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Message from the Chair

Debra I. Resnick

A funny thing happened on the way to dinner at the Section's Fall Meeting at The Sagamore in 1998: I spoke up. At the time, I was an associate in a small law firm and knew hardly anyone in the intellectual property community. I decided to attend the Fall Meeting—my first time attending any CLE program outside of New York City—in hopes of networking and learning from the stellar roster of speakers on the program. On my way to dinner Saturday night, I met Marc Lieberstein, then Chair of the Section, and I offered my unsolicited $.02 as to how the already great conference could be improved. After asking ever so politely who I was, Marc's reply was simply "get involved." Fast forward almost six years, and here I am writing my first Message from the Chair.

My involvement in the Section has been professionally and personally rewarding on so many levels. It has offered a forum for the exchange of ideas about traditional and cutting-edge legal issues, a network of colleagues internationally, great times and memories, and, to my unexpected delight, new and lasting friendships.

As Chair for the next two years, I consider it my mandate to help each of you get the most out of your membership. Using the feedback that we received from the membership survey (thanks to all of you who took the time to respond), we are working hard to implement new initiatives and to incorporate your suggestions as to how to improve the Section. We have already seen many of you take advantage of our new initiatives, including attending networking sessions, joining our new Litigation and Ethics Committees, reaching out to our Meetings and Membership Committee co-chairs to become involved in planning meetings and other programming, and engaging in thoughtful discussion on our Section listserv.

When I suggested to the Executive Committee two years ago the idea of 1½ to 2 credit-hour CLE roundtables on specific legal issues, I could not imagine that we would sponsor in excess of six roundtables per year or attract so many new faces that lingered afterward to discuss how to become involved in the Section. I am overwhelmed by the success of this program, especially the two-part roundtable on Domestic and International Trademark Clearances held this summer. We have many more roundtables in the works, including ones on patent

Inside

searching, trade secrets, ethics, and metadata and e-discovery issues. There will be something for everyone, so I encourage you to check your inbox and our Web site for a current calendar of events.

We also hope to see you at our 2006 Fall Meeting, "Intellectual Property in Action: A Look at the Practical Side of, and Current Controversies in, Intellectual Property Law," to be held October 12-15, 2006. This year's meeting will feature an Intellectual Property Think Tank that will call upon attorneys and businesspeople to discuss legal and business valuation issues facing a company looking to start a new venture. It also will feature a series of debates on fair use, the proposed dilution amendment, the future of permanent injunctions following the Supreme Court's *eBay* decision (discussed in this issue), and trade dress. Programming aside, the meeting is a wonderful family event held during peak foliage season in the Adirondacks. In addition to the spectacular landscape and program, we will have Casino Night, our famous pre-dinner Boat Ride around Lake George, and musical entertainment by The Copycats, a band comprised of IP attorneys including the Executive Committee's very own Bob Clarida!

I am thankful for the exceptional leadership of Richard Ravin, our immediate past Chair, and the 2004-2006 Executive Committee. I truly respect and admire Rick's love of the law, his devotion to the members of our Section, and, of course, his attention to detail. Under Rick's stewardship the Section grew to over 2,000 members and, by embracing current trends in the intellectual property legal community, became one of the most dynamic State Bar Association Intellectual Property Sections nationwide.

With the energy and enthusiasm of our new officers, Joyce Creidy (Vice Chair), Paul Fakler (Treasurer), and Kelly Slavitt (Secretary), and our new Executive Committee, we are well positioned to build upon the foundation laid fourteen years ago by Rory Radding, the founder of our Section. I am truly fortunate to have such a vibrant team of colleagues to work with over the next two years.

I encourage you to attend meetings, join committees, or otherwise reach out to any of our Executive Committee members to become involved in our Section. Whether the involvement is for purposes of networking, making new friends, and/or helping plan unparalleled CLE programming, you will not be disappointed. A list of the Officers, Section committees, and chairs is listed on the last page and back cover of this publication.

A few more notes of gratitude before I sign off. Our Section could not exist without the tireless work of the NYSBA staff in Albany, and my heartfelt thanks go out to Pat Stockli, Cathy Teeter, Naomi Pitts, Linda Castilla, Kathleen Heider, and everyone else who makes our Section run so smoothly. I am also grateful to Jonathan Bloom, the editor of this *Bright Ideas* newsletter. Somehow Jonathan manages to practice law and seemingly without effort produce three fantastic issues of *Bright Ideas* annually.

Debra I. Resnick

Why Is Prejudgment Interest in IP Cases Based on Risk-Free Treasury Bonds?

By Charles Diamond, Ph.D., Michael Kwak, and Robert Fuite

I. Introduction

Successful plaintiffs in intellectual property (IP) disputes invariably are disappointed that awards for lost profits do not accrue interest commensurate with the returns projected for the infringed patent or realized on other investments. In lost profits or earnings cases, and particularly in royalty disputes and other IP matters, it can become confusing as to what interest rates should be applied to damage awards. The court in *Culver v. Slater Boat Company*[1] ruled that damages accrue interest at the risk-free rate. Typically, some form of the yield on U.S. Treasury debt (T-bills, one-year, 10-year maturities depending upon the time interval involved) is applied as a proxy for the risk-free rate of return on investments. However, there is the understandable and oft-stated suspicion in IP cases that had the infringement not occurred, the plaintiff who would have had use of funds would have earned a return commensurate with the expected return of the infringed product or overall firm return of investment (ROI), returns that are not commensurate with a paltry risk-free rate of return.

In *Monessen v. Slater Boat Company*,[2] the U.S. Supreme Court was much more flexible when it ruled that fact finders were free to choose their own method of discounting and could not be held to a particular method.[3] While this ruling provides plaintiffs with a degree of flexibility, with few exceptions the use of the risk-free rate for prejudgment interest is most appropriate in the vast majority of cases.

II. Why Interest Rates Matter: Present Value

The question at hand is how much is a dollar taken illegally from a company in the past worth to that same company today. The answer is the present value (PV) of the nominal damages. The PV is simply the current dollar amount that takes into account the time value of money applicable to the nominal damages. We need only three pieces of information to calculate the PV: the nominal damages amount, the time frame, and the interest rate. For example: the PV of $100 taken from a company "t" years ago, given an annual interest rate "r", would be:

$$\$100*(1+r)^t$$

For simplicity, we assume the nominal value of damages and the damage period have been determined by the court, but the choice of the appropriate interest rate is still an open question.

III. Interest Rates: The Opportunity Cost of Capital

In the simplest terms, the interest rate represents the opportunity cost of money. In other words, the interest rate represents what a company has forgone by spending its capital. Take a firm that chose to spend $100 on a new widget one year ago. To finance the purchase, the company withdrew the funds from an interest-bearing account. While the nominal cost last year was $100, if one were to calculate the cost of the widget to the company in today's dollars, one must also consider the opportunity cost of the capital or the lost interest that was forgone by the company.

In light of this definition of interest rates, when successful plaintiffs argue that the appropriate interest rate is the private firm's expected return on an investment, they are asserting that they would have used the lost dollars to make a specific investment that would have returned to the firm a cash flow comparable to that of other company investments. The argument implies that not having the lost dollars prevented the firm from undertaking a specific investment. For there to be true economic loss equal to the expected value of a specific project or the firm's ROI, the firm, due solely to the lost dollars, must have forgone an investment opportunity that would have earned a profit.

Many courts have held that successful plaintiffs in IP proceedings are entitled to a risk-free rate of return on monies awarded in order to adjust awards for prejudgment interest and maintain constant dollars.[4] By using the risk-free rate, courts are assuming that the private firm would not have employed the awarded monies to finance an investment but, instead, would have been a lender earning a risk-free rate of return.

Paradoxically, both a portion of the plaintiff's argument for a higher rate consistent with investment opportunities and the courts' application of the risk-free rate may be correct depending upon the specific circumstances of the firm. Economic theory would suggest that the plaintiff firm is entitled to the lost *ex ante* opportunity costs. Economists, in this instance, would agree that the appropriate rate of interest is the amount of money that compensates the firm for investment opportunities forfeited by not having the funds. How was the firm's behavior or opportunity changed by a lack of access to the disputed dollars that were withheld over the damage period? Once liability is established, there is no dispute that the victorious plaintiff is entitled to lost profits; the issue is whether the lost dollars should be adjusted by more than what is necessary to keep their value constant over time. Is it possible that important investment projects were forgone or other strategies altered because of the lack of the funds in dispute?

We elaborate below upon our assertion that the courts have correctly awarded a risk-free rate for prejudgment interest with a discussion of the current economic theory that connects the general securities and U.S. Treasury bond markets to the individual capital investment decisions of large and small private companies. We ultimately will demonstrate that the use of the risk-free rate for prejudgment interest in awards comports closely with the basic principles and results of one of the leading financial models used to inform investment decisions: the CAPM.

