NYSBA WINTER 2008 | VOL. 17 | NO. 3

Bright Ideas

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

Message from the Chair

Joyce L. Creidy

As the year winds down, the Section has been busier than ever. Michael Kelly and Kelly Slavitt co-chaired an in-house lawyers cocktail reception that was very well attended; Sheila Francis and Chehrazade Chemcham co-chaired a sold-out roundtable hosted by Fulbright and Jaworski titled "Spicing Up Your IP Strategy in India"; Kramer Levin Neftalis hosted an oversubscribed breakfast roundtable, "So, You Want to Use Some Music on a Website," at which experts outlined how to get the rights you need; and, of course, there was the Fall Meeting.

If you did not have the opportunity to join us for the Fall Meeting at the Otesaga Hotel in Cooperstown, let me assure you it was a great success! Bernice K. Leber, President of the New York State Bar Association, gave the opening address and talked fondly of her time as the IP Law Section Liaison. The excellent panels featured IP attorneys from some of the best known companies in the world and some of the top law firms in the country as well as from firms based outside the United States. We had a record number of first-time attendees, which added to the excitement of having the program in a new location.

We enjoyed a tour of the Baseball Hall of Fame, a beer tasting, and a scenic train ride that gave attendees a chance to socialize while their children enjoyed the historic train and the foliage. Casino night was, once again, a big hit with the children. Andrew Resnick, son of immediate past Section Chair Debra Resnick, was the big winner and had such a memorable experience at the program that he wrote about it for his class. The softball game was a nail-biter, with the bad guys beating the good guys on a winning run scored by Charles Wiegell, III, Section Secretary. Charles was also a good sport in providing tarot card readings for everyone each night after dinner. From what I understand, good fortune was upon us all.

We took time during dinner to honor and thank Debra for her two years of great leadership and to present her with a token of gratitude from the Section. Debra, a devoted Mets fan, was presented with a framed photo of Shea Stadium, a ball signed by Tom Seaver, and a Shea Stadium final-season logo baseball. We also presented the program co-chairs, Marc Lieberstein of Day Pitney and Troy Lester of Acushnet, with plant patents in appreciation for the hard work that resulted in a great program and a very memorable event.

Next year's Fall Meeting will be back at The Sagamore on Lake George. Planning is already under way,

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and we hope you will join us with your families. However, you don't have to wait until then to take part in Section programs. The Annual Meeting, "Managing Your IP Strategy During Challenging Financial Times," will take place at the New York Marriott Marquis on January 27, 2009. The planned program topics are very timely, and I am certain they will provide insight as to maximizing and exploiting IP asset value and protecting it globally. The high point of the program will surely be the IP bankruptcy panel, which will explore how IP assets are managed when a company is in bankruptcy. Equally important will be the "Patents Around the World" panel, during which discussion of the *Bilski* decision will continue.

Bilski came down the day of the Section's Executive Committee meeting, and former Section Chair Vicki Cundiff arrived with the decision in hand. She alerted us to the fact the Federal Circuit did not overturn *State Street*, which opened the door for business-method patents, and that business-method patents will continue to be patentable so long the applications carefully define the method. Bilski lost because his application on a method for hedging commodity purchases did not show patentable subject matter in the claims. Bilski may seek review by the Supreme Court, which, if it happens, will make for interesting discussion at the Annual Meeting.

I look forward to seeing you there and to speaking with you during the post-meeting cocktail reception.

Joyce Creidy

Thank You

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

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Federal Circuit Redefines Boundaries of Declaratory Judgment Jurisdiction

By Jennifer H. Wu and Andrew L. Perito

I. Introduction

On August 15, 2008, the Federal Circuit issued its first precedential opinion affirming the dismissal of a declaratory judgment action for lack of subject matter jurisdiction since the Supreme Court set forth a more lenient "totality of circumstances" test for determining declaratory judgment jurisdiction in *MedImmune, Inc. v. Genentech, Inc.*[1] In *Prasco, LLC v. Medicis Pharmaceuticals Corp.*,[2] the court, affirming the dismissal of a declaratory judgment action, held that the "immediacy and reality" inquiry of declaratory judgment jurisdiction "can be viewed through the lens of [constitutional] standing."[3]

The decision has important implications for patent litigation, as it makes clear that declaratory judgment plaintiffs must allege an affirmative act by the patent owner that caused injury to the declaratory judgment plaintiff in order to sustain jurisdiction. The decision also provides some much-needed clarity as to the boundaries of declaratory judgment jurisdiction, including the balance between the rights of declaratory judgment plaintiffs who are legitimately suffering injury to bring suit and the rights of patent owners to decide whether, when, and against whom to enforce their patent rights.

II. The Declaratory Judgment Act and *MedImmune*

The Declaratory Judgment Act provides: "In a case of actual controversy within its jurisdiction . . . any court of the United States, upon filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought."[4] The purpose of the Act is to prevent patent owners from "brandishing a Damoclean threat with a sheathed sword."[5] Before declaratory relief was available, "competitors were 'victimized' by patent owners who engaged in 'extra-judicial patent enforcement with scare-the-customer-and-run tactics that infect[ed] the competitive environment of the business community with uncertainty and insecurity.'"[6] The Act was intended "'to prevent avoidable damages from being incurred by a person uncertain of his rights and threatened with damage by delayed adjudication.'"[7]

Prior to *MedImmune*, the Federal Circuit applied a two-prong test for determining the existence of authority to entertain a declaratory judgment action.[8] The first prong examined whether conduct by the patentee created a "reasonable apprehension" of suit on the part of the declaratory judgment plaintiff.[9] The second prong focused on the declaratory judgment plaintiff's conduct and examined whether there had been "meaningful preparation" to conduct potentially infringing activity.[10]

In *MedImmune*, the Supreme Court rejected the "reasonable apprehension" prong of the Federal Circuit's test as too restrictive[11] and articulated a "more lenient legal standard"[12] for the availability of declaratory judgment relief in patent cases: "'whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.'"[13]

The declaratory judgment plaintiff in *MedImmune* was a patent licensee who sought a declaratory judgment of non-infringement, patent invalidity, and patent unenforceability against the patent owner, Genentech. The licensee, however, continued to pay royalties under its license agreement with Genentech and therefore had no "reasonable apprehension" of suit.[14] The Supreme Court determined that the case presented a justiciable controversy, explaining that a plaintiff need not "bet the farm, or . . . risk treble damages . . . before seeking a declaration of its actively contested legal rights."[15] The Court held that "[t]he dilemma posed by . . . putting the challenger to the choice between abandoning his rights or risking prosecution . . . is 'a dilemma that it was the very purpose of the Declaratory Judgment Act to ameliorate.'"[16]

III. The Federal Circuit's Post-*MedImmune* Declaratory Judgment Jurisdiction Jurisprudence

Following *MedImmune*, the Federal Circuit issued a string of decisions holding that declaratory judgment jurisdiction was proper under the new test.[17] But the Court also held that the availability of declaratory relief is limited by Article III of the Constitution, which "restricts judicial power to the adjudication of 'Cases' or 'Controversies,'" emphasizing that "[b]ecause of this case or controversy requirement, a court may not adjudicate 'a difference or dispute of a hypothetical or abstract character' or 'one that is academic or moot.'"[18]

In *SanDisk Corp. v. STMicroelectonics, Inc.*,[19] the Federal Circuit held that declaratory judgment jurisdiction was proper where the defendant had presented the plaintiff with, among other things, "a thorough infringement analysis presented by seasoned litigation experts, detailing that one or more claims of its patents read on one or more of SanDisk's identified products" and a voluminous technical packet of engineering reports, also showing detailed infringement analysis.[20] The Court noted, however, that "declaratory judgment jurisdiction generally will not arise merely on the basis that a party learns of the existence of a patent owned by another or even perceives such a patent to pose a risk of infringement, without some affirmative act by the patentee."[21]

In *Sony Electronics, Inc. v. Guardian Media Technologies, Ltd.*,[22] the Court held that declaratory judgment jurisdiction was proper where the defendant had made repeated and detailed claims of infringement against three television manufacturers and had engaged in some degree of licensing talks with all of them.[23] Likewise, in *Micron Technologies, Inc. v. Mosaid Technologies, Inc.*,[24] the Court reversed a district court's dismissal of a declaratory judgment action where the defendant had sent threatening letters to DRAM manufacturer Micron for four years, aggressively litigated against other DRAM manufacturers, made public statements about its intent to continue its litigation strategy, and filed an infringement suit against Micron in another district court one day after Micron filed its declaratory judgment action.[25]

And in *Cat Tech LLC v. TubeMaster, Inc.*,[26] the Court held that the district court properly found declaratory judgment jurisdiction where the patent owner had sued TubeMaster for infringement, there was "cogent evidence that [the] declaratory plaintiff has made meaningful preparation to conduct potentially infringing activity," and absent such an action the plaintiff would have been "forced to 'bet the farm' by making the '*in terrorem* choice' between growing potential liability to [the patent owner] and abandoning its catalyst loading activities."[27]

Following *MedImmune*, the Federal Circuit also addressed declaratory judgment jurisdiction in the context of the Hatch-Waxman framework. In *Teva Pharmaceuticals USA, Inc. v. Novartis Pharmaceuticals Corp.*,[28] the Court held that declaratory judgment jurisdiction was proper where the patentee had engaged in the affirmative act of suing Teva on one of its drug patents, which had resulted in a 30-month stay of declaratory judgment plaintiff Teva's Abbreviated New Drug Application.[29] The patent owner had listed five patents in the FDA's Orange Book and filed an infringement suit against Teva under the Hatch-Waxman Act but alleged infringement of only one of the five patents listed in the Orange Book.[30] The Court held that declaratory judgment jurisdiction existed over the other four patents because the patent owner had caused injury-in-fact to Teva.[31]

Similarly in *Caraco Pharmaceutical Laboratories, Ltd. v. Forest Laboratories, Inc.*,[32] the Court held that declaratory judgment jurisdiction was proper where the patent owner listed in the Orange Book patents that, under the Hatch-Waxman Act's framework, could delay the declaratory judgment plaintiff, Caraco, from entering the market indefinitely.[33] The Court based its decision on Caraco's allegation that the patent owner's listing of the patent-in-suit in the Orange Book "creates an independent barrier to the drug market that deprives Caraco of an economic opportunity to compete"[34] and noted that "[o]rdinarily, a potential competitor . . . is legally free to market its product in the face of an adversely held patent," but under the Hatch-Waxman Act Caraco was "not legally free to enter the market" without FDA approval.[35]

IV. *Prasco*

In *Prasco*, the Federal Circuit held for the first time after *MedImmune* that exercise of jurisdiction over a declaratory judgment action was not proper under the more lenient "totality of circumstances" test.[36] In so holding the court made clear that declaratory judgment jurisdiction is limited by Article III of the Constitution and that the doctrines of standing, ripeness, and mootness are a "helpful guide" in applying the "totality of circumstances" test.[37]

A. Background and District Court Decision

In *Prasco*, the patent owner, Medicis, sold a benzoyl peroxide cleansing product known as TRIAZ® that was marked with four patents.[38] The declaratory judgment plaintiff, Prasco, made a competing generic benzoyl peroxide cleansing product, OSCION.™[39] On May 26, 2006, Prasco filed an action seeking a declaratory judgment of non-infringement as to all four of the patents that Medicis marked on TRIAZ®. When it filed the action, Prasco "had not yet begun marketing OSCION™ but had devoted substantial efforts to development and marketing plans."[40] Prasco's original complaint rested subject matter jurisdiction on (1) Medicis' marking of TRIAZ® products with the numbers of the patents-in-suit in satisfaction of public notice requirements of 35 U.S.C. § 287 and (2) an infringement suit Medicis brought against Prasco and another generic cleanser producer during the prior year. That suit did not relate to the same product or to any of the patents at issue in Prasco's declaratory judgment action.[41]

Medicis was unaware of OSCION™ until it was served with the initial complaint, and it moved to dismiss for lack of subject matter jurisdiction. Prasco subsequently sent Medicis samples of OSCION™ and ingredient lists, along with a request for a covenant not to sue. Medicis replied with a one-sentence letter indicating that it was not withdrawing the motion to dismiss. Prasco then filed an amended complaint that included the post-filing exchange between the parties and admitted that Prasco had started to market OSCION.™ Medicis renewed its motion to dismiss for lack of subject matter jurisdiction.[42]

The district court granted Medicis' motion to dismiss shortly after the Supreme Court decided *MedImmune*. Applying the "reasonable apprehension of suit" test, the district court held that Prasco had failed to establish jurisdiction and explained that even if *MedImmune* had overruled the "reasonable apprehension" test, the case still should be dismissed because there was "no definite and concrete dispute that touches the legal relations of these parties."[43] After the Federal Circuit made clear in *Novartis* that *MedImmune* had overruled the "reasonable apprehension" test,[44] the district court reconsidered its dismissal pursuant to a Fed. R. Civ. P. 59(e) motion and concluded again that, in light of all the circumstances, Prasco had failed to establish an Article III case or controversy.[45] Prasco appealed.

