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Bright Ideas

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

Message from the Chair

Richard L. Ravin

The Section held its second annual "The Copyright Office Comes To New York" program at Cardozo Law School on April 21, 2005. It was a memorable day for several reasons. Besides a terrific turnout (over 100 registrants) and excellent presentations from top U.S. Copyright Office personnel such as the Register of Copyrights, the General Counsel, the Acting Chief of the Examining Division, and the Associate Register for Policy and International Affairs, the day marked the birth of an important opus of one of our officers and his spouse.

At 7:00 a.m. I retrieved a voicemail from Paul Fakler, our Section's Secretary, who was Co-Chair with me on the program, advising that he would be unable to moderate the *Grokster* panel because he had to participate in a production of a different sort: the birth of his third child, Jason. We were hardly unprepared for a Fakler birthday that day, however. In anticipation of Paul's birthday on the 21st, I had ordered a cake and was really looking forward to leading the audience (and the U.S. Copyright Office) in an infringing round of "Happy Birthday To You" (now reportedly enjoying extended copyright protection until 2030) during the *Grokster* panel. Instead, the Register of Copyrights cut the birthday cake in celebration of the double birthday of father and son in absentia (see photos at the end of this article). This annual program has earned a reputation of being an excellent value for 7.5 MCLE credits and is quite satisfying to one's intellectual appetite in addition to one's dietary appetite—we serve a continental breakfast, delicious lunch, and a sushi cocktail reception (all kosher), all for the very low price of $220 to Section members.

Despite a few other administrative bumps in the road leading up to the event, the seminar was very interesting and practical. Register Marybeth Peters and General Counsel David Carson provided an update on the Copyright Office's recent and pending rulemaking, litigation, and international activity. The Register and General Counsel also discussed various other topics including registration dos and don'ts for Web sites, software programs, and CD-ROMS and a number of legislative proposals to amend the copyright laws that are competing for the attention of the 109th Congress. Our Section's own Robert Clarida

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delivered one of his famous crisp and entertaining "Copyright Litigation Year In Review" panels, complete with props. The program concluded with an outstanding discussion on the Supreme Court's decision in *Grokster* by panelists who were present at the oral argument, including moderator William Patry, counsel for the Recording Industry Association of America, George Borkowski, and copyright luminaries Bruce G. Joseph and I. Fred Koenigsberg. We are indebted to all the veteran officials and counsel for making this year's program another success.

On October 6-9, 2005, the Intellectual Property Law Section will be hosting its premier event of the year, the Fall Meeting at the majestic Sagamore Resort at Bolton Landing on Lake George.

This year's meeting is entitled "Games IP Lawyers Play: How IP Lawyers Win, Lose & Draw in IP Negotiations, Counseling & Litigation." The program will feature a mock trial under U.S. and Canadian law based on the notorious Ghettopoly board game, as well as sessions on Maintaining Relationships Between In-House and Outside Counsel; Maximizing Damage Awards in IP Litigation; Phishing, Spyware, Identity Theft, Database Protection and Cyberpiracy as they Pertain to Client IP Rights; Methods of Shutting Down Counterfeiters; Analysis of the Supreme Court's Decision in *Grokster* and the Second Circuit's Decision in *1-800-Contacts*; Review of Proposed and Newly Enacted IP Legislation, and Practical Experience with Markman in Patent Litigation. Enjoy the magnificent colors during the peak of fall foliage season at beautiful Lake George while earning 9.0 MCLE credits in Professional Practice/ Practice Management and 1.0 MCLE credits in Ethics.

The program Co-Chairs, Debra Resnick (Vice Chair of the Section) and Kelly Slavitt (Chair, Young Lawyers Committee), have done an outstanding job coordinating the entire program, which will include a full dinner featuring tapas and entertainment from guitarist Maria Zemantauski and Flamenco Dancer Lisa Martinez. In addition, the Section has planned a special "Casino Night." The program is child-friendly, so do not give a second thought about bringing the kids. Special dinner arrangements with counselors and activities have been arranged for both Friday and Saturday evenings. The boat ride on The Morgan around the lake is a favorite as well. We owe a big thanks to Patricia Stockli, Cathy Teeter, Naomi Pitts, and many other NYSBA staff for helping us produce this meeting.

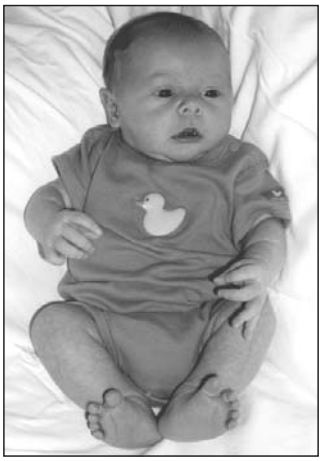
This fall our Section presents our superb Bridging the Gap programs held in a half dozen locations throughout the state. These MCLE seminars are meant for newly admitted attorneys and for any other attorney who is interested in a primer on basic Intellectual Property Law. We are grateful to George McGuire (Co-Chair Trademarks Committee), who is organizing this series with the NYSBA.

Recently, Section committees such as the Trademark Committee (Jonathan Matkowsky and George McGuire, Co-Chairs) and the Internet Law Committee (Rory Radding and Peter Szendro, Co-Chairs) have put on interesting programs. The Section also had presented Roundtable forums coordinated by Debra Resnick and a Women in IP program organized by Joyce Creidy (Treasurer) and Kelly Slavitt, with a special thanks to Vicki Cundiff (Co-Chair Trade Secrets Committee).

Finally, our Annual Meeting program (co-chaired by Thomas Curtin and Jonathan Matkowsky) will be held on Tuesday, January 24, 2006 in New York City, and will focus on emerging areas in IP Law, which should be of interest to all Intellectual Property Law practioners. Hope to see you there.

Should you have any questions or concerns, please contact me at rick@ravin.com.

Richard L. Ravin



Jason Fakler

Register of Copyrights Marybeth Peters cutting Paul and Jason Fakler's birthday cake

"The Copyright Office Comes To New York"

Cardozo Law School
April 21, 2005

Thank You

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

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Grokster's Unfinished Business

By Fred von Lohmann

I. Introduction

In *MGM v. Grokster,*[1] the Supreme Court announced that if a technology company promotes its products for copyright infringement, it can be held liable for the copyright infringements that result. Unfortunately, by crafting this new "inducement" doctrine for copyright law, the Court ducked the hard questions about copyright's traditional secondary liability theories—contributory infringement and vicarious liability—that the technology sector had hoped the Court would clarify.

By leaving the hard questions unanswered, the Court has left innovators to pick their way through a minefield of legal uncertainties. Left unaddressed, these uncertainties may act as a brake on a wide range of technology innovation. In light of the Supreme Court's refusal to clarify the law on the liability front, it may be time to address the problem from a new angle: a legislative fix to copyright law's remedies regime.

II. *MGM v. Grokster* and Uncertainty

At the heart of *MGM v. Grokster* was an important question for the Court: When will a technology vendor be held liable for infringing uses of its technology by customers? Although the question was posed in the context of a lawsuit against the distributors of peer-to-peer (P2P) file-sharing software, the answer necessarily implicates a wide array of technologies from personal computers to iPods to photocopiers. In *amicus* briefs filed by the Business Software Alliance,[2] Intel,[3] and the National Venture Capital Association,[4] the technology sector was unanimous in beseeching the Court to adopt a clear, bright-line rule that would enable innovators to know, before they ship a product, whether they could be held responsible for millions of dollars in copyright infringement damages.

Unfortunately, the Court punted. Rather than addressing contributory infringement and vicarious liability—as the lower courts in *MGM v. Grokster* had—the Supreme Court recognized a new inducement theory of liability to supplement them. In the words of Justice David H. Souter, writing for a unanimous Court, "one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for resulting acts of infringement by third parties."[5]

Having endorsed an inducement theory for copyright, the Court vacated the Ninth Circuit's ruling[6] (which had not addressed inducement) and remanded the matter for further proceedings. While this may have satisfied the Court, it leaves innovators and lower courts in a quandry. The trouble is less the newly minted inducement standard—while there are ambiguities there as well, many innovators should be able to arrange their affairs so as to avoid promoting infringement—than the continued confusion surrounding the traditional doctrines of contributory infringement and vicarious liability.

Contributory infringement arises when a defendant knows about infringing activity and materially contributes to it. When two motion picture studios sued Sony in 1976 for selling the first Betamax VCR, this was the theory on which they primarily relied. In order to reject this expansive view of contributory infringement, the Supreme Court in *Sony v. Universal City Studios*[7] imported the "staple article of commerce" doctrine from patent law, holding that a technology vendor could not be held liable for distributing a technology "capable of substantial noninfringing uses."[8] Because the Betamax VCR plainly was capable of noninfringing uses, Sony was off the hook.

Since the Court's 1984 ruling, the technology and entertainment industries have bickered about the scope of the "Betamax defense." Technologists see a bright-line rule: so long as a technology is *merely capable* of noninfringing uses, it is legal to sell, notwithstanding how some, or even most, customers may actually use it. Hollywood and the record labels, in contrast, see a narrower rule, reasoning that Sony was only excused because the *principal* use of the Betamax was noninfringing.

The proper scope of the Betamax defense was the "main event" in the briefs filed by the parties and by *amici* with the Supreme Court. In its unanimous *Grokster* opinion, the Court refused to resolve the issue definitively. On the one hand, the opinion recognizes that the Betamax defense provides important "breathing room for innovation and vigorous commerce."[9] On the other hand, the Court also read its prior precedent somewhat more narrowly than some technologists might have hoped: "*Sony* barred secondary liability based on presuming or imputing intent to cause infringement solely from the design or distribution of a product capable of substantial

lawful use, which the distributor knows is in fact used for infringement."[10]

The two concurring opinions make clear how much about the Betamax defense remains unresolved. Justice Breyer, joined by Justices O'Connor and Stevens, adopted and endorsed the views expressed by many of the technology sector *amici*, declaring that "*Sony*'s rule is strongly technology protecting. . . . *Sony* thereby recognizes that the copyright laws are not intended to discourage or to control the emergence of new technologies, including (perhaps especially) those that help disseminate information and ideas more broadly or more efficiently."[11]

Justice Ginsburg's concurrence, joined by Chief Justice Rehnquist and Justice Kennedy, rejected the bright-line view of the Betamax defense. Unmoved by the argument that *Sony* bars contributory infringement unless a technology is used almost exclusively for infringement, Justice Ginsburg declared, "*Sony*, as I read it, contains no clear, near-exclusivity test."[12]

These debates leave innovators and lower courts with precious little guidance. Assume that a technology company steers entirely clear of any inducement of infringement (as well-advised companies certainly will). How will courts react when copyright owners buttress their contributory infringement claims by commissioning experts to opine that the technology in question is primarily used for infringing purposes? If you happen to distribute technologies that are widely used for infringing purposes, like CD or DVD burners, a great deal may hang on this question.

The Supreme Court was even stingier with guidance on vicarious liability, copyright's other secondary liability doctrine. The Court recited the traditional formulation: "a vicarious liability theory . . . allows imposition of liability when the defendant profits directly from the infringement and has a right and ability to supervise the direct infringer."[13] But, having disposed of *MGM v. Grokster* on inducement grounds, the Court declined to address the vicarious liability theory.

The lower courts in *MGM v. Grokster*, responding to the diametrically opposing views of the parties, addressed vicarious liability in some detail. The entertainment industry had argued that the ability to redesign a product to reduce infringing uses ought to be deemed equivalent to a "right and ability to supervise" the customers who use the technology. The P2P defendants replied that such a "could have designed it differently" test would effectively force technology companies to redesign their products to suit the demands of copyright owners, even if those demands throw out the baby of noninfringing uses with the bathwater of infringement. On this point, the Solicitor General's *amicus* brief before the Supreme Court, which otherwise sided with the entertainment industry, sided with the technologists: "The 'right and ability to supervise' element of vicarious liability . . . has never, to our knowledge, been held to be satisfied by the mere fact that the defendant could restructure its relations or its product to obtain such an ability."[14]

So what is the law? Where new technologies are concerned, does the "right and ability to supervise" turn on the control that the vendor *actually* possesses over its customers, or does it instead turn on the control that the vendor *could have* possessed, had different design decisions been made? The Supreme Court ducked the question, leaving innovators and lower courts to sort the matter out in future cases.