IV. Finance Basics[5]

A. Beta

A ubiquitous metric in the finance world is Beta,[6] which measures the sensitivity of an individual stock's return to fluctuations in the returns on the market portfolio. If Beta takes a value equal to 1, the stock moves, *pari passu*, with the returns of the market portfolio. If Beta is negative, then the stock return and the market portfolio returns move in opposite directions. A stock with a positive Beta but less than one has a return that is less volatile than the market portfolio. A stock with a positive Beta greater than one has a return that is more volatile than the market portfolio.

Of course, some stocks vary more than others, and one of the well known principles of finance is that, through diversification of holdings into a portfolio of stocks, an investor can eliminate the risk that is unique to individual stocks. It is also true that there is nothing an investor can do about market-wide risk. If the entire market loses money, your portfolio returns will fall. Table 1 shows some well known stocks and their Betas.

Table 1

Company	Beta[7]
Amazon.com	2.536
Dell Computers	1.170
Delta Airlines	2.881
Exxon Mobil	0.659

As an example, start with Amazon.com. For every 1 percent rise in the stock market average return, Amazon's return increases by more than 2.5 percent. Betas for almost any stock now can be found easily on the Internet (*see* Yahoo.com/Finance). The information about Beta helps the investor to make informed decisions about holding specific investments relative to an asset's risk. We now turn to what is considered the benchmark for risk: the risk-free rate of return on an investment.

B. Treasury Bills and Bonds

We assume for a number of reasons that U.S. Treasury bills are the least risky investment.[8] Since the return on Treasury bills is fixed, it is unaffected by market fluctuations. Therefore, the Beta of a Treasury bill is zero. In essence, Treasury bills represent an extreme form of risk-averse investment, since they are viewed as the closest market proxy for the risk-free rate, and their returns are fixed and independent of general market conditions. A long-term evaluation of the yields on U.S. Treasury bills reveals that the returns are only slightly higher than the rate of change in the Consumer Price Index (CPI).[9] From the point of view of the investor, returns on short-term Treasury bills are risk-free, independent of general market conditions, and represent a hedge against inflation or loss in purchasing power of investment capital over time.

C. Risk, Risk-free, CAPM

We assume investors are risk averse and need not only greater but also marginally increasing returns for taking on more risk in investments. Under this assumption, investors require a return higher for the market portfolio with a Beta of 1 (market-wide returns and portfolio returns vary proportionately) than for the Treasury bills with no market risk and practically no unique, individual risk. The difference that we get in return for the market portfolio (Beta = 1) and the yield on Treasury bills is called the market-risk premium. If the yield on Treasury bills is 4 percent, and the return on the market portfolio is 12 percent, it follows that the risk premium is 8 percent. If a stock or portfolio had a Beta of .5, then the market-risk premium for the stock or portfolio would be equal to 4 percent (.5 * 8 percent). The expected return for the stock or the portfolio with a Beta of .5 would be equal to the risk-free rate of 4 percent and the market-risk premium of 4 percent for a total of 8 percent. This can be expressed as a simple equation:

Expected Return = $Er = r_f + ß(r_m - r_f)$,

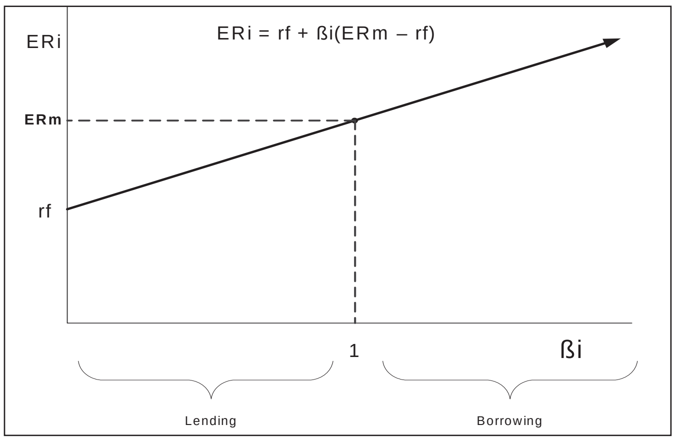
where $ß$ = Beta, r_f = risk free rate, r_m = market rate.

This basic relationship holds for Treasury bills, the market average portfolio, *and for any asset*. This relationship is known as the Capital Asset Pricing Model (CAPM). The CAPM says that expected rates of return depend upon two things: the compensation for the time value of money (the risk-free rate) and a risk premium that is dependent upon Beta and the market-risk premium. The latter part must be examined further to answer our question as to whether prejudgment interest should include an addition to the risk-free rate.

The CAPM holds that the stock market is dominated by well-diversified investors who are concerned only with market risk. Trading is dominated by large institutional investors, and even the small individual investor can avail himself of diversification through investments in mutual funds. A diversified investor can diversify away essentially all firm-specific investment risk while keeping the desired level of market risk tolerable by adjusting his percentage of holdings between risk-free (Treasury bills) and a well diversified portfolio or risky investments (private securities, bonds, and other investment instruments). Therefore, a diversified investor with a portfolio Beta less than one (Beta < 1) will become a lender to the U.S. government and receive a return that will enable the investor to maintain the investment principal (maintain purchasing power) until better opportunities present themselves.

V. The Security Market Line

The CAPM model illustrates an important point: by investing some proportion of your money in the market portfolio and lending or borrowing the balance, you can obtain any combination of risk and expected return along the sloping line in the diagram below called the security market line (SML).

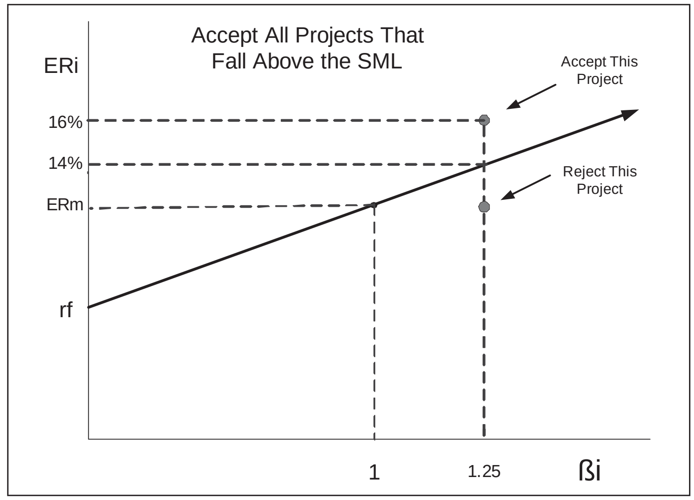


In the diagram, r_f is the intercept along the y-axis indicating the expected rate of return if Beta is zero. If the investor does not want to take any market risk, even with the advantages offered through diversification, the investor's holdings will be entirely in U.S. Treasury securities earning the risk-free rate. This investor has become a lender of capital at the risk-free rate. The security market line also assumes that if the firm wants to achieve an expected return greater than that associated with a Beta of 1 (Beta > 1), it can do so by borrowing in the market (debt) and investing the loan.

Take for example, an investor who has $1 million but wants to borrow another $1 million to invest in stocks that have a Beta of 1. The portfolio's Beta will be equal to Beta_p = (2* Beta_m = 2) + (-1 x Beta $_{\text{loan}}$ = 0), and therefore the Beta_p = 2. For this combination of borrowing and investing, the expected return will be ER = r_f + $\text{Beta}_{p*}(r_m - r_f)$ where r_f = 4%, Beta_p = 2 and the risk premium = 12% - 4%. By borrowing, the investor can achieve an expected return of 4% + 2*(8%) or 20%.

VI. Comparing Project Returns and the Opportunity Cost of Capital

In theory, we can use the idea of risk premium, risk-free rate, and Beta to analyze the value of a potential investment project to a private firm. We first need to calculate the firm's cost of capital, which will be a value of 14 percent, assuming the project has a Beta = 1.25, the risk premium is 8 percent, and the risk-free rate is 4 percent. Assume the proposed project is estimated to have a 16 percent return on investment. If we compare the project return of 16 percent to the cost of capital to the firm based upon a risky investment with a value equal to a Beta of 1.25, the firm would make money by undertaking the investment. If the project was a "sure thing" or Beta is equal to zero, the project would be funded if its expected return exceeded 4 percent. So long as the expected return exceeds the project cost of capital, the firm will tend to choose to make the investment.



As the diagram shows, the market line provides a benchmark for project acceptance. If an investment project's estimated return is higher than the line at the corresponding Beta, a private firm is more likely to fund the project. Why? The firm can make a greater return on the internal investment than by investing in a security in the market with a comparable Beta. At this juncture, the investor compares the return on the proposed project with the expected return on securities with the same Beta. If the former return is higher, then the firm is more likely to fund the internal project.