B. The Federal Circuit Decision

The Federal Circuit affirmed the district court's dismissal of Prasco's declaratory judgment action, holding that Prasco had not alleged a controversy of sufficient immediacy and reality to create a justiciable controversy under the totality of the circumstances. The court made clear that the "immediacy and reality" inquiry can be viewed through the lens of constitutional standing, which requires an injury-in-fact that is concrete and actual, fairly traceable to defendant's conduct, and redressable by a favorable decision.[46] Thus, "[a]bsent an injury-in-fact fairly traceable to the patentee, there can be no immediate and real controversy."[47] The court stated that "[a] patentee can cause such injury in a variety of ways, for example, by creating a reasonable apprehension of infringement suit, demanding the right to royalty payments, or creating a barrier to the regulatory approval of a product that is necessary for marketing."[48]

As an initial matter, the court noted that the "mere existence of a potentially adverse patent does not cause injury nor create imminent risk of injury; absent action by the patentee, 'a potential competitor . . . is legally free to market its product in the face of an adversely-held patent.'"[49] The court rejected Prasco's argument that there was a case or controversy "because Medicis has caused Prasco to suffer an actual harm—namely, 'paralyzing uncertainty' from fear that Medicis will bring an infringement suit against it."[50] The court reasoned that Prasco had launched its product and, thus, any uncertainty had not been paralyzing. Further, the court made clear that "fear of future harm that is only subjective is not an injury or threat of injury caused by defendant that can be the basis of an Article III case or controversy."[51] Rather, "'it is the *reality* of the threat of . . . injury that is relevant to the standing injury, not the plaintiff's subjective apprehensions.'"[52] The court thus held that

> a case or controversy must be based on a real and immediate injury or threat of future injury that is caused by the defendants—an objective standard that cannot be met by a purely subjective or speculative fear of future harm. Thus, as we explained post-*MedImmune*, "jurisdiction generally will not arise merely on the basis that a party learns of the existence of a patent owned by another or even perceives such a patent to pose a risk of infringement, *without some affirmative act by the patentee*."[53]

Applying this test, the court held that the none of the affirmative acts alleged by Prasco—Medicis' patent marking, prior litigation conduct, and failure to give a covenant not to sue—created such injury-in-fact. First, Medicis' decision to mark its patents provided "little, if any, evidence that it will ever enforce its patents" and was "not a circumstance which supports finding an imminent threat of harm sufficient to create an actual controversy."[54] Second, Medicis' past history of enforcing patent rights concerning different products covered by unrelated patents "cannot alone create a real and immediate controversy, and is entitled to only minimal weight in analyzing whether such a controversy has been created."[55] Third, Medicis' failure to sign a covenant not to sue was "not sufficient to create an actual controversy—some affirmative actions by the defendant will also generally be necessary"; a "patentee has no obligation to spend the time and money to test a competitor's product or to make a definitive determination, at the time and place of the competitor's choosing."[56]

The court concluded:

> [W]here Prasco has suffered no actual present injury traceable to the defendants, and the defendants have not asserted any rights against Prasco related to the patents nor taken any affirmative actions concerning Prasco's current product, one prior suit concerning unrelated patents and products and the defendants' failure to sign a covenant not to sue are simply not sufficient to establish that Prasco is at risk of imminent harm from the defendants and that there is an actual controversy between the parties of sufficient immediacy and reality to warrant declaratory judgment jurisdiction.[57]

The court further stated: "Although we understand Prasco's desire to have a definitive answer on whether its products infringe defendants' patents, were the district court to reach the merits of this case, it would merely be providing an advisory opinion. This is impermissible under Article III."[58]

V. What's Next After *Prasco*?

The Federal Circuit's articulation of a requirement of an affirmative act causing injury provided much-needed clarity regarding the boundaries of declaratory judgment jurisdiction post-*MedImmune*. In holding that dismissal of Prasco's declaratory judgment complaint was proper, the court emphasized that Medicis had never accused Prasco of infringement, had not taken "any actions which imply such claims,"[59] had not made any concrete claims that that they have a specific right as against Prasco,[60] and most importantly, had "taken *no affirmative actions* at all related to Prasco's current product."[61]

The court applied the same constitutional standing requirement of injury-in-fact in *Janssen Pharmaceutica, N.V. v. Apotex, Inc.*,[62] to affirm the district court's dismissal of non-infringement declaratory judgment counterclaims brought by ANDA-second-filer Apotex, Inc. against NDA-patentee Janssen Pharmaceutica, N.V. In that case, Apotex stipulated to the infringement, validity, and enforceability of the first-expiring of three original Orange Book-listed patents.[63] Apotex filed Paragraph IV certifications on all three patents, Janssen sued Apotex for infringement of only the first patent, and Apotex filed declaratory judgment counterclaims for non-infringement as to the two remaining patents. Janssen moved to dismiss the counterclaims for lack of subject matter jurisdiction and subsequently granted a covenant-not-to-sue on the remaining two patents. The district court granted Janssen's motion to dismiss.[64]

In affirming the dismissal, the Federal Circuit held that the delay the second ANDA filer experienced in getting to market because of the first-filer's statutory exclusion period was insufficient to create an Article III controversy and was instead an intended result of the Hatch-Waxman statutory scheme.[65] The court reiterated that any alleged harm based on the hypothetical, indefinite delay of the first-filer in not promptly bringing a drug to market was a harm "too speculative to create an actual controversy to warrant the issuance of a declaratory judgment."[66]

While *Prasco* made clear that declaratory judgment jurisdiction is limited by the requirements of Article III, an issue remains as to whether *Prasco* may have been able to establish declaratory judgment jurisdiction had it admitted infringement and sought a declaratory judgment of invalidity and unenforceability. The only issue before the Federal Circuit in *Prasco* was whether Prasco's action seeking a declaratory judgment of *non-infringement* met the requirements of an actual controversy sufficient for Article III standing. The court expressly noted that Prasco had sued "only for a declaratory judgment of non-infringement. We thus have no opportunity to consider whether similar facts would be sufficient to establish jurisdiction if, instead, Prasco had conceded infringement and was only arguing invalidity."[67]

The court thus left open the possibility that the result would have been different had Prasco admitted infringement and sought a declaratory judgment of invalidity and unenforceability. Indeed, the concession that the declaratory judgment plaintiff's process or product reads on the patent could provide an element of concreteness that was missing in *Prasco*.[68] Policy concerns could support such a result, as Justice Frankfurter suggested in his dissent in *Altvater v. Freeman*:

> It may very well be that one who infringes a patent should be entitled to obtain a declaration as to its validity even though he is under no contractual obligation to pay royalties as a licensee. The existence of an invalid patent may substantially impair the economic position of those who market articles which infringe such a patent, even though no infringement suits may be immediately threatened. Potential purchasers may naturally be reluctant to establish business relations upon so insecure a basis. But the Court has not chosen to sustain the propriety of a declaratory judgment here upon this ground, and it is therefore idle to consider its merits.[69]

More recently, Judge Dyk expressed concern in a dissent that "the strong public interest in permitting accused infringers to challenge unenforceable patents"[70] not be undermined by patentees' tactical litigation offers of covenants-not-to-sue, perhaps "motivated by a desire to avoid a patent invalidity determination."[71] In light of these policy concerns, it remains to be seen whether the Federal Circuit will be more likely to find jurisdiction where an admitted infringer seeks to challenge a patent's validity and / or enforceability.

A more important question is how the Federal Circuit will strike a balance between the rights of declaratory judgment plaintiffs and patent owners post-*Prasco*. On the one hand, declaratory judgment plaintiffs seek clarity and security when they actually have been injured—for example, in the paradigmatic "sad and saddening scenario" identified by former Chief Judge Markey in *Arrowhead Industrial Water, Inc. v. Ecolochem, Inc.*, where "the patent owner attempts extra-judicial patent enforcement with scare-the-customer-and-run tactics that infect the competitive environment of the business community with uncertainty and insecurity."[72] Patent owners, on the other hand, have the right to determine whether, where, and against whom to enforce their patents and should not be subjected to lawsuits simply because they have obtained a patent. And district courts would like to avoid issuing advisory opinions where the alleged injury is purely hypothetical. The Federal Circuit will need to weigh these competing interests as it further clarifies what constitutes an "affirmative act" by the patent owner that causes injury to the declaratory judgment plaintiff.

VI. Conclusion

The Federal Circuit staked out new boundaries of declaratory judgment jurisdiction in patent non-infringement and invalidity cases in *Prasco* by focusing on whether the affirmative actions of the patentee caused—or imminently would cause—actual injury to the declaratory judgment plaintiff sufficient to confer constitutional standing. While the court clarified the scope of declaratory judgment jurisdiction, it remains to be seen how the court will balance the interest of potential defendants who are genuinely suffering injury as a result of the conduct of patent owners against the right of patent owners to decide whether, when, and against whom to enforce their patent rights.

Endnotes

1. 27 S. Ct. 764 (2007).
2. 537 F.3d 1329 (Fed. Cir. Aug. 15, 2008, *as corrected*, Aug. 20, 2008). The Federal Circuit had affirmed dismissal of declaratory judgment counterclaims of invalidity and unenforceability in *Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340 (Fed. Cir. 2007).
3. *Prasco*, 537 F.3d at 1338.
4. 28 U.S.C. § 2201.
5. *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed. Cir. 1988).
6. *Cat Tech LLC v. TubeMaster, Inc.*, 528 F.3d 871, 878 (Fed. Cir. 2008) (citations omitted).
7. *Id.* at 878–79 (citations omitted).
8. *See, e.g.*, *Teva Pharms. USA, Inc. v. Pfizer Inc.*, 395 F.3d 1324, 1332 (Fed. Cir. 2005); *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058 (Fed. Cir. 1995). *But see Teva Pharms.*, 395 F.3d at 1339 (Mayer, J., dissenting) ("We have never said that the traditional two-part test must be satisfied in every instance to find a justiciable case or controversy.").
9. *Super Sack*, 57 F.3d at 1058.
10. *Arrowhead*, 846 F.2d at 736; *DuPont Merck Pharm. Co. v. Bristol-Myers Squibb Co.*, 62 F.3d 1397, 1401 (Fed. Cir. 1995).
11. *MedImmune*, 127 S. Ct. at 770–75.
12. *Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 902 (Fed. Cir. 2008).
13. *MedImmune*, 127 S. Ct. at 771 (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).
14. *Id.* at 772.
15. *Id.* at 775.
16. *Id.* at 773 (quoting *Abbott Labs. v. Gardner*, 387 U.S. 136, 152 (1967)). The Supreme Court remanded the case for determination as to whether the district court should exercise its discretion to dismiss the case. *Id.* at 776.
17. *See Cat Tech LLC*, 528 F.3d at 871; *Caraco Pharm. Labs., Ltd. v. Forest Labs., Inc.*, 527 F.3d 1278 (Fed. Cir. 2008); *Micron.*, 518 F.3d at 897; *Sony Elecs., Inc. v. Guardian Media Techs., Ltd.*, 497 F.3d 1271 (Fed. Cir. 2007); *Teva Pharms. USA, Inc. v. Novartis Pharms. Corp.*, 482 F.3d 1330 (Fed. Cir. 2007); *SanDisk Corp. v. STMicroelectonics, Inc.*, 480 F.3d 1372, 1380 (Fed. Cir. 2007).
18. *Cat Tech*, 528 F.3d at 879 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937)).
19. *SanDisk*, 480 F.3d 1372.
20. *Id.* at 1382.
21. *Id.* at 1380–81.
22. *Sony Elecs.*, 497 F.3d 1271.
23. 497 F.3d at 1285-87. The Court remanded to the district court for consideration as to whether it should exercise its discretion to dismiss or stay the actions in light of the plaintiffs' request for stays during pending re-examinations of the patents in suit. *Id.* at 1289.
24. *Micron*, 518 F.3d 897.
25. 518 F.3d at 901, 905.
26. *Cat Tech*, 528 F.3d 871.
27. *Id.* at 883 (citations omitted).
28. *Novartis*, 482 F.3d 1330.
29. *Id.* at 1340–46.
30. *Id.* at 1340–41.
31. *Id.* at 1346.
32. *Caraco*, 527 F.3d 1278.
33. *Id.* at 1292.
34. *Id.* at 1293.
35. *Id.* at 1291 (quoting *Novartis*, 482 F.3d at 1345).
36. *Prasco*, 537 F.3d at 1338.
37. *Id.*
38. *Id.* at 1334. Medicis owns U.S. Patent Nos. 5,648,389 (the "389 patent"); it licenses the 5,254,334 (the "334 patent"), 5,409,706 (the "'706 patent"), and 5,632,996 (the "'996 patent") patents. *Id.*
39. *Id.* (explaining that, for purposes of the appeal, the court took as true all the well-plead facts in the dismissed complaint).
40. *Id.* Because Prasco admitted in its complaint that it was currently making and selling OSCION,™ the second prong of the Federal Circuit's pre-*MedImmune* justiciability test, which required "potentially infringing activity or meaningful preparation to conduct potentially infringing activity," was not disputed. *Id.* at 1336 n.4.
41. *Id.* at 1334.
42. *Id.*
43. *Id.* at 1334–35 (quoting *Prasco LLC v. Medicis Pharm. Corp.*, No. 1:06cv313, 2007 WL 928669, at *5-6 & n.4 (S.D. Ohio Mar. 27, 2007)).
44. *Novartis*, 482 F.3d at 1339.
45. *Prasco*, 537 F.3d at 1335 (citing *Prasco LLC v. Medicis Pharm. Corp.*, No. 1:06cv313, 2007 WL 1974951, at *3-4 (S.D. Ohio July 3, 2007)).
46. *Id.* at 1338.
47. *Id.*
48. *Id.* at 1339 (citations omitted).
49. *Id.* at 1338 (citation omitted).
50. *Id.*
51. *Id.*
52. *Id.* at 1338-39 (quoting *Los Angeles v. Lyons*, 461 U.S. 95, 107 n.8 (1983) (emphasis in original)).
53. *Id.* at 1339 (quoting *SanDisk*, 480 F.3d at 1380-81) (emphasis added).
54. *Id.* at 1340–41.
55. *Id.* at 1341.
56. *Id.*
57. *Id.*
58. *Id.* at 1341–42; *see Janssen Pharmaceutica, N.V. v. Apotex, Inc.*, 540 F.3d 1353, 1361 (Fed. Cir. 2008) (holding that a subsequent ANDA filer does not have declaratory judgment jurisdiction where it "cannot claim that at the time of the district court's dismissal it was being excluded from selling a non-infringing product by an invalid patent").
59. *Id.* at 1340.
60. *Id.*
61. *Id.* (emphasis added).
62. *Janssen*, 540 F.3d 1353.
63. *Id.* at 1385. The first-expiring patent was the subject of a prior lawsuit not involving Apotex. Apotex stipulated to infringement, validity, and enforceability of the patent based on a Federal Circuit opinion upholding the district court's finding of infringement, validity, and enforceability after a bench trial. *See Janssen Pharma-*

