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Bright Ideas

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

Message from the Outgoing Chair

This is my last message as Chair of the Section. In my first message I noted with enthusiasm that it was a wonderful time to be practicing intellectual property law. Nothing has changed. Indeed, intellectual property rights are now appreciated, respected and used more than ever before in protecting and enhancing the value of companies, especially the new Internet companies. Our Section, now over 1900 members strong, is well situated to participate in the intellectual property Internet revolution, in no small part due to the efforts of the Section's Executive Committee, who I thank for their hard work in helping make this Section what it is today. I want to especially thank Victoria Cundiff, our new Section Chair, and wish her the best.

Our Annual Meeting in New York City in January was once again sold out with 245 registered attendees.

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Message from the Incoming Chair

Michael leaves the Section an even stronger, more vital place to learn, share ideas, and push the intellectual property envelope than it was before. As an early member of the Section under its first Chair, Rory Radding, I have seen each successive Chair leave a lasting imprint on the Section and its members. Each has left an important new tradition. Thanks to our prior Chairs and Michael, the Section has embraced participation by legal luminaries, by the government officials charged with administering the intellectual property laws, and by judges charged with interpreting and enforcing them. Even before mandatory CLE, the Section was conducting training programs throughout the state, a process which has only intensified with required CLE. We now have three annual CLE events, including our annual Lake George Conference, and our "Bridging the Gap" program will be repeated throughout the state. And thanks

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Inside

Message from the Outgoing Chair

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It was certainly an interesting way to begin the new millennium, having our Annual Meeting coincide with the first major snow storm in New York City of the millennium. For the 200 of you who attended, you were treated to a wonderful program including our first ever videoconferenced speaker, the Honorable Commissioner of Patents and Trademarks, Q. Todd Dickinson. Also attending and really putting forth a wonderful effort was the Register of Copyrights, Marybeth Peters, and all our other wonderful speakers, some of whom filled in on a moment's notice like the real pros that they are. By the time you receive this issue the Section will have held a sold-out "Bridging the Gap" intellectual property program directed to providing new attorneys (those less than two years out of law school) with necessary CLE credit as well as affording those more experienced attorneys with refresher programs.

Finally, in what I hope will be an ongoing tradition, my last message includes a message from the incoming Chair, Victoria Cundiff. Please give Vicki all your support; I know she will give the Section all of hers. Thank you for allowing me to serve as your Chair. I am looking forward to participating as a "regular" member in the future.

Michael I. Chakansky
Chair (1998-2000)

Message from the Incoming Chair

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to the efforts of Michael, the Executive Committee, and corporate sponsorship, we now have a Section writing contest to encourage law student scholarship in intellectual property law.

Looking forward, we will build on these fine achievements. Two priorities we will be turning to include actively involving in-house legal departments and business people in our Section and in the Section's programs, and using new technologies to make legal training more user-friendly. Intellectual property law serves not lawyers, but those who create and use intellectual property. We need to maintain an active dialogue with the clients of our legal system to make sure it is satisfying their evolving needs. And in the future, look for on-line seminars and other "new media" approaches to sharing ideas about intellectual property law.

Thank you Michael, Rory, Trish Semmelhack, and Bob Hallenbeck, past Chairs of our Section, for laying strong foundations. And don't be strangers! We need you around.

Victoria Cundiff

Thank You

The Intellectual Property Law Section extends its gratitude to the following law firms and THOMSON & THOMSON, INC. for their significant sponsorship over the past year:

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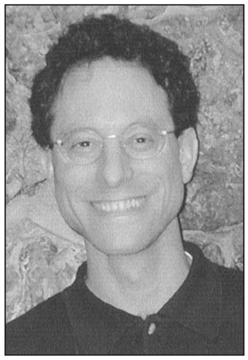
Didn't I Read That Somewhere?: The Practical Impact of *Tasini v. The New York Times*

By Mark S. Kaufman

I. Introduction



In *Tasini v. The New York Times Co., Inc.*,[1] the Second Circuit held that defendant newspaper and magazine publishers could not republish, in online databases or CD-ROMs, articles written for their publications by freelance writers unless each writer had expressly licensed or transferred such electronic rights to the newspaper or magazine that initially published the article. At first blush, *Tasini* seems like a victory for writers, and for the copyright in an individual article over the copyright in a collective work. Upon closer scrutiny, however, it is not clear whether *Tasini* represents a Pyrrhic victory that actually hurts writers, publishers, and the public alike.

II. Factual Background and District Court Proceedings

Plaintiffs were six freelance writers who wrote articles for publication in newspapers and magazines, including *The New York Times*, *Newsday*, and *Time Magazine*. The publishers, in turn, sold the contents of their publications for inclusion in assorted electronic databases. The database defendants included Mead Data Central, owner of the electronic database NEXIS, and University Microfilms International (UMI), which provides CD-ROM database products. Except for one author (whose alleged transfer of rights was held inadequate), none of the authors had agreed to transfer any rights to a publisher or electronic database.

NEXIS and the "New York Times OnDisc" did not copy the physical layout of the publications; photographs, advertisements, and the column format of the newspaper were not retained.[2] Articles could be retrieved individually from the databases, but a user could search for all articles that appeared in a particular publication on a particular day. In contrast, "General Periodicals OnDisc," an image-based CD-ROM product, carried only *The New York Times Sunday Magazine* and *Book Review* and consisted of a digital scanning of the entire periodical, including photographs, captions and advertisements. Unlike the other databases, the "General Periodicals OnDisc" did not employ Boolean searching but could be accessed by searches of text-based abstracts of the articles.

Plaintiffs commenced an action in the Southern District of New York against the publishers and the owners of the electronic databases for infringement of their copyrights in a total of 21 articles sold for publication between 1990 and 1993. While the parties conceded that the newspaper and magazines in questions were "collective works" under the Copyright Act,[3] the authors complained that the electronic media do not merely "revise" defendants' collective works but instead exploit plaintiffs' individual articles.[4] Some of the defendants argued that the plaintiffs had "expressly transferred" electronic rights in their articles,[5] and all publishers argued that § 201(c) of the Copyright Act authorizes electronic reproductions of the articles as "revisions of collective works."

Section 201(c) of the Copyright Act provides in part:

> In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series.[6]

In an opinion by Judge Sonia K. Sotomayor issued on August 13, 1997, which noted that this was a case of first impression,[7] the district court addressed the parties' respective motions for summary judgment.[8]

The court noted that certain terms in § 201(c) did not limit the publishers' right to make "revisions." First, the "privilege" to engage in revisions of collective works is transferable from publishers to database owners. "Thus, to the extent that the electronic reproductions qualify as revisions under § 201(c), the defendant publishers were entitled to authorize the electronic defendants to create those revisions."[9] Next, if the publishers had the right to "reproduce and distribute" any such "revisions" under § 201(c), they also would have the incidental right to "display the copyrighted works publicly" under § 106(5)—including the right to display them on a computer screen.[10]

As to the critical issue of whether the electronic databases and CD-ROMS constituted "revisions," the district court held that "revisions" are not limited to the encyclopedia example set forth in the statutory definition of "collective work,"[11] as plaintiffs argued. Rather, the Copyright Act does not expressly limit the medium in which a revision might be created. "As defendants emphasize, the 1976 Act was plainly crafted with the goal of media neutrality in mind."[12] In addition, in the district court's view, a "revision" need not be nearly identical to the original. For example, a new derivative work could result from "editorial revisions" to a preexisting work. Even a revised encyclopedia could be substantially different from its predecessor. By definition, "collective works" may be significantly altered, as long as the individual contributions themselves are not revised.[13]

Applying § 201(c) to the facts at hand, the district court held that NEXIS and the disputed CD-ROMs maintained the requisite "originality" in the collective works because they electronically preserved the original "selection *or* arrangement of materials."[14] The district court noted that one of the most creative aspects of a newspaper or magazine is the selection of articles. Because the disputed technologies copy the vast majority of the articles selected by defendants, the collective work is preserved and, at most, is permissibly "revised" electronically. Indeed, each electronically produced article refers to the page where it originally appeared in the print medium.[15]

Except for the image-based CD-ROM defendant—which preserved the advertisements and layout of the original newspaper—the district court noted that "[t]he question for the Court is whether the electronic reproductions retain enough of defendants' periodicals to be recognizable as versions of those periodicals."[16] The court concluded that they did. A "revised" collective work, the court reasoned, must include changes to its selection or arrangement of materials. Despite such necessary changes, the court noted, the databases still preserved the originality of the collective works and were recognizable versions of the publishers' collective works. The court concluded that had NEXIS included the publishers' periodicals without the publishers' permission, the publishers would have had valid copyright infringement claims. If these electronic versions would be substantially similar for infringement purposes, they therefore must qualify as "revisions" of those works.[17]

As a policy matter, the district court concluded, it was not depriving freelance authors of copyright protection. The publishers could not, for example, transfer articles from one periodical to another. "The Court does not take lightly that its holding deprives plaintiffs of certain important economic benefits associated with their creations. This does not result from any misapplication of § 201(c), however, but from modern developments which have changed the financial landscape in publishing."[18] At the time Congress passed the Copyright Act, the right to revise collective works may have been perceived

> to have only limited economic value, but [it is now] a right that time and technology have since made precious. . . . In other words, though plaintiffs contend mightily that the disputed electronic reproductions do not produce revisions of defendants' collective works, plaintiffs' real complaint lies in the fact that modern technology has created a situation in which revision rights are much more valuable than anticipated as of the time that the specific terms of the Copyright Act were being negotiated.[19]

III. The Second Circuit's Ruling

On appeal, the Second Circuit, in a unanimous opinion written by Chief Judge Ralph K. Winter, disagreed with the district court's conclusion that the electronic versions of the defendants' publications constituted "revisions" within the meaning of § 201(c). In reversing the district court, the Second Circuit emphasized that the articles could be retrieved individually or in combination with other pieces originally published in different editions of the different periodicals. The court agreed with the authors' contention that as the result of such individual retrieval, electronic versions of the periodicals were not "revisions" but instead amounted to unauthorized new publication of the articles—a use that infringed the copyright in each article.

Section 201(c) of the Copyright Act generally provides that "[c]opyright in each separate contribution . . . is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution."[20] Without any other provision, the court noted, every publisher of a collective work would need a license or an express transfer of rights to use an individually copyrighted article in the collective work.[21] However, as noted, § 201(c) also provides to authors of collective works "a privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series."[22] The Second Circuit reasoned that "[t]he most natural reading of the 'revision' of 'that collective work' clause is that the Section 201(c) privilege protects only later editions of a particular issue of a periodical, such as the final edition of a newspaper."[23] That is, articles in final editions of periodicals may be different from the morning edition, to incorporate updated events. In contrast with anthologies or encyclopedias, which are sometimes updated by the release of a new version, the court held that later edition periodicals are not "later" works in the "same series." Rather, the court reasoned, the evening edition is virtually the only type of "revision" of the original collective work that can be gleaned from the statute.[24]

The panel thus rejected the publishers' argument that the electronic databases, as digital copies of the periodicals, also were "revisions" of those collective works. First, the court held that such a reading of "revision" would render superfluous § 201(c)'s privilege for "later collective works in the same series." In other words, if a database that contains many newspapers, magazines, anthologies and encyclopedias merely "revised" those collective works, a "later collective work[] in the same series" also could be merely a "revision." Basic statutory construction requires that any interpretation that would render part of a statute superfluous must be an erroneous interpretation.[25] (The court could have reasoned that "later collective work" means any collective work "in the same series" that incorporates additional individual articles or information, and that "revision" means a collective work where the layout or format has been changed.)

Second, the court continued, "Reading 'revision of that collective work' as broadly as appellees suggest would cause the exception to swallow the rule."[26] The general rule set forth in § 201(c) is that copyright vests initially in the author of the individual contribution; the privilege set forth in § 201(c) is an exception to that rule. If the Copyright Act incorporated the publishers' interpretation of "revision," the court reasoned, it would allow a publisher to sell or otherwise provide any individual article, as long as the publisher also made available all the other articles—the remainder of the purportedly "revised" collective work. However, the Copyright Act would not allow the publishers to sell hard copies or broad sheets of individual articles as they appeared in any given newspaper or other periodical. The court held that publishers cannot achieve the same result by providing individual articles electronically.[27]

Third, the court stated that under the publishers' theory, a copyright owner who allowed an article to be included in a collective work also would transfer all of the owner's otherwise "exclusive" rights in the work. Copyright under the 1976 Act consists of a bundle of subdivided rights—including, among others, the right to make copies, make derivative works, or distribute the work in a variety of media—which "may be transferred in whole or in part . . . and owned separately."[28] If inclusion in a news periodical automatically subjected an article to inclusion in a database, where it could be retrieved individually by a consumer, inclusion in a collective work would eviscerate the author's other subdivided rights, including the right to distribute the article individually. The court concluded:

> In light of this discussion, there is no feature peculiar to the databases at issue in this appeal that would cause us to view them as "revisions." NEXIS is a database comprising thousands or millions of individually retrievable articles taken from hundreds or thousands of periodicals. It can hardly be deemed a "revision" of each edition of every periodical that it contains.[29]

The court further concluded that reproduction of a periodical as part of a database does not preserve the copyrightable aspects of the collective work, namely, the selection, coordination *and* arrangement of the preexisting materials, as required by *Feist*.[30] Rather, only the "selection" of the authors' works, not the coordination or arrangement, were preserved in a database. In the court's opinion, the database is more like an "anthology" than a revision and therefore does not enjoy the § 201(c) privilege.