VII. Putting It All Together

The opportunity cost of capital is the return investors give up by investing in the project rather than in securities of equivalent risk. Financial managers use the CAPM to estimate the opportunity cost of capital. The company's cost of capital is the expected rate of return demanded by investors in a company determined by the average risk of the company's assets and operations. The opportunity cost of capital depends upon the use to which the capital is put. Therefore, required rates of return are determined by the risk of the project, not by the risk of the firm's existing business. The project cost of capital is the minimum acceptable expected rate of return on a project given its risk.

In the CAPM model, a company is always comparing what could be done with its money in terms of holding it in a safe place (purchasing U.S. Treasuries), investing in outside securities with a risk level they can tolerate, or funding internally generated projects. Looking back at the SML, a company will invest in either outside securities or internal projects (both risky) only if the expected return on the holding of the outside securities or the return on the project exceeds that on the security market line at the given Beta. If either holding securities or funding internal projects does not meet this hurdle rate from the SML, the investor loans its funds to the U.S. government by purchasing U.S. Treasuries, earning a lower return but incurring zero risk. It is a profit opportunity for firms to borrow funds in the market if, for a desired Beta, either returns on securities or internally generated projects are higher than the cost of borrowing to the company.

What does all this mean to the legal profession? For the reasons explained above, the courts correctly have made prejudgment interest a function of the returns on U.S. Treasury Bonds. In a "but-for" world in which the plaintiff has the revenues represented by the court award, the company still would be comparing rates of return on internal investment projects and outside securities to the risk-free rates of return on U.S. Treasury Bonds. In the case of internal projects with projected rates of return in excess of the project cost of capital, if internal funding were unavailable, the company could borrow needed funds. If the rates of return on a portfolio of diversified securities with a similar Beta exceeded the firm's own, the firm's investors will do better by taking their funds outside of the company.

VIII. Conclusion

We started out asserting that courts have been correct in using the risk-free U.S. Treasury bill and bond rates to award prejudgment interest. The reason this is so is best explained through the principles of modern finance theory relating investor behavior in the securities markets to managerial decision-making at the project level in a private firm. In economics terminology, real decisions and outcomes are determined exclusively by opportunity costs. What opportunities have been forgone by private firms that have received favorable verdicts in lost profits cases? The court has determined that dollars due to them in the past were withheld illegally. However, are they due any more interest on that money beyond that necessary to ensure that it maintains its value?

We have shown that modern finance theory clearly dictates that investors expect to be and are rewarded for taking on risk. If an investment opportunity has a zero Beta or has no risk, then the expected return will be the risk-free rate. In broad terms, the money that courts award was not at financial risk in the sense of the CAPM. In this sense, court decisions are aligned with modern finance theory.

One of the results of the CAPM is that investors will borrow and lend money until they achieve the desired return and Beta. It may be possible for some plaintiffs, such as small start-up firms, to make a case for additional interest above the risk-free rate added to awards to reflect lost opportunities. However, in these situations, evidence would have to be presented by the plaintiff that both internally profitable projects were forgone due to the lost dollars and that borrowing opportunities were unavailable to the company. To warrant additional interest above the risk-free rate, a plaintiff would face the burden of proving that this type of economic damage occurred—a difficult case to make but one that, if appropriate data were available and economic analysis undertaken, would merit additional consideration by the courts.

For large firms in modern markets, access to financial markets allows large firms to fund desirable projects even if internal funds are unavailable. Therefore, when access to outside capital is readily available, it is highly unlikely that the damage amount altered the firm's behavior such that projects that would have increased shareholder value were not undertaken. In addition, if during the damage period a firm such as Microsoft were a lender in the capital markets, one can be certain that no desirable projects were forgone.

Endnotes

1. 722 F.2d 114, 122 (5th Cir. 1983).
2. 486 U.S. 330 (1988).
3. Melville Z. Wolfson and Shael N. Wolfson, "The Culver-Pfeifer-Monessen Trilogy: A Legal Economic Note," 15(3) *Journal of Forensic Economics* 313-16 (2002).
4. *See, e.g.*, *Polaroid Corp. v. Eastman Kodak Co.*, 16 U.S. P.Q.2d 1481, 1540 (D. Mass. 1990).
5. For a comprehensive treatment of CAPM and other ideas introduced in this section, *see* Richard A. Brealey, Stewart Meyers, and Alan Marcus, *Fundamentals of Corporate Finance* (4th ed., New York, 2004).
6. Beta takes its name because its value is derived from the statistical regression of an individual stock return (price appreciation + dividends) on the returns for a market portfolio of diversified holdings, *e.g.*, S&P 500.
7. Betas provided by Bloomberg as of May 2, 2006.
8. Richard A. Defusco et al., *Quantitative Methods for Investment Analysis* 2 (Baltimore, United Book Press, 2001).
9. Ibbotson Associates, *Stocks, Bonds, Bills, and Inflation, 2004 Yearbook* 31 (Chicago, Ibbotson Associates, 2004).

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eBay Inc. v. MercExchange, L.L.C.: New Standard for Permanent Injunctions in Patent Cases

By Michael T. Zoppo and Charan Sandhu

I. Introduction

In the term just concluded, the Supreme Court issued a ruling in *eBay Inc. v. MercExchange, L.L.C.*[1] that likely will be closely reviewed and analyzed for a long time to come. In a unanimous opinion, the Court overruled a decades-old precedent of the Court of Appeals for the Federal Circuit[2] and held that the traditional four-factor permanent injunction test applies to patent infringement cases. In doing so, the Court rejected aspects of the district court's reasoning in denying a motion for permanent injunctive relief, as well as the Federal Circuit's presumption in favor of granting the injunction.

II. District Court Proceedings

Plaintiff MercExchange is the assignee of U.S. Patent Nos. 5,845,265 ("the '265 patent"), 6,085,176 ("the '176 patent"), and 6,202,051 ("the '051 patent"),[3] which relate to a method for facilitating electronic commerce by creating "a central authority to promote trust among participants."[4] MercExchange has no operations or business other than to assert its patents. Defendant eBay operates a Web site that allows buyers to search for goods and purchase them via live auction or using eBay's "Buy It Now" feature, which permits buyers to circumvent the auction format and purchase goods at a fixed price.[5] Defendant Half.com, a wholly owned subsidiary of eBay, manages a Web site that allows buyers to purchase items located on other Web sites through Half.com's Web site.[6]

MercExchange sought to license its patents to eBay and Half.com. When the licensing discussions deteriorated, and the parties failed to reach an agreement, MercExchange filed suit in the Eastern District of Virginia against eBay and Half.com, alleging willful infringement of MercExchange's business method patents.[7]

In its complaint, MercExchange alleged that eBay infringed all three patents and that Half.com infringed the '176 and '265 patents.[8] After a five-week trial, the jury awarded MercExchange $35 million, finding that eBay willfully infringed the '265 patent and that Half.com willfully infringed both the '176 and '265 patents.[9] Following the jury verdict, MercExchange moved for a permanent injunction.[10]

The district court denied MercExchange's motion for a permanent injunction, finding that none of the traditional considerations for granting injunctive relief weighed in favor of granting an injunction. The court cited *Weinberger v. Romero-Barcelo*,[11] where the Supreme Court held that a plaintiff must satisfy a four-part test before a court may grant a permanent injunction.[12] Under that test, the plaintiff must show that: (i) it has suffered irreparable harm; (ii) the remedies available at law are inadequate; (iii) the balance of the hardships favors the plaintiff; and (iv) granting a permanent injunction serves the public interest.[13] Applying the *Weinberger* test, the district court found that MercExchange had failed to demonstrate that any of the factors weighed in favor of granting an injunction.[14] Because MercExchange (i) made numerous public statements claiming that damages were an appropriate remedy for infringement; (ii) failed to seek a preliminary injunction; and (iii) "exists merely to license its patented technology," the court concluded that MercExchange had failed to carry its burden of persuasion as to the first two factors.[15] Despite the importance of respecting the rights of the patentee, the court found that the balance of hardships also favored eBay.[16] As MercExchange only licensed its patents, the court concluded that monetary damages were sufficient to compensate MercExchange for any injury it suffered.[17] In addition, the court expressed concern that issuing a permanent injunction would cause eBay to attempt to design around MercExchange's patents, thus giving rise to costly contempt hearings.[18] Finally, although the public interest factor often favors the patentee, here the court found an offsetting public interest in the growing concern over the issuance of invalid business method patents, particularly given that MercExchange did not practice its patents, thereby denying the public the benefit of the inventions disclosed in the patents.[19]