ceutica, N.V. v. Mylan Pharm., Inc., 456 F. Supp. 2d 644, 671 (D.N.J. 2006), *aff'd*, 223 Fed. App'x 999 (Fed. Cir. 2007).

64. *Id.* at 1358-59.

65. *Id.* at 1361 ("Apotex's inability to promptly launch its generic . . . product because of [the first filer's] 180-day exclusivity period is not a cognizable Article III controversy, but a result envisioned by the Hatch-Waxman Act.").

66. *Id.* at 1363 ("At no time between the filing of the counterclaims through the final judgment was there any basis to conclude that [the first ANDA filer] will, or is likely to, delay in bringing its generic product to market in the future. In *Caraco*, this court considered the same harm that Apotex alleges and concluded that it was insufficient to create a justiciable Article III case or controversy.") (citing *Caraco*, 527 F.3d at 1296 n.14; *Prasco*, 537 F.3d at 1339 ("[*MedImmune*] did not change the bedrock rule that a case or controversy must be based on a real and immediate injury or threat of future injury that is caused by the defendants—an objective standard that cannot be met by a purely subjective or speculative fear of future harm.")).

67. *Prasco*, 537 F.3d at 1342 n.12.

68. *See id.* at 1340 n.8 ("In addition, the lack of clearly delineated, adverse positions by the parties diminishes the "definite[ness] and concrete[ness]" of any potential controversy and its fitness for current judicial resolution. Prasco asks this court to find that its benzoyl peroxide product does not infringe any of the 71 claims of the four patents, each of which have additional limitations beyond benzoyl peroxide being an active ingredient. We have no way of knowing which if any of these claims defendants could or might assert against Prasco.").

69. 319 U.S. 359, 371 (1943) (Frankfurter, J., dissenting).

70. *Benitec*, 495 F.3d 1340, 1350 (Dyk, J., dissenting) (citing *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 100 (1993); *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 345-47 (1971); *Lear, Inc. v. Adkins*, 395 U.S. 653, 663-64 (1969); *Altvater*, 319 U.S. 359 at 364-65 (1943)).

71. *Id.* at 1351.

72. 836 F.2d at 735.

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Copyrights, Contracts, and Confusion: "Open Source" Software Licenses and *Jacobsen v. Katzer*

By Susan L. Ross

I. Introduction

On August 13, 2008, the Federal Circuit made national headlines with a decision, *Jacobsen v. Katzer*,[1] that not only travels into the intersection of copyright and contract law but also is the first U.S. appellate court decision to address issues presented by "open source" software. This article will explore the foundations of the opinion and some of its potential implications.

II. Background

Jacobsen involved model trains and the software used to program the decoder chips that control the trains. A California physics professor (Jacobsen), who also was a model train hobbyist, wrote software and made it publicly available under an "open source" software license agreement known as The Artistic License.[2] He also registered a copyright in the software. An Oregon software company (KAM) not only licensed competing software but obtained patents on it. KAM sought to enforce the patents against Jacobsen and to collect royalties from him, and it threatened litigation.

Jacobsen filed a complaint in the Northern District of California in which he sought a declaratory judgment of unenforceability and invalidity of KAM's patent and of non-infringement and also asserted claims under California's unfair competition law, the federal anti-cybersquatting law, the Lanham Act, and the Copyright Act, as well as unjust enrichment. KAM admitted that portions of the Jacobsen software were copied, modified and distributed as part of its software.

KAM moved to dismiss the unfair competition, unjust enrichment, and cybersquatting claims, and Jacobsen moved for a preliminary injunction to enjoin KAM from willfully infringing his copyright. In August 2007, the trial court ruled that the unfair competition and unjust enrichment claims were preempted by the Copyright Act and that the cybersquatting claim was moot.[3] With respect to the copyright claim, the court found that Jacobsen's claim "properly sounds in contract" and that he had not met his burden of demonstrating likelihood of success on the merits of his copyright claim, and it therefore denied his request for a preliminary injunction.[4] Jacobsen appealed, and the Federal Circuit vacated and remanded, holding that Jacobsen's license agreement contained conditions enforceable under copyright law rather than covenants enforceable under contract law.[5]

III. Copyright and Contract

Copyright protection extends to "original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device."[6] Software, including all copyrightable expression embodied in a computer program, is copyrightable.[7]

Under copyright law, the author owns certain enumerated exclusive rights.[8] The author can permit others to exercise some or all of these rights and may grant exclusive or non-exclusive licenses to do so. A non-exclusive license does not require a writing and can even be implied from conduct.[9] Nevertheless, most non-exclusive licenses to software are in writing. These contracts typically contain terms relating to the rights granted as well as to other matters, such as payment. By granting a license, the licensor is effectively agreeing not to sue the licensee for copyright infringement based on the licensed use.[10]

If a licensee does not comply with the terms of the agreement, the question arises whether copyright remedies for infringement apply,[11] whether the contract and relevant state contract law applies, or whether both apply. "The enforcement of a copyright license raises issues that lie at the intersection of copyright and contract law, an area of law that is not yet well developed," the Ninth Circuit stated in 1999.[12] Given the fact-specific nature of these cases, it likely will be some time before this area of law is considered well developed, but a review of the technology-related cases that have addressed these issues is useful to an understanding of *Jacobsen*.

A. *S.O.S. v. Payday*

One of the earliest technology-related cases to deal with the intersection between copyright and contract law was *S.O.S. v. Payday*,[13] which was cited by the trial and appellate courts in *Jacobsen*. The case involved a one-paragraph license agreement which provided that "this series of programs is the property of SOS, and PAYDAY is acquiring the right of use, SOS retains all rights of ownership."[14] The licensee (Payday) copied and prepared a modified version of the software without S.O.S.'s permission. The trial court ruled in favor of Payday, concluding that (i) because the licensee had a license to use the program, it could not infringe the licensor's copyright, and (ii) because California contract law required contract language to be construed against the drafter, the licensor was deemed to have granted any right not expressly retained. The Ninth Circuit disagreed on both points. First, it found that the trial court "erred in assuming that a license to use a copyrighted work necessarily precludes infringement. A licensee infringes the owner's copyright if its use exceeds the scope of its license. The critical question is not the existence but the scope of the license."[15] The court held that the trial court's application of California state law was incorrect because the "result is contrary to federal copyright policy: copyright licenses are assumed to prohibit any use not authorized."[16] The Court of Appeals concluded that Payday had "exceeded the scope of its license when it copied and prepared a modified version of the programs without S.O.S's permission" and that whether those acts infringed S.O.S.'s copyright was for the district court to determine on remand.[17] In other words, a licensee that exceeds the scope of the license agreement may be subject to a copyright infringement claim by the licensor.

B. *Graham v. James*

In 1998, the Second Circuit, in *Graham v. James*,[18] wrestled with an oral license agreement whereby the licensor granted the right to include his computer program along with the licensee's programs on CD-ROM disks in exchange for a fee of $1,000 for each CD-ROM version issued and a $1 fee for each copy sold. In addition, the licensee had to include a notice crediting the licensor's authorship of the program. The licensee failed to pay the requisite fees, and although the first version of the CD-ROM did include notice of authorship, subsequent versions did not. The licensor sued for copyright infringement. The trial court ruled in favor of the licensor, but the Second Circuit vacated and remanded.

The Second Circuit began by stating that a copyright owner who grants a non-exclusive license to use his copyrighted material "waives his right to sue the licensee for copyright infringement."[19] The court rejected the licensor's claim that the license was voided when the licensee breached its conditions by not paying the fees and by removing his copyright notice.[20] The court explained that breach of a *covenant* is a breach of a contractual promise that gives the licensor a cause of action for breach of contract, not copyright infringement. By contrast, if the licensee fails to satisfy a *condition* to the license, then "the rights dependant [sic] upon satisfaction of such condition have not been effectively licensed, and therefore, any use by the licensee is without authority from the licensor and may therefore constitute an infringement of copyright."[21] The Second Circuit also pointed out that under New York law there is a presumption that terms of a contract are covenants rather than conditions.[22] A condition, the court stated, is "any fact or event which qualifies a duty to perform."[23] In this case, no written contract existed, but the licensor provided the code to the licensee prior to payment, and the first version of the code published by the licensee did contain proper notice of authorship. The court found these facts significant because "contract obligations that are to be performed after partial performance by the other party are not treated as conditions" but rather as covenants.[24] These facts, plus New York's presumption favoring covenants over conditions, led the court to conclude that "the notice and royalty obligations would likely be considered covenants."[25] Thus, the licensor's claims sounded in contract, not in copyright.

The licensor also argued that, even if the licensee's failure to pay the fees and removal of his authorship credit were breaches of contractual covenants, the breaches automatically terminated the license. The Second Circuit stated that a "material breach of a covenant will allow the licensor to rescind the license and hold the licensee liable for infringement for uses of the work thereafter."[26] In New York, "rescission is permitted if the breach is 'material and willful, or, if not willful, so substantial and fundamental as to strongly tend to defeat the object of the parties in making the contract.'"[27] The court remanded for the district court to resolve the factual issue of whether the licensor was permitted to rescind the license and whether he took affirmative steps to rescind it.

C. *Sun v. Microsoft*

In 1999, in *Sun v. Microsoft*,[28] the Ninth Circuit faced the issue of covenant versus condition in a case involving Sun's Java technology, which Sun licensed to Microsoft pursuant to a Technology License and Distribution Agreement (TLDA). The TLDA contained a license that granted to Microsoft permission to make derivative works of Java. Another section of the TLDA required Microsoft to make publicly available only Java-related products (including compilers) that met Java's compatibility requirements, while another subsection permitted Microsoft to make available compilers that included a mode that met Java's compatibility requirements. The question was whether a Microsoft compiler that included some Microsoft-specific features (which failed Java's compatibility test) but also included a mode that did pass Java's compatibility test violated the contract or Sun's copyright.

The Ninth Circuit remanded to the district court for a determination of whether Sun, as copyright holder, met its burden of establishing that the rights it claimed were violated are copyright, not contractual, rights.[29] On remand, the trial court concluded that the compatibility requirements were separate covenants rather than conditions for two reasons. First, the court noted that the license grants in two sections of the TLDA allowed Microsoft "to distribute the Technology and Derivative Works of the Technology as part of a Product" but said nothing about the license grants being subject to, conditional on or limited by compliance with the compatibility obligations set forth in Section 2.6.[30] Second, the court found that the trademark license incorporated into the TLDA expressly limited Microsoft's license to use the compatibility logo only on those products that passed the compatibility test, and "when the parties intended to condition or limit the scope of a license, they expressly did so."[31] Consequently, the court denied Sun's motion for summary judgment on its copyright claim and the accompanying request for an injunction.