The court emphasized that its ruling only addressed situations where the parties had not entered into an express agreement. Absent an agreement, the "default" provisions of the Copyright Act would prohibit collective work authors—that is, the publishers—from relicensing such works. However, "publishers and authors are free to contract around the statutory framework."[31]

The court also reversed the district court with respect to the only author-publisher agreement at issue in the case. "Given the district court's previously expressed broad view of the Section 201(c) privilege, [publisher] Time prevailed [in the lower court], not because the agreement authorized the licensing of [author] Whitford's article to Mead but because the agreement did not forbid it."[32] In its amended opinion, the Second Circuit added: "The district court is mistaken. As discussed above, Section 201(c) creates only a presumption by the parties as to what an author means to convey by giving consent to inclusion of an article in a collective work."[33] In view of the Second Circuit's narrower reading of the rights transferred to the owner of a collective work, a collective work's owner needs the individual article owner's affirmative authorization to include the article in a database.[34]

IV. How *Tasini* May Affect Writers, Publishers, and the Public

The defendants have filed a petition for rehearing in the Second Circuit. As of April 17, 2000, the Second Circuit had not yet ruled on the petition. Pending a ruling on the petition, the Second Circuit's mandate is stayed, and any appeal is barred, thus leaving the applicable legal standard somewhat in limbo. Bruce P. Keller of the New York City office of Debevoise & Plimpton, counsel to the defendants, indicated that if the petition were denied, the publishers would probably seek review by the U.S. Supreme Court.[35]

While the ultimate outcome of *Tasini* remains uncertain, the periodical publishing industry must grapple with the practical impact of the Second Circuit's ruling. In contrast, the decision may have little impact on book publishing, *per se*, which has always been governed by written contracts. Book publishers have typically, and with varying degrees of success, sought to purchase rights to reproduce a work in print, electronic and other media "now known or later developed." As a result, book publishers and literary agents have had several years to speculate and negotiate the value of electronic rights in an original work. *Tasini* is novel because it may require newspaper publishers and writers—who often are interacting, writing, and publishing on tighter deadlines than many book publishers and writers—to consider and potentially to negotiate electronic rights as if they were engaging in book deals.

A. Writers

Freelance writers for periodicals formerly may have enjoyed a degree of autonomy by maintaining copyright in their contributions and republishing their works in other fora. However, it is easy to imagine that after *Tasini,* every major publisher (if not every publisher) will require its authors to give up ownership of their contributions prior to publication. In theory, writers would need only transfer to the periodical's publisher a narrow portion of the rights included in a copyright—specifically, the right for the article to be included in electronic databases containing other articles and issues of the periodical. More likely, any publisher that would bother to require its authors to enter into contracts transferring some of their rights would also require the authors to transfer all of such rights to avoid similar problems in the future. Thus, a newspaper or magazine might compel a prospective contributor (a) to deem each article a "work made for hire" or (b) if a court finds that the article did not meet the criteria for a "work made for hire," to assign any and all copyrights to the publisher. Indeed, soon after the *Tasini* case was filed, *The New York Times* "updated its policy to require freelance writers to execute an express transfer of their copyrights."[36]

Emily Bass, counsel to the *Tasini* plaintiffs, characterizes the decision as being based on a straightforward reading of the statute, and stated that its impact is positive.[37] She understands that while publishers like *The New York Times* generally may require authors to transfer "all rights" in individual articles to the publisher, those publishers also may be willing to negotiate such agreements with respect to digital rights in the copyright. Bass continues that whether the publisher would engage in such negotiations "depends on the writer's clout."

Bass says that writers have always wanted their works to be published, so they had— and still have—cause to be "reasonable" during any negotiations. With the *Tasini* decision, the publisher should be flexible, too, and should provide additional compensation for reuse of each author's articles in electronic media—particularly where such reuse is virtually perpetual. Each publisher, Bass says, may not have to obtain agreements from each contributor prior to publication but could negotiate after the fact when preparing to include that issue of the periodical in a digital archive. Except for well-known columnists, authors and publishers could probably negotiate these contracts without requiring lawyers, she adds. Overreaching attempts to make all articles "works for hire" are unlikely to succeed, Bass suggests, and she notes that independent writers—as opposed to employed reporters—add a distinct and important voice to publications.

According to Bass, under *Tasini* any unauthorized party who makes an article individually available by CD-ROM or an online database would infringe the author's copyright. Essentially, in her view, the Second Circuit merely held that a publisher cannot do electronically what it is not permitted to do in print. However, Bass continues, publishers have retained the critical privilege that they need under the § 201(c): later editions may be "revised" to incorporate necessary changes, so that an article provided in a morning edition newspaper could be included (and updated) for the evening edition.

At a D.C. Bar luncheon held in December 1999, Susan Chertkof Munsat, the plaintiffs' D.C. counsel, defended a proposal by the National Writers Union.[38] Under the proposal, a "publication rights clearinghouse" could issue to publishers blanket licenses to use freelance works, similar to ASCAP and BMI's blanket licenses to perform musical works. In this way, Chertkof Munsat argued, writers would share in the additional income that the publishers enjoy (or may enjoy) from electronic reuse of the writers' works. Writers now receive only about $250 for the first use of their works and, as successfully argued in the Second Circuit, electronic reproduction must be considered in addition to the "first use" rights granted for such a small fee.

B. Publishers

Keller, counsel for the publishers, argues that *Tasini* is a bad decision for everyone: the publishers, who lost the case; writers, whose works will be taken off the Internet and CD-ROM databases; and the public, which will not have access to complete copies of the periodicals, whether archived or current. According to Keller, the legislative history of the Copyright Act indicates that a collective work can undergo a substantial number of "revisions" without infringing copyright of the individual contributions.[39] In this case, including periodicals in a database involved minimal "revision": virtually all of each collective work was faithfully reproduced, except for deletion of some photographs and advertisements.

Keller also believes that the decision is overly broad: according to the court, when individual works that are part of a collective work can be retrieved individually, the collective work becomes a mass of individually copyrighted works and loses its status as a collective work. This effectively defines copyright status not by how a work is created, but how the end-user can retrieve it. This reasoning could negatively impact not only news publishing, but other industries like software distribution, where any bundled software could lose its status as a collective work if it allows retrieval of any individual program or data. The decision, Keller adds, would encourage third-party infringement actions against any database provider.

At the D.C. Bar Association's luncheon discussion,[40] Jeffrey Cunard of Debevoise, Plimpton's Washington, D.C. office questioned whether plaintiffs brought the case to establish legitimacy for Tasini and the writer's union he represents. Cunard said that the Second Circuit was "dead wrong" to characterize the electronic version of a work as a new anthology. Such a view would mean that libraries, including the Library of Congress, create new anthologies when they store works on disks or hard drives for archival purposes. That interpretation is contrary to the copyright principle of media neutrality because it implies that a work is transformed when moved from one medium to another. More important than whether individual articles can be retrieved from the databases, Cunard insisted, is that electronic versions of the periodicals "maintained their integrity" as collective works by maintaining the protectable selection of articles. He stated that the Second Circuit misinterpreted *Feist* when it held that a collective work must maintain the selection, coordination and arrangement of preexisting materials. *Feist* and the statute indicate that any, not all, of those elements are necessary.[41] Cunard continued that if the decision is upheld, print and electronic publishers must exercise "due diligence" and delete all the freelance writers' works from existing databases. Also, publications like *The New York Times* will require the express transfer of freelancers' copyrights.

Eric Rayman, in-house counsel to *The New Yorker*, believes the Second Circuit's decision "doesn't reflect the reality of how lots of publications handle contracts."[42] As a practical matter, he said, a daily paper, a weekly magazine, or even a monthly magazine, does not have time or opportunity to obtain signed contracts for every article. Somewhat jokingly, Rayman suggested that the decision is "good for lawyers," as it could require publications to increase their legal staffs to keep contracts in order. The need for more in-house counsel, in turn, would give an advantage to the better-funded publications.

More problematic, Rayman noted, is that any publication must make its articles available on some kind of database if the publication is to be a paper of record, with back issues available to the public on a current basis. Libraries simply do not keep reams of back papers anymore—they take up too much space and are a fire hazard. "There's an overwhelming public interest in keeping the material available which the *Tasini* court simply didn't consider sufficiently," Rayman said. Certainly, Rayman said, there was a time when every author could have assumed that his or her work would be made available by microfiche in public libraries. The same principle should apply today, even if such information is available on the Internet or on CD-ROM rather than only in a library.

C. Librarians

Miriam Nisbet, Legislative Counsel to the American Library Association (ALA), agrees that the general practice has changed: libraries no longer are storing newspapers, because storage and retrieval is much easier electronically.[43] Users, including library patrons, have become accustomed to doing research electronically. *Tasini* apparently will prevent publishers from providing accurate reproductions of back issues. If the decision is enforced to its fullest extent, Nisbet postulates, there will be a substantial gap in coverage; virtually all of the currently available CD-ROMs, containing hundreds of thousands of articles without the now necessary express transfers of rights, may have to be discarded. After libraries have expended funds to "gear up" for the new research technology, the decision may require libraries to "gear down" back to older technology, like microfiche. Older technology may literally have become obsolete because, Nisbet conjectured, some libraries may not have the means of making microfiche anymore.

Nisbet stressed that the impact of *Tasini* on library policies is being explored in depth by the ALA. Prior to the case "working through the courts" and the ALA's reaching an official position, Nisbet could only state that the library community must appreciate what the Second Circuit was trying to achieve in deciding *Tasini*: to strike the balance set forth in the Copyright Act between protecting the rights of the copyright owners (that is, the owners of individual articles) and the rights of users—particularly the "good users" like libraries. Although *Tasini* may have a potentially negative impact, Nisbet noted that it also may create additional compensation for individual authors.

Section 108 of the Copyright Act provides that libraries may make photocopies and other facsimiles of works that are damaged, stolen or otherwise unavailable for archival and research purposes.[44] It is unclear whether this narrow exception applies to digital reproductions, and it is difficult to determine under *Tasini* whether the library could provide on-line access to its archival database without risking third-party infringement actions by authors who did not transfer their electronic rights upon publication. Arguably, if the current periodical in printed media can be obtained "at a fair price," § 108 would not justify a library's owning and providing access to a CD-ROM that, under *Tasini,* would otherwise infringe copyrights. Nevertheless, perhaps libraries under the § 108 exception could continue to provide access to CD-ROMs with complete reproductions of back issues, including articles that were not subject to express transfers of electronic rights. After all, such future "collector's item" disks will no longer be "in print." The privilege would allow librarians to maintain scholarly access to databases that a publisher could not make available to any other third party—provided the would-be scholar actually visits the library.

In addition, prior to any potential Supreme Court review of the decision, any library outside of the Second Circuit's jurisdiction theoretically could continue to use any CD-ROMs that presently include complete back issues of periodicals, despite lack of any agreement with individual freelance authors. However, because any CD-ROM sellers or Internet databases inevitably are likely to provide such material within the Second Circuit, anyone other than a library who provided access to such materials would risk a copyright infringement action.

On the one hand, this scenario fits within the compromise traditionally embodied in the Copyright Act: access to accurate collections of historical information being limited to the public library computer terminals, and private access to the same information being subject to the distributor's obtaining (and perhaps purchasing) the author's consent. On the other hand, it seems unlikely that libraries will have the funding to create their own databases of the periodicals and magazines that become "out-of-print" when the next issue is published. Rather, the primary if not only electronic source of back issues would be through the Internet or CD-ROM products provided by or through the publisher. If public libraries are the only legitimate purchasers of complete electronic collections of a periodical, publishers may not bother to manufacture such a product for a relatively limited audience. Paradoxically, even such limited manufacturing might remove the CD-ROM product from the "out-of-print" exception for archival copies.

V. Conclusion

Notwithstanding Bass's optimism and Chertkof Munsat's suggestions, it seems doubtful that publishers will allow any author to retain digital rights in his or her article at the expense of having to edit those articles out of any future CD-ROM or online products. At best, publishers will provide additional compensation for those additional rights. Arguably, regardless of the *Tasini* plaintiffs' success, publishers always have had reason to negotiate agreements with and pay more to authors with more clout. Conversely, after *Tasini*, authors with less notoriety seem likely to continue to be "reasonable" for the same compensation they have historically received, but without the benefit of retaining rights in their writings. At best, lesser known authors could license back from the publisher the right to reuse their own work in some other forum, such as a collection of editorials.