III. Federal Circuit Decision

Nearly two years later, the Federal Circuit reversed the district court's denial of MercExchange's motion for a permanent injunction.[20] Eschewing the traditional *Weinberger* test applied by the district court, the court of appeals relied upon the presumption that a permanent injunction should issue upon a finding that a party infringed a valid patent unless a compelling reason exists to deny the injunction.[21] The Federal Circuit found unpersuasive the district court's concern with the likelihood of continuing litigation over infringement, noting that continuing infringement suits are common in patent cases and likely would occur regardless of the district court's refusal to grant a permanent injunction.[22] Similarly, the court dismissed the district court's contention that its decision was justified by a general concern over the validity of business method patents, stating: "A general concern regarding business-method patents . . . is not the type of important public need that justifies the unusual step of denying injunctive relief."[23] Equally unconvincing to the Federal Court was the district court's argument that MercExchange's practice of licensing, but not commercializing, its patents supported the denial of a permanent injunction. The Federal Circuit found that MercExchange's decision to forgo practicing its patents should not bar MercExchange from obtaining an injunction, as permanent injunctions "are not reserved for patentees who intend to practice their patents, as opposed to those who choose to license."[24] Finally, the court of appeals did not agree that MercExchange's failure to move for a preliminary injunction weighed against granting a permanent injunction, as a preliminary injunction is "extraordinary relief," and preliminary and permanent injunctions are "distinct forms of equitable relief with different prerequisites and . . . different purposes."[25]

IV. Petition for Certiorari

After the Federal Circuit denied eBay's petition for a rehearing *en banc*, eBay successfully petitioned the Supreme Court to grant a writ of certiorari.[26] In its brief, eBay asked the Court to decide whether the Federal Circuit erred in applying a general rule that a court must issue a permanent injunction after a finding of infringement, absent exceptional circumstances.[27] In the Supreme Court's order granting certiorari, in addition to the question presented by eBay, the Court asked the parties to address the following question: "Whether this Court should reconsider its precedents, including *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908), on when it is appropriate to grant an injunction against a patent infringer."[28]

V. Supreme Court Decision

In a concise opinion written by Justice Thomas, a unanimous Supreme Court vacated the Federal Circuit's decision and remanded the case to the district court.[29] The Court held that the *Weinberger* test for permanent injunctive relief applied with equal force in patent disputes.[30] Noting that "a major departure from the long tradition of equity practice should not be lightly implied,"[31] the Court found nothing in the Patent Act that compelled deviation from established equity principles. To the contrary, the Court emphasized that the Patent Act states that injunctions "'may' issue 'in accordance with the principles of equity.'"[32] The Court rejected the Federal Circuit's argument that the statutory right to exclude granted by the Patent Act justified a presumption in favor of permanent injunctive relief.[33] In so doing, the Supreme Court distinguished the creation of a right from the provision of a remedy for violation of that right.[34] Although the Patent Act clearly grants the right to exclude, the Court noted the right to exclude was subject to the conditions of the Act, which include the provision that an injunction may issue pursuant to equitable principles.[35] The Court found the Federal Circuit's presumptive grant of permanent injunctions violated traditional equitable principles.[36]

The Court observed that its holding was consistent with the treatment of permanent injunctions in the copyright context. The Court noted that like patent law, copyright law provides that courts "may" grant injunctive relief, and the Court has consistently rejected requests to "replace traditional equitable considerations with a rule that an injunction automatically follows a determination that a copyright has been infringed."[37]

The Supreme Court also disapproved of the manner in which the district court applied equitable principles in deciding whether to issue a permanent injunction.[38] Although the district court applied the *Weinberger* test in denying MercExchange's motion for a permanent injunction, the Supreme Court rejected the district court's analysis because "it appeared to adopt certain expansive principles suggesting that injunctive relief could not issue in a broad swath of cases."[39] Particularly troubling to the Court was the district court's conclusion that patentees would not suffer irreparable harm if an injunction did not issue in circumstances where patentees willingly licensed, but failed to practice, their patents.[40] The Supreme Court found some patent holders, e.g., university researchers and self-made inventors, might legitimately prefer to license their patents rather than attempt to find the funding necessary to commercialize their works.[41] To the extent the district court adopted a general rule precluding such patentees from obtaining injunctive relief, the Supreme Court found the general rule violated traditional equitable principles.[42] Moreover, the Supreme Court found the district court's general rule to be in conflict with *Continental Paper Bag Co. v. Eastern Paper*,[43] which held that a court of equity has jurisdiction to grant an injunctive relief to a patent holder who unreasonably refused to use its patent.

In a separate concurrence, Chief Justice Roberts, joined by Justices Scalia and Ginsburg, cautioned against disregarding precedent when applying the *Weinberger* test.[44] Although Justice Roberts agreed with the Court's holding that historical practice did not support a presumptive grant of a permanent injunction, he distinguished using equitable discretion from "writing on an entirely clean slate."[45] Given the difficulty of protecting a patentee's right to exclude, Justice Roberts found the tradition of granting permanent injunctions in patent infringement cases unsurprising.[46] To avoid inconsistent application of the *Weinberger* test, Justice Roberts advised relying upon precedent, ending his concurrence with the admonishment that "a page of history is worth a volume of logic."[47]

Justice Kennedy, joined by Justices Stevens, Souter, and Breyer, also filed a concurring opinion.[48] Like Justice Roberts, Justice Kennedy agreed that the *Weinberger* test should apply in deciding whether to grant a permanent injunction in a patent infringement case and that history could be instructive in applying the test.[49] However, Justice Kennedy noted that historical practice is most helpful in dealing with circumstances a court has encountered before.[50] He emphasized that the advent of the patent licensing industry, as well as the growing concern over the validity of business method patents, presented courts with an environment drastically different from that in which past cases were decided.[51] For firms that exist solely to license their patented technology, Justice Kennedy believed permanent injunctions "can be employed as a bargaining tool to charge exorbitant fees to companies that seek to . . . practice the patent."[52] Justice Kennedy observed that a permanent injunction might not be in the public interest when "the patented invention is but a small component of the product the company seeks to produce and the threat of an injunction is employed simply for undue leverage."[53] Justice Kennedy also noted that the questionable validity of many business method patents might alter the application of the *Weinberger* test.[54]

VI. Conclusion

While it is uncertain what effect the Court's *eBay* ruling will have on the role of injunctive relief in patent litigation, the decision will no doubt hereinafter affect the treatment by all lower courts of motions for permanent injunctions.

In a recent decision in the wake of *eBay*, the Eastern District of Texas, in *z4 Technologies, Inc. v. Microsoft Corp.*,[55] applied the Supreme Court's holding in *eBay* to plaintiff z4's motion for a permanent injunction against Microsoft. The court applied the traditional four-factor test to deny a permanent injunction to z4, a software company that develops digital rights management solutions and connectivity platforms and owns certain patents relating to product activation systems. Relying on *eBay*, the court applied traditional principles of equity in considering whether a permanent injunction should issue, and it rejected z4's argument that a finding of infringement raises a rebuttable presumption of irreparable harm. The court found that there was no showing of irreparable harm, since Microsoft's infringement did not deprive z4 of its ability to license its patents, and Microsoft did not compete with z4's products. With regard to adequacy of remedies at law, the court found that a violation of the right to exclude does not automatically lead to a finding that a patent owner cannot be adequately compensated by remedies at law. In the instant case, any harm z4 might suffer would be remedied through monetary damages because the infringing technology was only a small part of Microsoft's software, Microsoft would release a new line of non-infringing products in January 2007, and it would only take two to three years thereafter to phase out all infringing products. The balance of hardships tilted in favor of Microsoft, since Microsoft would have to redesign and re-release all of its Microsoft Office software products if a permanent injunction were to issue, which would be an enormous task. Finally, the court found that the public interest was also in favor of Microsoft, as the Microsoft Office software products are widely used throughout the world.[56]

It remains to be seen how other courts will apply the *eBay* holding.

Endnotes

1. 126 S. Ct. 1837 (2006).
2. The general rule used by the Federal Circuit has been that permanent injunctions will issue once infringement and validity are proven. *See Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246-47 (Fed. Cir. 1989); *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573 (Fed. Cir. 1983).
3. *See MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323, 1325 (Fed. Cir. 2003).
4. *See eBay Inc.*, 126 S. Ct. at 1839.
5. *See* eBay, *Guide to Buying Formats*, *at* http://pages.ebay.com/help/buy/formats-ov.html (last visited June 26, 2006).
6. *See MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323, 1325 (Fed. Cir. 2003), *cert. granted*, 126 S. Ct. 733 (U.S. Nov. 28, 2005) (No. 05-130).
7. *See eBay Inc.*, 126 S. Ct. at 1839. When the suit began, ReturnBuy, Inc. operated a retail Web site hosted by eBay and was also named as a defendant. However, ReturnBuy filed for bankruptcy and settled with MercExchange before the trial. *See MercExchange, L.L.C.*, 401 F.3d at 1325-26.
8. *MercExchange, L.L.C.*, 401 F.3d at 1325.
9. *Id*. Prior to the trial, the district court granted eBay's motion and invalidated the '051 patent for lacking an adequate written description. *Id*.
10. *Id*.
11. *See MercExchange, L.L.C. v. eBay Inc.*, 275 F. Supp. 2d 695, 711 (E.D. Va. 2003).
12. *See Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982).
13. *Id*.
14. *See MercExchange, L.L.C.*, 275 F. Supp. 2d at 711-15.
15. *Id*. at 711-13.
16. *Id*.
17. *Id*. at 714.
18. *Id*.
19. *Id*.
20. *MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323.
21. *Id*. at 1338.
22. *Id*. at 1339.
23. *Id*.
24. *Id*.
25. *Id*.
26. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 733 (2005).
27. Petition for Writ of Certiorari, *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006) (No. 05-130).
28. *eBay Inc.*, 126 S. Ct. at 733.
29. *eBay Inc.*, 126 S. Ct. at 1841.
30. *Id*.
31. *Id*. at 1839.
32. *Id*.