D. Both Contract and Copyright Infringement Remedies May Be Available

In a case not cited by either the trial court or the appellate court in *Jacobsen*, a federal district court ruled in *McRoberts Software v. Media 100*[32] that the software license at issue constituted a condition and that violation of the condition was an infringement of the licensor's copyright. The license grant permitted the licensee to "distribute executable code versions of CG Option 2.0 when integrated with DTI's Media 100 hardware and software used for digital video editing."[33] The court held that the phrase "'when integrated with DTI's Media 100 hardware' modified the right to 'distribute executable code versions of CG' software" and that "any attempt to distribute executable code versions of CG not integrated with Media 100 hardware" was not authorized by the license.[34] The court also made the important point that copyright and contract claims are not mutually exclusive: "Whatever the parties meant by 'Media 100 hardware,' any distribution of CG software that is not integrated with such hardware is a violation of MSI's copyright, not just a breach of contract."[35]

A different district court, in *Madison River Management v. Business Management Software*, brought home the point that multiple causes of action may be available where the licensee purchased a fixed number of licenses to access the licensor's database.[36] The license agreement provided that, if the licensee exceeded the number of licenses purchased, the licensee had "30 days to remit payment for the actual number of licenses used."[37] The licensor brought a copyright infringement claim for uses that exceeded the number of licenses purchased. The court began its analysis by stating that "[w]hether a licensor has a claim for breach of contract, copyright infringement, or both depends upon the nature of the violation of the license agreement."[38] The court found that "[n]o part of the Agreement or grant of the license is conditioned upon payment for the excess use."[39] Instead, because the license agreement "presupposes that excess use comes before payment, essentially granting permission for the excess use and then requiring payment for it," the payment term was a covenant, and the licensor's remedy did not lie in copyright infringement but in breach of contract.[40]

E. Condition and Covenant May Appear in Same License Provision

A January 2008 ruling by the Northern District of California in *Netbula v. Storage Technology*[41] held that the following software license provision contained both a condition and a covenant:

> a non-exclusive, perpetual, irrevocable license of use by Storagetek's employees, consultants and subsidiaries for up to ONE user(s) for each of the licenses purchased, to use the PowerRPC SDK Product under Windows NT and 95/98 platforms; each user can only use the software on one computer. You have the right to make additional copies of the SDK Product solely for backup or archival use.[42]

The licensor contended that the licensee had allowed more than the authorized number of users to use the software and had developed products for use on a different operating system. The court found that the limitation on the number of users did not limit *how* the software could be used but, instead, defined what the purchase of one license gave the buyer.[43] Because the term did not limit the scope of the license and did not limit or condition the use of the license, it was a separate contractual covenant, and the licensor could not bring a copyright infringement claim.[44] On the other hand, the court stated that the operating system limitation "restricts the way in which the licensed material may be used and is part and parcel of the license grant itself."[45] In describing the difference between the two provisions, the court stated, "Unlike the limitation on the number of 'users' per license, this restriction limits the breadth of the license and not just the duplication or payment for a license."[46] The court held that the licensor had not produced sufficient evidence that the licensee had used the software on unlicensed operating platforms and thus was not entitled to go forward on its copyright infringement claim.[47]

The U.S. District Court of Arizona held similarly in July 2008 in *MDY v. Blizzard Entertainment*[48] that both covenants and conditions may appear in the same agreement. World of Warcraft is a multi-player online role-playing game where players compete to advance to different levels of the game. The defendant created a software "robot" that would continue to play the game while the individual was away from the computer, enabling those users to advance through the game's levels further and faster than other users. Each World of Warcraft user must affirmatively agree to Terms of Use (TOU) and to an End User License Agreement (EULA). The court found that the EULA and TOU contained no provision that explicitly laid out the scope of the limited license.[49] Although the court's opinion did not set forth the terms of the TOU, the court found that section 4 of the TOU contained provisions that "generally are designed to preserve and protect [the licensor's] proprietary interests in its software and game, including its copyright interests."[50] In contrast, section 5 of the TOU, titled "Rules of Conduct," contained limits on player conduct, and the court found that these were independent contract terms.[51] The court concluded that a player's use of the "robot" violated Section 4 of the TOU, and it granted the World of Warcraft owner's motion for summary judgment based on the conclusion that the "robot" maker was liable for contributory and vicarious copyright infringement.[52]

Echoing the *Graham v. James* court's reluctance to find rescission of a contract, the World of Warcraft opinion contained one other discussion of note. The court noted that Section 4(A) of the game's EULA provided that "failure to comply with the terms of section 4 results in the immediate and automatic termination of the EULA," but the court stated that it would not grant summary judgment based on Section 4 "because the language of the section is ambiguous and [the licensor] has presented no legal authority in support of license provisions that 'self-destruct' when users commit certain violations."[53]

F. Guiding Principles

The foregoing cases suggest three guiding principles:

1. Breach of a software license agreement can lead to a breach of contract claim, a copyright infringement claim, or both.
2. If a licensee violates the *scope* of the license or, in the event the license *conditions* the grant of rights on certain facts (such as the use of a particular operating system), the licensee violates that condition, the licensor may claim the licensee infringed the licensor's registered copyright, and the licensor will sue in federal court, where it may obtain an injunction and statutory damages.
3. If the license language is separate from or refers to facts or actions after the licensed material has been provided to the licensee (such as payment within 30 days of receipt or attribution to the author), the licensee may be able to fend off a copyright claim by asserting that these provisions are contractual *covenants*, violations of which must be remedied in state court under state contract law.

IV. "Open Source"

One additional factor made *Jacobsen* different from the software licensing cases discussed above: Jacobsen licensed his software to the world as "open source" software. "Open source" software is software the source code (the human-readable part of the computer code) of which is made available to anyone who downloads the code to use or to modify. The software is commonly free. Open source software is subject to a posted (not click-through) license agreement that describes how users can use the code, along with various disclaimers and sometimes additional restrictions. There are a large number of open source licenses, ranging from simple half-page "AS IS"-type licenses to multiple-page licenses governing how to use the code and the effects on the user's intellectual property rights that changing the source code can have.

As noted, the software Jacobsen created was licensed under the open source license known as The Artistic License. The license enabled users to download the software at no charge and included the following provisions:

- "The intent of this document is to state the conditions under which a Package may be copied, such that the Copyright Holder maintains some semblance of artistic control over the development of the package, while giving the users of the package the right to use and distribute the Package in a more-or-less customary fashion, plus the right to make reasonable modifications."[54]
- "You may make and give away verbatim copies of the source form of the Standard Version of this Package without restriction, provided that you duplicate all of the original copyright notices and associated disclaimers."[55]
- "You may otherwise modify your copy of this Package in any way, provided that you insert a prominent notice in each changed file stating how and when you changed that file, and provided that you do at least ONE of the following:
  - — place your modifications in the Public Domain or otherwise make them Freely Available, such as by posting said modifications to Usenet or an equivalent medium, or placing the modifications on a major archive site such as ftp.uu.net, or by allowing the Copyright Holder to include your modifications in the Standard Version of the Package.
  - — use the modified Package only within your corporation or organization.
  - — rename any non-standard executables so the names do not conflict with standard executables, which must also be provided, and provide a separate manual page for each non-standard executable that clearly documents how it differs from the Standard Version.
  - — make other distribution arrangements with the Copyright Holder."[56]
- "You may distribute the programs of this Package in object code or executable form, provided that you do at least ONE of the following:
  - — distribute a Standard Version of the executables and library files, together with instructions (in the manual page or equivalent) on where to get the Standard Version.

— accompany the distribution with the machine-readable source of the Package with your modifications.

— accompany any non-standard executables with their corresponding Standard Version executables, giving the non-standard executables non-standard names, and clearly documenting the differences in manual pages (or equivalent), together with instructions on where to get the Standard Version.

— make other distribution arrangements with the Copyright Holder."[57]

V. The *Jacobsen* Decisions

The district court in *Jacobsen* focused on the scope of the license and whether the developer exceeded that scope in order to determine whether Jacobsen had established a likelihood of success on the merits of his copyright infringement claim. The court looked to the first provision quoted above ("the right to use and distribute the Package in a more-or-less customary fashion, plus the right to make reasonable modifications") and concluded that the scope was "intentionally broad."[58] The court stated, "The condition that the user insert a prominent notice of attribution does not limit the scope of the license."[59] The court concluded that the defendants' alleged violation of the conditions of the license "may have constituted a breach of the nonexclusive license" but did "not create liability for copyright infringement where it would not otherwise exist."[60] Implicit in this ruling was a finding that the first paragraph of The Artistic License contained a very broad grant such that it would be difficult to say that the scope was limited and that the provisions that followed were contractual covenants, rather than conditions.

In vacating and remanding, the Federal Circuit focused on the term *conditions* in the first paragraph of The Artistic License and found that the license "also uses the traditional language of conditions by noting that the rights to copy, modify, and distribute are granted '*provided that*' the conditions are met. Under California contract law, 'provided that' typically denotes a condition."[61] The court found that a copyright holder "can grant the right to make certain modifications, yet retain his right to prevent other modifications. Indeed, such a goal is exactly the purpose of adding conditions to a license grant."[62] The court concluded: "It is outside the scope of The Artistic License to modify and distribute the copyrighted materials without copyright notices and a tracking of modifications from the original computer files."[63] Therefore, the terms of The Artistic License are "enforceable copyright conditions"[64] and not simply contractual covenants.

VI. Implications and Considerations

It is unclear how a New York federal court would analyze The Artistic License (which has been revised from the version at issue in *Jacobsen*). Would it emphasize the first paragraph, as the *Jacobsen* trial court did, and couple it with New York's presumption against conditions, to rule that the provisions that appeared after the first paragraph were covenants, limiting the plaintiff to contract remedies? (Recall that open source software is typically licensed for free, so lost revenues would be zero.) Would the court conclude that the first paragraph is not consistent with the subsequent paragraphs and therefore ambiguous, requiring fact-finding to determine the parties' intent? Would the court follow the *Graham v. James* reasoning that the user had already received the licensed material, and that the limitations after receipt therefore were covenants? Would the court instead decide that, under *Specht*,[65] there was no evidence of agreement to the license "conditions" because there was no "click through" agreement? Or would the court review the last three quoted sections of The Artistic License and conclude, like the Federal Circuit, that these were conditions that limited the scope of the license, such that any action outside the scope could constitute copyright infringement?

Software licensors should (1) review their license agreements to assess whether they have clearly delineated what they intend to be conditions limiting the scope of the license grant and (2) consider use of a "click through" agreement if they do not already obtain some form of signature from a licensee. Licensees, on the other hand, should (1) determine how much open source they currently are using, (2) investigate what the terms of those open source licenses are, and (3) establish a policy with respect to open source and determine which types of licenses are acceptable.

For those involved in the treacherous area where copyright and contract overlap, *Jacobsen* is a reminder that software licenses are powerful devices. Respect them.

Endnotes

1. *Jacobsen v. Katzer*, 535 F.3d 1373 (Fed. Cir. 2008).
2. A copy of The Artistic License is located at http://www.opensource.org/licenses/artistic-license-1.0.php (last accessed Oct. 10, 2008).
3. *Jacobsen v. Katzer*, No. C 06 -01905 JSW, 2007 U.S. Dist. LEXIS 63568 (N.D. Cal. 2007) at *6–*10.
4. *Id.* at *20.
5. *Jacobsen v. Katzer*, 535 F.3d 1373 (Fed. Cir. 2008).
6. 17 U.S.C. § 102.
7. *See, e.g., Apple Computer, Inc. v. Franklin Computer Corp.*, 714 F.2d 1240 (3d Cir. 1983).
8. 17 U.S.C. § 106.
9. *See, e.g., Graham v. James*, 144 F.3d 229, 235 (2d Cir. 1998).
10. *See, e.g., In re CFLC, Inc.*, 89 F.3d 673, 677 (9th Cir. 1996).

11. Chapter 5 of the Copyright Act addresses copyright infringement and remedies. 17 U.S.C. §§ 501–13.

12. *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115, 1122 (9th Cir. 1999).

13. 886 F.2d 1081 (9th Cir. 1989).