III. Why Copyright Is Different

Uncertainty, of course, is nothing new for technology businesses. But the uncertainties left in the wake of *MGM v. Grokster* are not the stuff of typical business contingency plans. The risks posed by copyright's secondary liability doctrines are special for several reasons:

- ***Statutory Damages***: Copyright's remedial scheme entitles copyright plaintiffs to forgo actual damages for statutory damages, which a court may set between $750 and $30,000 *per work infringed*.[15] The statute leaves a court no discretion to go below the statutorily prescribed minimums and makes no express exception for secondary liability claims, as distinguished from direct infringement.[16] Accordingly, where a secondary liability claim takes aim at a mass-market product used by customers to make copies of millions of works, this remedial calculus amounts to a corporate death penalty. The potential liability is too large to insure against, and a massive award of statutory damages arising from one product likely will sink not only the product line in question, but the entire company. By contrast, patent law has no similar provision, nor do most other countries.
- ***No Corporate Veil***: The corporate veil, which generally shields the private assets of corporate officers, directors and investors from liabilities incurred by the corporation, is a bedrock principle of American business. Unfortunately, where copyright is concerned, this principle is of limited use, as copyright owners may simply bring secondary liability claims directly against officers, directors and investors, alleging that they induced, contributed to, or should be held vicariously liable for the acts of the corporations they control.[17]

Accordingly, a statutory damages award can result in the demise of the corporation, and it also can imperil personal assets. The music industry, for example, is continuing to press secondary copyright infringement claims against the officers, directors and principal investors behind Napster, long after the company's liquidation.[18]

- ***Discovery Expenses***: Win or lose, copyright cases are expensive to defend. In defending itself against claims of vicarious and contributory infringement based on its ReplayTV 4000 personal video recorder product, SonicBlue estimated its legal expenses at $3 million per quarter.[19] In the wake of the Supreme Court's ruling in *MGM v. Grokster,* it will be even harder for technology companies to resolve secondary liability cases short of trial, insofar as the newly minted inducement standard turns on a determination of intent, an inquiry notoriously difficult to resolve at summary judgment.

IV. A New Direction: Sensible Copyright Remedies

The uncertainties surrounding copyright's secondary liability doctrines pose unique risks for legitimate technology companies. These risks, in turn, chill innovation and investment in new multipurpose technologies with noninfringing uses, to the detriment of consumers, the economy, and ultimately copyright owners themselves. The Supreme Court in *MGM v. Grokster* missed its opportunity to clarify copyright's existing secondary liability doctrines, choosing instead to announce a third variety of secondary liability, further muddying the waters for technology innovators.

Congress, for its part, has also had little success thus far with its efforts to clarify the secondary liability standards that apply to vendors of multipurpose technologies. Legislative efforts in 2004 surrounding S. 2560 (colloquially known as the "INDUCE Act") foundered in the face of heavy lobbying by both the entertainment and technology industries.[20]

Perhaps it is time to begin addressing the problem from a new direction. As discussed above, much of the copyright chill felt by legitimate innovators and technology investors can be traced to the prospect of apocalyptic statutory damages that can reach beyond the corporate grave into the personal assets of officers, directors and investors. The extraordinary remedy of statutory damages should intimidate commercial pirates engaged in direct infringement, not technology innovators developing multipurpose devices. Congress should abolish statutory damages for secondary liability claims. This would leave copyright owners injunctive remedies and actual damages, putting them in no worse a position than litigants in most other areas of civil law. Technology companies and investors, meanwhile, would be able to make reasonable business decisions about manageable levels of legal risk, rather than face the prospect of a corporate death penalty at the hands of unpredictable legal standards.

Endnotes

1. *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. __, 125 S. Ct. 2764 (2005).
2. Brief of the Business Software Alliance as Amicus Curiae Supporting Petitioners, *available at* http://www.eff.org/IP/P2P/MGM_v_Grokster/050124_BSAGroksterBrief.pdf.
3. Brief of Intel Corporation as *Amicus Curiae* Supporting Affirmance, *available at* http://www.eff.org/IP/P2P/MGM_v_Grokster/20050301_intel.pdf.
4. Brief of the National Venture Capital Association as *Amicus Curiae* in Support of Respondents, *available at* http://www.eff.org/IP/P2P/MGM_v_Grokster/20050301_nvca.pdf.
5. *MGM v. Grokster,* 125 S. Ct. at 2770.
6. *MGM v. Grokster,* 380 F.3d 1154 (9th Cir. 2004).
7. *Sony v. Universal City Studios,* 464 U.S. 417 (1984).
8. *Id.* at 442.
9. *MGM v. Grokster,* 125 S. Ct. at 2778.
10. *Id.*
11. *Id.* at 2791.
12. *Id.* at 2784 n.1.
13. *Id.* at 2776 n.9.
14. Brief for the United States as *Amicus Curiae* Supporting Petitioners at 20 n.3, *available at* http://www.eff.org/IP/P2P/MGM_v_Grokster/050124_US_Amicus_Br_04-480.pdf.
15. 17 U.S.C. § 504(c).
16. A court may remit statutory damages when the defendant is an employee of an educational institution, library or archive, or when a public broadcaster is involved. *See* 17 U.S.C. § 504(c).
17. *See, e.g., RCA/Ariola Intern., Inc. v. Thomas & Grayston Co.*, 845 F.2d 773, 782 (8th Cir. 1988); *Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 265 F. Supp. 399 (S.D.N.Y. 1966).
18. *See UMG Recordings, Inc. v. Bertelsmann AG*, 202 F.R.D. 408 (N.D. Cal. 2004).
19. *See* Benny Evangelista, Piracy Suits Chill Valley, S.F. Chronicle, Feb. 20, 2003 (*available at* http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2003/02/20/BU242907.DTL).
20. *See* John Borland, *D.C. Showdown Looms Over File-Swapping*, CNET News, Oct. 7, 2004, *available at* http://news.com.com/D.C.+showdown+looms+over+file+swapping/2100-1025_3-5400128.html.

Fred von Lohmann is a senior staff attorney with the Electronic Frontier Foundation (EFF), a San Francisco nonprofit devoted to protecting free expression in the digital age. He is counsel to StreamCast Networks, Inc. in *MGM v. Grokster* and argued the case on behalf of his client at the Ninth Circuit Court of Appeals. EFF maintains an archive of materials relating to the case, including all the briefs before the Supreme Court, available *at* http://www.eff.org/grokster/.

MGM v. Grokster: "To Leave Further Consideration of the *Sony* Rule for a Day When That May Be Required"

By Bert Wells

I. Introduction

The famous *Grokster* copyright litigation over peer-to-peer file sharing reached its climax in June when the U.S. Supreme Court issued a unanimous opinion in favor of the plaintiff motion picture studios and music recording and publishing companies (the "Film and Music Industry").[1] In overturning the Ninth Circuit's prior exculpation of the defendant software publishers Grokster, Ltd. and StreamCast Networks, Inc.,[2] the Supreme Court made important new law but avoided fully interpreting old law that remains vital and controversial, the celebrated 1984 *Sony* Betamax decision.[3]

In a nutshell, the Supreme Court held unanimously in *Grokster* that the evidence of Grokster's and StreamCast's encouragement of infringement by users of the copyrights of the Film and Music Industry was strong enough that their cause of action for inducement infringement should not have been dismissed on summary judgment. The Court's opinion clearly establishes inducement liability as a viable form of secondary copyright liability, joining its more well-established siblings contributory liability and vicarious liability, and setting the stage for a likely finding of inducement liability against Grokster and StreamCast on remand. But the two concurring opinions in *Grokster* echo the old disputes and divisions of *Sony*, drawing three justices each to their opposing views of how *Sony* might apply to the facts of *Grokster*.

The *Grokster* decision makes clear that distributors of peer-to-peer file-sharing products and services that expressly promote access to infringing content (or that piggyback on the notoriety of Grokster) have little commercial future. However, the decision also serves to prolong uncertainty over how distributors of future products or services that steer clear of active encouragement of infringement will be judged. Those judgments will pivot on further development of the contentious issues that also split the *Sony* Court five to four.

II. *Sony*

A brief review of *Sony* can serve to clarify the doctrinal stakes in the *Grokster* litigation. Sony introduced the Betamax VCR to the U.S. marketplace in the 1970s, enabling consumers to record and replay broadcast television programming for the first time. In 1976 the owners of certain copyrights in broadcast television content (the "Studios") brought copyright claims against Sony seeking damages and an injunction against the sale of the Betamax VCR on the grounds that consumers' home taping constituted infringement of their copyrights and that Sony's sale of the device constituted contributory infringement.

Sony prevailed after a full trial in the district court, but this was followed by a reversal on appeal to the Ninth Circuit. The Supreme Court's subsequent review turned on evidence that the primary home use of the Betamax was "time-shifting," *i.e.*, replaying a motion picture or television program at a convenient time after having programmed the Betamax to record the original broadcast at an earlier time. Evidence given by various educational, sports, and religious program copyright owners that they had no objection to the time-shifting of their works demonstrated to the satisfaction of the Supreme Court that authorized time-shifting constituted an important fraction of home video recording. As to unapproved time-shifting, notwithstanding the fact that a copyright owner's exclusive rights usually include the power to control every single copy made of a work, after considerable analysis the Supreme Court concluded that such activity was fair use and thus not actionable.

The Court thus determined that the noninfringing uses of the Betamax were substantial, and borrowing from the "staple article of commerce" doctrine in U.S. patent law, held that Sony was not contributorily liable for Betamax users' infringements because the Betamax technology was "capable of significant noninfringing uses."[4]

The *Sony* decision often has been characterized as a rule regarding the knowledge that might be imputed to the maker of a product used for infringement by others. This is because *Sony* appeared to be a limitation on the common-law doctrine of contributory copyright infringement. The three necessary elements of a successful contributory infringement

claim are direct infringement by another, material contribution to that direct infringement by the defendant, and knowledge of the infringement on the part of the defendant. The facts of *Sony*, and indeed, a common fact pattern where *Sony* analysis has arisen, were that third-party direct infringement and the defendant's material contribution were rather evident.[5] Under such circumstances, knowledge becomes the touchstone of liability, and, thus, it is often assumed that the *Sony* holding can be phrased in terms of the types of knowledge that are necessary for contributory liability.

However, the Supreme Court's mention of the knowledge requirement in *Sony* was extremely brief and more transitional than substantive: "If [secondary] liability is to be imposed on Sony in this case, it must rest on the fact that it has sold equipment with constructive knowledge of the fact that its customers may use that equipment to make unauthorized copies of copyright material."[6] No further discussion of this "constructive knowledge" concept appears in the opinion. Notwithstanding the many subsequent cases that cited *Sony* as authority for one or another statement about the type of knowledge that would be sufficient or insufficient for contributory copyright liability, the heart of *Sony*'s innovation in secondary copyright liability relates not to constructive knowledge but to the centrality of the legitimacy of the innovator's business purpose:

> The staple article of commerce doctrine must strike a balance between a copyright holder's legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce. Accordingly, the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.[7]

Sometimes overlooked is that the *Sony* decision was split five to four, as noted above. The majority opinion was written by Justice Stevens, who was joined by only one other member of the *Grokster*-era Supreme Court, Justice O'Connor. A lengthy dissent by Justice Blackmun was joined by the three other dissenting justices, of whom only Justice Rehnquist remains on the Court. The dissent expressed sharp disagreement with the majority's notion that unauthorized time-shifting could be fair use or that the small amount of demonstrably authorized time-shifting could justify a technology that, in the dissent's view, so pervasively trammeled the rights of the owners of television programming.

However, the dissenting justices acknowledged the propriety of the "staple article of commerce" doctrine in copyright law:

> [M]any of the concerns underlying the "staple article of commerce" doctrine [in U.S. patent law] are present in copyright law as well. As the District Court noted, if liability for contributory infringement were imposed on the manufacturer or seller of every product used to infringe—a typewriter, a camera, a photocopying machine—the "wheels of commerce" would be blocked. . . .

The dissent further concluded:

> [I]f a significant portion of the product's use is noninfringing, the manufacturers and sellers cannot be held contributorily liable for the product's infringing uses. . . . If virtually all of the product's use, however, is to infringe, contributory liability may be imposed; if no one would buy the product for noninfringing purposes alone, it is clear that the manufacturer is purposely profiting from the infringement, and that liability is appropriately imposed.