33. *Id*. at 1840.
34. *Id*.
35. *Id*.
36. *Id*.
37. *Id*. at 1840.
38. *Id*. at 1841.
39. *Id*. at 1840.
40. *Id*.
41. *Id*.
42. *Id*.
43. *Id*. at 1840-41.
44. *Id*. at 1841 (Roberts, C.J., concurring).
45. *Id*.
46. *Id*.
47. *Id*. at 1842.
48. *Id*. at 1842 (Kennedy, J., concurring).
49. *Id*.
50. *Id*.
51. *Id*.
52. *Id*.
53. *Id*.
54. *Id*.
55. No. 6:06-CV-142, 434 F. Supp. 2d 437 (E.D. Tex. 2006).
56. *Id*. at *7.

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California Court of Appeal Blocks Discovery Directed Toward Alleged Trade-Secret Leakers

By Jonathan Bloom

I. Introduction

In *O'Grady v. Superior Court*,[1] a closely watched case pitting Apple Computer, Inc., seeking redress for the publication of proprietary information about a yet-to-be-released product, against the publishers of online technology magazines, seeking to protect their confidential sources, a California appellate court directed entry of a protective order barring disclosure to Apple of the identities of the Web publishers' sources.[2] The ruling squarely addressed a question the trial court had avoided: Are Web publishers who regularly report information to the public entitled to the same statutory and constitutional protection against disclosure of source material as those who publish via traditional media? In answering yes, and in refusing to distinguish the Web publishers from more traditional journalists (or the Internet from more traditional news media), the court helped protect a rapidly emerging means by which news and information is disseminated on a virtually real-time basis. The court also underscored the predicament faced by companies whose ability to protect their trade secrets (whatever the merits of their claims) is impaired by the ease with which information can be disseminated anonymously to the public via the Internet.

In addition to holding that the federal Stored Communications Act barred discovery from the Web host for one of the publishers and that California's shield law offered absolute protection against disclosure of the publishers' confidential sources, the court further found that, under a conditional First Amendment privilege, steps to unmask confidential sources of claimed trade secrets must fail where alternative means of identifying the information have not first been exhausted. In so concluding, the court made clear that the First Amendment prevails in a direct conflict with trade secret rights.

II. Factual Background

The case arose out of stories published in two "online news magazines." One of the publications, "O'Grady's PowerPage," owned and operated since 1995 by Jason O'Grady, is a daily publication on the World Wide Web devoted to news and information about Apple Macintosh computers and compatible software and hardware. "Apple Insider," an online news magazine devoted to Apple Macintosh computers and related products, is published, edited, and reported by someone who goes by the pseudonym "Kasper Jade." "Apple Insider" has published technology news on a "daily or near-daily" basis since 1998.

During a several-day period in November 2004, "PowerPage" and "Apple Insider" published articles about a rumored new Apple product known as Asteroid or Q97, which was reported to be a device that would permit users of Apple computers to record analog audio sources using the existing Apple application GarageBand. The first article, which appeared on "PowerPage" on November 19, 2004 under O'Grady's byline, stated that "PowerPage" had "got[ten] it's (sic) hands on this juicy little nugget about a new FireWire breakout box for GarageBand that Apple plans to announce at MacWorld Expo SF 2005 in January," and it included a drawing of a box with some input/output connectors accompanied by a list of additional details about the product. Articles by O'Grady providing additional information about the product appeared on November 22 and 23, and another article published about the product on "PowerPage" on November 26 was bylined "Dr. Teeth and the Electric Mayhem."

A November 23 article on the "Apple Insider" site, written by "Kasper Jade" and entitled "Apple developing FireWire audio interface for GarageBand," explained the function of the product and stated that "[a]ccording to reputable sources, the company is on track to begin manufacturing the device overseas next month." The article included an artist's rendering of the product attributed to Paul Scates, whose e-mail address was provided. The article also reported that "a more advanced version" of the device had been "recently seen floating around . . . Apple's Cupertino campus" with an additional output port and that the device, "code-named 'Q97' or 'Asteroid,'" had been "under development" for "the better part of a year." Other information reported included the history of the product; the name of an Apple subsidiary that participated in its design; the name of a company with whom Apple had contracted to manufacture the product; the size of the forthcoming production run; a price range; and internal company estimates of expected quarterly earnings from the product.

According to a declaration filed by Apple investigators, much of the information in the articles appeared to have come from an "electronic presentation file" created by Apple and "conspicuously marked as 'Apple Need-to-Know Confidential.'" But the "PowerPage" articles contained information Apple did not attribute to the presentation, including a more complex design drawing, and the "Apple Insider" articles did not contain such striking similarities to the presentation file. For example, the drawing attributed to Paul Scates differed in several respects from the drawing in the presentation file.

III. Trial Court Proceedings

Apple sent an email to O'Grady on or about December 8, 2004, referencing the four articles on Asteroid and; demanding that he remove all references to Asteroid; asserting that the information posted "constitutes trade secrets that you have published without Apple authorization"; and demanding "all information available to you regarding the sources for the posting and comments identified above." On December 13, Apple filed a complaint against "Doe 1, an unknown individual," and "Does 2-25," alleging that one or more unidentified persons had "misappropriated and disseminated through web sites confidential information about an unreleased product."

Apple alleged that the published information constituted a trade secret in that it possessed commercial and competitive value that would be impaired by disclosure; that it "undertakes rigorous and extensive measures to safeguard information about its unreleased products"; and that all Apple employees sign an agreement not to disclose "Proprietary Information," which includes product plans, without the written consent of Apple. Apple alleged that Doe 1 misappropriated a trade secret by "post[ing] technical details and images of an undisclosed future Apple product on publicly accessible areas of the Internet" that "could have been obtained only through a breach of an Apple confidentiality agreement." The unauthorized use and distribution of the information, Apple alleged, violated California's trade secret statute.

Apple also filed an *ex parte* application for authorization to serve subpoenas on Powerpage.org, Appleinsider.com, Thinksecret.com, "and any Internet service providers or other persons or entities identified in the information and testimony produced by Powerpage.org, Appleinsider.com, and Thinksecret.com." Apple contended that the true identities of the defendants could not be ascertained without the subpoenas. The trial court granted the application. On February 4, 2005, Apple filed an application for authorization to take discovery of Nfox.com ("Nfox") and its owner, Karl Kraft, based on Kraft's representation that Nfox hosted the email account for "PowerPage" and that numerous emails in the account contained the word "Asteroid." The trial court granted the application, authorizing issuance of subpoenas requiring Nfox.com and Kraft to produce all documents "relating to the identity of any person or entity who supplied information regarding an unreleased Apple product code-named 'Asteroid' or 'Q97'" and all communications to or from such persons relating to the product. Apple also served deposition notices on Nfox.com and Kraft.

Meanwhile, O'Grady, "Kasper Jade," and Monish Bhatia, the publisher of "Mac News Network," which provides hosting services to "Apple Insider," moved for a protective order against all of the discovery sought by Apple on the grounds that the information sought was protected by the reporter's shield embodied in Article I, section 2(b) of the California Constitution and section 1070 of the California Evidence Code as well as by the First Amendment to the U.S. Constitution and that enforcement of the subpoenas issued against Nfox and Kraft would violate the Stored Communications Act.[3] O'Grady and Jade declared that they had received the information about Asteroid from a confidential source or sources.

The court denied the motion. With respect to the subpoenas to Nfox and Kraft, the court found that discovery was appropriate because much of the information posted on "PowerPage" had been taken from slides clearly marked as confidential. The court rejected the movants' invocation of a constitutional privilege—even assuming they were journalists—on the ground that "[r]eporters and their sources do not have a license to violate criminal laws" and that they had failed to establish that a public interest was served by the publications.[4] With respect to the motion for a protective order, the court held that as no discovery was outstanding against O'Grady, Jade, or Bhatia, a ruling as to the propriety of such discovery would be an advisory opinion. The movants then instituted a proceeding for a writ of mandate or prohibition to compel the trial court to set aside its denial of the motion for a protective order.