14. The Court quoted the agreement in full:

> A software agreement covering the software outlined in the documentation furnished PAYDAY by SOS. The total purchase price of this software is $5,325 including sales tax. SOS agrees to modify the system to produce a text file capable of transfer in ASCII string code to magnetic tape at 800BPI for transfer of information to EDP (Service Bureau). This series of programs is the property of SOS, and PAYDAY is acquiring the right of use, SOS retains all rights of ownership. The payment schedule covering the software is $1,325 upon execution of this agreement and $1,000 on the 14th day of each month until a total of $5,325 has been paid. Changes and modifications other than those mentioned above, will be on a time and material basis at the rate of $50 per hour.

Id. at 1083 (emphasis omitted).

15. *Id.* at 1087–88 (citation omitted).

16. *Id.* at 1088 (citations omitted).

17. *Id.* at 1089 (footnotes omitted).

18. 144 F.3d 229 (2d Cir. 1998).

19. *Id.* at 236 (citations omitted).

20. *Id.* at 236.

21. *Id.* at 237 (citations omitted).

22. *Id.* at 237 (citation omitted).

23. *Id.*

24. *Id.* at 237 (citations omitted).

25. *Id.* at 237. The Court pointed out earlier in the opinion that it “has been held not to infringe an author’s copyright for one who is licensed to reproduce the work to omit the author’s name.” 144 F.3d at 236 (citation omitted). In 2007, the Eastern District of New York also found that payment of royalties pursuant to a contractual agreement was a covenant, not a condition, and dismissed the licensor’s copyright infringement claim. *Atlantis Information Technology GmbH v. CA, Inc.*, 485 F. Supp. 2d 224 (E.D.N.Y. 2007).

26. 144 F.3d at 237 (citation omitted).

27. *Id.* (citation omitted).

28. *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115 (9th Cir. 1999).

29. 188 F.3d at 1222.

30. *Sun Microsystems, Inc. v. Microsoft Corp.*, No. C 97-20884 RMW (PVT) 2000 U.S. Dist LEXIS 20222 (N.D. Cal. May 8, 2000) at *12–*13.

31. *Id.* at *12 n.8.

32. *McRoberts Software, Inc. v. Media 100, Inc.*, No. IP 99-1577 C M/S (2001 U.S. Dist. LEXIS 16794), (S.D. Ind. Aug. 17, 2001).

33. *Id.* at *7.

34. *Id.* at *27.

35. *Id.* at *28.

36. *Madison River Mgmt. Co. v. Business Mgmt. Software Corp.*, 387 F. Supp. 2d 521 (M.D. N.C. 2005).

37. *Id.* at 534.

38. *Id.* at 533 (citation omitted).

39. *Id.*

40. *Id.* (citation omitted). The Court in *The SCO Group, Inc. v. Novell, Inc.*, No. 2:04CV139DAK 2007 U.S. Dist. LEXIS 58854, (D. Utah Aug. 10, 2007) at *114, also recognized that it was possible to state both a contract claim and copyright infringement claim based upon the same license agreement provisions and conduct.

41. *Netbula, LLC v. Storage Tech. Corp.*, C06-07391 MJJ 2008 U.S. Dist. LEXIS 4119 (N.D. Cal. Jan. 18, 2008).

42. *Id.* at *15.

43. *Id.* at *16 (emphasis in original).

44. *Id.* at *17.

45. *Id.* at *18.

46. *Id.*

47. *Id.* at *19.

48. *MDY Indus. LLC v. Blizzard Entertainment, Inc.*, CV-06-PHX-DGC, 2008 U.S. Dist. LEXIS 53988, (D. Ariz. July 14, 2008).

49. *Id.* at *16.

50. *Id.* at *16. The Court described section 4 of the TOU as follows:

> Subsection A of section 4 prohibits users from intercepting, emulating, or redirecting the proprietary components of the game, activities that would include the exclusive copying and distribution rights possessed by Blizzard under section 106 of the Copyright Act. Subsection B prohibits users from modifying files that are part of the game, an activity akin to the creation of derivative works— another right possessed exclusively by Blizzard as copyright holder. Subsection C prohibits users from disrupting the game or others [sic] players’ use of the game. Subsection D reserves Blizzard’s exclusive right under section 106 of the Act to create derivative works.

Id. at *16-*17.

51. *Id.* at *18.

52. *Id.* at *32.

53. *Id.* at *15 n.5.

54. Artistic License, Preamble.

55. Artistic License § 1.

56. Artistic License § 3.

57. Artistic License § 4.

58. *Jacobsen*, 2007 U.S. Dist. LEXIS 63568 at *20. The Court cited *S.O.S. v. Payday* for the proposition that a licensee “infringes the owner’s copyright where its use exceeds the scope of the license.” *Id.* at *19.

59. *Id.* at *20. The court did not cite *Graham v. James,* although the cited conclusion was present in that case.

60. *Id.*

61. *Jacobsen*, 535 F.3d at 1381 (citation omitted; emphasis in original).

62. *Id.* at 1382 (footnote omitted).

63. *Id.*

64. *Id.* at 1383.

65. *Specht v. Netscape Communications Corp.*, 150 F. Supp. 2d 585 (S.D.N.Y. 2001), *aff’d*, 306 F.3d 17 (2d Cir. 2002).

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License to a View: Second Circuit Finds No Direct Infringement of Reproduction or Public Performance Rights by Digital Video Recording Service

By James M. Thurman

I. Introduction

In *Cartoon Networks LP v. CSC Holdings, et al.*[1] the Second Circuit addressed the issue of whether the operation of a cable company's digital video recording service constituted direct copyright infringement. Reversing the district court, the Second Circuit held that the service would not directly infringe the plaintiffs' reproduction or public performance rights in their programs, which subscribers could select to have recorded for later playback. Factors in the court's decision were (1) the ephemeral nature of the portions of the programs that would be stored in buffers during the recording process; (2) the fact that the volitional act underlying the copying of programs was undertaken by subscribers rather than by Cablevision; and (3) the fact that each copy stored for playback was made available only to the subscriber who had ordered the recording.

The decision establishes a reasonable boundary between direct and secondary copyright infringement, and it limits the scope of copyright protection by excluding copies that exist for only a very short period of time. On the other hand, the court has created a technical loophole with respect to public performance rights that probably is contrary to the intent behind the (poorly formulated) relevant provisions of the Copyright Act.

II. Facts

In March 2006, cable operator Cablevision announced plans to offer a new digital recording service for which it did not seek licenses from content providers. The service would allow Cablevision subscribers to request the recording of television programs for viewing after their original airing. The order to record a program would be issued through the use of a remote control in connection with a standard set-top box equipped with "Remote Storage DVR System" (RS-DVR) software. Following a subscriber's request, the program selected would be recorded on hard drives belonging to Cablevision and could be delivered to the subscriber for playback at a later time. Thus, the system would differ from a standard set-top DVR in that programming would not be stored locally on the customer's device but rather on Cablevision's servers.

Cablevision's traditional cable delivery service involved the aggregation of television programming transmitted from various content providers. The aggregated content was then transmitted as a single stream to the homes of Cablevision's customers in real time.[2] Under the RS-DVR system, the content would be split into two streams, one of which would be routed to a device called the Broadband Media Router. This router would buffer and reformat the data stream before sending it on to a server called the "Arroyo Server." The Arroyo Server contained two data buffers and high-capacity data storage disks. As program data entered the first buffer, known as the primary ingest buffer, the server would inquire as to whether any customers had requested any programs to be recorded. Those programs that had been selected for recording would be routed to the second buffer before being stored on a portion of one of the storage disks that had been allocated to the requesting customer.

The primary ingest buffer of the Arroyo Server would not store programming data for very long. Because new incoming data would overwrite the contents of the primary ingest buffer, the buffer would contain at most only 0.1 seconds of each channel's programming at any one time. The buffer of the Broadband Media Router, on the other hand, only would contain up to 1.2 seconds of programming at any one time. (The court did not consider the capacity of the second Arroyo Server buffer because it would receive data only when a Cablevision customer requested that a program be recorded.[3])

III. District Court Ruling

A group of companies that owned the copyrights in movies and television programs including the Cartoon Network, Twentieth Century Fox, NBC, and Disney, sued Cablevision in the Southern District of New York, seeking declaratory and injunctive relief. The parties stipulated that the plaintiffs would limit their claims to direct copyright infringement and that the original defendants would waive any fair-use defense.[4] Following discovery, the parties filed cross-motions for summary judgment.

The district court granted summary judgment for the plaintiffs. Judge Denny Chin examined three principal issues: (1) whether the server and buffer copies were infringing; (2) who was responsible for creating the copies (Cablevision or its subscribers); and (3) whether playback of prerecorded material constituted an unauthorized public performance.

As to the first issue, the court rejected Cablevision's argument that the *Sony* doctrine[5] insulated it from liability for direct copyright infringement because it merely provided third parties with technology that enabled copying. The court opined that Cablevision did more than simply provide customers with a device that was capable of copying but, rather, had developed a complex system that involves an ongoing relationship between Cablevision and its customers, payment of monthly fees by the customers to Cablevision, ownership of the equipment remaining with Cablevision, the use of numerous computers and other equipment located in Cablevision's private facilities, and the ongoing maintenance of the system by Cablevision personnel.[6]

Thus, the court concluded, the relationship between Cablevision and its RS-DVR customers would be significantly different from the relationship between Sony and the purchasers of Sony VCRs. The court also found that Cablevision would be actively involved in copying protected material because it owned the entire operation that would perform the copying and even house on its own premises the media on which the copies would be stored. The court concluded that not only would the copies on the Arroyo Server constitute infringing copies but that those that would be stored in the buffer memory would be as well.

The court rejected Cablevision's argument that the buffer copies were *de minimis*, because the entirety of each recorded program ultimately would be copied within the buffer even if only a very small portion would be capable of being read or reproduced from the buffer at any given moment.[7] Thus, when viewed in the aggregate, the copying performed by the buffer was not *de minimis*.

Construing the definition of "copies" in section 101 of the Copyright Act, the court concluded that the buffer copies were "fixed" within the meaning of the statute because they were analogous to information stored in a computer's random access memory, and case law as well as a report from the U.S. Copyright Office found that the transfer of information to computer RAM constituted the creation of a copy under the Copyright Act. The information stored in the buffer also permitted the reproduction of the underlying works, because it would be from the buffer copies that the playback copies for customers ultimately would be made.[8]

As to the second issue, the court held that Cablevision's "unfettered discretion" over the content available for recording and its "continuing relationship" with its customers meant that the copying to the Arroyo Servers would be done by Cablevision, albeit only at the customer's request.[9]

Finally, as to the third issue, the court rejected Cablevision's argument that the performances involved in the playback of the programming were not public performances within the meaning of the Copyright Act. In reaching this conclusion, the court relied on section 101 of the Act, which provides that a public performance includes the act of

transmit[ing] or otherwise communicate[ing] a performance or display of the work . . . to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

The court also found *Columbia Pictures Indus., Inc. v. Redd Horne, Inc.*[10] and *On Command Video Corp. v. Columbia Pictures Indus.*[11] instructive. Both cases addressed the delivery of on-demand video services. *On Command* involved a hotel video service that electronically delivered copyrighted films to guest rooms using a centralized bank of videocassette players controlled by a computer system. In *Redd Horne*, the defendants provided private movie viewing booths as part of their video sale and rental business. In both cases, the delivery of the films to individual customers was found to be an infringing public performance. The district court found Cablevision to be analogous to Redd Horne and On Command Video, including in the exercise of discretion over what copyrighted works would be made available to customers. The court thus concluded that the delivery of content via the RS-DVR service likewise would constitute an infringing public performance.

Having found that the RS-DVR service would violate the plaintiffs' reproduction and public performance rights, the court granted summary judgment in favor of the plaintiffs and enjoined Cablevision from offering the RS-DVR service without obtaining the appropriate licenses. Cablevision appealed.

IV. The Second Circuit's Ruling

The Second Circuit divided its discussion into three parts, treating separately the issues of whether the creation of the buffer copies represented direct infringement of copyright, whether creation of the playback copies represented direct infringement of copyright, and whether playback of those copies for subscribers represented a public performance.

A. The Buffer Copies

With respect to whether the creation of the buffer copies constituted direct infringement, the Second Circuit held that the district court erred by ignoring the "duration requirement" for a copy to be "fixed," and hence potentially actionable, under the Copyright Act. The definition of "copies" in section 101 of the Act contains two parts: (i) a copy must be "fixed" in a medium such that it can be perceived, reproduced, or otherwise communicated, and (ii) the fixation must be sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of "more than transitory duration."[12] The court referred to these two elements as the "embodiment" requirement and the "dura-

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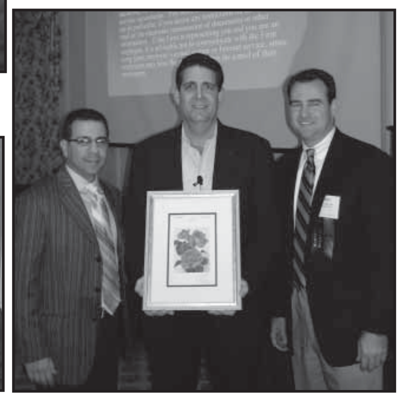


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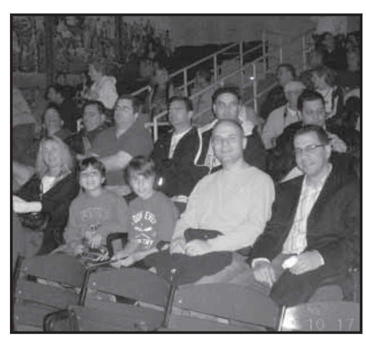

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tion" requirement.[13] Unlike the district court, the Second Circuit concluded that although the buffer copies met the embodiment requirement, they did not meet the duration requirement.