The impact of the Second Circuit's decision is problematic: under *Tasini*, publishers of newspapers, magazines and other periodicals do not have all the rights they need. Rather, with the new media available today—and arguably not contemplated when § 201(c) was originally drafted—publishers now need more than the opportunity to provide factual revisions between the "morning" and "evening" news; they also need the opportunity to distribute and archive electronically, or they will be left behind on the information superhighway. It is unlikely that publishers will be able to dig into the past and collect transfers from each freelance author in order to make their historical issues compliant with *Tasini.* As a result, the public will not have access to historical issues of periodicals—except perhaps in libraries.

As for the future under *Tasini*, news publishers must insure that every freelance article is the subject of a contract. Assuming that the future of publishing requires electronic access to historical information, distribution of an accurate database version of any publication poses a litigation hazard. The writer who fails expressly to transfer electronic rights in each contribution will either be unpublished or a potential copyright infringement plaintiff.

As a result, *Tasini* seems to pose unfortunate Hobson's choices between the author's negotiating and policing his or her copyright, the publisher's due diligence perils, and the public's limited access to historical content. Pending any reversal or modification of the decision, *Tasini* might foster greater compensation for writers with greater clout, diminished control over copyrights for writers with lesser clout, detailed recordkeeping and contractual diligence for publishers, and public access only to so-called "selected" articles in any periodical issue—that is, those remaining after the potentially infringed articles have been excised. Whether or not the decision is well-reasoned, its overall impact is likely to be negative.

Endnotes

1. Docket Nos. 97-9181, 97-9650, 1999 WL 753966 (2d Cir. Sept. 24, 1999). Although initially to be reported at 192 F.3d 356, the opinion was withdrawn from the bound volume at the court's request, with an indication that it might be superseded by a subsequent opinion. On February 25, 2000, the opinion was amended, as discussed below. *See* 59 Pat. Trademark & Copyright J. (BNA) No. 1465 (March 10, 2000) at 646.
2. *Tasini v. The New York Times Co., Inc.*, 972 F. Supp. 804 (S.D.N.Y. 1997).
3. Section 101 of the Copyright Act of 1976 states that "[t]he term 'compilation' includes collective works." 17 U.S.C. § 101. It further defines "collective work" as "a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole." *Id*.
4. *Tasini*, 972 F. Supp. at 809.
5. *Newsday*'s checks to its writers had a legend authorizing the publisher to include the articles in "electronic library archives." The district court held that *Newsday*'s check legends were "ambiguous" and did not reflect an express transfer of electronic rights in the articles. *Tasini*, 972 F. Supp. at 811. *Time/Sports Illustrated*'s written contract with one writer, plaintiff Whitford, provided that the publisher had the "right to first publish" the articles at issue. *Id*. at 809. But the district court held that the right to publish an article "first" cannot reasonably be stretched into a right to be the first to publish an article in any and all mediums. *Id*. at 812.
6. 17 U.S.C. § 201(c).
7. *Tasini,* 972 F. Supp at 812 ("There is virtually no case law parsing the terms of Section 201(c) [of the Copyright Act], and certainly no precedent elucidating the relationship between that provision and modern electronic technologies.").
8. *Id.* at 806.
9. *Id.* at 816.
10. *Id.* at 816-17.
11. *See supra* note 3.
12. *Tasini*, 972 F. Supp. at 818.
13. *Tasini*, 972 F. Supp. at 819-20. "The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material." 17 U.S.C. § 103(b).
14. *See Feist Publications, Inc. v. Rural Telephone Service Co.,* 499 U.S. 340, 345 (1991). As discussed below, the Second Circuit held that the electronic versions failed to preserve the collective work's "selection, coordination *and* arrangement" of materials.
15. *Tasini*, 972 F. Supp. at 823-24.
16. *Id.* at 824.
17. *Id.* at 826.
18. *Id*. at 827.
19. *Id*.
20. 17 U.S.C. § 201(c).
21. *Tasini,* 1999 WL 753966, at *3.
22. *Id*. In its amended opinion, the court replaced its references to the Section 201(c) "privilege" with "presumptive privilege." This change more closely tracks the statutory language to clarify that the privilege is qualified. The court changed other references to "privilege" to "permissible uses."
23. *Id*. at *5.
24. *Id*.
25. *Id*.
26. *Id*. at *6.
27. *Id*.
28. 17 U.S.C. § 201(d).
29. *Tasini*, 1999 WL 753966, at *7.
30. *Id*. at *7 (*citing Feist*, 499 U.S. at 349).
31. *Id*. at *8.
32. *Id*. at *9-10. The express licensing agreement granted, in pertinent part, to *Time*:

    > (a) the exclusive right first to publish the Story in the Magazine;
    >
    > (b) the non-exclusive right to license the republication of the Story . . . provided that the Magazine shall pay to [him] fifty percent [ ] of all net proceeds it receives for such republication; and
    >
    > (c) the right to republish the Story or any portions thereof in or in connection with the Magazine or in other publications published by [Time], provided that [he] shall be paid the then prevailing rates of the publication in which the Story is republished.

    Id. at *8.
33. The amended opinion can be found on the Second Circuit Web site maintained by the Pace University School of Law Library and the Touro Law Center at www.law.pace.edu/lawlib/legal/us-legal/judiciary/second-circuit.html.
34. In its amended opinion, the Second Circuit also added a new footnote 2: "We also do not consider the issue of assignability. Rather, we assume for purposes of this decision only, that the Publishers had the right to assign the articles in question to Mead [the owner of NEXIS] and UMI [the owner of the CD-ROMs at issue]."
35. Telephone conversation with Bruce P. Keller, November 30, 1999.
36. *Tasini*, 1999 WL 753966, at *1 n.1; 972 F. Supp. at 807 n.2.
37. Telephone conversation with Emily Bass, December 13, 1999.
38. *See* 59 Pat. Trademark & Copyright J. (BNA) No. 1454 (Dec. 17, 1999) at 381.
39. *See Tasini*, 972 F. Supp. at 819.
40. *See* 59 Pat. Trademark & Copyright J. No. 1454 (Dec. 17, 1999) at 381.
41. *See Feist*, 499 U.S. at 349.
42. Telephone conversation with Eric Rayman, November 22, 1999.
43. Telephone conversation with Miriam Nisbet, December 13, 1999.
44. 17 U.S.C. § 108. Subsection (c) provides: "The right of reproduction under this section applies to a copy or phonorecord of a published work duplicated in facsimile form solely for the purpose of replacement of a copy or phonorecord that is damaged, deteriorating, lost or stolen, if the library or archives has, after a reasonable effort determined that an unused replacement cannot be obtained at a fair price."

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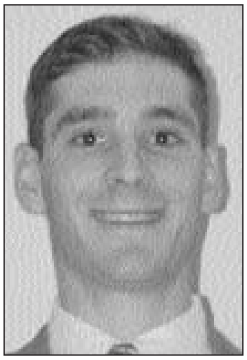
Second Circuit First Appellate Court to Apply Anticybersquatting Consumer Protection Act

By Lawrence R. Miller



In *Sporty's Farm L.L.C. v. Sportsman's Market, Inc.*,[1] the Second Circuit became the first federal appeals court to apply the Anticybersquatting Consumer Protection Act of 1999 (ACPA)[2] when it affirmed an injunction issued by the district court that required the defendant to relinquish the domain name "sportys.com." Although the district court based its ruling on the Federal Trademark Dilution Act (FTDA),[3] the Second Circuit, in an opinion by Judge Guido Calabresi, affirmed the lower court's ruling under the ACPA, which was enacted during the pendancy of the appeal, and concluded that the defendant had registered the domain name "sportys.com" with a bad-faith intent to profit from the plaintiff's distinctive mark, "Sporty's." In addition, the court rejected the defendant's contention that retroactive application of the FTDA and ACPA was impermissible.

The plaintiff, Sportsman's Market, Inc., is a mail order catalogue company that caters to pilots and aviation enthusiasts, although in recent years it has expanded its offerings to tools and home accessories. It distributes approximately 18 million catalogues throughout the United States and enjoys nearly $50 million in annual revenues. In 1985, Sportsman's received a federal trademark registration for the mark "Sporty's" for its retail mail order services based on first use in 1961. Sportsman's mark subsequently obtained incontestable status. Sportsman's spends about $10 million each year on advertising containing the "Sporty's" logo, and uses the mark as part of its domestic and international toll-free telephone numbers, e.g., 1-800-SPORTYS.

The defendants in the action were Omega Engineering, Inc. and its wholly owned subsidiary, Sporty's Farm L.L.C. Omega is a mail order catalogue company that sells scientific process measurement equipment. Omega's owner, Arthur Hollander, a pilot who receives Sportsman's catalogue, decided in late 1994 or early 1995 to enter the aviation catalogue business. In April 1995, shortly after making the decision to compete directly with Sportsman's, Omega registered the domain name "sportys.com." Nine months later, Omega sold the rights to the domain name to Sporty's Farm, which Hollander formed after Omega registered the "sportys.com" domain name. Sporty's Farm grows and sells Christmas trees. Shortly after acquiring the domain name from Omega, Sporty's Farm launched a Web site located at "sportys.com" for its Christmas tree business. Before Sportsman's could take action against Sporty's Farm, the latter commenced a declaratory judgment action in Connecticut district court seeking a declaration of its continued right to use the "sportys.com" domain name. Sportsman's counterclaimed, alleging trademark infringement, dilution, and state law unfair competition against both Sporty's Farm and Omega.

After a bench trial, the district court rejected Sportsman's trademark infringement and state unfair competition claims but held that Sportsman's trademark was "famous" and that Omega's registration and Sporty's Farm's use of the "Sporty's" mark in the domain name "sportys.com" diluted that mark under the FTDA by preventing Sportsman's from using its trademark as a domain name. The district court ordered Sporty's Farm to relinquish the domain name, which subsequently was acquired by Sportsman's, but the court refused to award any damages, rejecting Sportsman's claim that the defendants had engaged in willful dilution. Sporty's Farm appealed the district court's injunction, and Sportsman's appealed the court's refusal to award damages.[4]

On November 29, 1999, while the appeal was pending, the ACPA, which provides a new federal remedy for cybersquatting, was enacted. The ACPA, which adds a new § 43(d) to the Lanham Act, provides that

> [a] person shall be liable in a civil action by the owner of a mark . . . if, without regard to the goods or services of the parties, that person—(i) has a bad faith intent to profit from that mark . . . and (ii) registers, traffics in, or uses a domain name that—(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark; (II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark. . . .[5]

After requesting additional briefing from the parties, the court held that the ACPA properly could be applied on appeal and observed that "the new law was adopted specifically to provide courts with a preferable alternative to stretching federal dilution law when dealing with cybersquatting cases."[6] Moreover, the court concluded that it was appropriate to apply the ACPA, rather than remand the case to the district court to allow that court to apply the new law in the first instance, because the district court's findings combined with the record developed below permitted easy application of the new law by the appellate court.[7]

The court proceeded to find that Sportsman's satisfied all of the elements of a claim under the ACPA. First, the court found that Sportsman's mark was "distinctive."[8] Acknowledging that the district court had concluded, in its dilution analysis, that the mark was both "famous" and "distinctive," the Second Circuit found it unnecessary to reach the issue of fame in affirming the district court's order.[9] Next, the court concluded that the domain name "sportys.com," although not "precisely identical" to Sportsman's mark because "apostrophes cannot be used in domain names," was nevertheless "indistinguishable" from Sportsman's mark and therefore easily satisfied the "confusingly similar" requirement.[10] Finally, the court held that Sporty's Farm had acted with a "bad faith intent to profit" from the mark "Sporty's" through its use of the domain name "sportys.com."[11]

Applying six of the nine nonexclusive factors set forth in the ACPA for evaluating whether a defendant acted in bad faith,[12] the court determined that evidence of Sporty's Farm's bad faith was so strong that "no reasonable factfinder could return a verdict against Sportsman's."[13] Among the facts noted by the court in support of its conclusion were the following: (1) neither of the defendants had any intellectual property rights to the "sportys.com" mark at the time Omega registered the domain name;[14] (2) the domain name was not the legal name of the entity that registered it, Omega, and Sporty's Farm did not even exist at the time of registration;[15] (3) Sporty's Farm did not use the Web site located at "sportys.com" to offer any goods or services until after the litigation began;[16] (4) Sporty's Farm did not claim that its use of the domain name constituted "fair use" or "noncommercial use";[17] (5) Omega sold the domain name to Sporty's Farm under "suspicious circumstances";[18] and (6) the "Sporty's" mark is distinctive.[19]