In short, *Sony* was a unanimous decision about the applicability of the "staple article of commerce" doctrine to copyright law, bearing the seeds of deep discontent about how narrowly or broadly that doctrine might protect innovative technology. Rather than being a case about imputed knowledge of customers' infringement, at its core *Sony* sought to balance copyright rights against the introduction of substantially legitimate new technologies. For the *Sony* majority, an unquantified "substantial" amount of noninfringing use was sufficient to tip the balance in favor of the technological innovator. For the *Sony* minority, a "significant" amount of noninfringing use would be necessary for such a result, and, in particular, the amount of authorized time-shifting alone would not have sufficed to justify the Betamax.

III. *Grokster*: Inducement Liability

The novel facts of the *Grokster* litigation have been so widely described and discussed that only the barest facts are reviewed here. Defendants Grokster and StreamCast disseminated software programs

(named Grokster and Morpheus) that enabled users connected to the Internet to identify and download files available for sharing on the computers of other users who were running the same software and simultaneously connected to the Internet. Unlike their notorious predecessor, Napster, neither Grokster nor StreamCast maintained lists of files available for sharing on the computers of users of their software.[8] Instead, the Grokster and Morpheus programs used novel technologies to enable users to direct each other to files available for sharing that were sought to be downloaded, with little or no assistance from Grokster and StreamCast other than provision of the software.[9]

The users of Grokster and Morpheus are collectively responsible for what is probably the largest-scale infringement of copyright in history. As all the litigants conceded, when users of these software packages exchange copies of the plaintiffs' motion pictures and sound recordings, the plaintiffs' copyright rights are directly infringed. Estimates of the amount of illicit copying of the works of the Film and Music Industry varied, but the quantity seems to have been on the order of billions of unlawful copies made each month.[10]

Grokster and StreamCast made showings that some copyright owners endorsed file sharing on their networks and that numerous public domain files also were made available through use by their software packages. However, the analysis by the experts for the Film and Music Industry indicated that no more than ten percent of the usage of Grokster and Morpheus was for the copying of public domain files or of copyrighted files as to which the copyright owners had expressed consent to such distribution.[11]

As noted above, the Supreme Court adopted inducement liability as a basis for forging a unanimous opinion. Inducement has not been a widely utilized form of secondary copyright liability, but inducement has long been grounds for secondary liability in various other types of actions, particularly in U.S. patent law, where inducement infringement has been codified.[12] Accordingly, importing a bit of patent law as it had done in *Sony*, the *Grokster* Court held that

> one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties."[13]

The *Grokster* majority opinion immediately went on to clarify that it was not undermining the *Sony* rule by elevating the role of inducement:

> [M]ere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability. Nor would ordinary acts incident to product distribution, such as offering customers technical support or product updates, support liability in themselves. The inducement rule, instead, premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.[14]

Having settled upon the inducement approach, the Court wasted no time in finding ample evidence in the record that Grokster and StreamCast had engaged in such culpable activity. The Court singled out three types of evidence in particular. First, Grokster and StreamCast both marketed themselves to former Napster users, who presumably were looking for other mechanisms for illegal file sharing when the Napster service was terminated. Second, neither company adopted filtering mechanisms or sought in any way to mitigate the amount of infringement conducted by its users. Finally, each company relied on a massive volume of user activity to generate its advertising-based revenue, and direct copyright infringement by users was plainly the sole volume-generating application for the Grokster and Morpheus softwares.[15]

IV. *Sony* in the Post-*Grokster* World

The district court and the Ninth Circuit panel in *Grokster* seemed to hesitate little in applying *Sony*. Each made convoluted readings of what it believed to be the *Sony*-mandated requirement for knowledge in a contributory liability case. Each was probably responding to the view that the *Grokster* litigation was a contest over *Sony*. This view might have been hard to resist, given the litigants' own focus on *Sony*. The Film and Music Industry struggled mightily to articulate a form of the *Sony* rule that plainly trapped Grokster and StreamCast but would be credible as retaining meaningful scope of protection for legitimate innovation. Grokster and StreamCast, of course, wrapped themselves in a simplistic and absolute view of *Sony* that exonerated any action in connection with distribution of a technology that was merely capable of noninfringing uses, almost regardless of whether any such uses were carried out on any perceptible scale.

Indeed, both lower court opinions omitted any express consideration of inducement of infringement as an independent basis for liability. In effect, the lower courts treated the *Sony* defense as an immunity to any kind of secondary copyright liability.

The lower courts' struggle with *Sony* reached its apex in the Ninth Circuit's holding that, in the case of a product that is capable of substantial noninfringing use, the producer cannot be held contributorily liable for third parties' infringing use of it unless the distributors had "specific knowledge of infringement at a time at which they contributed to the infringement and failed to act upon that information."[16]

"The difficulty for the Film and Music Industry in wielding the Grokster *tool is that future distributors of peer-to-peer file-sharing software likely will assiduously avoid making actionable statements to their end users, frustrating efforts to enjoin their activities based on inducement liability."*

The Supreme Court dismissed the Ninth Circuit's approach:

> This view of *Sony*, however, was error. . . . Because *Sony* did not displace other theories of secondary liability, and because we find below that it was error to grant summary judgment to the companies on MGM's inducement claim, we do not revisit *Sony* further, as MGM requests, to add a more quantified description of the point of balance between protection and commerce when liability rests solely on distribution without knowledge that unlawful use will occur. It is enough to note that the Ninth Circuit's judgment rested on an erroneous understanding of *Sony* and to leave further consideration of the *Sony* rule for a day when that may be required.

Notwithstanding this statement and the Court's unanimous grounds for resolving *Grokster*, six of the nine justices in fact could not postpone further consideration of *Sony*. Three justices joined each of two concurring opinions in *Grokster*, each concurrence taking opposite views of how *Sony* ought to apply to the *Grokster* facts. Thus, only three current justices have left themselves expressly uncommitted on the future of the *Sony* doctrine: Justice Souter, who wrote the majority opinion, and Justices Scalia and Thomas.

One of the concurrences, authored by Justice Ginsburg and joined by Chief Justice Rehnquist as well as Justice Kennedy, articulated a narrow view of the *Sony* doctrine and argued that Grokster's and StreamCast's showings of substantial noninfringing use were deeply flawed and not close to meeting the *Sony* standard.[17] Thus, it seems safe to conclude that Chief Justice Rehnquist has a long-term commitment to a narrow view of the *Sony* defense, given that as an Associate Justice he joined Justice Blackmun's 1984 dissent in *Sony*, which would have forced Sony to make a stronger showing of substantial noninfringing use to avoid liability for its marketing of the Betamax.

The other concurrence, written by Justice Breyer and joined by Justices O'Connor and Stevens (both of whom had joined the *Sony* majority in 1984), found Grokster's and StreamCast's showings of noninfringing use convincing and more than ample to invoke the *Sony* defense, which, however, they agreed was not a basis for disregarding inducement liability.[18] Moreover, this concurring opinion gave considerable credence to Grokster's and StreamCast's professed view that due to increasing availability of unrestricted content and permissions for distribution over peer-to-peer networks, the amount of noninfringing use of Grokster and Morpheus would only increase in the future.

V. Conclusion

The Film and Music Industry argued vigorously that resolving *Grokster* on inducement grounds alone would be insufficient to protect it against future refinements of peer-to-peer systems. Plainly, inducement liability can be very difficult to prove.[19] Indeed, a showing of inducement liability must be made for each separate defendant. The simplicity of the *Sony* approach is that it is closer to an analysis of a technology, regardless of its proponents. The difficulty for the Film and Music Industry in wielding the *Grokster* tool is that future distributors of peer-to-peer file-sharing software likely will assiduously avoid making actionable statements to their end users, frustrating efforts to enjoin their activities based on inducement liability. That will once again throw the Film and Music Industry as well as the courts into the fray over the proper understanding and development of the *Sony* doctrine.

Endnotes

1. *MGM Studios, Inc. v. Grokster Ltd.*, 125 S. Ct. 2764, 162 L. Ed. 2d 781, 2005 U.S. LEXIS 5212 (2005).

2. *MGM Studios, Inc. v. Grokster Ltd.*, 380 F.3d 1154 (9th Cir. 2004).
3. *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).
4. "In summary, the record and findings of the District Court lead us to two conclusions. First, Sony demonstrated a significant likelihood that substantial numbers of copyright holders who license their works for broadcast on free television would not object to having their broadcasts time-shifted by private viewers. And second, [the studios] failed to demonstrate that time-shifting would cause any likelihood of nonminimal harm to the potential market for, or the value of, their copyrighted works. The Betamax is, therefore, capable of substantial noninfringing uses. Sony's sale of such equipment to the general public does not constitute contributory infringement of [the studios'] copyrights." 464 U.S. 417, 456.
5. In contrast, both the district court and the Ninth Circuit *Grokster* opinions, perhaps surprisingly, held that distribution of the Grokster and Morpheus software did not constitute material contribution. In sidestepping *Sony*, the Supreme Court *Grokster* decision gave no clue as to how a majority of justices might view those holdings.
6. *Sony*, 464 U.S. at 439.
7. *Id.* at 442.
8. The Ninth Circuit affirmed a preliminary injunction against Napster on the ground that it was likely to be found contributorily liable for the direct copyright infringements of its file-swapping users. *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001). The *Napster* decisions were heavily relied upon in the district court and Ninth Circuit decisions in the *Grokster* litigation but were relatively unimportant to any of the opinions issued by the Supreme Court in *Grokster* and thus are not further discussed here.
9. More precisely, the exact roles of Grokster and StreamCast in user-to-user copying had little to do with substantiating the Court's ultimate holding on inducement infringement. The difficulty of pinning down exactly what assistance the defendants provided to the direct infringers besides supplying the critical software likely channeled the Court's analysis away from *Sony* and toward inducement.
10. *Grokster*, 2005 U.S. LEXIS 5212, at *17.
11. In all likelihood, ten percent was an overestimate of the amount of noninfringing use, because the survey evidence indicated that ninety percent of the use was clearly infringing, and no determination could be made one way or another as to the remaining files. Moreover, it was uncertain whether the unclassifiable files were actively shared.
12. 35 U.S.C. § 271(b).
13. *Grokster*, 2005 U.S. LEXIS 5212, at *41.
14. *Id.* at *42.
15. *Id.* at **44-47.
16. *Id.* at *7.
17. *Id.* at **49-60.
18. *Id.* at **60-90.
19. Apparently such a showing was not so difficult in the cases of Grokster and StreamCast.

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Court of Appeals Rejects Trademark Attack on Targeted Internet Advertising

By Celia Goldwag Barenholtz

I. Introduction

WhenU.com, Inc. ("WhenU") is a New York-based software company that has developed a pioneering form of software-based Internet advertising. WhenU's software program delivers contextually relevant ads, based on consumers' Internet activity, but without collecting personally identifying information.[1] For example, a consumer surfing the Internet to decide where to buy contact lenses might receive a WhenU ad for a discount contact lens provider as a result of having entered the 1-800 Contacts URL into his browser.[2] Needless to say, this kind of comparative advertising can be quite potent. Website owners, unhappy with the fact that computer users can be exposed to ads from their competitors at the same time that users are viewing their websites, have attempted to block WhenU's advertising on the ground that it infringes their trademarks.[3]

WhenU defeated the first two challenges to its contextual advertising.[4] However, in *1-800 Contacts, Inc. v. WhenU.com, Inc.*,[5] Judge Deborah A. Batts of the Southern District of New York held that website merchant 1-800 Contacts had demonstrated a likelihood of success on its trademark infringement claim and issued a preliminary injunction against WhenU.[6] On June 27, 2005, the Second Circuit reversed, holding that WhenU's advertising does not infringe trademarks as a matter of law, thus clearing the way for WhenU's innovative software.[7]

II. WhenU's Contextual Advertising Software

WhenU has developed a software program called SaveNow that displays advertisements, including pop-up ads, on the computer screens of participating consumers. Consumers download WhenU's software program from the Internet, generally as part of a package of revenue-generating software that supports a free software product. The software includes a directory comprised of over 40,000 web addresses, search terms, and key word algorithms sorted into various categories (for example, eyecare) in much the same way as the Yellow Pages indexes businesses. The directory uses these elements to analyze SaveNow users' Internet activity.