IV. Court of Appeal Proceedings

The Court of Appeal, Sixth District, in an opinion by Presiding Justice Conrad L. Rushing, determined that "extraordinary review" of the discovery orders was appropriate, as the case raised "several novel and important issues affecting the rights of web publishers to resist discovery of unpublished material, and the showing required of an employer who seeks to compel a newsgatherer to identify employees alleged by the employer to have wrongfully disclosed its trade secrets."[5] The court noted that the case also involved "an attempt to undermine a claimed constitutional privilege, threatening a harm for which petitioners, if entitled to the privilege, have no adequate remedy at law."[6]

A. Web Host Subpoenas

Turning to the merits, the court first considered whether the Stored Communications Act (SCA), a chapter of the Electronic Communications Privacy Act,[7] required quashing the subpoenas served on Nfox and Kraft. The SCA provides, subject to certain conditions and exceptions, that "a person or entity providing an electronic communication service to the public shall not knowingly divulge to any person or entity the contents of a communication while in electronic storage by that service. . . ."[8] In addition, the SCA provides that, subject to certain conditions, "a person or entity providing remote computing service to the public shall not knowingly divulge to any person or entity the contents of any communication which is carried or maintained on that service. . . ."[9] Apple did not dispute the applicability of the SCA but, rather, argued that certain exceptions applied and that the SCA was not intended to apply to civil discovery. Specifically, Apple contended that compliance with a civil discovery subpoena fell within the SCA's exception for disclosures that "may be necessarily incident . . . to the protection of the rights or property of the provider of that service. . . ."[10] The court noted the circularity of Apple's argument that because noncompliance would expose the service provider to sanction (a premise that assumes the question presented, namely, whether the SCA applies), it was protecting its rights or property by complying. The court found Apple's argument without merit.[11]

Apple also relied upon the SCA's safe-harbor provisions, under which a service provider's "good faith reliance" on a court order is a complete defense to an action brought under the SCA. The court stated that this provision did not render lawful disclosures otherwise prohibited by the SCA; it was instead intended to protect providers from the consequences of complying in good faith with "seemingly valid coercive process," which was not the situation presented here.[12]

What the court called Apple's "primary" argument was that Congress did not intend to preempt civil discovery of stored communications. But the court found nothing in the language of the SCA that authorized disclosure pursuant to civil subpoenas such as those at issue. To the contrary, the statute "clearly prohibits any disclosure of stored email other than as authorized by enumerated exceptions."[13] None of the SCA's exceptions exempted civil discovery, and Apple offered no basis for implying one. Indeed, the court noted, Congress "sought not only to shield private electronic communications from government intrusion but also to encourage 'innovative forms' of communication by granting them protection against unwarranted disclosure *to anyone*."[14] In addition, "the threat of routine discovery requests seems inherent in the implied exception sought by Apple, which would seemingly permit civil discovery from the service provider whenever its server is thought to contain messages relevant to a civil suit,"[15] which would impose "a substantial new burden" on service providers.[16] Congress reasonably could conclude that to permit discovery of a service provider—characterized by the court as a "data bailee"—without the consent of its subscribers "would provide an informational windfall to civil litigants at too great a cost to digital media and their users."[17] The implication of this, the court observed, is merely that discovery must be directed to "the owner of the data, not the bailee to whom it was entrusted."[18]

In rejecting the arguments of amicus Genentech that the SCA does not bar disclosure of the *identities* of the authors of specific emails, only disclosure of the *contents* of the communications, the court observed that Apple also sought the contents of the communications and that the SCA authorizes disclosure of information pertaining to a subscriber of the service provider, not (as Apple sought) information relating to the sender of information *to* a subscriber. That distinction, the court noted, was why the cases in which civil plaintiffs have successfully subpoenaed ISPs to obtain the identities of anonymous posters were not applicable: in this case, the subpoenas did not concern anonymous posters but rather the stored communications of "known persons who openly posted news reports based on information from confidential sources."[19] The sources, the court pointed out, did not "post" anything: they supplied information that was then posted by others (O'Grady and Jade). Apple was seeking to identify sources, not posters.

The court contended that the subpoenas to Nfox.com and Kraft were unenforceable.

B. Publisher Subpoenas

Addressing the threshold issue of whether the dispute concerning the subpoenas sought against O'Grady, Jade, and Bhatia was ripe for adjudication, the court found that the facts were sufficiently "congealed" to permit determination of the parties' rights. Apple had secured orders authorizing it to conduct the pre-service discovery in dispute, thus making the prospect of discovery "imminent" rather than "speculative."[20]

1. California Shield Law

On the merits, the court first assessed the import of the California reporters' shield law, Article I, section 2(b) of the California Constitution, which provides:

> A publisher, editor, reporter, or other person connected with or employed upon a newspaper, magazine, or other periodical publication . . . shall not be adjudged in contempt . . . for refusing to disclose the source of any information procured while so connected or employed for publication in a newspaper, magazine or other periodical publication, or for refusing to disclose any unpublished information obtained or prepared in gathering, receiving or processing of information for communication to the public.

Section 1070 of the California Evidence Code is to the same effect. Apple argued that the reporter's shield did not apply because the petitioners were not "engaged in legitimate journalistic activities" when they acquired the information in question, and they were not "among the classes of persons protected by the statute." The court declined to draw the line urged by Apple:

> The shield law is intended to protect the gathering and dissemination of *news*, and that is what petitioners did here. We can think of no workable test of principle that would distinguish "legitimate" from "illegitimate" news. Any attempt by

> courts to draw such a distinction would imperil a fundamental purpose of the First Amendment, which is to identify the best, most important, and most valuable ideas not by any sociological or economic formula, rule of law, or process of government, but through the rough and tumble competition of the memetic marketplace.[21]

The court rejected Apple's contention that the petitioners had not engaged in legitimate gathering and dissemination of news because they had simply reprinted Apple's information verbatim without exercising any editorial oversight. The court found this claim to be immaterial, even if true, as the shield law protects newsgatherers as well as editors. Publication of a facsimile is no less protected than a summary. [22] Moreover, "an absence of editorial judgment cannot be inferred merely from the fact that some source material is published verbatim."[23] The decision to present original information "at the top level of an article" or to publish a summary with a link to the material "is itself an occasion for editorial judgment."[24] In fact, the court observed with respect to the petitioners that "[i]n no relevant respect do they appear to differ from a reporter or editor for a traditional business-oriented periodical who solicits or otherwise comes into possession of confidential internal information about a company."[25]

In arguing that the petitioners were not among the types of persons covered by the shield law, Apple contended that the law had never been interpreted to cover posting information on a Web site and that, if the petitioners' argument were accepted, "anyone with a computer and Internet access could claim protection under the California Shield and conceal his own misconduct."[26] The court rejected this contention as resting on the erroneous premise that the petitioners' conduct amounted to nothing more than "posting information on a website." The court found that the "open and deliberate publication on a news-oriented Web site or news gathered for that purpose by the site's operators," as opposed to depositing information to an open forum such as a newsgroup, was "conceptually indistinguishable from publishing a newspaper."[27] The court had "no reason to doubt that the operator of a public Web site is a 'publisher'" for purposes of the shield law. Even if O'Grady and Jade's status as publishers were questionable, the court found, their status as editors and reporters—also covered persons—was not.[28]

As for whether the online news magazines fell within the phrase "newspaper, magazine, or other periodical publication," the court noted that the term "magazine" is widely used to refer to Web sites or other digital publications such as the petitioners'. A draft entry in the Oxford English Dictionary, for example, defines "e-zine" as a "magazine published in electronic form on a computer network, esp. the Internet." [29] Although the legislature might not have anticipated online magazines when it added the language in question in 1974, the court noted that there was no basis for concluding that it intended to exclude them either. Turning to whether the catch-all "other periodical publication" would apply, the court noted that while "publication" generally has connoted printed matter, the petitioners' Web sites are analogous to printed publications in how their text is read,[30] and it noted, moreover, the permeability of the distinction, as "[a] Web page may readily become printed matter by sending it to the printer typically attached to a reader's computer."[31]

Construing the ambiguous term "periodical," the court observed that although the constant updating that is characteristic of petitioners' online publications was "difficult to characterize as publication at 'regular intervals,'" an online dictionary of library science referred to such a Web site as a "periodical."[32] The court also observed that even many traditional periodicals, such as *The New Yorker* are not published with absolute regularity, publishing 47 rather than 52 issues a year.[33]

Because of the ambiguities in the statutory terms, the court determined that the applicability of the shield law turned ultimately on the purpose of the statute. In this regard, the court concluded that it was likely that the legislature intended the phrase "periodical publication" to include "all ongoing, recurring news publications while excluding non-recurring publications such as books, pamphlets, flyers, and monographs."[34] It concluded, accordingly, that the petitioners were entitled to the protection of the shield law.