The district court had relied on *MAI Systems Corp. v. Peak Computer, Inc.*[14] and its progeny for the proposition that copies stored in computer RAM may be "fixed." The Second Circuit, however, found that the district court misread the holdings of those cases; the fact that those cases did not address the duration requirement did not indicate that it did not exist.[15] Moreover, the district court for the Eastern District of Virginia, relying on *MAI* in *Advanced Computer Services of Michigan, Inc. v. MAI Systems Corp.*,[16] noted that if the RAM copies only existed for "'seconds or fractions of a second'" rather than "'for minutes or longer,'" they might be "too ephemeral to be fixed."[17] The Second Circuit also rejected the district court's reliance on the Copyright Office's 2001 DMCA Report. The court opined that the report represented mere persuasive authority and was therefore due only "*Skidmore* deference."[18] It reasoned that the Copyright Office's view that a work is fixed if it is capable of being copied from the medium for any amount of time would essentially "read[ ] the 'transitory duration' language out of the statute."[19]

Applying the fixation requirement to the facts of the case, the court noted that any piece of data stored in the buffers would remain there for not more than 1.2 seconds before being overwritten. The court held that this was too fleeting to meet the duration requirement.[20] The court concluded, therefore, that the buffer copies were not fixed and therefore did not constitute copies within the meaning of the Copyright Act. Because this holding resolved the issue of liability with respect to the buffer data, the court refrained from addressing the issue of whether the buffer copies were *de minimis*.

B. The Playback Copies

With regard to the server copies of entire programs that were to be created by the system, the appellate court noted that the dispositive issue was who makes the copies. The parties had relied on cases descending from the seminal case of *Religious Technology Center v. Netcom On-Line Communications Services*,[21] which stands for the proposition that "[a]lthough copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party."[22] The district court had concluded that *Netcom* was limited to the Internet context, but the Second Circuit found *Netcom*'s recognition of a volitional element to copyright infringement to be "'a particularly rational interpretation of § 106.'"[23]

In applying the volitional principle, the court determined that Cablevision's conduct consisted of "designing, housing, and maintaining a system that exists only to produce a copy." The roles played by Cablevision and its customers in the copying that would take place with the RS-DVR system, the court stated, were analogous to those of a VCR manufacturer and a VCR user. In the case of the VCR, it "seemed clear" to the court that where the device was used to record copyright-protected material, the user of the device, not the manufacturer, supplied the operative volitional element.[24] Thus, it was likewise inappropriate, in the court's view, to impose direct liability on Cablevision as the supplier of the system.

The Second Circuit rejected the district court's conclusion that the fact that the copies generated by the RS-DVR were "instrumental" to the system as opposed to "incidental" warranted imposing direct liability on Cablevision. Although the court of appeals acknowledged that the distinction might differentiate Cablevision's situation from that of an Internet service provider, it did not believe it distinguished Cablevision's position from that of a VCR or photocopier manufacturer or the proprietor of a copy shop.[25] The court found that Cablevision was not analogous to the copy shop in *Princeton Univ. Press v. Michigan Document Servs., Inc.*,[26] where employees carried out the copying to produce course packets that were then sold to the public. Instead, the court thought Cablevision to be more like the proprietor of a store who charges customers who make copies on a copy machine located in the store.[27] The court opined that it was inappropriate to hold such proprietors liable for direct infringement.[28] In sum, the court held that Cablevision was not "sufficiently proximate to the copying to displace the customer as the person who 'makes' the copies when determining liability under the Copyright Act."[29]

The court also disagreed with the district court as to Cablevision's "control" over the content made available for copying. The court concluded that Cablevision had less control over the content in the DVR context than in the video-on-demand (VOD) context. With respect to DVR services, Cablevision could only select which channels would be available for recording, not the specific programs that would be aired or when they would be aired. With VOD, however, Cablevision specifically chooses in advance the programs available for customers to order.

In addition, the Second Circuit stated that a finding against direct infringement with respect to the RS-DVR made good policy sense, as the potential for contributory infringement liability militated against broadly construing the scope of direct infringement.[30] The court also noted that several of the elements that the district court found significant in its direct liability inquiry were derived from the contributory liability context—namely, the Supreme Court's decision in *Sony*. The Second Circuit viewed this as a further indication that the circumstances of the case raised issues of contributory rather than direct liability.[31] The court determined that there was good reason to uphold a clear distinction between the two theories of liability. It observed that whereas the Patent Act imposed direct liability on parties who had merely induced another to infringe, the Copyright Act did not include a similar provision. Thus, maintaining a "meaningful distinction" between direct and contributory liability was in keeping with legislative intent.[32]

C. Public Performance

Finally, the court addressed whether the electronic delivery of recorded program content to subscribers constituted a public performance under section 106(4) of the Act. The issue was whether playback met the definition of a public performance under the "transmit clause" of section 101 of the Act. The operative language of this clause provides that

> [t]o perform or display a work "publicly" means . . . (2) to transmit or otherwise communicate a performance or display of the work . . . to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.[33]

The court first noted that the Act does not define the phrase "to the public." The fact that the statutory phrase ends with the clause "whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times" suggested that it was significant in determining whether a particular performance was "to the public" to examine who is capable of receiving it. This interpretation was supported by the legislative history underlying the transmit clause in the 1976 Act. One of the House Reports stated that

> a performance made available *by transmission to the public at large* is "public" even though the recipients are not gathered in a single place and even if there is no proof that any of the *potential recipients* was operating his receiving apparatus at the time of the transmission. The same principles apply whenever the *potential recipients of the transmission* represent a limited segment of the public, such as the occupants of hotel rooms or the subscribers of a cable television service.[34]

The court concluded that since each playback copy would be available only to the individual subscriber who had requested its creation, each transmission under the RS-DVR system would not constitute a performance *to the public*. The district court erred, the Second Circuit held, by construing "to the public" in terms of the potential audience capable of receiving the underlying work as opposed to capable of receiving *a particular transmission* of the work.[35] Under the district court's approach, the potential audience would include all subscribers who could receive the original airing of the program as well as those who could receive transmissions of the playback copies. In the Second Circuit court's view, this interpretation was inconsistent with the language of the statute because the transmit clause referenced the potential audience of a particular "transmission" or "performance," not that of a particular "work." The district court's approach would effectively render every transmission of a copyrighted audiovisual work a public performance, since the general public represented the potential audience for every work. In the Second Circuit's view, that outcome was inconsistent with the Act's reference to transmissions "to the public," which contemplates the potential existence of transmissions that are not "to the public."[36]

The plaintiffs had argued that the point of reference for the performance at issue was not Cablevision's transmission of a given program to its customers but rather the original program distributor's transmission to Cablevision as well as to other license holders.[37] The court rejected this argument because it also would exclude the possibility that there could be non-public performances, and it had the "odd result" that Cablevision's liability would hinge on the actions of other broadcasters in transmitting the same original performance over their own networks.[38] Moreover, the court stated, that argument was contrary to its opinion in *National Football League v. Primetime 24 Joint Venture*.[39] The lesson from that case, the court explained, was that the public performance analysis had to "look downstream, rather than upstream or laterally, to determine whether any link in a chain of transmissions made by a party constitutes a public performance . . . ."[40] Thus, the court rejected the suggestion that it had to consider the potential audience of the original distribution from the program producers—which would also include subscribers to other cable operators—as opposed to the potential audience for a single RS-DVR playback performance.

The court also rejected the plaintiffs' argument based on *National Football League* that Cablevision's act of splitting the programming signal in order to provide input content for the RS-DVR system constituted a public performance. *National Football League* could support that finding, the court opined, only if it were first determined that the final transmission in the chain—the transmission from the playback copy—was a public performance.[41]

The court distinguished both *Redd Horne* and *On Command*, which concerned repeated playings of the same copy by different members of the public.[42]

The court also rejected the holding of *On Command* that any commercial transmission of a copyrighted work represented a performance to the public. The court stated that such a rule had no support in the language of the Copyright Act.[43]

Finally, the court was not persuaded by the plaintiffs' reliance on *Ford Motor Co. v. Summit Motor Products, Inc.*,[44] which concerned the public distribution right under section 106(3) of the Act. In that case, the Third Circuit held that even distributions of a work to a single person could constitute a public distribution.[45] The Second Circuit noted that that decision had been criticized for depriving the phrase "to the public" of meaning. Moreover, it saw no reason to adopt the same interpretation in the context of section 106(4).

In short, the court held that Cablevision would not violate the plaintiffs' public performance rights by providing the RS-DVR system to Cablevision subscribers. It noted, however, that this holding did not automatically allow all operators of content delivery networks to avoid liability by associating one unique copy with each subscriber or by permitting each subscriber to make his or her own copies.

V. Subsequent Developments

On October 6, 2008, the plaintiffs filed a petition for writ of certiorari with the Supreme Court. The petition asserts that the Second Circuit erred in four respects. First, it argues that the court's volitional analysis contradicts the Supreme Court's holding in *New York Times v. Tasini*.[46] Second, it argues that it was error to exempt Cablevision from direct infringement of reproduction rights simply because a computer, rather than a Cablevision employee, carries out the copying. On this point, the petition stresses the impact the Second Circuit's decision would have in absolving emerging automated services from direct liability. Third, it argues that the ruling with respect to the buffer copies contradicts holdings of three other circuits as well as the written policy of the Copyright Office. Finally, the petition takes issue with the Second Circuit's holding that separate transmissions of programs based on separate copies do not constitute public performances, arguing that this holding is contrary to case law and to the plain meaning of the Copyright Act.

VI. Analysis

A. What Is Not There

Cablevision does not address either contributory infringement or fair use, both of which the parties removed from the case by stipulation. With respect to direct infringement, a fair-use defense surely would not have helped Cablevision due primarily to the commercial nature of the RS-DVR system. Only with respect to the buffer copies could the minimal extent of the copy potentially constitute a factor weighing in favor of a finding of fair use—assuming one does not accept the district court's "aggregated copy" reasoning.

More significant is the plaintiffs' relinquishment of contributory infringement claims. It is unclear what motivated this stipulation, unless it was to avoid expensive litigation of *Sony* issues. At first blush, the facts of the case—at least with respect to the reproduction rights issues—seem to more strongly suggest contributory infringement rather than direct infringement; after all, the copies that most clearly implicate the plaintiffs' rights are the playback copies, as to which Cablevision's role is more suggestive of a facilitator than of a copyist.

Evaluation of the contributory liability issue would not necessarily involve an extensive discussion or reassessment of *Sony*. As the district court rightly noted, Cablevision is much more involved in the copying that would take place with the RS-DVR than is a manufacturer of a VCR with respect to the copying of television programs that might be carried out by the purchasers of the VCR. What the district court was saying as to why the analogy to *Sony* is inappropriate is that the RS-DVR does not involve a *device* but rather a *service* that relies upon Cablevision's direct and continuing involvement.[47] Cablevision would do more than simply provide subscribers with a technology that was capable of substantial non-infringing uses; it would provide them with a system, the sole purpose of which was to produce unauthorized copies of programs and provide unauthorized "time-shifted" performances.

A wrinkle appears, however, in that the time-shifting the RS-DVR would permit looks exactly like the protected activity that is performed with VCRs. "Isn't time-shifting the very thing *Sony* tells us is OK?" one might ask. But this perspective obscures the distinct issues pertaining to reproduction rights, on the one hand, and performance rights, on the other. Even assuming *Sony* bears some relevance to the performance rights context, *Sony* surely does not entail that the copyright infringement involved in the provision of a particular service is excused because it ultimately permits a non-infringing activity. In other words, *Sony*, it would seem, should not excuse the infringement involved in the creation of playback copies simply because the performance in the form of playback viewing is deemed to be non-infringing.