WhenU includes web addresses in the directory in order to determine a consumer's interest. Thus, if a user typed http://www.1800contacts.com into the browser window, or attempted to search for "1-800 Contacts," the software would detect that activity, determine that the consumer is interested in eye-care products, and might—depending on various timing and other internal limitations of the system—display an ad for a competing eye-care product. The 1-800 Contacts URL is one of hundreds of elements in the eye-care category that gauge consumer interests.

The advertisements generated by WhenU's software are clearly labeled, contain the SaveNow logo and other distinctive branding features, and state on the face of the advertisement that they are a "WhenU.com" offer. They do not display any marks other than those of WhenU and its advertisers.[8]

III. The District Court Proceedings

On October 9, 2002, 1-800 Contacts filed a complaint and motion for a preliminary injunction in the Southern District of New York against WhenU and Vision Direct, Inc., a WhenU advertiser. The complaint alleged that WhenU was displaying pop-up ads "on" 1-800 Contacts' website without the permission of 1-800 Contacts or payment to 1-800 Contacts. The complaint contained nine claims for relief against WhenU: trademark infringement in violation of the Lanham Act, 15 U.S.C. § 1114(1); unfair competition under the Lanham Act, 15 U.S.C. § 1125(a); common law unfair competition; false designation of origin under the Lanham Act, 15 U.S.C. § 1125(a); dilution under the Lanham Act, 15 U.S. C. § 1125(c); dilution under § 360-1 of the New York General Business Obligation Law; copyright infringement; contributory copyright infringement; and tortious interference with prospective economic advantage.

On December 22, 2003, following limited discovery, briefing and a four-day preliminary injunction hearing, the court issued a lengthy opinion which found that 1-800 Contacts had established a likelihood of success on its trademark infringement claim.[9] The court rejected WhenU's argument that WhenU does not "use" 1-800 Contacts' marks within the meaning of the Lanham Act.[10] The court found that WhenU used 1-800 Contacts' mark by causing advertisements to appear "when SaveNow users have specifically attempted to access Plaintiff's website—on which Plaintiff's trademark appears."[11] The

court also found that the inclusion of the 1-800 Contacts mark in WhenU's directory was a "use," holding that by including a version of the 1-800 Contacts mark in the directory, WhenU was "advertis[ing] and publiciz[ing] companies that are in direct competition with Plaintiff."[12] In so ruling, the court emphasized its belief that WhenU's advertisements were unfairly capitalizing on 1-800 Contacts' reputation and good will.[13]

The court next turned to the doctrine of initial interest confusion. Reading the doctrine expansively, the court found that it applied to conduct that admittedly does not involve the actual diversion of computer users from one site to another.[14] Finally, the court applied the eight "*Polaroid*" factors to WhenU's use of the 1-800 Contacts mark and concluded that 1-800 Contacts had shown a likelihood of confusion.[15]

IV. The Court of Appeals Decision

On appeal, in an opinion authored by Chief Judge John M. Walker, the Second Circuit reversed, holding that the way in which WhenU used the 1-800 Contacts mark to generate targeted advertising does not constitute the "use" of a trademark within the meaning of 15 U.S.C. § 1127. The court reversed the preliminary injunction order and directed the district court to dismiss 1-800 Contacts' trademark infringement claim with prejudice.[16] Stressing that trademark "use" is a separate element of an infringement claim, the court did not reach the district court's construction of the initial interest doctrine or the manner in which it applied the *Polaroid* factors.

The Second Circuit first rejected the district court's conclusion that When U's use of 1-800 Contacts' mark as an element in its software directory is a trademark use. The Court noted that WhenU did not "use" 1-800 Contacts' trademark in the manner ordinarily at issue in a trademark infringement case because it did not place the trademark on goods or services in order to make it seem as if they emanated from or were authorized by 1-800 Contacts. To the contrary, WhenU used 1-800 Contacts' website address "precisely because it is a website address" and not to identify the source of its advertisers' products.[17] The court analogized WhenU's use of a website address in its directory to determine which ads are relevant to which computer users to the thinking process of any marketer: "A company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to an individual's private thoughts about a trademark."[18] The court stated "[s]uch conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of such goods or services."[19]

The court also disagreed with the district court's conclusion that the simultaneous display of an ad on a computer user's screen with the 1-800 Contacts' website is a "use" of the 1-800 Contacts mark. WhenU's ads "do *not* display" those trademarks the court explained, and WhenU has no control over whether 1-800 Contacts' marks appear on 1-800 Contacts' website. It was 1-800 Contacts' decision to display its mark on its website, the court emphasized, not WhenU's conduct, which produced the display of 1-800 Contacts' mark.[20]

Significantly, the Second Circuit rejected the notion that the Lanham Act grants a website owner exclusive access to a user's computer screen or that capitalizing on the name recognition of a better-known mark is a violation of the Lanham Act. The court pointed out that the side-by-side juxtaposition of a WhenU ad and a 1-800 Contacts webpage on a user's computer screen is no different than the way in which a drugstore might display a generic product next to a brand name product on its shelves. For the same reason, the court rejected the notion that WhenU ads appear "on" 1-800 Contacts' website or that WhenU needed 1-800 Contacts' permission to display an ad at the same time that a computer user accessed its site: "WhenU does not need 1-800's authorization to display a separate window containing an ad any more then Corel would need authorization from Microsoft to display its WordPerfect word-processor in a window contemporaneously with a Word word-processing window."[21]

The court distinguished WhenU's advertising from the kind of Internet advertising in which trademarked keywords are in effect "sold" to advertisers. However, the court did not state that this distinction was critical to its holding.[22] The court also distinguished cases that found trademark infringement when the defendant caused a computer user to be diverted from one website to another or affected the search results that a user otherwise would receive.[23] Once again, the court did not say that such distinctions were critical to its holding. Indeed, the court specifically stated that in distinguishing these cases it was not necessarily endorsing their holdings.

Because the court found that the element of trademark use could not be established as a matter of law, it did not reach the initial interest confusion doctrine or the *Polaroid* factors. Trademark use is a "threshold matter," and to decide the question of trademark use on the basis of likelihood of consumer confusion would be "putting the cart before the horse."[24]

V. Conclusion

The *1-800 Contacts* decision is an important one. Courts have struggled to apply the Lanham Act to the unseen use of marks on the Internet. The Second Circuit's decision establishes that to be a "use" within the meaning of the Lanham Act, the defendant must be using the mark as a mark, *i.e.*, to identify the source of goods or services. It also makes clear that "use" is a separate and independent element of trademark infringement; confusion alone is not enough. Finally, it reflects a nuanced and cautious approach to the application of the Lanham Act to the Internet—one that recognizes that mark holders should enjoy no greater rights in cyberspace than they do in the bricks-and-mortar world.

Endnotes

1. Contextual marketing technology attempts to market products and services to consumers who have an interest in those products and services. *See generally Wells Fargo & Co. v. WhenU.com*, 293 F. Supp. 2d 734, 738 (E.D. Mich. 2003).
2. A "URL" or Uniform Resource Locator identifies webpages on the Internet. Thus, a URL functions as the address for a webpage. *See generally Wells Fargo*, 293 F. Supp. 2d at 740-41.
3. The Gator Corp., now known as Claria Corporation, a competitor of WhenU's, has been subject to similar claims. In one case, a district judge issued a preliminary injunction but without writing an opinion. *Washingtonpost Newsweek Interactive Co., LLC v. Gator Corp.*, No. Civ. A 02-909-A, 2002 WL 31356645 (E.D. Va. July 16, 2002). Other cases against Gator were consolidated in a MDL proceeding. *See In re Gator Software Trademark and Copyright Litigation* (MDL No. 1517) (N.D. Ga.). These cases have all apparently been resolved by the parties. Stefanie Olsen, *Pop-up purveyor Claria settles suit*, CNET NEWS.COM, Aug. 31, 2004, *available at* http://news.com/Pop-up+purveyor+Claria+settles+suits/2100-1024_3-5333003.html.
4. *See U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003) and *Wells Fargo & Co. v. WhenU.com*, 293 F. Supp. 2d 734.
5. 309 F. Supp. 2d 467 (S.D.N.Y. 2003).
6. The plaintiffs in the *U-Haul, Wells Fargo,* and *1-800* cases also asserted that WhenU's ads violate the copyright laws by incorporating the plaintiffs' websites into a new work. In each case, the district court rejected the copyright argument. *See 1-800 Contacts, Inc. v. WhenU.com*, 309 F. Supp. 2d 467, 484-88 (S.D.N.Y. 2003); *Wells Fargo*, 293 F. Supp. 2d at 769-771; *U-Haul*, 279 F. Supp. 2d at 729-31.
7. *See 1-800 Contacts, Inc. v. WhenU.com*, No. 04-0026-CV(L), 04-0446-CV (CON), 2005 WL 1524515 (2d Cir. June 27, 2005).
8. Today, WhenU ads also contain an 800 number allowing users to contact WhenU if they have questions about the source of advertising. *See* Stefanie Olsen, *Adware's second act*, CNET NEWS.COM, Jul. 12, 2005, *available at* http://news.com.com/Adwares+second+act/2100-1024-5783948.html?part=dht&tag=ntop&tag=nl.e703.
9. The court did not reach the other related theories under the Lanham Act or under state law. 309 F. Supp. 2d at 508.
10. Trademark infringement requires the "use in commerce" of a registered mark "in connection with" the sale, distribution or advertising of goods and services. *See* 15 U.S.C. § 1114(1)(a). The phrase "use in commerce" is defined in 15 U.S.C. § 1127, which provides that "a mark shall be deemed to be in use in commerce . . . on services when it is used or displayed in the sale or advertising of services. . . ."
11. *1-800 Contacts*, 309 F. Supp. 2d at 489.
12. *Id*.
13. The court stated: "Enjoining the Defendants from triggering pop-up advertisements when SaveNow users type in Plaintiff's website address and/or type Plaintiff's mark into a search engine will prevent Defendants from capitalizing on the goodwill and reputation that Plaintiff has earned through its own investment." *Id*. at 509.
14. The court explained its rationale in these words: "[T]he harm to Plaintiff from initial interest confusion lies not in the loss of Internet users who are unknowingly whisked away from Plaintiff's website" but rather "the possibility that, through the use of pop-up advertisements" WhenU's advertisers would "gain crucial credibility" with consumers. *Id*. at 493.
15. *See Polaroid Corp. v. Polarad Electric Corp.*, 287 F.2d 492 (2d Cir. 1961). In applying the *Polaroid* factors, the district court compared the mark used by WhenU in its directory to the plaintiff's mark, even though consumers never see the directory. Acknowledging that in an ordinary trademark infringement case the consumer sees or hears the parties' marks, the court concluded that "[i]n the Internet context, the issue is not whether the WhenU or Vision Direct marks themselves are similar to the Plaintiff's marks, but whether the marks used by the Defendants (whether actually seen by the consumer or not) are so similar to Plaintiff's mark that similarity could ultimately cause consumer confusion." *1-800 Contacts*, 309 F. Supp. 2d at 496 n. 53.
16. The court of appeals acknowledged that preliminary injunction orders are reviewed for abuse of discretion but noted that abuse of discretion is shown when the district court rests its decision on a clearly erroneous finding of fact or makes an error of law. *See 1-800 Contacts*, 2005 WL 1524515, at *4.
17. *Id*. at *7.
18. *Id*.
19. *Id*.
20. *Id*. at *8 (emphasis in original).
21. *Id*. at *10.
22. *See id*., noting that *GEICO v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004), found Google's sale to advertisers of the right to use specific trademarks as "keywords" to trigger ads to constitute a "use in commerce."
23. The court cited *Playboy Enters., Inc. v. Netscape Communications Corp.*, 174 F. 3d 1020, 1024 (9th Cir. 2004), *Brookfield Communications v. West Coast Entm't Corp.*, 174 F. 3d 1036 (9th Cir. 1999), and *Bihari v. Gross*, 119 F. Supp. 2d 309 (S.D.N.Y. 2000).
24. In a footnote, however, the court expressed skepticism about the district court's findings, explaining that the likelihood of WhenU's ads causing confusion was "fairly incredulous given that [users] who have downloaded the SaveNow software receive numerous WhenU pop-up ads—each displaying the WhenU brand—in varying contexts and for a broad range of products." *1-800 Contacts*, 2005 WL 1524515 at *9 n.14.

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Can the Software Patent Genie Be Put Back in Its Bottle?