The Second Circuit did not, however, limit its analysis of Sporty's Farm's intent to the factors listed in the ACPA. Demonstrating that the factors truly are nonexclusive, the court found that its decision was influenced most not by an analysis of the statutory factors but by the unique circumstances of the case, i.e., the fact that Omega's owner, Hollander, who admitted that he was familiar with Sportsman's catalogue, decided to compete directly with Sportsman's and registered the domain name "sportys.com" in an apparent effort to keep it from Sportsman's.[20] Not only did Hollander register "sportys.com" as a domain name, the court observed, but in order to insulate himself against a claim by Sportsman's that use of the domain name by Omega would result in a likelihood of confusion, Hollander formed a company conveniently named Sporty's Farm, sold it the domain name, and began selling Christmas trees online.[21] The court had little trouble dismissing as "more amusing than credible" the explanation provided by Ralph Michael, manager of Sporty's Farm, that the term "Sporty's" in the company's name was derived from "Spotty," the name of his childhood dog, particularly given the absence of any "evidence . . . that Hollander was considering starting a Christmas tree business when he registered 'sportys.com' or that Hollander was ever acquainted with Michael's dog Spotty."[22]

The court proceeded to affirm the district court's choice of remedy—forfeiture of the domain name by Sporty's Farm—and observed that such a remedy is expressly authorized by the ACPA.[23] The district court's refusal to award Sportsman's damages under the FTDA or Connecticut unfair competition law did not, according to the appeals court, constitute "clear error," and damages were not available under the ACPA because, as the court noted, damages are not available under that statute "with respect to the registration, trafficking, or use of a domain name that occurs before the date of enactment" of the ACPA.[24]

The Second Circuit's conclusion that Sporty's Farm violated Sportsman's rights under the ACPA is not likely to generate much controversy, as the defendant's conduct appears to fit squarely within the spectrum of conduct that the ACPA was intended to remedy. What is notable, however, is the court's willingness to step outside of the boundaries set by the nine statutory factors in evaluating the defendant's "bad faith intent to profit" from the plaintiff's mark. It is true that the statute states merely that courts "may consider such factors as, but not limited to," the nine statutory factors,[25] but the same "non-exclusivity" applies to the eight statutory factors for evaluating the fame of a mark under the FTDA,[26] and yet courts rarely look beyond the eight factors in evaluating the fame of a mark. It follows that in assessing the merits of a claim under the ACPA, counsel is well advised to look not just at the factors set forth in the statute but more broadly at the facts of the case in light of the purpose of the ACPA.

After disposing of the issues of the defendant's liability and the proper remedy, the court did not hesitate to reject Sporty's Farm's contention that application of the FTDA or ACPA to this case was impermissibly retroactive.[27] Because the injunction issued by the district court "provided only prospective relief to Sportsman's," the Second Circuit reasoned, application of the statutes to events that took place before their enactment was appropriate under the Supreme Court's decision in *Landgraf v. USI Film Prods*.[28] In sanctioning retroactive application of the FTDA, the Second Circuit adopted the position staked out by the Eighth Circuit in *Viacom Inc. v. Ingram Enterprises, Inc*.,[29] in which the court concluded that because trademark dilution was a continuing wrong, application of the FTDA to events that commenced prior to the enactment of the statute was proper because the relief sought was prospective.[30] In sanctioning retroactive application of the ACPA, the Second Circuit became the first court to rule on the issue.

In light of this ruling, practitioners, particularly those in the Second Circuit, will need to reevaluate the merits of any pending or potential domain name-related trademark infringement/dilution suits under the ACPA, regardless of whether the conduct giving rise to those claims occurred prior to enactment of the statute. While the Second Circuit's decision is but the first in what promises to be a long line of cases applying the ACPA, it lays a solid foundation for the statute's application by future courts.

Endnotes

1. Nos. 98-7452(L), 98-7538 (XAP), 2000 WL 124389 (2d Cir. Feb. 2, 2000).
2. 15 U.S.C. § 1125(d).
3. 15 U.S.C. § 1125(c).
4. Omega did not appeal from the district court's ruling.
5. 15 U.S.C. 1125(d).
6. 2000 WL 124389, at *6.
7. *Id.*
8. *Id.*
9. *Id.*
10. *Id.* at *7.
11. *Id.*
12. *See* 15 U.S.C. § 1125(d)(1)(B)(i)(I)-(IX).
13. 2000 WL 124389, at *7.
14. *Id.* at § 1125(d)(1)(B)(i)(I).
15. *Id.* at § 1125(d)(1)(B)(i)(II).
16. *Id.* at § 1125(d)(1)(B)(i)(III).
17. *Id.* at § 1125(d)(1)(B)(i)(IV).
18. *Id.* at § 1125(d)(1)(B)(i)(VI).
19. *Id.* at § 1125(d)(1)(B)(i)(IX).
20. 2000 WL 124389, at *8.
21. *Id.*
22. *Id.* at *3, *8.
23. *Id.* at *9. *See* 15 U.S.C. § 1125(d)(1)(C).
24. 2000 WL 124389, at *9-*10. *See* Pub. L. 106-113, § 3010.
25. 15 U.S.C. § 1125(d)(1)(B)(i).
26. 15 U.S.C. § 1125(c)(1)(A)-(H).
27. 2000 WL 124389, at *11.
28. 511 U.S. 244, 273 (1994).
29. 141 F.3d 886, 889 (8th Cir. 1998).
30. *But see Circuit City Stores, Inc. v. Officemax, Inc.*, 949 F. Supp. 409 (E.D. Va. 1996) (rejecting as "manifestly inequitable" application of FTDA to mark adopted by defendant prior to statute's enactment).

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The Use of ADR in Intellectual Property Disputes

By Rosemary A. Townley

The use of Alternate Dispute Resolution (ADR)[1] is growing in acceptance among intellectual property practitioners. The American Arbitration Association (AAA) reports an increasing caseload in this area. For example, approximately 350 cases involving copyright, patent, and trademark issues were either mediated or arbitrated under the auspices of the AAA in 1997, while in 1996 approximately 223 cases were filed.[2]

Brief definitions of the two major forms of ADR—arbitration and mediation—might be of aid to the reader unfamiliar with the processes. The two forms are distinct in nature, and each is uniquely suited to different types of subject matter disputes.[3]

"Arbitration" generally is defined as "a simple proceeding voluntarily chosen by parties who want a dispute determined by an impartial judge of their own mutual selection, whose decision, based upon the merits of the case, they agree in advance to accept as final and binding."[4] Arbitration is most similar to a trial before a judge. Unlike a trial, an arbitration proceeding is private and confidential and does not require strict adherence to the formal rules of evidence. The proceeding can be conducted relatively quickly and economically.

The parties may develop the terms of their own arbitration stipulation or agreement if they are not provided for in a contract. This agreement can be tailored so as to provide for litigation-type processes, such as motions *in limine*, limited discovery, or bifurcation of the hearing for liability and damages issues.[5] In some cases, the parties add a clause to the stipulation or agreement providing for the review of an award by a standard which may be more or less demanding than that provided under § 10 of the Federal Arbitration Act.[6] An arbitrator, or a panel of three arbitrators, is mutually selected by the parties, either directly or with the assistance of an independent organization that maintains rosters and biographies of qualified arbitrators.

A commercial arbitration hearing usually will commence with a pre-hearing administrative conference between the arbitrator and the representatives of the parties. The purpose of the conference is to review the governing rules of the proceeding and to address matters such as the production of documents and the identification of witnesses. At the conference, a hearing and briefing schedule typically is established, as well as any scheduling for the accomplishment of discovery matters, if the latter is agreed to by the parties or is provided for in a stipulation or agreement.

An arbitration hearing includes many of the same elements of a trial: opening statements are presented; witnesses are examined; documentary evidence is offered into the record; objections are raised and ruled upon by the arbitrator; and a record is maintained, either by a court stenographer or by the arbitrator. Closing statements are made, either orally or in a written brief.

The arbitrator's decision usually is issued as a written opinion and award within 30 days after the close of the hearing, unless the parties agree to another format or deadline. As a general rule, review of an arbitrator's award is narrow. That is, an award will not be vacated by a court except upon certain limited grounds, such as "where the award was procured by corruption, fraud or undue means" or where there was "evident partiality or corruption in the arbitrators or either of them."[7]

One exception to this general rule was set forth by the Second Circuit in *Halligan v. Piper-Jaffray, Inc.*[8] *Halligan* involved an age discrimination claim[9] filed by a broker pursuant to a Form U-4[10] which was rejected by an National Association of Securities Dealers arbitration panel. Judge Kimba M. Wood of the Southern District of New York confirmed the arbitration award in favor of the defendant, Piper-Jaffray, Inc. In a ruling that may serve to expand the scope of appellate review of arbitration awards in the Second Circuit, the court of appeals found that the arbitration award reflected a "manifest disregard of the law" and held, in relevant part:

> In view of the strong evidence that Halligan was fired because of his age and the agreement of the parties that the arbitrators were correctly advised of the applicable legal principles, we are inclined to hold that they ignored the law or the evidence or both. Moreover, the arbitrators did not explain their award. It is true that we have stated repeatedly that arbitrators have no obligation to do so . . .
>
> When a reviewing court is inclined to hold that an arbitration panel manifestly disregarded the law, the failure of the

> arbitrators to explain the award can be taken into account. Having done so, we are left with the firm belief that the arbitrators here manifestly disregarded the law or the evidence or both.[11]

While it may be premature to toll the death knell for the finality of an arbitration award, mediation may be better suited for resolving intellectual property disputes prior to attempting to arbitrate the matter.

"Mediation" is a process in which a neutral mediator assists the parties in reaching their own settlement but does not have the authority to make a binding decision.[12] A less formal process than arbitration, a mediator meets with the disputing parties and their representatives in a series of informal conferences, including joint meetings and caucuses. The mediator will attempt to hear all facts and issues and will offer suggestions to aid the parties in identifying common ground. The mediator does not decide who is right or wrong in the matter.[13] Rather, the mediator attempts to facilitate discussion in order to reach what is essentially a negotiated settlement.

Mediators are selected through an independent administrative agency or by direct appointment by the parties based on their knowledge of the individual. The mediator's expertise in the subject matter of the dispute can be an important factor in the selection process, depending upon the technical issues involved, but may not be the primary one. As noted in an observation by two commentators in the area of international intellectual property law:

> Process skills are paramount to subject matter expertise. Whether [the mediator with subject matter expertise] will be a hindrance or an advantage depends upon just how technical the subject matter of the dispute is. There is no ready answer, but the issue must be considered.
>
> Many practitioners believe that previous knowledge in issues related to the field of dispute by the mediator can speed the process and save considerable time. But most experienced practitioners in mediation would probably agree that it is better to have a skilled mediator without expertise in the area of the dispute, than to have an expert in the field with marginal or no mediation process skills.[14]

In certain cases, the "co-mediator" model may be preferred. This involves two mediators with complementary skills working together to achieve a settlement with the parties. For example, a subject matter expert, such as a design engineer, could be paired with an experienced mediator who has the process skills to guide the parties.[15] As a rule, a mediation conference can be scheduled relatively quickly and requires less preparation than would be needed for litigation or arbitration.

