use the trademarks or so much of the imagery that people would be confused as to whether or not they are the official sponsor.

In some instances, putting your foot down via litigation can be effective in both the short and long term. Ms. Danias continued:

A few years back, Coors was doing an ad campaign where their tagline for their beer was "the official beer

of the NFL Players." . . . The NFL objected to this ad campaign, claiming Coors was trying to trade off of the equity and the goodwill embodied in the NFL trademark. The court agreed with us in the Second Circuit,⁶ ultimately giving Coors comfort that we would protect their rights when they became the NFL's official sponsor.

Potential ambush marketing situations suggest a need for better communications between producers and sponsors. Attorneys for producers should forewarn sponsors and be clear and forthcoming about the terms of the sponsorship agreement.

B. Right of Publicity

One other issue that arises in sponsorship and endorsement situations is that it can be challenging to determine who owns certain rights. According to Deutsch,

You have no clue who owns the IP assets in terms of right of publicity. It could be the league. It could be the team. It could be the individual athlete. It could be the players' union. It could be some licensing agent. Do your homework when you're trying to use an athlete's name.

Aside from who owns it, one needs to be clear about what "it" is and the scope of the IP asset in question. Danias added:

Is it just the name? Is it a nickname? Is it the player's number? Is it a stance that the player uses when they're up batting? All those things still need to be considered when you're trying to figure out who owns this.

Deutsch further stated that the law on the right of publicity varies from state to state:

There is not a standard federalized right of publicity law. There have been some attempts at proposing that in Congress, [but] not for the last ten years or so. It has not really gone forward. So right now it's a state-to-state thing, and it varies both by statute and by case law in terms of what's included. The essence of it is, is it a trait that is going to allow people to identify the person that you're talking about?

A hot issue regarding right of publicity in the sports context is the use of player names and statistics in online fantasy games. Deutsch observed that

There's a pending litigation in St. Louis between a company known as CBM . . . and Major League Baseball Advanced Media in which CBM is seeking a declaratory judgment that its use of Major League Baseball player names and statistics in a fantasy game does not infringe on the players' rights of publicity.

V. Conclusion

As companies become more and more global, the intellectual property rights, mechanisms of enforcement, and affirmative defenses will need to be better delineated for the practicing international intellectual property attorney. For now, these issues seem to vary greatly between the United States and other nations. The right of publicity is not standardized within the United States, let alone throughout the world, and ambush marketing remains a clever way around existing better-delineated intellectual property laws. As counterfeiters become more sophisticated, laws and resources for enforcement must strengthen throughout the world. Practitioners should further be mindful of how potential defenses to infringement claims may differ in countries where speech and the

media are less protected. Although the world may seem smaller, its diversity remains, and intellectual property attorneys would be wise to take an Olympic perspective.

Endnotes

1. *Nike v. Kasky*, 123 S. Ct. 2554 (2003).
2. *New Kids on the Block v. News America*, 971 F.2d 302 (9th Cir. 1992).
3. 425 F.3d 211 (3rd Cir. 2005).
4. *Arsenal Football Club plc v. Matthew Reed* (C206/01) 2002.
5. *Montana v. San Jose Mercury News*, 40 Cal. Rptr.2d 639 (Cal. Ct. App. 1995).
6. *Nat'l Football League v. Coors Brewing Co.*, 99-7921, 1999 U.S. App. LEXIS 32547 (2nd Cir. Dec. 15, 1999).

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The International IP Committee wishes to thank Marc Lieberstein and the staff at Pitney Hardin for hosting this program and Ayala Deutsch and Anastasia Danias for their excellent presentation.

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To be presented at the **Annual Meeting of the Intellectual Property Law Section, January 23, 2007, New York, NY** to the authors of the best publishable papers on subjects relating to the protection of intellectual property **not published elsewhere, scheduled for publication, or awarded another prize.**

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COMPETITION RULES ARE AS FOLLOWS:

To be eligible for consideration, the paper must have been written solely by students in full-time attendance at a law school (day or evening program) located in New York State or by out-of-state students who are members of the Section. One hard copy of the paper and an electronic copy in Word format on a 3.5" H.D. disk must be submitted by mail, postmarked not later than **November 6, 2006**, to the person named below. As an alternative to sending the disk, the contestant may e-mail the electronic copies, provided that they are e-mailed before 5:00 p.m. EST, **November 6, 2006**.

Papers will be judged anonymously by the Section and must meet the following criteria or points will be deducted: no longer than 35 pages, double-spaced, including footnotes; and one file with a cover page indicating the submitter's name, law school and expected year of graduation, mailing address, e-mail address, telephone number, and employment information, if applicable.

Winning papers may be published in the Section's publication *Bright Ideas*. Reasonable expenses will be reimbursed to the author of the winning paper for attendance at the Annual Meeting to receive the Award.

The judges reserve the right not to consider any papers submitted late or with incomplete information, not to publish papers, not award prizes, and/or to determine that no entries are prizeworthy or publishable.

Send entries by hard copy and e-mail to: Naomi Pitts, NYSBA, One Elk Street, Albany, NY (e-mail: npitts@nysba.org). Comments and/or questions may be directed to the Chair of the Young Lawyers Committee: Kelly M. Slavitt, ASPCA, 424 East 92nd Street, New York, NY 10128 (212) 876-7700, x4559 (e-mail: kslavitt@yahoo.com).

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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 31 of this issue.

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

Submissions should preferably be sent by e-mail to Jonathan Bloom, Editor-in-Chief, at the address indicated on this page. Submissions for the Fall 2006 issue must be received by July 1, 2006.

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