By John LaBarre

I. Introduction

Patent protection, both in the United States and in the European Union, has historically been available to those who invent new and useful products, processes, or materials.[1] However, the answer to the question of whether an inventor has the legal right to patent software innovations in both the United States and the European Union has always been a moving target. Currently in both jurisdictions the answer seems to be that for many kinds of software innovations inventors can patent their innovations. However, in the 1960s and 1970s, both jurisdictions developed doctrines that disfavored software patents on the grounds that software innovations represented nonpatentable subject matter. In Europe, this was explicit as part of the European Patent Convention (EPC); in the United States, it was a matter of statutory interpretation. Patent examiners and the courts asked why someone should be able to get a patent on a way to compute prime numbers simply by using a well-known technique whose only innovation was that it was implemented on a computer and how one can receive a patent on a process on a computer that could just as easily be done in one's head. Early answers to these and similar questions led to general disfavor of patents on software though the early 1980s.

However, as software became more complex, these fairly simplistic and in some ways naïve arguments no longer accurately captured the true scope of the issue. Rapid changes in technology in both the computer sciences area and in biotechnology began to cause the various patenting organizations to push the envelope of what constituted patentable subject matter. In the United States, following the Supreme Court's lead, the U.S. Patent and Trademark Office (PTO) began to issue more and more software patents. And in 1996 the PTO formally adopted guidelines for dealing with "computer-related inventions."[2]

In Europe, no formal effort was made to alter the exclusion of software innovations from receiving patent protection. However, various court cases and procedures within the European Patent Office (EPO) considerably narrowed the scope of the software innovation exemption. Recently, a controversial directive has been introduced within the European Union to formally remove the software patent exception altogether.[3] In a somewhat surprising outcome, the directive was decisively defeated in a July 6, 2005 vote of the European Parliament. However, both proponents and opponents of the directive and of software patents in general vowed that the software patent fight was far from being over. Rhetoric aside, it seems likely that some movement on the legislative side, either allowing or restraining software patents, in the EU is likely at some point in order to bring some level of predictability into the EU system on such patents.

This article broadly traces the history of software patents in the United States and the European Union; discusses alternative forms of protection for software innovations; and explores the question of what kind of protection is best and whether the European Union and the United States should or need to have similar treatment of software patents. Ultimately, it appears that a variety of factors, ranging from the political to the pragmatic, are in place in both the United States and in the European Union that will push software inventions into the pantheon of innovations protected by patent laws until and unless the question can be addressed by a worldwide organization on an international scale.

II. Brief History of Patent Protection in the United States

In order for an invention to be patentable in the United States, it must meet certain foundational requirements: (i) it must be useful (as provided in 35 U.S.C. § 101); (ii) it must be novel (as provided in 35 U.S.C. § 102); and (iii) it must be non-obvious (as provided in 35 U.S.C. § 103). In addition, an application for a patent must meet the written description and enabling requirements as provided in 35 U.S.C. § 112. However, before even reaching these questions, a patent examiner must determine whether the innovation is of a patentable subject matter. If it is not, the application will be denied even if it otherwise would have met all the other statutory requirements for the receipt of a patent.

An innovation is not eligible for patent protection unless it is a "process, machine, manufacture, or composition of matter."[4] Consequently, certain discoveries are *per se* not patentable, even where such discoveries would otherwise meet the foundation requirements. The Supreme Court has long held that abstract ideas, laws of natures, and natural phenomena are not patentable subject matter.[5] In other words,

you can patent that which you invent but not what you discover. It is for this reason, for example, that Einstein could not have patented his discovery that $e=mc^2$, and Newton could not have patented gravity.[6]

The history of patent protection for software innovations in the United States is a rocky one. In 1966, a report of the President's Commission on the Patent System proposed that patent protection be denied to computer programs.[7] While never formally adopted as the policy of the PTO, a 1972 Supreme Court ruling effectively achieved the same result. In *Gottschalk v. Benson*,[8] the Court effectively ruled that software was not patentable subject matter (*i.e.*, that an algorithm is not a "process, machine, manufacture, or composition of matter"). The Supreme Court's decision in *Gottschalk* ended patents on software nearly as effectively as would have been the case if the PTO had adopted the 1966 Presidential Commission's Report.[9]

However, two cases in the early 1980s jumpstarted the practice of granting patents on software. In *Diamond v. Chakrabarty*, the Court dealt with the issue of whether a man-made mirco-organism was patentable.[10] In concluding that it was, the Court reexplored the question of what kinds of innovations are patentable and concluded that questions of patentable subject matter should be determined very broadly.[11] While the Court left intact the existing categories of unacceptable patentable subject matter (laws of nature, natural phenomena, and abstract ideas), it suggested that these categories are to be interpreted narrowly.[12]

The following year, the Court put *Chakrabarty's* broad interpretation of patentable subject matter to the test in the case of *Diamond v. Diehr*. In *Diehr*, the Court was required to determine whether a process for curing synthetic rubber, whose only real inventive step was the use of a computer-executed process to dynamically calculate the proper cure time for the rubber, was patentable. The PTO had rejected Diehr's patent application on the grounds that the only inventive step described in the application—the use of the computer program to dynamically calculate the appropriate cure times—was nonpatentable subject matter.[13] The Court overturned the PTO's determination and found that the use of a well-known equation by a software program as part of the inventive process did not itself preclude patentability. In this instance, what mattered was neither that a computer program was utilized in the process, nor that all of the individual process steps were independently known in the prior art, but rather only that the process of combining all the steps in the manner laid out in the application amounted to a new innovation.[14]

While the holding of *Diehr* was not technically inconsistent with the holding in *Benson*, its effect on the availability of software patents was enormous. Whereas the PTO had, based in part on the holding from *Benson*, generally refused to patent computer-related process applications, it now had an equally compelling mandate from the Supreme Court to allow such applications. Prior to *Diehr*, a company that wanted to get an effective patent on software had to design its patent application to read more like an apparatus claim where the patent was actually on a device running the particular computer program. After *Diehr*, this fiction no longer had to be followed, and patents on pure process-based claims were allowed. Within the United States, companies were, at first, slow to seek patent protection on software innovations. However, since the early 1990s the number of patents on computer-related inventions has risen dramatically.

III. Brief History of Patent Protection in Europe

Up until several years ago, Europe had, at least on its face, a more definitive response to questions regarding extending patent protection to software. Since 1973,[15] under article 52 of the EPC, "programs for computers" were unpatentable at least to the extent that a patent was being requested on a computer program "as such."[16, 17]

Early cases in European courts came out similarly to those in American courts; namely that a computer program that merely performed steps that could be performed in the human mind was categorically unpatentable. In 1973, several European nations formed a unified, multinational patent office as detailed in the EPC. While initially barring almost all forms of software patents, over time the EPO has limited the scope of its software patent exception in ways that have allowed for numerous types of software innovations to be patented.

Over time, the article 52 exception on software patents has been loosened to allow software patents on things such as Computer Aided Design and Manufacture programs, programs relating to computer functionality such as operating systems and memory management, and manufacturing control software.[18] The basis for this creeping reinterpretation of the article 52 exception stems from the gradual change in the European courts' interpretation of article 52. Whereas article 52 initially was viewed as an outright bar on software patents altogether, the European courts gradually dropped this interpretation and replaced it with a more lenient one. This more liberal interpretation is based on the language of article 52(3) of the EPC, which says that the exclusion of patents on computer programs applies "only to the

extent to which a European patent application or European patent relates to such subject-matter or activities *as such*" (emphasis added). Over time, the European courts pushed the boundary of this restriction and interpreted the "as such" language to imply that where the computer program had some sort of tangible effect outside of the computation of the algorithm itself, it was not an attempt to patent the application "as such" and therefore was patentable.

The culmination of this more expansive view of software patents in Europe is a recent draft "directive on computer-assisted inventions" that would essentially allow nearly any software innovation to receive a patent.[19] This particular directive has met with extreme resistance from numerous groups who claim that any further loosening of Europe's patent laws will hurt small and medium-sized businesses. Those in favor of the Directive, however, argue that strong intellectual property protection is necessary to protect companies that wish to develop software products within the European Union and that without such protection such firms will relocate to jurisdictions (such as the United States) where such strong protection exists.

IV. Overview of How Computer Programs Work

In order to fully appreciate the debate surrounding software patents, it is necessary to understand some software fundamentals. A software executable, sometimes referred to a binary, is a piece of software that contains instructions specific to the particular Operating System (OS) and Central-Processing Unit (CPU) on which the program is intended to run. Thus, an executable for an Apple Macintosh program will not run on an Intel-based PC (different CPU), nor will a Linux executable run on a Windows computer (different operating system).

Rather than creating software programs directly using these CPU- and OS-specific instructions, software generally is written using a high-level program language that is an abstraction of the CPU and OS instructions expressed in particularized English syntax. Examples of such programming languages include C++, Basic, and Pascal.[20] These higher-level languages are easier to write, read, and correct (*i.e.*, debug) than programs in their binary executable form. However, in order to run on a particular computer, it is necessary that a program written in one of these high-level computer programs be converted into computer executable code (*i.e.*, an executable or a binary) specific to the type of CPU and OS used by that computer through a process referred to as compiling. A compiler is itself a program that takes as its input a computer program written in a particular computer language and produces a computer-readable binary executable. The compiler essentially takes a program written in a high-level language and converts it into the underlying binary instructions that can be processed by a computer's CPU and OS.

For most users, the binary executable is a black box-like entity. A user can run the executable, but the average user has no way of knowing anything about the underlying program that created the executable. All that an ordinary user knows is *what* a program does, but such a user has no way of knowing *how* a program does what it does. However, given relatively recent advances in the field of computer science, it is possible to recreate the essence of the source code that created a particular binary through a process known as reverse compiling.

A reverse complier takes as its input a binary executable and returns as its output a reasonable facsimile of the program that generated the executable. In such a way, it is possible to learn the specific process used to create a particular program. The first real demand for reverse compilers occurred when hackers wanted to get the source code of early computer console games (such as the Atari system) that were distributed only in a binary format. Today, reverse compilers are used for a host of nefarious and non-nefarious activities, from being used to break new forms of digital rights management software and copy protection to examining executables for software bugs that might have unintended security consequences.

Prior to widespread access to reverse compilers, software innovation could be kept from competitors merely by keeping a program's source code secret.[21] New innovations would show up in computer programs as new features, but without the underlying source code competitors would not know the underlying processes that generated the new features. This often provided adequate protection where a program feature was sufficiently difficult to replicate, but it provided little protection where the innovation was easy for competitors to replicate.

V. Understanding Patent Protection

Patents provide a limited form of monopoly to their holders. A patentee has the right to prevent others from using its invention for a period of twenty years from the date of the filing of the patent application. Unlike other forms of protection, such as copyright, patents allow for the protection of an idea so long as the idea is embodied in a process, a machine, a manufacture, or a composition of matter.[22] Thus, a patent holder has the right to prevent anyone else from using his invention within the jurisdiction of the country that issues the patent. This protection is absolute in that even if someone else independently

develops that same idea, the patent-holder has the right to bar its usage.

This differs materially from other forms of intellectual property protection such as copyright and trade secret, where the protection generally does not hinder independent creation. Perhaps the biggest problem created by this near-absolute protection offered by patent law occurs when a patent is granted that is too broad. In such a situation, the breadth of the patent can create an innovation bottleneck, preventing meaningful advancement for the duration of the patent's life. Critics are quick to point to British Telecom's claim to have a patent on hyperlinking[23] or Amazon's patent on one-click shopping.[24, 25]

Nevertheless, the strong protection offered by a patent does not come without a price. In return for the grant of limited monopoly on an invention, the patentee is required to provide the world with all material aspects of the invention, including its best mode of usage. Thus, in return for the monopoly, a patentee must share with the world the secret of his invention. A patentee whose invention is infringed is entitled to a myriad of remedies, including injunctive relief,[26] damages,[27] the infringer's profits,[28] and, in exceptional cases, attorney's fees.[29]

Aside from the debate regarding whether software is patentable subject matter, there exist several policy arguments against the patenting of software. These arguments include the notions that (i) software patents may have anticompetitive effects on smaller players in the software industry; (ii) the twenty-year term of a patent is too long for the rapidly advancing software industry; and (iii) software patents have a chilling effect on cross-pollenization of ideas within the industry.