A 1998 study of general and deputy counsel and chief litigators of Fortune 1,000 corporations, conducted by researchers at Cornell University and PricewaterhouseCoopers, LLP, showed that ADR techniques, especially arbitration and mediation, are widely used.[16] Most firms reported a preference for mediation as a means of dispute resolution. The study also reported that of those disputes that dealt with intellectual property issues, 28.6% were referred to mediation and 21% to arbitration.[17]

In the study, the respondents indicated that one of the most significant reasons for using ADR is that it is less expensive than litigation and provides a means to reach a settlement in a more expeditious manner. Mediation was considered by the respondents to be a more satisfactory process than litigation because they believed that it provided an opportunity for the parties to exercise more control over the resolution of a dispute.[18]

In addition, the study found that 70% of those parties that utilized arbitration and mediation techniques were "very likely" to use these techniques in the future.[19] However, 93% of the respondents noted that a significant barrier preventing the more frequent use of ADR is the inability to convince the opposing side to agree to its use in resolving disputes.[20]

One frequently published commentator who urges the use of ADR methods to resolve intellectual property disputes, David W. Plant, Esq., a partner at Fish & Neave in New York City, reports that "the anecdotal track record" of mediation shows that it is successful in resolving 70% to 80% of intellectual property disputes.[21] He encourages the use of mediation to resolve these disputes, especially as an alternative to the unpredictable *Markman*[22] hearings in patent infringement cases. Plant describes some of the reasons why practitioners should consider the use of mediation:

> Whether parties and their counsel believe mediation will guarantee a settlement of a particular dispute (it will not), given the (anecdotal track record . . .) of intellectual property disputes (either before or during litigation where the parties have been locked in mortal combat), it is good business for parties, and it is professionally responsible for counsel, to give mediation a good-faith

> try. It is a no-risk, trivial-cost alternative to highly unpredictable and high-cost litigation. It makes sense for the parties to take charge of their own destinies, and to resolve for themselves their intellectual property problems.[23]

Similarly, mediation is favored by practitioners of intellectual property law in the international arena. Their reasons include the practicality of lower costs, time-saving features, confidentiality, control by the parties, the avoidance of precedence, the satisfaction by the parties with the outcome, and the preservation of relationships between the parties. In an article that first appeared in the *Journal of World Intellectual Property*, Carmen Collar Fernandez and Jerry Spolter urge that parties consider this ADR mechanism of mediation for the following reasons:

> The world of intellectual property law calls for dispute resolution mechanisms as fast-paced and efficient as the evolution of the underlying technology and ideas which are the subject of the disputes.
>
> International, multibillion-dollar corporations engaged in the pursuit of business profits derived from intellectual property simply cannot afford the time and resources to sit around with a phalanx of attorneys waiting years and spending millions to resolve disputes pertaining to trademarks, copyrights, patents, and trade secrets.[24]

Many of the commentators emphasize the importance of the confidentiality of the process, which is one of the most critical elements of mediation. This concern for and interest in confidentiality has also been recognized by the Second Circuit. In *Lake Utopia Paper Ltd. v. Connelly Containers, Inc.*,[25] the court noted:

> If participants cannot rely on confidential treatment of everything that transpires during these sessions, then counsel of necessity will feel constrained to conduct themselves in a cautious, tight-lipped, non-committal manner more suitable to poker players in a high stakes game than adversaries attempting to arrive at a just solution of a civil dispute.[26]

Certain states, such as California, Massachusetts, Indiana, Michigan, Texas, Oklahoma, Colorado, Florida, Utah, Washington, and Oregon, have codified the confidentiality protections of the mediation process.[27] At a minimum, a mediation agreement should contain specific language setting forth confidentiality protections for the information disclosed in a mediation session, unless the parties agree to the contrary. In addition, mediators usually insist on a clause within the mediation agreement precluding either party from subpoenaing the mediator to testify about any discussions that occurred during the sessions.

The *New York Law Journal* reported recently that the American Bar Association and the National Conference of Commissioners on Uniform State Laws released the first draft of a proposed Uniform Mediation Act for public comment. The stated intent of this project is to clarify the mediation process and to add protections for the participants.[28]

In 1994, three major associations that are closely involved in mediation matters—the American Bar Association, the American Arbitration Association, and the Society of Professionals in Dispute Resolution—issued the results of a joint project that was designed to develop a general framework for mediation practice and to promote public confidence in the process. The "Model Standards of Conduct For Mediators"[29] deals with issues such as the principle of self-determination by the parties, the confidentiality of the process, the impartiality of a mediator, the need for a mediator to disclose any potential conflicts of interests, and the competence of a mediator.

This article offers only the broadest overview of the literature on the topic of ADR and intellectual property. The materials cited in the endnotes contain a wealth of more detailed information from practitioners, mediators, and arbitrators who have used ADR procedures with varying degrees of success and/or satisfaction. The reader is urged to take a closer look at this material in order to become more fully aware of the scope of ADR procedures and their efficacy in resolving intellectual property disputes.

Endnotes

1. ADR methods include mediation, arbitration, neutral evaluation, fact-finding, mini-trials, and other hybrid forms of resolution, such as "med-arb" or mediation-arbitration.
2. *See* Christine Lepera, *What The Business Lawyer Needs to Know About ADR*, New York State Bar Association Entertainment, Arts and Sports Law Section and the American Arbitration Association: Mediation (1999) (*citing* George H. Friedman, *High-Tech Revolution Spurs Use of ADR*, The Metropolitan Corporate Counsel (Greater New York Metro ed. Sept. 1997), at 33).
3. *See* Julie A. Klein, *Researching Results of Alternative Dispute Resolution*, N.Y.L.J., July 1, 1999, at 3-4. Klein notes that there is no single entity which has, over a consistent period of time, "collected, maintained, analyzed, tracked and disseminated research data covering various aspects of alternative dispute resolution in business related transactions." Ms. Klein also reports that the AAA announced on June 10, 1999, that it is sponsoring the "Global Center for Dispute Resolution Research," an autonomous, self-governing organization which will "examine

the use and effectiveness of dispute resolution on a worldwide basis."

4. Frank Elkouri & Edna Elkouri, How Arbitration Works 2 (Marlin M. Volz & Edward P. Goggin, eds., 5th ed. 1997).

5. Some critics have charged that arbitration proceedings have come to resemble court hearings to the point that arbitration "has become a substitute courtroom." *See* Gail Diane Cox, *Arbitration Is No Simple Matter*, Nat'l L.J., June 28, 1999, at A1.

6. 9 U.S.C. § 10. For a discussion of various standards used by courts in reviewing arbitration awards, see Olivier Antoine, *Judicial Review of Arbitral Awards*, Dispute Resolution J., Aug. 1999, at 23-32. One frequent commentator on arbitration trends, Carroll E. Neesemann of San Francisco's Morrison & Foerster L.L.P., argues that parties should be encouraged to include appeals procedures into their arbitration contracts, which he views as "an opportunity to maximize the benefits of arbitration." *See* Cox, *supra* note 5, at A10.

7. Federal Arbitration Act, 9 U.S.C. § 10. For comparable language applicable under New York State law, *see* N.Y. Civ. Prac. L. & R. §§ 7510-11.

8. 148 F.3d 197 (2d Cir. 1998).

9. The U.S. Supreme Court has ruled that federal statutory employment-related claims, which are raised pursuant to the Age Discrimination in Employment Act (ADEA), or Title VII of the Civil Rights Act of 1964, or the Americans with Disabilities Act (ADA), are subject to arbitration. *See Gilmer v. Interstate/Johnson Lane Corp.*, 500 U.S. 20 (1991).

10. The standardized form that must be completed by brokers in the securities industry is known as the Form U-4 (Uniform Application for Securities Industry Registration). The signing of this form by a broker constitutes an agreement to arbitrate any dispute, claim or controversy between the broker and the firm, customer or any person, that is required to be arbitrated under the rules or by-laws of the organizations listed, including the National Association of Securities Dealers. *See Williams v. Cigna Financial Advisors, Inc.*, 56 F.3d 656, 660-61 (5th Cir. 1995).

11. *Halligan*, 148 F.3d at 210. The "manifest disregard of the law" standard was first enunciated in *dicta* by the U.S. Supreme Court in *Wilko v. Swan*, 346 U.S. 427 (1953).

12. *See generally* American Arbitration Association, A Guide to Mediation and Arbitration for Business People 3 (1998).

13. One commentator characterizes this notion of "no winners" as one which is "alien" to Western lawyers, who are taught to deal only with the goal of victory. She notes that in China, there "are 10 million mediators compared with 15,000 lawyers." *See* Sheila M. Johnson, *A Medical Malpractice Litigator Proposes Mediation*, Dispute Resolution J., Spring 1997, at 48-49.

14. *See* Carmen Collar Fernandez & Jerry Spolter, *International Intellectual Property Dispute Resolution: Is Mediation a Sleeping Giant?*, Dispute Resolution J., Aug. 1998, at 66.

15. *See id*.

16. *See* David B. Lipsky & Ronald L. Seeber, *Patterns of ADR Use in Corporate Disputes*, Dispute Resolution J., Feb. 1999, at 66.

17. *See id*. at 69.

18. *See id*. at 71.

19. *See id.*

20. *See id.*

21. *See* David W. Plant, *The Lessons of Markman's Progeny: The Virtues of ADR in Resolving Intellectual Property Disputes*, ADR Currents (Dec. 1998), at 12-13.

22. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

23. *See* Plant, *supra* note 21, at 13.

24. *See* Fernandez & Spolter, *supra* note 14, at 53.

25. 608 F.2d 928 (2d Cir. 1979), cert. denied, 444 U.S. 1076 (1980). *See* Dennis Sharp, *The Many Faces of Mediation Confidentiality*, Dispute Resolution J., Nov. 1998, at 56.

26. *Lake Utopia Paper Ltd.*, 608 F.2d at 930.

27. *See Sharp, supra* note 25, at 58. *See also* Edward Costello, Jr. and Cynthia Archuleta, *Mediation Confidentiality: A Look at Statutory Law and Rules*, ADR Currents, Mar. 1999, at 20.

28. *See Today's News: Update*, N.Y.L.J., Sept. 14, 1999, at A1. The report also notes that copies of the act and information concerning commenting upon it are available online at "www.pon.harvard.edu/guests/uma."

29. Copies of this pamphlet are available from any of the three participating organizations.

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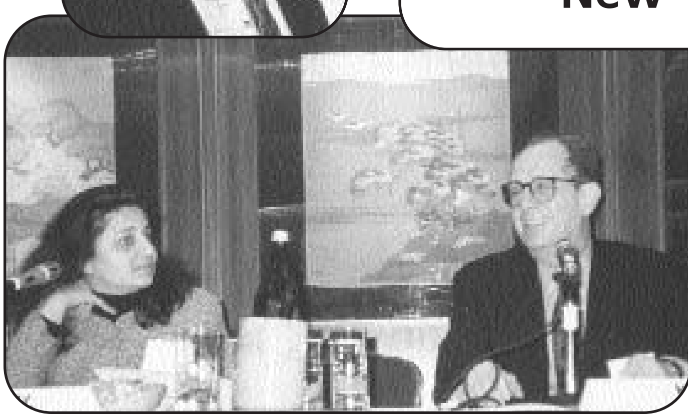
Scenes from the
Intellectual Property Section's

Annual Meeting

**Tuesday,
January 25, 2000**

**New York
Marriott Marquis**

New York City



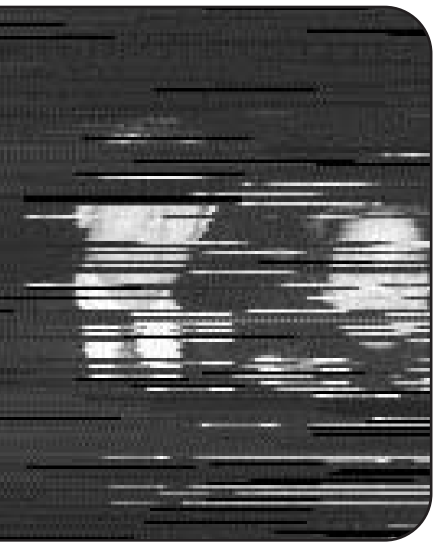








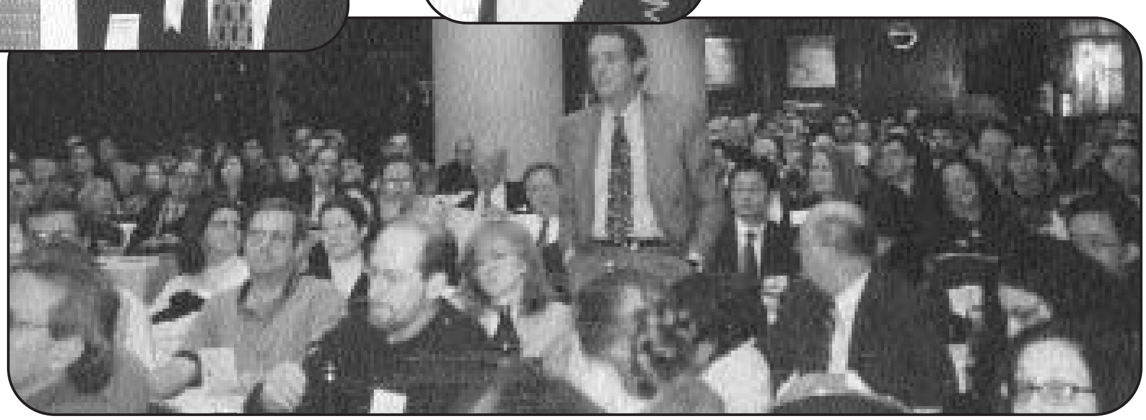










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European Directive on Processing of Personal Data and Free Movement of Such Data: Impact on U.S. Businesses

By Astrid R. Baumgardner

I. Introduction

The ease of electronic communication of information has a significant potential for invasion of personal privacy. Whereas the United States has not enacted omnibus legislation to protect the privacy of personal information, the Member States of the European Union (EU) have adopted the Directive 95/46/EC dated October 24, 1995 on the Protection of Individuals with regard to the Processing of Personal Data and on the Free Movement of such Data (the "Directive"), which became effective on October 28, 1998.[1] This Directive is of interest to U.S. businesses for two reasons. First, it is raising the public awareness of the need to protect privacy in our new age of electronic information. Second, the Directive contains a provision that prohibits the export of personal data to third countries that do not provide an adequate level of protection to such data (with certain exceptions). Because the United States is currently viewed as not providing an adequate level of protection, there is a risk that personal information cannot be transmitted from the EU to the United States, although the United States and the EU are currently discussing safe harbor principles that would permit the export of such data. Accordingly, it is important to be aware of the main provisions of the Directive (Point I), as well as the implications of the Directive for U.S. businesses (Point II).