2. First Amendment

Although the court did not need to reach the issue of whether a federal constitutional privilege applied, given its holding as to the California shield law, it did so nevertheless. The California Supreme Court held in *Mitchell v. Superior Court*[35] that reporters, editors, and publishers have a qualified privilege to withhold disclosure of the identity of confidential sources and unpublished information supplied by such sources. Having already found that petitioners could not be distinguished from the reporters, editors, and publishers associated with traditional print and broadcast media, the court turned to application of the *Mitchell* balancing test.

The first factor, the "nature of the litigation and whether the reporter is a party," favored nondisclosure, as the reporters were not parties (notwithstanding Apple's contention that they "might" be among the Does). The court noted the danger of allowing employers to sue fictitious defendants and to utilize the subpoena power to identify and discipline employees without intending to pursue the case to judgment.[36]

The second factor, the relevance of the information sought to plaintiffs' cause of action, favored disclosure, as the identity of the misappropriator goes to the heart of the claim, although the wrongdoers may have provided the information anonymously.[37]

However, the third factor, the extent to which the party seeking disclosure has exhausted all alternative sources of obtaining the information, weighed "decisively against disclosure," as Apple had failed to establish that it could not otherwise have obtained any of the information sought.[38] Although Apple had questioned each of the employees known to have had access to the Asteroid presentation file, it had not questioned any of them under oath, which would have carried the threat of criminal prosecution for lying. Moreover, it had failed adequately to demonstrate that it had pursued other means of identifying the source of the information, such as by employing internal computer forensics that might have revealed transfer of the file. Apple also had failed to investigate the possibility that its network had been "hacked" from outside or to seek information from Paul Scates or Bob Borries, both of whom were identified as sources for information in the articles.[39]

Despite finding the third factor conclusive, the court went on to address—and to reject as a general proposition—Apple's assertion that there was no public interest in the disclosure of its trade secrets.

> [B]usiness entities may adopt secret practices that threaten not only their own survival and the investments of their shareholders but the welfare of a whole industry, sector, or community. Labeling such matters "confidential" and "proprietary" cannot drain them of compelling public interest. Timely disclosure might avert the infliction of unmeasured harm on many thousands of individuals, following in the noblest traditions, and serving the highest functions, of a free and vigilant press.[40]

The court found that the judicially endorsed social utility of protecting trade secrets against wrongful disclosure did not override

> the more fundamental judgment, embodied in the state and federal guarantees of expressional freedom, that free and open disclosure of ideas and information serves the public good. . . . [W]here both cannot be accommodated, it is the statutory quasi-property right that must give way, not the deeply rooted constitutional right to share and acquire information.[41]

The court further observed that no proprietary technology was exposed or compromised in the articles; Apple did not contend that the articles could help someone build a competing product or even that the product embodied new technology. It also found that the alleged trade secret—Apple's plans to release Asteroid—was "closer to the heart of First Amendment protection" than the computer code at issue in *DVD Copy Control Ass'n v. Bunner*[42] in that it was a plan rather than an instruction for a desired set of functions and carried a legitimate interest to the public that a "recipe" is unlikely to possess.[43]

Just as it declined to attempt to define "journalist," the court also declared itself "wary about declaring what information is worthy of publication and what information is not."[44] Indeed, it suggested ample justification for publication of the articles in question:

> While it may be tempting to think of Asteroid as a mere gizmo for nerds, such as device may also be the means by which the next Bob Dylan, Julia Ward Howe, or Chuck D conveys his or her message to the larger world. . . . Who knows what latter day Woody Guthrie may be lifted from obscurity by this new technology, in defiance of the considered judgment of recording executives that once might have condemned them to obscurity?[45]

Alluding to a link between Asteroid and the petitioners' publications, the court referred to Asteroid's potential for "democratizing" the production and publication of music "as other digital technologies have democratized the publication of news and commentary."[46] These observations, the court stated, were intended to illustrate "the peril posed to First Amendment values when courts or other authorities assume the power to declare what technological disclosures are newsworthy and what are not."[47]

Finally, addressing the strength of the plaintiff's case on the merits, the court found that it could reasonably be inferred that the information constituted a trade secret and that someone violated a duty not to disclose it. However, neither this nor the other factors favoring disclosure outweighed the countervailing factors, particularly the inadequacy of Apple's showing that it had exhausted alternative sources of the information.[48]

V. Conclusion

O'Grady underscores the challenge faced by private litigants seeking to vindicate trade secret rights when their efforts to unmask wrongdoers run up against state statutory and constitutional shield law protections for confidential sources and also conflict with the transcendent imperatives of the First Amendment. As such discovery is barred as against ISPs by the federal SCA and as against many Web publishers by the California shield law, companies seeking to enforce trade secret rights under California law must utilize other avenues to discover the identities of anonymous persons responsible for wrongful leaking of proprietary information.

In its ruling, the court—importantly—acknowledged the equivalent stature, for purposes of both the California shield law and the First Amendment, of those who publish online and those who do so via the traditional print and broadcast media, at least where the online publication involves the exercise of editorial functions, as did the online magazines at issue in *O'Grady*.

The court implicitly recognized the potential damage to a new and powerful medium were courts to attempt to define "journalist" narrowly so as to distinguish the Web from other media without any defensible rationale for doing so. Although the court's First Amendment analysis was unnecessary to its holding, as it found that California law provides even greater protection of confidential sources, it surely will guide other courts faced with similar issues involving online publications.

Endnotes

1. 139 Cal. App. 4th at 1423, 44 Cal. Rptr. 3d 72 (Cal. Ct. App. 2006).
2. The court expressly declined to refer to the petitioners as "bloggers," citing the "rapidly evolving and currently amorphous meaning" of the term and the fact that the publications in question, "by virtue of their multiple staff members and other factors, are less properly considered blogs than they are 'e-magazines,' 'ezines,' or 'webzines.'" 139 Cal. App. 4th at 1463 n.21, 44 Cal. Rptr. at 102 n.21.
3. 18 U.S.C. § 2702(a)(1).
4. Quoted in *O'Grady*, 139 Cal. App. 4th at 1438, 44 Cal. Rptr. 3d at 82.
5. 139 Cal. App. 4th at 1439, 44 Cal. Rptr. at 83.
6. *Id*.
7. Pub. L. 99-508 (Oct. 21, 1986), 100 Stat. 1860 et seq.
8. 18 U.S.C. § 2702(a)(1).
9. 18 U.S.C. § 2702(a)(2).
10. 18 U.S.C. § 2702(b)(5).
11. 139 Cal. App. 4th at 1442, 44 Cal. Rptr. at 85.
12. *Id*.
13. 139 Cal. App. 4th at 1443, 44 Cal. Rptr. at 86.
14. 139 Cal. App. 4th at 1445, 44 Cal. Rptr. at 87.
15. 139 Cal. App. 4th at 1446, 44 Cal. Rptr. at 88-89.
16. 139 Cal. App. 4th at 1446, 44 Cal. Rptr. at 89.
17. 139 Cal. App. 4th at 1447, 44 Cal. Rptr. at 89.
18. *Id*.
19. 139 Cal. App. 4th at 1449, 44 Cal. Rptr. at 91.
20. 139 Cal. App. 4th at 1453, 44 Cal. Rptr. at 94.
21. 139 Cal. App. 4th at 1457, 44 Cal. Rptr. at 97.
22. *Id*.
23. *Id*.
24. 139 Cal. App. 4th at 1458, 44 Cal. Rptr. at 98.
25. *Id*.
26. 139 Cal. App. 4th at 1459, 44 Cal. Rptr. at 99.
27. *Id*.
28. *Id*.
29. 139 Cal. App. 4th at 1460, 44 Cal. Rptr. at 100.
30. 139 Cal. App. 4th at 1463-64, 44 Cal. Rptr. at 102-03.
31. 139 Cal. App. 4th at 1464 n.22, 44 Cal. Rptr. at 103 n.22.
32. 139 Cal. App. 4th at 1465, 44 Cal. Rptr. at 104.
33. *Id*.
34. 139 Cal. App. 4th at 1466, 44 Cal. Rptr. at 104.
35. 37 Cal. 3d 268 (1984).
36. 139 Cal. App. 4th at 1470, 44 Cal. Rptr. at 108.
37. 139 Cal. App. 4th at 1470-71, 44 Cal. Rptr. at 108-09.
38. 139 Cal. App. 4th at 1471, 44 Cal. Rptr. at 109.
39. 39 Cal. App. 4th at 1471-75, 44 Cal. Rptr. at 109-112.
40. 39 Cal. App. 4th at 1475, 44 Cal. Rptr. at 112.
41. 39 Cal. App. 4th at 1476, 44 Cal. Rptr. at 112-13.
42. 31 Cal. 4th 864 (2003).
43. 39 Cal. App. 4th at 1477, 44 Cal. Rptr. at 113-14.
44. 39 Cal. App. 4th at 1477, 44 Cal. Rptr. at 114.
45. 39 Cal. App. 4th at 1478, 44 Cal. Rptr. at 114.
46. *Id*.
47. *Id*.
48. 39 Cal. App. 4th at 1479, 44 Cal. Rptr. at 115.