Software patents can adversely affect smaller players. A software program is not just a single idea. Rather, a piece of software is an amalgam of numerous processes and ideas. This can present rather meaningful problems for a small firm that will both have to manage the logistical process of monitoring whether its code contains processes that infringe another's patent and will have to bargain for numerous, potentially expensive licenses in order to use processes that are necessary for its program to be commercially useful.[30] For larger firms, this generally does not pose a problem because large firms will often cross-license their large pools of software patents among each other. But smaller firms with few or even no patents will have no leverage with which to cross-license. Consequently, a small firm with a patentable new idea will find it difficult to convert its new idea into a marketable product as a result of its inability to include other processes that are patented by other firms.

Software patent opponents argue that the term of a standard patent, generally twenty years from the time of the patent application, is too long for software. Their argument is that because advancements in software are happening so quickly, the twenty-year monopoly granted by a patent is too long. The opponents argue that the normal patent term is more appropriate for apparatus inventions or in industries where the research and development costs of bringing a patented idea to market are so substantial as to warrant a reasonable period in which to recoup such expenses.[31]

The most oft-cited example of this is the pharmaceutical industry. Given the large amount of money that must be spent on research, development, and testing;[32] the fact that only 1 in 5,000 compounds tested on animals ever becomes a viable drug candidate[33]; and the fact that FDA approval for a drug can take upwards of five years, the pharmaceutical industry claims that it needs the patent monopoly to recover its costs. But software development does not necessarily have these high costs, and software has a much shorter period of usefulness given the rapid pace of advancement of the industry. Consequently, even moderate software patent opponents who might agree that some form of patent-style protection for the software industry is appropriate argue that a twenty-year monopoly is simply too long.

For the most part, the software industry has grown into the strong industry that it is today without the help of patent protection. While patent protection for software inventions has been allowed since at least 1981 with the Supreme Court's ruling in *Diehr*, it has been only since the 1990s that software companies actually have been attempting to seek patent protection for their innovations and to enforce their software patents in any meaningful fashion. Opponents suggest that if the software industry was able to grow to be such an important part of the United States economy (in 2002, the software industry accounted for 2.2 percent of the gross domestic product of the United States)[34] and that of world economies without meaningful patent protection, such protection is unnecessary and might in fact stymie future growth.[35]

Whereas in the absence of patent protection, programmers were willing to exchange new ideas freely, such cross-pollenization generally does not happen when ideas are patented. Many anti-software patent proponents believe that the lack of software patents in the early development of the software industry helped it to enjoy rapid growth, and they also

believe that the patenting of software will lead to an unnatural end to the rapid growth of the industry.[36]

VI. Alternatives to Patent Protection

A. Other Forms of Intellectual Property Protection for Software Innovation

Further compounding the debate surrounding software patents is the availability of other forms of protection for software. Copyright protection for a program (*i.e.*, the expression of an idea or series of ideas) can exist for far longer than patent protection.[37] However, unlike patent protection, copyright allows someone else to independently develop and use an idea even if identical or nearly identical to a previously copyrighted work if the ideas were independently developed. Thus, copyright protects copyright holders from having their ideas stolen or misappropriated, yet at the same time it allows someone else independently to develop the same or similar idea.

In addition to copyright protection and patent protection, software innovations can be protected by trade secret laws. However, given that most software needs to be distributed in order to succeed as a product, combined with the presence of reverse compiling techniques, such protection is less useful. One exception to this is the area of hosted software (*i.e.*, software that is hosted on someone else's servers). As neither the source code nor the binaries for hosted programs need be shared with customers (or the outside world in general), trade secret protection is a meaningful form of protection.

Some forms of intellectual property have their own unique forms of protection, such as protections afforded to photolithographic masks used by the semiconductor industry in making microchips.[38] Realizing that U.S. copyright laws were ill-suited to the task, Congress passed the Semiconductor Chip Protection Act in 1984.[39] This act created a special form of protection exclusive to photolithographic masks used in fabricating microchips. The term of the protection was ten years, and it carved out broad exceptions for reverse engineering. There have been similar attempts in Congress to pass specialized protection for databases as well.[40]

There is no reason why such specialized *sui generis* protection could not be devised for software innovations. Such protection could shorten the period of protection and provide meaningful exceptions for those not engaged in commercial activity. If propagated through international organizations such as the World Intellectual Property Organization, such protection might take consistent hold in numerous jurisdictions.

B. The Choice of No Protection—The Free-source Movement

Beginning in the 1980s through the efforts of such persons as Richard Stallman, and gaining strength in the early 1990s with the introduction of Linux, the free-source movement has been a strong force to which anti-software patent proponents have been able to point in suggesting that the software industry is better off without such protection. The strength and success of free-source software exists as a strong indicator, at least to some, as to why software innovations do not need patent protection.

Free-source essentially means that a program is disseminated along with the source code that created it, so that anyone who uses it can see the code that created the program. There are several variants of open licensing. Under the General Public License (GPL) model, a person is free to modify, alter, or add to a GPL program so long as the resulting program is also offered under the GPL.[41] GPL and similar variants are generally referred to as open-code licenses. Linux is probably the best-known product released under a GPL.

Differing from the open-code license is the open-source license. Unlike an open-code license, where the user agrees to release any derivative product under the same open-code license, with an open-source license, a user faces no such restriction. Thus, while under a GPL any derivative work must also be free, under an open-source license, a derivative product can be proprietary.[42]

VII. Europe and the United States

There are numerous ways to deal with the question of how best to protect software innovation. Patent protection represents the most stringent of these options, whereas copyright protection represents the least, with *sui generis* protection existing somewhere in the middle. Such a spectrum begs two different questions: (i) what is the best form of protection for software innovation, and (ii) should the United States and the European Union have similar forms of protection?

A. Software Deserves Its Own Form of Protection

In many ways *sui generis* protection for software innovations would solve some, if not all, of the problems perceived by the critics of software patents. One of the strongest arguments against the patenting of software focuses on the harm that it causes the smaller players. Small companies, because of their lack of bargaining power (both in terms of money and in terms having other patents with which to cross-

license) can be stifled by software patents. Additionally, the cost of litigating patent infringement issues can be prohibitive to a small firm. To alleviate these problems, critics who support *sui generis* protection have suggested that software innovations be subject to mandatory licensing fees analogous to those available under copyright for musical works in certain contexts. In this manner, small and large developers alike would be able to create new programs with little fear of infringement actions and with equal access to license other innovations.

Software patent opponents also urge that twenty years is too long a period of protection for software innovations. The software industry is a rapidly changing industry. Unlike the pharmaceutical and biotechnology industries, software innovation can go from concept to product in a very short time. Therefore, it takes a much shorter period of time, generally speaking, for a software innovation to recoup the cost of research and development and to generate a reasonable rate of return on investment. Thus, much like the protection for lithographic masks in the semiconductor industry, *sui generis* protection for patent innovations should exist for some period of time less than the twenty years granted for patents. A realistic term is probably in the vicinity of seven years.

Any *sui generis* protection could also have broad carve-outs for both independent discovery and for reverse engineering. Thus, if someone independently invents the same or similar invention, they would have some limited right to use that invention either in the form of an outright grant to their duplicate invention or in the form of a reduced-rate license to the party who first invented the idea. Reverse engineering generally is seen as important to building a healthy competitive (and thus innovative) industry, as it would hinder an early market leader from gaining an unfair hold over any particular aspect of the industry. This is because competitors who engage in reverse engineering would be able to adopt software to work with or act as a replacement for previously developed programs.

B. The Race to the Top

Whether the European Union and the United States should ever have wildly divergent forms of protection is essentially a question that hinges on the importance of the software industry within their respective economies and the strength of their lobbies. As the software industry matures and comes to represent a large portion of both the United States and Europe's respective economies, the industry assumes a certain level of importance within the political sphere. And, at least at the margin, the European Union and the United States are in a competition with each other for new software firms looking for a home base for their operations or for more established firms looking to expand their operations.

Consequently, at least three forces combine within these jurisdictions to require that each provide the strongest form of protection (*i.e.*, patent protection) to the software industry. These forces are: (i) competition between the European Union and the United States for the marginal additional firms that are attracted to the jurisdiction with the strongest form of protection; (ii) political will created by the fact that in both the European Union and the United States the software industry employees a substantial portion of the workforce; and (iii) an economic lobby created by an industry that controls a material portion of the GDP in each jurisdiction.

The culmination of these forces is a race to the top (or as software patent detractors might say, a race to the bottom), with each jurisdiction providing the strongest forms of intellectual property protection to a class of product that has become, in a very short period of time, very important to the economic health of their respective economies. It is noteworthy that, in both jurisdictions, software is one of the few products that is protected both under copyright and patent laws. This fact alone underscores the importance that this industry has achieved in the economic and political spheres of both the European Union and the United States.

VIII. Conclusion

The best way to solve the issue of how to properly protect software innovations lies with a *sui generis* solution. Given that software is functional, requires substantial research and development, and is easy to work around, software innovations deserve protection beyond that offered by copyright protection. However, affording software innovations patent protection is like fitting a round peg into a square hole—it is not the solution best suited to resolve the issue. Patent protection for software is too long in term; in certain areas, too broad in scope; and lacks any built-in mechanism for mandatory licensing.

The critical components of *sui generis* protection for software should include: (i) protection that is limited in term of years to between five and seven years; (ii) a mandatory licensing mechanism available to all who wish to commercially develop software; and perhaps (iii) special consideration for those who develop under an open-source model. Such protections would allow developers the right to recoup their development costs (taking into consideration the rapid pace of change and development within the industry); would allow for smaller developers to focus on innovation rather than worrying about (and spending substantial resources on) whether they were infringing another's patent; and

would allow for open-source models of development to safely flourish.

The semiconductor industry received its own form of *sui generis* protection because of how the technology operates; it was impossible for either patent law or copyright law to provide adequate protection.[43] The software industry suffers from the opposite problem; namely that software innovations are protectable by *both* copyright and patent laws. However, while this abundance of intellectual property protection arguably benefits large players in the industry, it is questionable whether it is good for the industry as a whole.

The problem with achieving some form of *sui generis* protection is one of competition. In order for the European Union to remain an attractive jurisdiction for software developers, it must provide protection similar to that of the United States, and vice versa.[44] Otherwise, developers are likely to flock to the jurisdictions that afford the strongest protection. Thus, in order for *sui generis* protection to become a reality, the issue needs to be addressed not in Congress or in the halls of the European Parliament but rather under the direction of a larger, multi-national body, such as the World Intellectual Property Organization (WIPO).

Until such time as WIPO or some similar organization champions the cause of *sui generis* protection, it seems that the software patent genie is out of the bottle. Perhaps the only way to put the genie back in the bottle is to see if the predictions of software patent opponents begin to come true. If the cost of litigation of software patents increases dramatically; if the rate of innovation slows appreciably because of barriers to entry created by large firms' patent portfolios; and if patents on software actually cause the cost of doing business to increase for software firms, then perhaps the software industry will turn its attention to some form of *sui generis* protection.