I. The Data Protection Directive

A. Background

In Europe, individual privacy is recognized as a fundamental human right.[2] Since the 1970s, with the development of computer networks, individual Member States of the EU have passed laws protecting the fundamental rights of individuals and their right to privacy from abuses resulting from the collection, use, and storage of personal data. For example, France enacted a law in 1978 on the Processing of Personal Data Files (the "1978 Law").[3] In addition, international institutions such as the United Nations, the Organization for Economic Cooperation and Development, and the Council of Europe have adopted legal texts on this issue.[4]

However, despite the similarity of many provisions of the national data protection laws, there were a number of differences among these laws concerning the level of protection granted to individuals.[5] Moreover, at the time that the Commission decided to adopt the Directive, Italy and Greece had no legislation protecting the privacy of personal data. This situation created a potential obstacle to the free flow of information and imposed burdens on economic entities and citizens within the EU, such as the need to register to be authorized to process data by supervisory authorities in different Member States, the need to comply with different standards, and the possibility of being restricted from transferring data in other Member States of the EU.

Moreover, the situation was inconsistent with the objective of the EU to create a border-free internal market, as well as with the realities of the "information society" whereby data concerning citizens in one Member State were increasingly being processed in another Member State. Without the Directive, different national approaches to data protection would create barriers within the single market, and the free movement of personal information would be impaired. Accordingly, in 1990, the European Commission decided to enact a Directive to create a uniform regulation that also protected a fundamental right to individual privacy.[6]

B. Status of Directive

The Directive was supposed to have been implemented by each of the Member States on or before October 28, 1998. At present, the Directive has been implemented in Belgium, Greece, Italy, Austria, Portugal, Finland, Denmark, Spain, Sweden, and the United Kingdom. However, France, Ireland, Luxembourg, Germany, and the Netherlands have not yet implemented the Directive, although legislation to transpose the Directive is pending in those States.[7] It should be noted that these five Member States have previously enacted national privacy legislation, so that even if the Directive has not been transposed into their national laws, all 15 Member States of the European Union now have laws protecting the privacy of personal information.[8]

Moreover, the Directive has a "direct effect" in the Member States that have not finally implemented its provisions, meaning that:

- the national courts must construe their national laws in the area of privacy pursuant to the Directive;
- a private entity can exercise a right granted under the Directive against the State, provided that the relevant provision is sufficiently clear and unambiguous;
- a private entity may not be prosecuted on the grounds of non-compliance with the Directive until the Directive is implemented into national law; and
- private entities may not bring suit for violations of the Directive until it is implemented into national law.

C. Processing of Data and Rights of Data Subjects

The Directive is intended to protect individual privacy by prohibiting the improper collection, use, and transfer of data relating to individuals, while at the same time encouraging the free movement of personal data among the EU Member States. It covers all facets involved in the processing of personal information. Thus, the Directive limits the uses for which data may be collected and provides individuals with the right to advance notice of the intent to collect and use personal data, the right to access and correct data collected about them, and the right to object to certain data transfers.

1. Scope of Application

Article 3 provides that the Directive applies to the processing of personal data by automatic means (i.e., a computer database of customers), as well as by non-automatic means (i.e., traditional paper files). Processing of personal data includes collection, storage, and disclosure of data. Personal data is defined as information relating to an identified or identifiable natural person (known as the "data subject").[9] It should be noted that the processing of data about corporations is not affected by the Directive.

Article 3 further provides that the Directive does not apply to the processing of data by individuals in the course of purely personal or household activities, nor to areas such as public security, defense, or criminal law enforcement, which are outside the EU's jurisdiction and remain a national prerogative.[10] Because the right to privacy may conflict with freedom of expression and freedom of the press, the Directive instructs the Member States to establish exceptions from data protection provisions in order to strike the necessary balance among these rights. National laws may also provide for other exceptions when necessary on grounds of national security, defense, crime detection, enforcement of criminal law, and for protection of the data subjects or the rights and freedom of others.[11]

2. Persons Subject to the Directive

The Directive imposes obligations on the data "controller," defined as the person or body which determines the purposes and means of the data processing.[12] Thus, a medical practitioner is the controller of data relating to his patients, and a company is the controller of data processing relating to its clients and employees. It should be noted that the Directive covers data controllers in both the public and the private sectors.

3. Governing Law

Under article 4 of the Directive, each data controller must comply with the provisions of the Member State in which it is established, even if the personal data relate to data subjects established in other Member States. If the data controller is established in more than one Member State, the law of each Member State applies. If the data controller is not established in the EU (i.e., a foreign company), such entity must comply with the laws of the Member State where its data processing equipment is located. Controllers established outside the EU are required to appoint a representative within the EU in order to comply with their obligation of disclosure to data processing authorities and notice and information to data subjects.

4. Processing of Personal Data

Article 6 of the Directive sets forth the rules on how data must be processed. Thus, personal data, when collected, may only be used as follows:

- data must be processed fairly and lawfully;
- data must be collected for specified, explicit, and legitimate purposes and used accordingly;
- data should be adequate, relevant, and not excessive in relation to the purposes for which it is collected;
- data should be accurate and where necessary kept up to date;
- data should be kept in a form which permits identification of subjects for no longer than is necessary.

These principles may be illustrated in the context of hidden processes for collecting information, such as cookies.[13] The French CNIL considers that under the French data privacy law, which is very similar to the Directive, such processes might violate the principles of fair and legal collection of information and the right of the individual to access the information. Accordingly, persons accessing Web sites must be informed of the existence of Internet cookies.[14]

Moreover, under article 7, personal data can only be processed as follows:

- the data subject has given his unambiguous consent (i.e., he or she has agreed freely and specifically to use of such data after being adequately informed); or

- data processing is necessary for the performance of a contract or in order to enter into a contract requested by the data subject (e.g., processing of data for billing purposes, or processing of data relating to an applicant for a job or for a loan); or

- processing is necessary for compliance with a legal obligation; or

- processing of data is necessary to protect the vital interests of the data subject; or

- processing is necessary in the performance of tasks carried out in the public interest or by official authorities (such as the government, the tax authorities, the police) where it is necessary for performance of their duties; or

- data can be processed whenever the controller or a third party has a legitimate interest in doing so and, this interest is not overridden by the interest of protecting the fundamental rights of the data subject, particularly the right to privacy (e.g., in the context of legitimate ordinary business activities of companies or entities).

More stringent rules apply to the processing of sensitive data relating to racial or ethnic origin, political opinions, religious or philosophical beliefs, trade union membership, and the processing of data concerning health or sex life. Such data cannot be processed unless the data subject gives his or her explicit consent (article 8). There are a number of exceptions including:

- where the processing of data is mandated by national employment law, which is the case in countries whose laws provide for employer withholding of tax or social welfare contributions; or

- where processing is necessary to protect vital interests of the data subject and it is impossible for the data subject to consent (e.g., blood testing of the victim of a road accident or files of humanitarian organizations on arrested or missing persons); or

- the processing of data which has been made public; or

- the processing of data is necessary for establishing, exercising or defending legal claims (e.g., law firm files); or

- data processing in the public interest such as public health and safety, scientific research, or statistical information.

5. Rights of the Data Subject

The Directive instructs the Member States to provide the data subject with certain rights with respect to personal data: (1) a right of notice and information; (2) a right of access and correction; and (3) a right to object to use of the data.

a. Information to the Data Subject

The data controller must provide certain information to data subjects whenever it processes personal data, unless the data subjects already have this information. Data subjects must be informed of the identity of the controller and of the purposes of the processing, as well as the categories of the data, the recipients of the data, and the specific rights of data subjects. Data subjects must receive this information both if the information has been obtained directly from the data subject (article 10) and from third parties (article 11).[15]

The best way to comply with this requirement is to notify the person at the moment that the information is collected as to how the information will be used. This can be done directly on a Web site or on a paper application. If the use is not apparent at the time of the collection, then the person must be notified at the time that the information is to be processed. It is interesting to note that the French CNIL has indicated that when information is obtained in the course of an online forum or chat room, such information may not be used for commercial purposes.[16] The CNIL recommends that Web sites post a notice on the welcoming page of the forum advising users that use of such information for commercial purposes is prohibited. The CNIL has further emphasized that the Web site owner should inform persons participating in on-line discussions of their right to access and correct personal data as well as their right to demand at any time the removal of any identifying information disclosed in the course of such discussions.

To insure that the public is properly informed about data processing operations and in order to allow the natural data protection authorities to perform their obligations, the Directive sets up a system of notification for processing operations. National data protection authorities are required to keep a public register indicating the details of the data controllers and of the processing undertaken.[17]

b. The Data Subject's Right to Access and Correct Data

All persons are entitled to approach any data controller to know whether he possesses personal data relating to him, to receive a copy of the data and, if necessary, to request correction or erasure of the data. In such cases, the data subject may also require the data controller to notify third parties who had previously consulted the incorrect data, unless this proves to be impossible.[18]

c. The Data Subject's Right to Object

The Member States are directed in article 14 to give the data subject the right to object to the processing of data relating to him at least in cases referred to in articles 7(e) and (f) of the Directive, i.e., where processing is necessary for performance of a task in the public interest or in the exercise of official authority for the purposes of the legitimate interests of the data controller. The data subject can also object to the processing of personal data relating to him for the purposes of direct marketing or be informed before personal data are disclosed for the first time to third parties for such purposes.

The Directive also has a specific provision for decisions based solely on automated processing of data (such as granting a loan or issuing insurance). This can be done only in the course of entering or performing a contract provided that the request for entering into or performance of the contract, lodged by the data subject, has been satisfied or that there are suitable measures to safeguard his legitimate interests, such as arrangements allowing him to input his point of view. In such a case, the data controller must adopt suitable safeguards, such as giving the data subject the possibility of expressing his point of view if his requests are not satisfied. Decisions based solely on automated processing of data can also be authorized by a law which provides measures to safeguard the data subject's legitimate interests.[19]

6. Confidentiality and Security of Data Processing

Article 16 insures the confidentiality of data by providing that any person acting under the authority of the data controller and the data processor may not process data except upon the instructions from the controller, unless required to do so by law. The Directive also requires the data controller to implement appropriate means to guarantee the security of personal data to protect against accidental or unlawful destruction or loss, alteration, unauthorized disclosure or access of data, especially where processing involves the transmission of data over a network.[20]

D. Transfer of Data to Third Countries

1. Limitations and Exceptions

In the age of computer networks and the Internet, one obvious way to avoid compliance with the Directive would be to export data to countries outside the EU which do not have similar laws. The Directive anticipates this situation and makes provision for the transfer of personal data outside the EU. Article 25 of the Directive instructs Member States to limit personal data flow to third countries which do not provide an "adequate level of protection" for personal data. Thus, the supervisory authority of a Member State is authorized to assess the adequacy of the level of protection afforded by a third country in light of the circumstances surrounding a data transfer operation on a case-by-case basis. The circumstances include but are not limited to:

- the nature of the data;
- the purpose and duration of the proposed processing operation;
- the country of origin and the country of final destination;
- the rules of law in force in the third country in question;
- the professional rules and security measures which are complied with in that country.[21]

It should be noted that adequacy of protection is measured not only by the legislation in force in a particular country but also by industry rules, which leaves open the possibility for contractual and self-regulatory mechanisms to protect personal data. This actually is more flexible than the typical European approach of adopting legislative solutions as opposed to the American approach to privacy protection, which is largely based on self-regulation (*See* Point II, *infra*). The Commission may also assess whether a third country provides an adequate level of protection of personal data, in which case the Member States are bound by its opinions.

From the standpoint of U.S. organizations, the most controversial part of the Directive is the provision authorizing a Member State to prevent the transfer of data to a third country if there has been a finding that the third country does not insure an adequate level of protection. Moreover, the data protection authorities of the Member States are authorized to consult and communicate their decisions to each other.[22]

However, even if a country does not provide "adequate protection," the Directive permits transfers to take place to third countries in specific circumstances set forth in article 26. These situations, based on the principles of article 7 of the Directive, include the following:

- the individual has given his unambiguous consent to the transfer (e.g., a French citizen who applies for a loan to a U.S. bank for purchase of a U.S. vacation home and requests his French bank to send a credit report to the U.S. bank); or
- the transfer is necessary for the performance of a contract with the individual concerned (employment contract), the implementation of pre-contractual measures taken in response to his or her

request (an application for a job), or the conclusion or performance of a contract involving the data subject between the data controller and a third party (reporting of financial information from a bank to tax or other public authorities); or

- the transfer is necessary or legally required for the establishment, exercise or defense of legal claims; or
- the transfer is necessary to protect the vital interests of the individual (transfer of medical data concerning an individual hospitalized in a non-EU country); or
- the transfer is made from a public register.