B. The "Fixed" Fix

The court of appeals' decision with respect to the buffer copies turned on the finding that the copies' existence would be too fleeting to meet the statutory definition of "fixed." But one point the court did not address is that the definition of "copies" and that of "fixed" both refer to "works." Thus, there might be an argument that the 1.2-second-long fragments stored on the Broadband Media Router are neither "copies" nor "fixed," because they are too small to represent the underlying work, i.e., the television program. The court also ignored the second sentence of the definition of "fixed," which states that "[a] work consisting of sounds, images, or both, that are being transmitted, is 'fixed' for purposes of this title if a fixation of the work is being made simultaneously with its transmission."[48] Because the television programs at issue would consist of a combination of sounds and images and would be in the process of being transmitted when the copying took place, this sentence would seem to be implicated. Again, if the 1.2-second fragment is too small to constitute the work, the second sentence would be immaterial, since no "fixation" would take place during transmission. On the other hand, it is unclear why this second sentence would have been included in the Act unless Congress had been contemplating something similar to the district court's aggregate copy concept or had wished to suggest that the display of an audiovisual work—for instance, on a movie or television screen—itself represented a copy of the work. The legislative history speaks against this interpretation. The House Report states:

> [T]he content of a live transmission should [be regarded as fixed and should] be accorded statutory protection if it is being recorded simultaneously with its transmission. On the other hand, the definition of "fixation" would exclude from the concept purely evanescent or transient reproductions such as those projected briefly on a screen, shown electronically on a television or other cathode ray tube, or captured momentarily in the "memory" of a computer.[49]

This passage suggests Congress had a more lasting *recording* in mind. There also does not appear to be any case law to suggest the above interpretation of the statutory language. Moreover, it is unclear how such an interpretation would conform with the language cited by the court, which requires that the fixation be of "more than transitory duration."

Thus, in light of these aspects of section 101, the court's conclusion that the buffer copies are too transitory to be "fixed" establishes a practical rule that also accords with the legislative history. It is also worth noting the inconsequential nature of the buffer copies, which also favors a finding of non-infringement. With the RS-DVR, fleeting copies of fragments of protected works are not in and of themselves going to significantly impact the copyright holders' economic exploitation of their works.[50] The use of memory buffers has become commonplace in the transfer of digital audiovisual data from one computer to another or from one medium to another. The issue of ultimate interest to copyright holders will be what those buffer copies are used for—i.e., to produce a "fixed" copy of the work or to deliver it to a viewing screen—and whether the owner of the buffers has the proper authorization for that action. Where authorization is lacking, claims going to the creation of the unauthorized fixed copy or the unauthorized performance will insure that the copyright holder can obtain redress without creating claims against the creation of the buffer copies.

C. Drawing the Line on Direct Infringement

The court's handling of the issue of infringement with respect to the playback copies is likely to prove more controversial than the ruling as to the buffer copies. As the district court pointed out, Cablevision seems directly implicated in the creation of the playback copies as a result of its design and ownership of the system, a fundamental function of which is the creation of unauthorized copies, and its continuing relationship with its subscribers. Particularly telling is the fact that Cablevision owns and supplies the media on which the copies are recorded. In addition, a problem with the Second Circuit's copy shop analogy is that we must imagine a shop in which only unauthorized copies of entire works are made.

Nonetheless, the Second Circuit was correct to focus on the issue of who is ultimately responsible for making the copies. In order to hold Cablevision liable as a direct infringer, it is necessary to establish that the copying would be done by Cablevision. Merely looking at the actions taken by Cablevision on the one hand and by a subscriber on the other—Cablevision sets up an elaborate system and provides the facilities for producing playback copies of programming running over its cable network, while the subscriber chooses a program he or she wishes to record and places a recording order via remote control—it is clear that the subscriber ultimately causes the production of the playback copies. If no subscriber orders the recording of a program, no playback copy is produced.

The Second Circuit's introduction of a volitional element seems to represent a logical approach to identifying the responsible party. In the end, the court had to draw a line between direct and contributory infringement, and the line it chose seems in keeping with the general principle that contributory infringement is more appropriate for those who facilitate or induce infringement carried out by others. It is also worth noting that a holding to the contrary would likely implicate the operations of many other cable companies for whom it has become standard practice for the company to retain ownership over the set-top box it provides to its subscribers. If mere ownership of the facilities that perform the copying entailed direct infringement, other cable operators that provide their subscribers with DVR set-top boxes could be held directly liable.

D. For Your Personal Viewing Pleasure

The Second Circuit's holding with respect to the playback of copied programs provides that the delivery of "private copies" for viewing does not infringe the copyright owners' performance rights even if those copies are created, stored, and transmitted using the facilities of a third-party commercial service. In this regard, Cablevision has capitalized on phenomenal advancements in digital storage media. At the time of the *Redd Horne* decision, the notion of providing every customer with his or her own copy of a feature-length presentation for viewing would not have been economically feasible. As the cost of computer memory and digital storage media has fallen, and as technological advances permit more and more memory to be placed in smaller and smaller media, the option of providing every subscriber to a cable service with his or her own personal storage space for recorded programs has become possible.

No doubt the court's ultimate determination that whether a transmission amounts to a public performance depends on whether one copy or many copies are involved will seem arbitrary if not absurd to many. In any event, the court may have taken too many liberties with the language of the statute in emphasizing the role of copies. Section 101 speaks of "works" rather than "copies" in the definition of "publicly." Thus, the statute seems to place greater emphasis on whether the same *work* is involved rather than the same *copy*. In other words, if Cablevision produced 100 different copies of a particular sitcom and then transmitted each copy to 100 different subscriber households, this action still would seem to implicate the public performance right. Likewise, the production of 1,000 distinct copies of a particular feature film for availability to 1,000 VOD subscribers would seem to infringe the public performance right.

What is different about the RS-DVR is that programs are not made generally available to the subscriber base; rather, each subscriber has to choose to record a program for it to become available for playback. Whether this factor renders playback under the RS-DVR a private rather than a public performance is difficult to determine from the statute and associated legislative history. Yet it seems only *Redd Horne* supports the interpretation that the identity of the copy on which the performance is based may play a role in determining whether the performance is "to the public." The logic that would support the conclusion that separate copies means separate performances also would support the conclusion that serial playing of the same copy results in separate performances.

VII. Conclusion

In *Cartoon Network*, the Second Circuit considered whether Cablevision's RS-DVR digital recording system constituted direct copyright infringement. The court clarified that there is both an "embodiment" and a "duration" requirement under the definition of "copies" under the Copyright Act and determined that 1.2 seconds is too short to meet the duration requirement. In addition, the court introduced a volitional element into the determination of the party directly responsible for copying and accepted Cablevision's argument that it was the users of the system and not Cablevision who effectively exercised the decision to copy a particular program.

Finally, the court held that playback under the RS-DVR system would not entail a public performance because each playback copy represented a unique copy destined solely for a single subscriber. This interpretation seems somewhat contrived, as it reads the term "copy" into section 101 in place of "work." This holding essentially provides entrepreneurs in the entertainment industry with a means of avoiding direct liability for infringing performance rights. Similar to Grokster's development of a decentralized file-sharing system to avoid the fate of Napster, however, it seems unlikely that such a model would ultimately prove immune to a *contributory* infringement claim (which was not presented in *Cartoon Network*). For this reason, operators setting up similar digital recording services likely will need to obtain the appropriate licenses for the service.

Perhaps the most significant aspect of the decision is the fine line it draws between direct and contributory infringement. The line the court chose, bolstered by an emphasis on the volitional element of the copying, seems reasonable. If the issues concerning reproduction rights had been the only ones raised in the copyright owners' cert petition, it would seem unlikely that the Supreme Court would take the opportunity to provide further guidance as to the delineation between direct and contributory infringement, despite the lack of clarity as to the latter. But the petition argues that a clear ruling on automated services is urgent. Perhaps more significant, the Second Circuit's holding as to the public performance issue seems to contradict the intent of the Copyright Act and may attract the court's attention. Ultimately, however, it is evident that Congress needs to revisit the public performance provisions of the Act to bring badly needed clarity to the statutory language and to better adapt the Act to the digital age.

Endnotes

1. 536 F.3d 121 (2d Cir. 2008), *petition for cert. filed,* No. 08-448 (filed Oct. 6, 2008).
2. *Id.* at 124.
3. *See id.* at 125; *see also Twentieth Century Fox Film Corp. v. Cablevision Sys. Corp.*, 478 F. Supp. 2d 607, 615 (S.D.N.Y. 2007).
4. *Twentieth Century Fox Film Corp. v. Cablevision Sys. Corp.*, 478 F. Supp. 2d at 616.
5. *See Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).
6. *Twentieth Century Fox Film Corp.*, 478 F. Supp. 2d at 609.
7. *Id.* at 621.
8. *Id.*
9. *Id.* at 622.
10. 749 F.2d 154 (3d Cir. 1984).
11. 777 F. Supp. 787 (N.D. Cal. 1991).
12. The first element is contained in the definition of "copies" whereas the second is derived from the definition of "fixed." *See* 17 U.S.C. § 101 (2007).
13. *Cartoon Network*, 536 F.3d at 127.
14. 991 F.2d 511 (9th Cir. 1993).
15. *Cartoon Network*, 536 F.3d at 127.
16. 845 F. Supp. 356 (E.D. Va. 1994).
17. *Cartoon Network*, 536 F.3d 121 at 128-29 (citing *Advanced Computer Services of Michigan, Inc.*, 845 F. Supp. at 363).
18. *Id.* at 129 (citing *Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944)).

19. *Id.*
20. *Id.* at 130.
21. 907 F. Supp. 1361 (N.D. Cal. 1995).
22. *Id.* at 1370 (cited in *Cartoon Network*, 536 F.3d at 130).
23. *Cartoon Network*, 536 F.3d at 131 (citing *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 551 (4th Cir. 2004)).
24. *Id.* at 131.
25. *See id.*
26. 99 F.3d 1381 (6th Cir. 1996).
27. *Cartoon Network*, 536 F.3d at 132.
28. *Id.* The Court noted that there were cases that had held to the contrary, citing *Elektra Records Co. v. Gem Elec. Distribs., Inc.*, 360 F. Supp. 821, 823 (E.D.N.Y. 1973), as one example, but claimed those cases were not convincing, since they had not provided any reasoning in support of such an extension of direct infringement.
29. *Id.*
30. *See id.* at 132-33. The Court also argued that such a policy had been established in Supreme Court jurisprudence, citing *Sony*.
31. *Id.*
32. *See id.* 133.
33. 17 U.S.C. § 101 (2007).
34. *Id.* at 135 (citing H.R. Rep. 94–1476, at 64–65 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5678) (emphasis added by Second Circuit).
35. *Id.* at 135.
36. *Id.* at 135–36.
37. *Id.* at 136 (citing Brief of Plaintiff-Appellees at 27).
38. *See id.* at 136.
39. 211 F.3d 10 (2d Cir. 2000).
40. *Cartoon Network*, 536 F.3d at 137.
41. *Id.*
42. *Id.* at 138, 139.
43. *Id.* at 139.
44. 930 F.2d 277 (3d Cir. 1991).
45. *See Cartoon Network,* 536 F.3d at 139.
46. The petitioners evidently refer to a paragraph where the Supreme Court rejects the publishers' argument that only contributory liability should apply since, like Sony, the publishers merely provided copying equipment which allowed end-users to make (visual) copies; *New York Times Co., Inc. v. Tasini*, 533 U.S. 483, 504 (2001). The reference is misplaced, since the publishers in *Tasini* had clearly made reproductions themselves in loading the articles onto the databases and CD-ROMs in question.
47. This statement is not to suggest that the *Sony* doctrine should be limited to devices, but no doubt courts struggled with the application of *Sony* in the context of file-sharing services. The Supreme Court's opinion in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), may yet point the way toward less focus on technological details and more emphasis on the acts and intentions of the parties.
48. 17 U.S.C. § 101 (2007).
49. H. R. Rep. No. 94–1476, at 52–53 (1976) (*errata* text in brackets).
50. For this reason, a finding that the buffer copies were *de minimis* would have been warranted if this issue had been addressed by the court.

In-House Counsel for the Intellectual Property Lawyer

On September 22, 2008 the IP Law Section hosted a cocktail reception in Manhattan at Opia to kick off a series of events specifically for the in-house IP lawyer. Co-hosted by Kelly Slavitt, Treasurer, and Mike Kelly, Co-Chair of the Meetings and Membership Committee, the event was well attended by in-house IP counsel from companies including the ASPCA, Brooks Brothers, Etsy Inc., Macy's Inc., Martha Stewart Living Omnimedia Inc., and The Hearst Corp. (SmartMoney). Future events are being planned for 2009.