Endnotes

1. In both jurisdictions, the historical and current practice is to allow patents for new *inventions*, such as a new drug manufacturing process, as opposed to new *discoveries*, such as discovering that naturally occurring bacteria have the property of fighting sickness. Within this article, the term invention and innovation will be used to signify findings of the former variety.
2. *See* Manual of Patent Examining Procedure, § 2106 "Patentable Subject Matter—Computer-Related Inventions" (2004).
3. Directive on the patentability of computer-implemented inventions (2002/0047/COD).
4. 35 U.S.C. § 101 (2005).
5. *See, e.g., Funk Bros. Seed Co. v. Kalo Co.*, 333 U.S. 127, 131 (1948), where the Court held that a discovery relating to the qualities of certain strains of naturally occurring bacteria is not patentable. *See also Rubber-Tip Pencil Co. v. Howard*, 87 U.S. 498, 507 (1874) ("An idea of itself is not patentable, but a new device by which it may be made practically useful is.").
6. *Diamond v. Charkabarty*, 447 U.S. 303, 309 (1980).
7. The Report indicated that, at the time, the PTO systems were not set up to deal with the tremendous amount of prior art searching that would have been required in order to feasibly analyze software patent applications. The report also indicated that the PTO lacked appropriate classification techniques. *See Diamond v. Diehr*, 450 U.S. 175, 197 (1981).
8. 409 U.S. 63 (1972).
9. Thomas P. Burke, *Software Patent Protection: Debugging the Current System*, 69 Notre Dame L. Rev. 1115, 1144 (1994) ("Justice Douglas' opinion in Gottschalk v. Benson virtually foreclosed the patentability of computer programs.").
10. *Diamond v. Chakrabarty*, 447 U.S. 303 (1980).
11. Quoting the legislative history of the 1952 Patent Act, the Court noted patent protection is available for "anything under the sun that is made by man." *Id*. at 309 n.6 (quoting S. Rep. No 1979, 82nd Cong., 2nd Sess. 5 (1952)).
12. *Id*. at 309. The Court found that Charkabarty's manipulation of micro-organisms created a new micro-organism that was "not nature's handiwork but his own." *Id*. at 310. As a result, his invention was not a natural phenomenon but a man-made one deserving of protection under the patent laws. *Id*.
13. *Id*. at 179.
14. *Diamond v. Diehr*, 450 U.S. 175, 187 (1981) ("It is now commonplace that an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection.").
15. The United Kingdom followed suit; its 1997 Patent Act, which includes provisions on the non-patentability of software programs, mirrored articles 52(2) and 52(3) of the EPC.
16. *See* articles 52(2)(c) and 52(3) of the EPC.
17. More specifically, "[a] computer program product is not excluded from patentability under article 52(2) and (3) EPC if, when it is run on a computer, it produces a further technical effect which goes beyond the 'normal' physical interactions between program (software) and computer (hardware)." T 1173/97 (O.J. 1998, 30), "Computer Program Product/IBM."
18. John R. Thomas, *The Patenting of the Liberal Professions*, 40 B. C. L. Rev. 1139, 1179 (1999).
19. For the full text of the Code Liberty Compromise Computer Assisted Inventions Directive, *see* http://www.beauprez.net/softpat/dd2.pdf.
20. A variant form of this basic architecture exists and is referred to as byte-code interpretation. Examples of byte-code interpretive languages include Java and Python. In these languages, the program essentially gets compiled on the fly by a piece of middleware that is specific to the OS and CPU of the computer on which the program is to run. By keeping the input specification to the middleware the same on every CPU and OS variation, languages like Java and Python can run across multiple platforms with little or no modification to the underlying source code of a program. While a more detailed and formal analysis of these kinds of languages is beyond the scope of this article, the same basic principles and resulting arguments with regards to the debate of software patents are applicable.
21. *See* Pamela Samuelson, Benson *Revisited: The Case Against Patent Protection for Algorithms and Other Computer Program-Related Inventions*, 39 Emory L.J. 1025, 1143-44 (1990).
22. This is opposed to copyright, which, while providing a longer period of protection, only provides protection for the expression of an idea.

23. *See* U.S. Patent Number 4,873,662 ("the '662 patent"). A district court in 2002 essentially dismissed British Telecom's case in which it was attempting to enforce this patent against Internet service providers. The district court's reasoning included, in part, the fact that the Internet has no central computer as the relevant claims of the '662 patent appear to require. *See British Telecom. PLC v. Prodigy Comm. Corp.*, 217 F. Supp. 2d 399 (S.D.N.Y. 2002). The patent expires in 2006.
24. U.S. Patent Number 5,960,411.
25. The problem of overbroad patents is not, however, limited to patents on software innovations. Overbroad patents pose problems in all patentable areas. *See, e.g.*, United States Patent Number 6,368,227, "Method for Swinging on a Swing."
26. 35 U.S.C. § 283.
27. 35 U.S.C. § 284. A patentee can sue for "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer." *Id*.
28. 35 U.S.C. § 289 (2005). This section only applies to infringement actions of design patents.
29. 35 U.S.C. § 285 (2005).
30. Richard Stallman, Address at Cambridge University (Mar. 25, 2002).
31. *See, e.g.*, Matt Richtel, *Chairman of Amazon Urges Reduction of Patent Terms*, N. Y. Times, Mar. 11, 2000.
32. *See* Robert Pear, *Research Costs for New Drugs Said to Soar*, N. Y. TIMES, Dec. 1 2001, at B1 (reporting on recent study indicating that the average cost of developing a new drug was $802 million).
33. *Id*.
34. Niels Schaumann, *Copyright Class War*, 11 UCLA Ent. L. Rev. 247 n.9 (2004).
35. Gordon Irlam and Ross Williams, "Software Patents: An Industry at Risk" (1994), *available at* http://lpf.ai.mit.edu/Patens/industry-at-risk.html.
36. *See, e.g.*, Linus Travalds, *Open Letter on Software Patents from Linux Developers* (September 21, 2003), *available at* http://wiki.kde.org/tiki-index.php?page=not+software+patents.
37. In theory, copyright protection can exist for up to 120 years. Generally speaking, copyright protection exists for the life of the author plus 70 years or for 95 years in the case of works for hire or anonymous works.
38. *See, e.g.*, Morton D. Goldberg, *Semiconductor Chip Protection as a Case Study, in* Global Dimension of Intellectual Property Rights in Science and Technology, 329 (Mitchel B. Wallerstein, Mary Ellen Mogee, & Roberta A. Schoen eds. 1993), for more information relating to the Semiconductor Chip Protection Act.
39. Codified in 17 U.S.C. §§ 901 *et. seq.*
40. Database and Collection of Information Misappropriation Act (HR 3261).
41. http://www.gnu.org/copyleft/gpl.html.
42. For more information on different kinds of free licensing, *see, e.g.*, Lawrence Lessig, The Future of Ideas 58-61 (2001).
43. *See Brooktree Corp. v. Advanced Micro Devices*, 977 F.2d 1555 (Fed. Cir. 1992) (noting that the Semiconductor Chip Protection Act was created as a response to the inadequacies of both copyright and patent law as means of protecting design layouts of microchips used in the semiconductor industry).
44. While discussing only the United States and the European Union, the basic thesis of this article—namely that for *sui generis* protection for software to become a reality, it must be achieved on an international scale—is equally applicable for other jurisdictions.

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Google and the Book Publishers: Testing the Limits of Fair Use in the Digital Environment

By Peter Givler

Editor's note: *We occasionally ask a non-lawyer to provide a perspective on a current issue in intellectual property law that has a significant impact on his or her business. Fair use is a notoriously difficult area of copyright law, and those difficulties are arguably more acute in the digital environment, in which the ability to make and distribute perfect copies on a scale never before possible poses an especially acute threat to copyright owners. At the same time, digital distribution also arguably presents previously unimagined opportunities to disseminate knowledge. We asked Peter Givler, Executive Director of the Association of American University Presses, to discuss the copyright issues raised by the Google Library Project, an incipient digitization project of gargantuan proportions that has alarmed many publishers, including the university presses represented by the AAUP and on whose behalf Mr. Givler has challenged Google to justify its plans under copyright law.*

The Association of American University Presses (AAUP) is a trade association for nonprofit scholarly publishers. About three-quarters of our 125 members are affiliated with research universities in the United States and Canada, and the rest are either the publishing arms of non-degree-granting organizations, like scholarly societies, or international members. In addition to their nonprofit status, AAUP members also have in common that their imprints are under the control of an editorial board, usually a committee of scholars on the faculty of the parent institution. Manuscripts being considered for publication by a press are sent out for peer review, and those reviews are then evaluated by the editorial board in determining whether to publish the work. This two-stage process of independent editorial review is one of the hallmarks of university press publishing and is intended to guarantee the intellectual merit (but, alas, not the sales) of the books that appear under the press's imprint.

Scholarly publishing means, almost by definition, publishing for small markets. Done within the financial context of a university, it usually means publishing on a shoestring as well: tight budgets, limited access to capital, low tolerance for aggressive pricing, thin margins. Many presses receive operating subsidies from their parent institution, but the amount varies considerably with the size of the press, with the smaller presses, for all the obvious reasons, much more heavily dependent on subsidies. Still, subsidies play a smaller role in a university press's finances than most people realize—on average, only eight to ten percent of their operating revenue.

So while university presses have an obvious and deep commitment to spreading knowledge, they have an equally strong commitment to copyright, the legal regime that permits them to recover from the marketplace almost all of the expenses of publishing. It was in that spirit that, writing on behalf of our members, I FedEx-ed a six-page letter to the Senior Intellectual Property Counsel at Google on May 20, 2005, asking a series of questions about the Google Library Project (described below), most of them going to Google's legal justification for digitizing copyrighted material without permission.

To my astonishment, on the morning of May 23, the lead story in *Business Week Online* was "A Google Project Pains Publishers," with a link to the full text of my letter (now at http://www.aaupnet.org/aboutup/issues/0865_001.pdf). The next few days were my fifteen minutes of fame: I was interviewed by NPR (twice), the BBC World Service, the Canadian Broadcasting Corporation, *Forbes, The Chronicle of Higher Education, The New York Times,* and an AP reporter whose story ran in over 300 newspapers. It was nuts. Who knew the world was so interested in the byzantine complexities of fair use and library exemptions? And to cap it all off, that week Google's share price went up another $10.

So why am I fussing? Google is everybody's favorite search engine, the stock market's darling, and a great American success story. What's not to like? For most of Google most of the time, not much. As we all know, there is a staggering amount of information available on the Internet, and web search engines, like Google, are what librarians call finding aids or resources that do not themselves provide you with the information you are looking for but point you toward places it may be located. You type a word or phrase into the search box, hit return, and you get a list of "hits" or links to the web pages where those words appear.

A search engine performs this useful task by creating a dynamic index of web pages, so when you type in a query, the whole web is not searched, only the index. The beauty of this process is that it is blisteringly fast; the drawback is that, like everything else a computer does, it is methodical to the point of witlessness. Search engines are indiscriminate and scoop up everything in their index that matches your search terms. Lists of search results, compiled in hundredths of a second, can easily include tens of thousands, even millions of links.

Enter Google, the first to market with a search engine that returned lists of search results organized in a useful way: they are ranked based on the frequency

with which other people who have used the same search terms have "voted" for their relevance by clicking on them. Google calls this, unsurprisingly, ranking by relevance, and while googling is not efficient for a specialist—a lawyer, for example, does not need Google to tell her where to find 17 U.S.C. § 108(a)(2)—it usually works pretty well if you do not know where to start. Google searches still may return a staggeringly high number of links, but usually the one you are looking for is in the first five; rarely do you have to look beyond the first ten. So the Google search engine has proved to be a very useful and hugely popular tool for locating information on the web.

While there is a great deal of information on the web, there is also a great deal of information that is not, namely, the contents of all the millions of books that are only available publicly in traditional, ink-on-paper form. Several years ago Google began to make plans to index this material as well through Google Print, which, as Google puts it, "makes offline material searchable." Google Print is made up of two quite different programs: Google Print for Publishers, sometimes known as the Google Publisher Program, and Google Print for Libraries, sometimes referred to as the Google Library Project.

In Google Print for Publishers, Google has been negotiating agreements with publishers for the last year or so under which Google gets permission to add the contents of published books to a Google database, either by scanning the books to create a digital copy or by using a digital file supplied by the publisher, so that they can be indexed by the Google search engine. This allows links to the contents of these books to be included in Google search results. A user clicking on a such a link would be shown the page in the book where the search terms appeared, have limited ability to browse further in the book, and be offered the opportunity to "Buy this book" by clicking on a link to the publisher's website and/or to online vendors, like Barnes & Noble or Amazon. So far, so good.

Google Print for Libraries is similar in that Google is digitizing books and adding them to a Google database so that they can be indexed and references to them included in Google search results. However, the similarity ends there. In the Library Project, Google entered into agreements, not with publishers, but with five libraries: the New York Public Library, the Bodleian Library at Oxford University, and the university libraries at Harvard, Stanford, and Michigan. The New York Public and the Oxford libraries are only supplying Google with books in the public domain for scanning. However, Harvard, Michigan, and possibly Stanford are supplying Google with a mix that includes books under copyright as well, and that is where the problems begin.

As part of their agreements with the libraries, Google not only is making digital copies of works protected by copyright, but also is giving each participating library a digital copy of all the books, including those under copyright, that Google has digitized from the library's collection. How the libraries intend to use these copies is not clear, at least in part because their contracts with Google are apparently protected by nondisclosure agreements. However, the University of Michigan is a public institution subject to the state's sunshine laws, and in response to a FOI request, the Michigan contract was recently posted on the university's website (http://www.lib.umich.edu/mdp/).