Furthermore, article 26 recognizes that even if a country itself does not ensure an adequate level of protection, data may be transferred if an organization itself provides adequate safeguards. Such safeguards may result from appropriate contract clauses. The contractual clauses are assessed using the same criteria as those used to assess the general level of adequacy in a third country.

2. Contractual Solutions

The Commission has set forth its views on the use of contractual provisions in the context of transfers of personal data to third countries. Thus, the contractual provisions must encompass all of the basic data protection principles set forth in the Directive and provides means by which the principles can be enforced.[23] Concretely, this means that the contract should set out:

- the purposes, means and conditions of processing of the transferred data;
- the way in which the basic data protection principles will be implemented to insure a good level of compliance with the rules, provide support to the individual data subjects in the exercise of their rights, and provide appropriate redress providing for impartial judgments and compensation and sanctions where appropriate (e.g., arbitration).

Such contractual solutions are probably best adapted to large international networks, such as credit cards and airline reservations systems. These typically involve large quantities of repetitive data network transfers of a similar nature and a relatively small number of large operators in industries already subject to significant public scrutiny and regulation. Contractual solutions also will be useful with respect to inter-company data transfers between different branches of the same company group in another area.

II. Safe Harbor Principles

A. Background

Privacy protection in the United States is primarily sectoral and self-regulatory, as opposed to the omnibus legislative approach exemplified by the Directive. In the public sector, the Privacy Act of 1977[24] provides for fair information practices with respect to the federal government's collection and use of personal data. As for the private sector, legislation exists in particular areas, such as the financial sector,[25] bank records,[26] and video rental records.[27] The EU considers that the United States does not possess the same level of data protection and therefore has not yet achieved the adequacy standard that is in force in the EU.[28] The European authorities are concerned by the absence of omnibus privacy legislation in the United States, particularly with respect to (1) the lack of an agreed benchmark standard of protection of personal data; (2) the need to make compliance with the standards compulsory; (3) the need for independent monitoring to assure compliance with the privacy standards; and (4) the need for an independent mechanism to enforce breaches of privacy standards.[29]

Accordingly, many U.S. organizations have been uncertain about the impact of the "adequacy" standard on personal data transfers from EU to the United States, since full enforcement of the Directive would prevent the cross-border transfer of such data from the EU to the United States. In order to address the concerns of the EU, diminish uncertainty in the area of transfers of personal data, and provide a framework for data transfers from the EU to the United States, the U.S. Department of Commerce has proposed a set of "International Safe Harbor Privacy Principles." U.S. companies would voluntarily choose to adhere to the privacy principles set forth in the safe harbor principles and would then be bound to comply with the principles. Adherence to these principles would constitute "adequate" protection of personal data under article 25.6 of the Directive. Thus, the safe harbor principles would enable U.S. companies to comply with the Directive while keeping the U.S. system of self-regulation in place.

The EU and U.S. authorities have been negotiating these principles since September 1998. The Commerce Department announced the first set of principles in November 1998 and issued a revised set dated as of April 19, 1999, along with new FAQs. The authorities were hoping to adopt a solution before the EU/U.S. Summit on June 21, 1999. However, that deadline passed without a resolution of the issue, and new safe harbor principles and FAQs were issued on November 15, 1999. A revised set of principles and FAQs were issued on March 17, 2000, with an April 15, 2000 deadline for public comments.

The authorities are now close to an agreement on the safe harbor principles, although they are continuing to discuss the financial services sector in view of the fact that the privacy regulations under the Financial Services Modernization Act are not yet complete.[30] It is anticipated that the principles will be adopted at the June 2000 EU/U.S. Summit in Portugal and will become effective this summer. The safe harbor principles are expected to be implemented by mid-2001 in order to give U.S. companies sufficient time to adopt adequate privacy policies.[31]

As a result of the safe harbor proposals, the EU announced its intention to avoid disrupting data flows to the United States as long as the United States engaged in good-faith negotiations with the European Commission. That standstill remains in effect. This means that at present, until the authorities are able to agree upon a set of privacy principles, entities in the EU may transfer data to the United States despite the absence of adequate protection of personal data.

B. The Principles

There are seven basic safe harbor principles which have been elaborated and explained in a series of 15 FAQs issued by the Department of Commerce.[32] The principles are:

1. *Notice*: Organizations must inform individuals about the purposes and use of the information, how to contact the organization, the types of third parties to which it discloses information, and the choices and means the organization offers to individuals for limiting its use and disclosure. The notice must be clearly and conspicuously disclosed.

2. *Choice*: Individuals must be given the right to opt out of disclosure of personal information where disclosure is incompatible with the purposes for which it was originally collected. Moreover, individuals must have the right to opt in for sensitive information (medical or health conditions, racial or ethnic origin, political opinions, religious or philosophical beliefs, trade union membership, or information specifying sex life). An organization must treat as sensitive information any information received from third parties and identified as sensitive.

3. *Onward Transfer*: Disclosure to third parties must be consistent with the principles of notice and choice.

4. *Security*: Organizations must take reasonable precautions to protect personal information from loss, misuse and unauthorized access, disclosure, alteration, and destruction.

5. *Data Integrity*: Organizations must assure that data is relevant, accurate, complete, and current.

6. *Access*: Individuals should have access to information that an organization holds about them and should be able to correct, amend, or delete information where it is inaccurate.

7. *Enforcement*: Organizations must provide an effective mechanism of recourse for individuals. Such mechanism must be readily available and affordable, independent, and provide sufficiently rigorous sanction to ensure compliance.

The safe harbor will create not simply a presumption of adequacy for companies in the safe harbor, but a finding of adequacy.[33]

The operation of the safe harbor principles can be illustrated as follows in the context of personal information gathered in the context of the employment relationship. A company in the EU could transfer personal information about its employees collected in the context of the employment relationship to a U.S. parent, affiliate, or unaffiliated service provider in the United States if the U.S. company has chosen to qualify for the safe harbor. It should be noted that the collection of the information and its processing prior to transfer would be subject to the law of the EU country where it was collected. The safe harbor principles would come into effect only when information concerning an individual was transferred to or accessed in a third country. Thus, notice of use of the information and the data subject's choice as to whether to allow the information to be used would be necessary only when the U.S. organization receives employee information and intends to disclose it to third parties or use it for different purposes. This would be the case of personal information collected through the employment relationship which the U.S. organization intended to use for marketing communications.[34]

C. Compliance with Safe Harbor Principles

A U.S. organization's decision to adhere to the principles would be entirely voluntary. In order to obtain and retain the benefits of the safe harbor, organizations that decide to adhere to the principles would have to comply with the principles of the safe harbor and publicly declare their compliance.

There are a number of ways to qualify for a safe harbor.

1. Self-Regulatory Privacy Program

An organization could qualify by joining a self-regulatory privacy program that adheres to the safe harbor privacy principles. Such programs currently include Online Privacy Alliance and third-party privacy seal programs such as TRUSTe and BBBOnLine of the Better Business Bureau. Under these programs, organizations must agree to comply with a series of privacy principles of disclosure, choice, access, and security. They must also agree to adhere to the continuing oversight of the program as well as to the program's enforcement mechanisms. The organization is then granted a privacy seal which is posted on the organization's Web site so that users can access the privacy policy directly.[35] The ADR mechanisms provided by such programs are attractive to the European authorities, since they are one means of assuring effective enforcement of privacy policies.

2. Self-Regulatory Privacy Policy

Another way that an organization can qualify for the safe harbor is to develop its own self-regulatory privacy policies that conform to the safe harbor principles. The European authorities are particularly concerned about effective enforcement of violations of privacy policies, and they look to the existence of judicial or administrative bodies with jurisdiction to regulate unfair trade practices. In this respect, if a company self-certifies that it is in compliance with the safe harbor principles and then violates the principles, this constitutes an unfair and deceptive practice under the jurisdiction of the Federal Trade Commission (FTC) which can be investigated and sanctioned under § 5 of the FTC Act.[36]

To self-certify that it adheres to the safe harbor principles, the company must notify the U.S. Department of Commerce of its privacy policy, including:

- where it is available for viewing by the public;
- its effective date of implementation;
- the contact person for handling complaints and requests to investigate;
- the statutory bodies that have jurisdiction to hear any claims against the organization regarding possible unfair or deceptive practices;
- any privacy programs to which the organization is a member;
- the method of verifying the truth of the attestations and assertions (in-house or third-party); and
- independent recourse mechanism to investigate unresolved complaints.[37]

3. Effect of Certification

U.S.-based organizations that self-certify their adherence to the safe harbor principles and FAQs and are subject to the jurisdiction of the FTC or other body with similar statutory powers for the purposes of enforcement and investigation would be entitled to a finding of adequacy of protection of personal data. The safe harbor would become effective from the date that the U.S. organization notifies the Department of Commerce of its adherence to the safe harbor principles. The certification must be done annually. Then, the Department of Commerce would have a list of companies that agree to adhere to the principles. This list would serve as notice to European organizations and consumers that the companies meet all the requirements of adequate privacy protection and that they are found to provide adequate protection of privacy.

D. What U.S. Companies Can Do in Order to Receive Personal Data from the EU

For the time being, while good-faith negotiations are continuing, there is a standstill so that European-based companies can transfer personal data to organizations in the United States. If, however, no agreement is reached on the safe harbor principles, a U.S. organization will have to negotiate with each of the 15 data protection authorities in the various Member States whenever it wishes to receive data from the EU.[38] The organization will then have to demonstrate that the transfer falls within the exceptions of article 26. Thus, it will have to show that either: (1) the transfer is necessary for the performance of a contract between the data subject and the transferring entity of the Directive (article 26(2)) or that the data subject has consented to the transfer (article 26(1)); or (2) the organization contractually guarantees adequate protection for data subjects. In this respect, contracts should make adequate provision for protection of the data, insure that data will be properly handled, and further provide a means of redress for aggrieved individuals, including arbitration.

Moreover, in order to reinforce its commitment to data privacy, U.S. organizations can voluntarily take the following steps to assure the protection of personal information:

1. They should adopt effective privacy policies which incorporate the principles of the safe harbor, i.e., provisions requiring entities to notify customers and employees conspicuously of the entity's information handling procedures, including how and when personal information is collected and how it will be used.
2. They should obtain consent of customers and personalize data collection practices, giving individuals a choice of how their data will be used, and protect customer data.
3. They should designate a data protection officer to handle all privacy concerns of customers.
4. U.S. organizations also are advised to conduct a privacy audit wherein they should analyze the collection, use, transfer, storage, and seal of personal data in every aspect of a business, including suppliers and third-party vendors, so as to identify potential areas of liability arising from

external security breaches, internal misuse of data, or lack or regulatory compliance.

5. Finally, Web site owners, even if they do not actually transact business with Europeans, should also pay attention to the Directive and post a privacy statement and/or participate in a self-regulatory privacy program.

Such practices, if widely adopted, can make an important contribution to protecting personal data and assuring a level of comfort in our emerging electronic information era.