Request for Articles

If you have written an article you would like considered for publication, or have an idea for one, please contact *Bright Ideas,* Editor:

Jonathan Bloom, Esq.
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY 10153-0001
jonathan.bloom@weil.com

Articles should be submitted in electronic document format (pdfs are NOT acceptable), along with biographical information.

www.nysba.org/BrightIdeas

ANNOUNCING THE

Intellectual Property Law Section's

ANNUAL LAW STUDENT WRITING COMPETITION

To be presented at the **Annual Meeting of the Intellectual Property Law Section, January 27, 2009, 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.**

First Prize: $2,000
Sponsored by Weil, Gotshal and Manges LLP

Second Prize: $1,000
Sponsored by Morrison & Foerster LLP

COMPETITION RULES ARE AS FOLLOWS:

To be eligible for consideration, the paper must be 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. or CD disk must be submitted by mail, postmarked no later than December 8, 2008 to the person named below. As an alternative to sending the disk or CD, the contestant may e-mail the electronic copies, provided that they are e-mailed before 5:00 p.m. EST, December 8, 2008.

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 to: not 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.

Entries by hard copy and e-mail to: Naomi Pitts, NYSBA, One Elk Street, Albany, NY 12207 (e-mail: npitts@nysba.org). Comments and/or questions may be directed to the Co-Chair of the Young Lawyers Committee: Lindsay Martin, McKool Smith, 399 Park Avenue, Suite 3200, New York, NY 10022, (212) 402-9414, lmartin@mckoolsmith.com.

Annual Meeting of the Intellectual Property Law Section

Tuesday, January 27, 2009 New York Marriott Marquis 1535 Broadway, New York City	
MORNING PROGRAM, 8:45 a.m. Marquis Ballroom, 9th Floor	**AFTERNOON PROGRAM, 2:10 p.m.** Marquis Ballroom, 9th Floor
LUNCHEON, 1:00 p.m. Promenade and Upper Terrace, 9th Floor	**COCKTAIL RECEPTION, 5:30 p.m.** Promenade and Upper Terrace, 9th Floor

IMPORTANT INFORMATION

Under New York's MCLE rule, this program has been approved for a total of up to 7.5 credit hours, consisting of 7.5 credit hours in areas of professional practice. 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. Under that policy, any member of our Association who has a genuine financial hardship may apply in writing not later than two working days prior to the program, explaining the basis of his/her hardship, and if approved, can receive a discount or scholarship, depending on the circumstances. For more details, please contact: Linda Castilla at: New York State Bar Association, One Elk Street, Albany, New York 12207.

Section Chair
Joyce L. Creidy, Esq.
Thomson CompuMark
Thomson Reuters
New York City

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

Program Co-Chair
Lisa W. Rosaya, Esq.
Baker & McKenzie LLP
New York City

8:45 - 8:50 a.m. **Welcoming Remarks**
Joyce L. Creidy, Esq., Section Chair
Sheila Francis, Esq. and Lisa W. Rosaya, Esq., Program Co-Chairs

8:50 - 8:55 a.m. **Remarks by The New York Bar Foundation**

8:55 - 9:45 a.m. **The Value of Compromise: A Real World Approach to Disputes and Settlements**

Now more than ever, companies are looking to maximize the value of their IP and the legal advice secured to protect it. The panel will consider various strategies taken by brand owners to protect their brands and will discuss a variety of issues which affect the approach taken by companies toward litigation, oppositions and settlement. We will provide practical insights regarding companies' needs from outside counsel, including tips on working most effectively together. Overall, the panel will focus on how to get real value out of IP by coming to real solutions in a real world.

Moderator: **Erica Klein, Esq.,** Kramer Levin Naftalis & Frankel LLP, New York City
Speakers: **John Bergin, Esq.,** Avon Products, Inc., New York City
Leslie Moradian, Esq., The Estee Lauder Companies Inc., New York City

9:45 - 10:35 a.m. **IP and Bankruptcy—Business Partners Beware**

This panel will discuss legal and practical issues associated with IP asset valuation and sales in different bankruptcy settings, navigating the Bankruptcy Code provisions governing IP rights after one party files for bankruptcy, and litigating with debtors and trustees in bankruptcy.

Moderator: **Marc Lieberstein, Esq.,** Day Pitney LLP, New York City
Speakers: **The Honorable Robert E. Gerber**, Federal Bankruptcy Judge, Southern District of New York, New York City
Richard Meth, Esq., Day Pitney LLP, New York City
Brian Blonder, FTI Consulting, Washington D.C.

10:35 - 11:25 a.m. **Distribution of Entertainment Content through New Media Channels: Legal Considerations**

With the growth of digital distribution platforms for entertainment content, so too have new legal issues. Join us for a discussion on the legal impact that new technologies and business models have on content creation and distribution, copyright ownership and related rights, content protection, fair use, the Digital Millennium Copyright Act and the Communications Decency Act.

Speakers: **Pamela Church, Esq.,** Baker & McKenzie LLP, New York City
Stanley Pierre-Louis, Esq., Viacom Inc., New York City

11:25 - 11:40 a.m. **Coffee break** - Co-sponsored by Hiscock & Barclay LLP

NYSBA

11:40 - 1:00 p.m. The Changing Landscape of Patents—A Worldwide Perspective

Domestically, the patent prosecution and litigation fronts have seen major changes recently. From the U.S. Supreme Court's *KSR v. Teleflex* decision on obviousness, to the redefinition of willfulness in *Seagate* and the latest *In re Bilski* decision on business method patents, the tides surely seem to be changing. In addition to our US expert, join a distinguished panel of international practitioners in a discussion of recent developments in patent practice in Canada, Europe and Asia as well.

Moderator/Speaker: **Michael A. OrOpallo, Esq.,** Hiscock & Barclay LLP, Syracuse, New York
Speakers: **Martin Hyden, Esq.,** Rouse & Co International, Oxford, United Kingdom
Susan Beaubien, Esq., Macera & Jarzyna LLP, Ottawa, Canada
Slobodan Petosevic, Esq., SD Petosevic, Belgrade, Serbia

1:00 - 2:10 p.m. Lunch - Co-Sponsored by Rouse & Company International, New York City and Baker & McKenzie, LLP, New York City

2:10 - 3:30 p.m. What a Tangled Web We Weave: Internet Issues and How U.S. Courts and ICANN are Addressing Them

The panel will focus on the status of treatment of keywords and metatags in the context of trademark infringement cases in the various circuits. Also on the agenda will be issues and obstacles faced by brand owners in their battle to enforce their marks in cyberspace, including domain name registrants' use of privacy/proxy registration services to shield abusive registration, the evolving role of certain domain name registrars, what purpose new gTLDs really serve and measures being taken to limit domain name tasting and kiting.

Moderator: **Lisa Rosaya, Esq.,** Baker & McKenzie LLP, New York City
Speakers: **Anil George, Esq.,** NBA Properties Inc., New York City
Mitch Bompey, Esq., Morgan Stanley, New York City
Brett Lewis, Esq., Lewis & Hand LLP, Brooklyn
Julius Stobbs Esq., Boult Wade & Tenant, London, United Kingdom

3:30 - 3:45 p.m. Coffee Break - Co-sponsored by Fulbright & Jaworski LLP

3:45 - 4:20 p.m. Enforcing International Trademarks in Troubled Economic Times

Enforcing trademarks abroad can be challenging due to different laws, practices and cultures. This challenge is magnified in troubled economic times. Join our distinguished team of speakers discussing some of their experiences and strategies relating to international enforcement of trademarks.

Moderator/Speaker: **Jason Vogel, Esq.,** Kilpatrick Stockton LLP, New York City
Speakers: **Deborah Doraisamy, Esq.,** Whirlpool Properties Inc., St. Joseph, Michigan
Robert Doefler, Esq., SVP Worldwide, New York City
Lauren A. Dienes-Middlen, Esq., World Wrestling Entertainment, Inc, Stamford, Connecticut

4:20 - 5:10 p.m. E-Bay U.S. and French Anti-counterfeiting Cases: Where do we go from here?

In the wake of contrasting first instance decisions in the United States and in France, and while awaiting news on the appeals, what new steps, if any, are brand owners taking to tackle on-line counterfeiting. Discover from our distinguished panelists what the recent *Tiffany v. eBay* and *LVMH v. eBay* decisions mean for anti-counterfeiting programs and strategies in Europe and the United States.

Moderator/Speaker: **Chehrazade Chemcham, Esq.,** Fulbright & Jaworski LLP, New York City
Speakers: **Robin Gruber, Esq.,** CHANEL USA, New York City
Rebecca Delorey Esq., Gilbey Delorey, Paris, France

5:10 - 5:20 p.m. Annual Law Student Writing Competition
First Prize: $2,000 - Sponsored by Weil, Gotshal and Manges LLP
Second Prize: $1,000 - Sponsored by Morrison & Foerster LLP

5:20 - 5:30 p.m. Closing Remarks
Joyce L. Creidy, Esq., Section Chair
Sheila Francis, Esq. and Lisa W. Rosaya, Program Co-Chairs

5:30 - 7:00 p.m. Cocktail Reception - Sponsored by Thomson CompuMark/Thomson Reuters
All young lawyers are welcome to this reception

We will be moving in 2010!

Hilton New York, New York City

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

For overnight room accommodations, please call the New York Marriott Marquis at 1-800-843-4898 and identify yourself as a member of the New York State Bar Association. Room rates are $272.00 for single/double occupancy. Reservations must be made by Monday, December 22, 2008.

For questions about this specific program, please contact Linda Castilla at 518-487-5562. For registration questions only, please call 518-487-5621. Please use 866-680-0946 to fax your registration form.

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.

Welcome New Members:

Barry S. Agdern
Andrew John Allen
Elizabeth A. Almeter
Nathan Anderson
Rachel Arroyo
Aaron A. Barlow
Megan L. Bierlein
Lauren M. Bilasz
Emily Beth Blumsack
Simon Bock
Jessica Grace Bower
Darren A. Bowie
Sarah Joan Bray
Adam L. Brookman
Eric Colin Bryant
Peter H. Bucci
Mechelle Buksar
Karen Assandri Butcher
Sean Phillip Cameron
Vincent Candurra
Suzana Carlos
Jennifer Ann Cary
Dinneen Cato
Lisa Cattan
Jacqueline C. Charlesworth
Crystal Jui-Yuan Chen
Poorvi Rohit Chothani
William Chuang
Michelle Patricia Ciotola
Erica Adrienne Cohn
Maurice Courvoisier
Adam Crane
James R. Crawford
Jennifer M. Crisp
Tanya Marie Curcio
Nelson Santo DaCunha
Michael Dallal
Edward J. Damico
Daniel DePasquale
Linda M. Dieterich
Ann Cassie Pham Duong
Sara Edelman
Curlina Laverne Edwards
Justin E. Ellis
Rosa V. Estrella
Steven R. Fairchild
Jeffrey Robert Farmer
John J. Feeley
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John A. Fogarty
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William Wesley Frame
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Donald A. Gammon
Raj Suresh Gandesha
John D. Garretson
Brian Paul Gearing
Caroline Paige Geiger
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Timothy Andrew O'Brien
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John Britton Payne
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Michael Alan Willis
Laura J. Winston
Matthew C. Winterroth
Spencer Ray Wood
Seung-jin Yang
Kelly Yona
Edward Yoo
Edward Zahos
Stephen R. Zastrow
Genan F. Zilkha

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 sponsors 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. Now, with Mandatory Continuing Legal Education (MCLE) requirements, Intellectual Property Law Section membership is more valuable than ever before! The Section also sponsors joint programs with Law Schools including an annual writing contest for law students wherein the winning articles appear in an issue of *Bright Ideas*.

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 Copyright Law; Diversity Initiative; Ethics; International IP Law; Internet & Technology Law; Legislative / Amicus; Litigation; Meetings and Membership; Patent Law; Pro Bono and Public Interest; Trademark Law; Trade Secrets; Transactional Law; 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 34 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 35 of this issue.

___ Copyright Law (IPS1100)

___ Diversity Initiative (IPS2400)

___ Ethics (IPS2600)

___ International Intellectual Property Law (IPS2200)

___ Internet and Technology Law (IPS1800)

___ Legislative / Amicus (IPS2300)

___ Litigation (IPS2500)

___ Meetings and Membership (IPS1040)

___ Patent Law (IPS1300)

___ Pro Bono and Public Interest (IPS2700)

___ Trademark Law (IPS1600)

___ Trade Secrets (IPS1500)

___ Transactional Law (IPS1400)

___ Young Lawyers (IPS1700)

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

* * *

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

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

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

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

Name ____________________

Office ____________________

Office Address ____________________

Home Address ____________________

E-mail Address ____________________

Office Phone No. ____________________

Office Fax No. ____________________

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Please return payment and application to:

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One Elk Street
Albany, New York 12207
Telephone: 518/487-5577
FAX: 518/487-5579
http://www.nysba.org/membership

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

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Submission of Articles

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

Submissions should preferably be sent by e-mail to Jonathan Bloom, Editor-in-Chief, at the address indicated on this page. Submissions for the Spring/Summer 2009 issue must be received by March 1, 2009.

BRIGHT IDEAS

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ISSN 1530-3934 (print) ISSN 1933-8392 (online)

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