Paragraphs 4.4.1 and 4.4.2 of the agreement state that "U of M shall have the right to use the U of M Digital Copy" in "services" provided on the U of M website, and cooperatively with "partner research libraries such as the institutions in the Digital Library Foundation." Those paragraphs then go on to stipulate restrictions on use of the U of M digital copy: technological measures will be implemented to restrict automated access, access will be restricted to people "having a need" for it, reasonable efforts will be made to prevent third parties from downloading or redistributing it, and so on.

As I read these restrictions, though, there is nothing that would prevent an authorized user of the U of M website—presumably registered students and faculty—from accessing the U of M digital copy for use in teaching, study or research, downloading portions of it, and printing them out, as long as the portions are not "substantial," which is undefined, nor the downloading "systematic," and the portions were not "redistributed," not used for a "commercial purpose," and not "disseminated to the public at large." In other words, there appears to be little in the agreement that would restrict use of the U of M digital copy by students and faculty at the U of M for many arguably educational purposes, including electronic reserves.

It appears that the agreement extends the same privilege to the U of M's "partner research libraries." It provides that before "making any such distribution, U of M shall enter into a written agreement with the partner research library" that will "contain limitations on the partner research library's use of the materials that correspond to and are at least as restrictive as the limitations placed on U of M's use." Who are the partners contemplated under the agreement? The Digital Library Federation (DLF) has 34 members. They comprise twenty-eight research universities and the Bibliotheca Alexandrina, the British Library, the Council on Library and Information Resources, the Library of Congress, the National Archives and Records Administration, and the New York Public Library (http://www.diglib.org/about.htm). Note, though, that the agreement says "with partner institutions *such as*" (emphasis added)

members of the DLF. As I read the agreement, U of M's partners could just as easily include any or all of the 124 members of the Association of Research Libraries.

What about Google's use of the files? Google says that a user in Google Library who finds material he or she is looking for in a book in the public domain will be able to browse the book at will. If the book is under copyright, however, he or she will be shown only bibliographic information about the book and "snippets" of text: the search term and a couple of lines of text before and after it, with a three-snippet limit. For simplicity's sake let us assume there is a simple and infallible bright-line test for telling what is in the public domain, and that there are no legal questions about either Google's or the libraries' use of public domain material. If all the Google Library project were doing was making it easier for people to find information from texts in the public domain, and helping libraries provide access to them for their patrons, we all would be cheering them on. But would we be cheering any more loudly than we already do for Project Gutenberg, Ask Thomas, FindLaw, or any of the hundreds of other websites that already provide straightforward access to classic texts and useful information in the public domain? Maybe a little more loudly because Google Library would offer one-stop shopping, but my hunch is not by much.

The attraction of Google Library—or in the current jargon, the source of its ability to attract eyeballs—is the promise that it will bring to your computer screen some form of instant access to every book you would find in the combined collections of five world-class libraries. What would happen if you limited that access only to works in the public domain? You still would have a resource that would be of great interest to scholars and people who use government information. It would be of some use to students. For everybody else, though, using Google Library would be like looking things up in an encyclopedia that was last updated in 1923, and how attractive is that?

So here is the basic problem: Google, a company whose current market capitalization is over $80 billion and growing, plans to further expand its business by making digital copies of copyrighted works in the collections of at least two major university libraries, distributing copies to those libraries, and displaying portions of those copies, all without permission of the copyright owners. On the libraries' side, they are turning copies of copyrighted books over to Google for digitization and receiving digital copies of the books in return. At least one of them apparently contemplates some form of further distribution, both to users of its own website and to other institutions—and all of it, again, without permission of the publishers.

What are Google's possible legal defenses? Section 108 of the Copyright Act does offer libraries some exemptions from the exclusive rights of copyright owners, but those exemptions are very specific and limited, and they do not apply here. Both the language of the statute and its legislative history make clear that section 108 neither permits libraries to subcontract copying to a commercial entity, nor to engage in the wholesale and indiscriminate copying of copyrighted works in their collections. Rather, section 108 is designed to permit, for example, the making of a copy when a book is damaged or lost.

Google has taken the position that its copying is fair use, and as precedent it cites a Ninth Circuit case, *Kelly v. ArribaSoft*, in which the court found that ArribaSoft's copying of photographic images from a photographers' website in order to create an index using low-resolution "thumbnails" of the original images was a fair use. That case, however, is very different than the Google Library Project in several respects, including that ArribaSoft was indexing material that already was available on the web. No precedent authorizes the systematic copying of entire library collections contemplated by Google. The fair use argument made for the Library Project is tantamount to arguing that every work ever published that is still under copyright is subject to the same fair use claim.

The next to last paragraph of my May 20 letter states:

> Google Print for Libraries has wonderful potential, but that potential can only be realized if the program itself respects the rights of copyright owners and the underlying purpose of copyright law. It cannot legitimately claim to advance the public interest by increasing access to published information if, in the process of doing so, it jeopardizes the just rewards of authors and the economic health of those nonprofit publishers, like the members of AAUP, who publish the most thoroughly vetted and highest quality information in the first place.

The letter concludes with an offer to meet with Google representatives to discuss our concerns and attempt to find a way to resolve them.

We hope that Google can be persuaded to proceed with the Library Project in a manner that respects the rights of copyright owners to authorize the copying and distribution of digital copies of their works. Notwithstanding Google's contention that it is providing a public service and that it will stimulate, rather than harm, book sales, AAUP and its member presses are deeply concerned by what appears to be a large-scale usurpation of the prerogatives of copyright ownership.

Section Activities and Notices

The third annual **Women in Intellectual Property Law** program was hosted by Paul, Hastings, Janofsky and Walker LLP on June 8, 2005. The evening began with an hour of cocktails and hors d'oeuvres, giving attendees an opportunity to meet and relax before the program. Section Vice Chair, Debra Resnick, introduced the program co-chairs, Victoria Cundiff and Joyce Creidy, and encouraged attendees to become more involved in the Section. The panel was made up of distinguished women who are in private practice, in the not-for-profit field, and in-house: Robin Silverman, Esq. of Golenbock Eiseman Assor Bell & Peskoe LLP; Dr. Laura Coruzzi, Esq. of Jones Day; Kelly M. Slavitt, Esq. of The American Society for the Prevention of Cruelty to Animals (ASPCA); and Margaret Williams Walker, Esq. of Xerox Corporation. The panel shared their stories of success, their ideas for work/home balance, their perspectives on how the field has changed, and their hopes for future change. Speaker presentations were followed by a question-and-answer session that gave rise to further discussion of issues women face in the legal field. Before adjourning to the coffee and dessert reception, sponsored by Thomson CompuMark, all attendees were invited to choose a business card from a basket and seek out that person after the program. At the post-program reception, attendees had the opportunity to speak with the panelists, exchange contact information, discuss business, and plan future gatherings. Attendees walked away with two CLE credits in Skills and a tote bag created specially for the program by New York dress designer, Kathlin Argiro.

* * *

Executive Committee member and **Young Lawyers Committee Chair Kelly Slavitt** joined a group of 21 NYSBA members from New York, New Jersey, Virginia, the District of Columbia, Florida, Illinois, and Puerto Rico for a five-day research trip to Cuba in April organized by the International Law Section. The group was permitted to travel to Cuba under a special license from the U.S. government to perform professional research into the legal culture of Cuba through lectures from the leaders of important legal institutions (judicial, educational, governmental, professional, citizen). The lectures were organized through the Union Nacional de Juristas, which is the equivalent of a voluntary bar association working under the auspices of the Ministry of Justice. An article is being prepared by the group in anticipation of a joint publication in *Bright Ideas* and in the Business Law Section's *NY Business Law Journal*.

University of Havana Law School

ANNOUNCING THE

Intellectual Property Law Section's

ANNUAL LAW STUDENT WRITING CONTEST

To be presented at the **Annual Meeting of the Intellectual Property Law Section, January 24, 2006, New York, NY** to the authors of the best law review quality articles on subjects relating to the protection of intellectual property **not published elsewhere, scheduled for publication, or awarded another prize.**

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

CONTEST RULES

To be eligible for consideration, the paper must have been written solely by students in full-time attendance at a law school (day or evening program) located in New York State or by out-of-state students who are members of the Section. One hard copy of the paper and an electronic copy in Word format on a 3.5" H.D. disk must be submitted by mail, postmarked not later than **November 4, 2005**, to the person named below. As an alternative to sending the disk, the contestant may e-mail the electronic copies, provided that they are e-mailed before 5:00 p.m. EST, **November 4, 2005**.

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

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

Send entries by hard copy and e-mail to: Naomi Pitts, NYSBA, One Elk Street, Albany, NY (e-mail: npitts@nysba.org). Comments and/or questions may be directed to: Kelly M. Slavitt, Writing Contest Coordinator, ASPCA, 424 East 92nd Street, New York, NY 10128 (212) 876-7700, x4559 (e-mail: kellys@aspca.org)

Law Student Writing Contest Winners

2004

First Prize:	Thad McMurray SUNY Buffalo School of Law
Second Prize:	Michele Gross Cardozo School of Law

2003

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

2002

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

2001

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

2000

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

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

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:

Nosson T. Abrams
Christopher A. Albanese
Melissa Ann Alcantara
Seth Amera
Jae Sock Ann
Karen A. Ash
Christopher L. Barbaruolo
Selwyn N. Bartholomew
Amy Lynn Beckman
Brian L. Berlandi
Peter I. Bernstein
Shirley Blaier-Stein
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Francisco Carreira-Pitti
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Nicole Dawidowicz D'amato
Georgia Damoulakis
Michelle Datiles
Sarah Marie De Haro
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Rebecca Rachel Eisenberg
Joseph Daniel Etra
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Susan Jukins Hudson
Jessica Helen Hugabone
Olivier Francois Hugot
Jun Ji
Bhavana Joneja
Lacy Herman Koonce
Adam E. Kraidin
Michael B. Landau
Eric L. Lane
Mindy M. Lok
David William Malloy
Paul G. Marquez
Siobhan McCleary
Gina M. McCreadie
Brian Martin McGuire
Christopher McGuire
Sarah McKune
Danielle R. Mendelsohn
Alexis Nicholas Mueller
Pasquale Musacchio
Sarah Jean North
Patricia C. O'Prey
Bisola Opeyemi Osho
Jennifer Overly
Matthew Alan Pater
Greg Pilarowski
Syed Raheen
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Craig Charles Rappaport
Sarah C. Reimers
Sasha Beth Rieders
Robert Seth Sachs
Ajay Salhotra
Timothy Michael Salmon
Mary P. Saywell
Amanda Jill Schaffer
Maureen Patricia Sheehan
Meyer Y. Silber
Jeffrey Brandon Sladkus
Ronald J. Snyder
Wenxu Song
Leonard M. Speier
Robert E. Spoo
Wolodymyr M. Starosolsky
Adam Roger Steinert
Bruce Stratton
Aaron B. Sukert
David B. Sunshine
Mark Frederick Szajna
Paul Jonathan Tanck
Amy Rebecca Terry
Danielle Vincenti Tully
Stephen P. Tuttle
Keith Vick
Zhaohui Wang
Kelly P. Whiting
Elizabeth Wieckowski
Charles Gordon Zug

MEMBERSHIP APPLICATION
New York State Bar Association:

INTELLECTUAL PROPERTY LAW SECTION

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

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

OPPORTUNITIES FOR EDUCATION

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

OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT

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

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

A VOICE IN THE ASSOCIATION

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

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

COMMITTEE ASSIGNMENT REQUEST

Please designate, from the list below, those committees in which you wish to participate. For a list of Committee Chairs and their e-mail addresses, please refer to page 31 of this issue.

___ Copyright Law (IPS1100)
___ Diversity Initiative (IPS2400)
___ International Intellectual Property Law (IPS2200)
___ Internet Law (IPS1800)
___ Legislative/Amicus (IPS2300)
___ Meetings and Membership (IPS1040)
___ Patent Law (IPS1300)
___ Technology, Transfer and Licensing (IPS1400)
___ Trademark Law (IPS1600)
___ Trade Secrets (IPS1500)
___ Young Lawyers (IPS1700)

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

* * *

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

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

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

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

Name _____

Office _____

Office Address _____

Home Address _____

E-mail Address _____

Office Phone No. _____

Office Fax No. _____

Home Phone No. _____

Please return payment and application to:

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

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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Submission of Articles

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

Submissions should preferably be sent by e-mail to Jonathan Bloom, Editor-in-Chief, at the address indicated on this page. Submissions for the Winter 2005 issue must be received by October 15, 2005.

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