Endnotes

1. The Directive can be found at www.europa.eu.int/comm/dg15/en/media/dataprot/law/ind.
2. European Human Rights Convention, article 8, entitled "Right to Respect of Privacy and Family Life" provides that all persons have a right of respect of their personal and private life, their domicile and correspondence, and prohibits public authorities from infringing this right except where permitted by law to protect national security, public safety, economic well-being of a country, defense of order and prevention of crime, protection of health and morals, or the protection of the freedom and rights of others.
3. The law established a data protection authority known as the "*Commission Nationale d'Informatique et Liberté*" (CNIL) whose role is to insure compliance with the provisions of the 1978 Law. The highlights of the law are: (1) prior notification of data processing to the CNIL; (2) a requirement to provide certain information to individuals at the time of collection, particularly with respect to persons receiving such information, and the right of individuals to access and, where necessary, correct the information in question; (3) a requirement that collected data must be exact, kept up-to-date, be collected and/or processed faithfully and only for a specific and legitimate purpose; and (4) obligations on the part of the persons processing the information to keep the information secure and to obtain express consent for the processing of sensitive data (i.e., data concerning racial origin, political, philosophical or religious information, union membership, or personal habits). It should be noted that the CNIL has indicated that the principles of the 1978 Law apply to the Internet. Thus, data may not be collected and/or processed without the knowledge of Web site visitors, and Web sites must post notices of use and rights with respect to data.
4. *See* United Nations Resolutions Guideline No. 45/95 dated December 14,1990; OECD Guidelines on the protection of privacy and trans-border flow of personal data dated September 23, 1980; Council of Europe Convention No. 108 for the protection of persons with regard to automated processing of personal data of January 28, 1981.
5. For example, German law had no concept of "sensitive" information, whereas other Member States have special protection for such data. *See, e.g.*, the French 1978 law, *supra* note 3.
6. It should be noted that the Directive instructs the Member States to enact legislation that is minimally consistent with its provisions. Under the European system, the national laws of each Member State will govern the issue of data privacy, and their laws must be based on the Directive.
7. The European Commission decided in January 2000 to bring legal proceedings against these Member States for failure to notify the measures of transposition into national law.
8. In the case of French legislation, the level of protection is in some instances even greater than that provided by the Directive. For example, the Directive allows the Member States to determine the conditions under which identifying information such as a national social security number can be processed, whereas under French law, use of national identification information is subject to prior authorization.
9. Directive, art. 2(b).
10. *Id.*, art. 3.2.
11. *Id.*, art. 13.
12. *Id.*, art. 2(d).
13. A cookie is a small computer file that a Web server sends to a Web browser for storage so that the browser can remember specific information such as a password. This device makes it possible to monitor online habits of Internet users, often without their knowledge or informed consent.
14. In the file issued by the CNIL entitled *"Je monte un site Internet"* and accessible on-line at www.cnil.fr ("CNIL File"), the CNIL recommends the following measures: (i) Web visitors should be informed about the existence of cookies or any other hidden processes intended to collect personal data and about the purpose of such processes before they are implemented; and (ii) Web site visitors should also be informed that their browser application may be able to disable these processes if they wish.
15. When the information has not been obtained from the data subject, the data controller is not required to provide information where processing is for statistical purposes, historical or scientific research, or where it is impossible or is proportionately difficult to do so (Directive, art. 11(2)).
16. *See* CNIL File, *supra* note 14.
17. Directive, arts. 18-21. In principle, under article 18, the data controller is required to notify the supervisory authority in a Member State before carrying out any automatic data processing operation. However, each Member State may provide for simplified notification or an exemption from notification in cases where the processing operations are unlikely to "affect adversely the rights and freedom of data subjects." This provision is based on article 17 of the French Law of 1978 which makes a distinction based on "objective" and "subjective" data. Thus, "objective" data, such as salary information, a list of suppliers or client lists, do not violate personal freedom and therefore are subject only to a simple declaration to CNIL. Similarly, under the Directive, such data would be subject to simplified declaration or exempt from declaration. However, data which involve a subjective assessment of an individual (such as job performance reviews) are more sensitive and would require a more elaborate declaration to the national data protection authority.
18. *Id.*, art. 12.
19. *Id.*, art. 15.
20. *Id.*, art. 17.
21. *Id.*, art. 25(2).
22. *Id.*, art. 25(3)-(4).
23. See Preliminary views on the use of contractual provisions in the context of transfer of personal data to third countries, found at www.europa.eu.int/com/dg15/en/media/dataprot/wpdocs/wp9en.htm.
24. 5 U.S.C.A. §§ 552 *et seq*.
25. Fair Credit Reporting Act, 15 U.S.C.A. §§ 1681 *et seq.*; the Financial Services Modernization Act (a/k/a the Gramm-Leach-Bliley Act) (the "GLB Act"). The GLB Act requires federal financial regulators to adopt regulations implementing its provisions by May 12, 2000. On March 2, 2000, the SEC issued Regulation S-P governing Privacy of Consumers' Nonpublic Personal Infor-

mation containing the privacy rules mandated by the GLB Act. (Release Nos. 34-32484 1C-24326 and 1A-1856). Comments on the proposal were due on March 31, 2000.

26. Right to Financial Privacy Act, 12 U.S.C.A., §§ 3401 *et seq.*

27. Video Privacy Act, U.S.C.A., §§ 2710 *et seq.*

28. *See* Opinion 1/99 concerning the level of data protection in the United States and the ongoing discussions between the European Commission and the United States Government issued January 26, 1999, DGXV 5092/98 ("Opinion 1/99") found at www.europa.eu.int/com/dg15/en/media/dataprot/wpdocs wp15en.htm. As the European Working Party observed, "the current patchwork of narrowly-focused ectoral laws and voluntary self-regulation cannot at present be relied upon to provide adequate protection in all cases for personal data transferred from the European Union."

29. Opinion 1/99, *supra* note 28.

30. *See supra* note 25.

31. *See* cover letter from ambassador David L. Aaron to U.S. organizations requesting comments on the newly posted draft documents dated March 17, 2000, found at www.ita.doc.gov./td/ecom/menu1.html.

32. The principles are set forth at www.ita.doc.gov./td/ecom/RedlinedPrinciples31600.htm.

33. Letter from Ambassador David L. Aaron dated November 15, 1999, at www.ita.doc.gov/td/com/aaronmemo11/99.htm.

34. *See* FAQ 9, www.ita.doc/gov/td/ecom/RedlinedFAQ9HR300.htm. This FAQ is subject to review by one of the two EU Working Parties composed of the national data protection authorities who are charged with enforcement of the national privacy laws.

35. *See, e.g.*, TRUSTe program (www.truste.org).

36. 15 U.S.C.A. §§ 45 *et seq*. In the most recent meetings between the U.S. and European authorities on February 21-22, 2000, the parties reported a breakthrough on the issue of enforcement, since the European Commission is now reported to be more comfortable with the fact that the U.S. has statutory powers to insure enforcement of self-regulation in view of the possibility of sanctioning breaches of voluntary obligations by U.S. regulatory and/or law enforcement agencies at both the federal and state level. *See* Data Protection News www.europa.eu.int/com/dg15/en/media/dataprot/news/talks.htm.

37. FAQ6, www.ita.doc/td/ecom/FAQ6self-certif1199.htm.

38. It should be emphasized that if in a particular case the Commission decides that the U.S. does not provide an adequate level of protection, no transfer will be made.

Astrid R. Baumgardner is the New York Partner of the Paris-based law firm of Gide, Loyrette, Nouel. She is a member of the Internet Law Committee of the NYSBA Intellectual Property Law Section. The author wishes to thank Maître Nadia Vivien, a member of the Paris bar and an associate in the firm's Media and Information Technology Department in Paris, for her assistance in the preparation of this article.

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:

Eliot Abolafia
Muna Abu-Shaar
Stephanie A. Acevedo
Kenneth E. Ackerman
Janet K. Adachi
Rachel B. Adler
Ann Marie Agosti
Andrew S. Alitowski
Amr Aly
Mark G. Anderson
Robert W. Anderson
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ANNOUNCING THE

Intellectual Property Law Section's

ANNUAL LAW STUDENT WRITING CONTEST

Sponsored by THOMSON & THOMSON

To be presented at **The Annual Fall Meeting of the Intellectual Property Law Section, October 12-15, 2000, Lake George, NY** to the author of the best article on a subject relating to the protection of intellectual property not published elsewhere.

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

CONTEST RULES

To be eligible for consideration, the paper must have been written solely by a student or students in full-time attendance at a law school (day or evening) located in New York State or by out-of-state law students who are members of the Section. The paper must be submitted to the Intellectual Property Law Section on or before June 15, 2000 (postmark deadline). Papers should be no longer than 25 pages, double-spaced, including footnotes. Submissions must include the submitter's name; law school and expected year of graduation; mailing address; e-mail address; telephone number; and employment information, if applicable. Contestants must submit two copies of their papers in hard copy as well as two copies on 3.5" high-density disks in WordPerfect or Word format.

Reasonable expenses will be reimbursed to the author of the winning paper for travel and lodging at the Fall Meeting to receive the Award. Send entries by June 15, 2000 to:

Walter J. Bayer, II
Co-Chair, Technology Transfer
& Licensing Law Committee
GE Licensing
One Independence Way
Princeton, NJ 08540
(609) 734-9413
(e-mail: walter.bayer@corporate.ge.com)

with a copy to:

Victoria A. Cundiff
Chair, Intellectual Property Law Section
Paul, Hastings, Janofsky & Walker, LLP
399 Park Avenue, 30th Floor
New York, NY 10022
(212) 318-6030
e-mail:vacundiff@phjw.com

Please direct any questions to Walter Bayer.

The winners of the Law Student Writing Contest for 1999 are:

First Prize ($1,000): **Penelope J. Flynn** Second Prize ($500): **Juan C. Gonzalez**

The winning entries were published in *Bright Ideas,* Vol. 8, No. 3 (Winter 1999)

MEMBERSHIP APPLICATION
New York State Bar Association:

INTELLECTUAL PROPERTY LAW SECTION

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

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

OPPORTUNITIES FOR EDUCATION

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

OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT

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

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 33 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 34 of this issue.

___ Copyright Law (IPS1100)

___ Internet Law (IPS1800)

___ Patent Law (IPS1300)

___ Technology, Transfer and Licensing (IPS1400)

___ Trade Secrets (IPS1500)

___ Trademark Law (IPS1600)

___ Young Lawyers (IPS1700)

___ Special Committee on Computer Law and Information Technology (IPS2000)

___ Special Committee on the Impact of the Uniform Computer Information Transaction Act on Intellectual Property Law (IPS1900)

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.

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Home Address ______________________________

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Please return payment and application to:

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

Section Committees and Chairs

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

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Special Committee on the Impact of the Uniform Computer InformationTransaction Act on Intellectual Property Law
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Section Activities and Notices

Young Lawyers Committee

Kelly Slavitt has resigned as Co-Chair of the **Young Lawyers Committee,** as she will be moving to Arthur, Robinson & Hedderwicks in Melbourne, Australia for two years. Randi Rosen, an associate at Orrick, Herrington & Sutcliffe LLP, has been appointed to carry out Kelly's term.

On November 2, 1999, the Committee sponsored a program titled "A Look at Some of the Different Ways to Practice IP Law" at Cardozo School of Law with the school's IP Society, Internet Committee, and Center for Professional Development. The panel included Lillian Laserson, Manager of Legal Affairs at DC Comics; Teri Brennan, Vice President and General Counsel at BMG Administration; Michelle Lee, associate at Rogers & Wells LLP; and Elissa Hecker, Associate to the Counsel at Harry Fox Agency Inc.

On November 8, 1999, the Committee sponsored a program titled "Marketing Your Interest in IP Law" at Brooklyn Law School with the school's IP Law Association. The panel was moderated by Ariel Aminov, President of the Brooklyn Law School IP Law Association. Panelists were Marcus Millet, Partner at Lerner, David, Littenberg, Krumholz & Mentlik; Georges Nahitchevansky, associate at Fross, Zelnick, Lehrman & Zissu; Dr. Susie S. Cheng, associate at Pennie & Edmonds; and Kelly Slavitt, associate at Skadden, Arps, Slate, Meagher & Flom. Marcus Millet spoke about the rewards of IP patent practice. Georges Nahitchevansky discussed his experience of switching to intellectual property from a different practice area, the different areas within IP, the differences between firm and in-house practices, and whether one needs a technical background to practice IP law. Dr. Susie S. Cheng spoke specifically about patent law. Kelly Slavitt spoke about her job-searching experiences and the need for an aggressive commitment to the field (or any other) through exploration, academic dedication, and writing. A video of the event can be viewed at http://www.brooklaw.edu/stuorgs/blsipla/.

The Committee held its first upstate law school event on Wednesday, March 8, 2000 at Albany Law School. The event, co-sponsored with the Albany Law School's Career Planning Office and the Albany Law School Science & Technology Law Center, was designed to inform students about the opportunities in intellectual property law practice in New York and beyond. Nearly 60 students gathered to talk with attorneys who practice in IP law. David Miranda of Rowley, Forrest, O'Donnell & Beaumont in Albany and the Young Lawyers Section delegate to the ABA House of Delegates spoke on Internet law and the impact of the Web on the IP needs of business clients. Paul Rapp of Cohen, Dax & Koenig in Albany and an adjunct professor in Arts & Entertainment Law at Albany Law School, spoke about IP opportunities in the representation of artists and authors. Professor Frederick Provorny, the director of the Science & Technology Law Center, described the intellectual property needs of startup firms.

Kelly M. Slavitt, Co-Chair
Darryll Towsley, Albany Law School Liaison

* * *

Internet Law Committee

The **Internet Law Committee** has received MCLE credit for the first two meetings of the new millennium. The Committee continues to hold regular monthly meetings on Internet and e-commerce legal issues on the third Tuesday of each month in New York City.

The topics of the January and February meetings were the new Anticybersquatting Consumer Protection Act, the ICANN Uniform Dispute Resolution Policy, European Union Privacy Directive, and Child On-line Privacy Protection Act.

Our membership has grown to more than 50 members, and welcomes all newcomers (simply e-mail Naomi Pitts (npitts@nysba.org) at the NYSBA).

Rory J. Radding and Richard L. Ravin
Co-Chairs

Submission of Articles

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

Submissions should preferably be sent on a 3.5" disk (double or high-density) which clearly indicates the word processing program and version used, along with a hard copy to Jonathan Bloom, Executive Editor, at the address indicated on this page. Submissions for the Fall 2000 issue must be received by July 17, 2000.

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BRIGHT IDEAS

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