Jonathan Bloom is counsel to Weil, Gotshal & Manges LLP and editor-in-chief of *Bright Ideas*.

New York District Court Denies Injunction Request Despite Finding Initial Interest Confusion

By Julie B. Seyler

I. Introduction

In *SMJ Group Inc. v. 417 Lafayette Restaurant LLC*,[1] a New York district court denied a preliminary injunction motion based on trademark infringement claims brought by a restaurant group against protesters who used the logo of one of plaintiffs' restaurants on a pamphlet which stated that plaintiffs did not treat their restaurant workers fairly. The court rejected defendant's argument that its use of the mark was not a "use in commerce" and therefore fell outside the parameters of the Lanham Act. But although the court found that defendant's use of the mark caused initial interest confusion and was infringing despite the non-profit nature of the use, it also found that plaintiffs had failed to demonstrate that they would suffer irreparable harm from the infringement as opposed to from the constitutionally protected message conveyed by the pamphlet.

II. Factual Background

Plaintiff SMJ Group, Inc. (SMJ) operates two midtown restaurants, Trattoria dell'Arte and Brooklyn Diner. Defendant, The Restaurant Opportunities Center of New York, Inc. (ROC), is a non-profit organization the purpose of which is to improve the working conditions of restaurant workers. Its activities include assisting restaurant workers in seeking legal redress against employers who are alleged to violate their employment rights and providing customers and the public with information about litigation involving the restaurant workers and their employers. The information is disseminated through handbill distribution. ROC is not a labor organization.

The dispute in the case arose out of a leaflet designed by ROC the front panel of which displayed SMJ's trademark[2]

along with the words "SPECIAL FOR YOU." Inside, the left-hand panel of the leaflet contained the phrase "DO YOU REALLY WANT TO EAT HERE?" and the right-hand side of the panel contained the following text:

> Workers from this restaurant company have sued the company in Federal Court for misappropriated tips and unpaid overtime hours worked. More than 50 current and former workers from the restaurant company approached the Restaurant Opportunities Center of New York, complaining of misappropriated tips, unpaid overtime wages, racial and gender discrimination, sexual harassment, harsh working conditions in the restaurant, and retaliation for speaking up for their rights.
>
> SUPPORT THE WORKERS IN THEIR STRUGGLE FOR DECENT WORKING CONDITIONS! FOR MORE INFORMATION, PLEASE CALL ROC-NY (THE RESTAURANT OPPORTUNITIES CENTER OF NEW YORK) AT 212-343-1771.

The back of the leaflet explained the purpose of ROC's activities.

SMJ sued ROC in the Southern District of New York and moved for a preliminary injunction on the ground that ROC's distribution of the leaflet displaying its trademark constituted infringement and trademark dilution under both federal and state law.

III. The Court's Ruling

SMJ sued under 15 U.S.C. § 1114, which prohibits "the [unauthorized] use in commerce [of another's trademark] in connection with the sale, offering for sale, distribution, or advertising of any goods or services . . . [if] such use is likely to cause confusion, or to cause mistake, or to deceive," and section 1125(a), which prohibits the unauthorized use "in commerce" and "in connection with any goods or services" of "any word, term, name, symbol, or device, or any combination thereof . . . which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the . . . origin, sponsorship, or approval of [the unauthorized user's] goods, services, or commercial activities by another person." To succeed on these claims, SMJ had to prove (i) ownership of the trademark at issue; (ii) that ROC used the mark in commerce; (iii) that ROC's use of the mark was in connection with goods or services; and (iv) that ROC's use of the mark was likely to cause confusion.

The court, in an opinion by Judge Gerard E. Lynch, found that SMJ had demonstrated each of these elements. ROC conceded SMJ's ownership of the marks. With respect to whether ROC's use of the mark in the pamphlets constituted a use "in commerce," the court noted Congress's broad power under the Commerce Clause and, quoting *United We Stand Am., Inc. v. United We Stand, Am. N.Y., Inc.*,[3] stated that "Congress' use of the phrase 'in commerce' in the Lanham Act 'reflects Congress's intent to legislate to the limits of its authority under the Commerce

Clause.'" The Court also noted that the restaurant services offered by SMJ constituted a business that falls within interstate commerce and that "Plaintiffs were adversely affected by Defendants' use of their trademarks."[4]

ROC argued that it was not using the mark in connection with any goods or services because the use in the pamphlets was "for an 'expressive purpose' and as part of a 'communicative message' of criticism or commentary." The court was not persuaded. The court observed that ROC's activity of educating the public "would generally be considered a public service in the normal sense of those words" and concluded that these activities fell within the Lanham Act's definition of a "service":

> The term "services" has been interpreted broadly by our Court of Appeals, and various courts have applied the Lanham Act against "Defendants furnishing a wide variety of non-commercial public and civic benefits." . . . [A]s *United We Stand* makes clear, Defendants' lack of profit motivation does not place their activities beyond the scope of the Lanham Act's definition of "services." Plaintiffs' marks are clearly displayed on the front of the pamphlets distributed by Defendants, and the distribution of those educational leaflets is a service under the Lanham Act. Accordingly, Defendants' use of Plaintiffs' marks is in connection with services as defined by the Act.

SMJ also had to establish that ROC's use of the trademark would likely cause consumers to be confused. The parties agreed that: (i) the manner of use of SMJ's trademark on the front of the leaflet along with the words "SPECIAL FOR YOU" created confusion; (ii) such confusion was dispelled because immediately inside the pamphlet were the words "DO YOU REALLY WANT TO EAT HERE?"; and (iii) the doctrine of initial confusion was applicable. They disagreed, however, as to the scope of the initial interest confusion doctrine. The court thus considered whether the doctrine is limited to commercial or for-profit activities, as ROC argued, or whether it applies to any type of confusion. The court adopted the latter approach.

Under the doctrine of initial confusion, confusion exists for purposes of the Lanham Act when "potential customers initially are attracted to the junior user's mark by virtue of its similarity to the senior user's mark, even though these consumers are not actually confused at the time of purchase."[5] The fact that the confusion later may be dispelled does not justify the initial confusion, as it was the misuse of the senior party's mark that created the interest in the junior user's mark. Relying upon the Fourth Circuit's decision in *Lamparello v. Falwell*,[6] ROC argued that the doctrine should not apply because it was not using SMJ's mark for its own financial gain. ROC contended that since its use of the mark was not to redirect "potential customers from Plaintiffs' goods or services to Defendants' own goods or services," the doctrine of initial interest confusion was not applicable. The court, disagreeing, stated:

> This Court . . . respectfully disagrees with the conclusion of the Fourth Circuit, and the position advanced by Defendants, that the case law imposes a commercial or for-profit limit on the application of the doctrine. Rather, the cases simply reflect the unsurprising fact that the typical trademark infringement case involves commercial competitors. The Lanham Act, however, does not only apply to typical cases.

Analyzing the language of section 1114(a) of the Lanham Act, which prohibits the use of "any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with . . . any goods or services . . . [that] is likely to cause confusion, or to cause mistake, or to deceive," the court explained: "The Act's repeated use of the word 'any' supports the conclusion that Congress's 'clear purpose [was] to outlaw the use of trademarks which are likely to cause confusion, mistake, or deception of any kind.'"[7] The court concluded that the statute provides no support for the commercial advantage requirement proposed by ROC:

> As discussed above, "Defendants' own goods and services" include the distribution of leaflets to educate the public about Plaintiffs' employment practices. Accordingly, Defendants are redirecting customers to their goods and services, as those goods and services have been defined by the Court. That redirection occurs as a result of confusion, and therefore Defendants' use of Plaintiffs' marks causes confusion under the Lanham Act.

Having established that it would likely succeed on its trademark infringement claim, in order to obtain preliminary injunctive relief SMJ also had to establish that ROC's use of its trademarks caused it irreparable harm. Relying upon cases holding that proof of a likelihood of confusion establishes irreparable harm,[8] SMJ argued that it had met the necessary requirements for the preliminary injunction. But the court held that the general rule that irreparable harm is presumed did not carry the day on the facts presented. The court cited *Omega Imp. Corp. v. Petri-Kine Camera Co.*,[9] where the Second Circuit stated that irreparable harm "almost inevitably follows"[10] from a finding of likely confusion because it is difficult to calculate defendant's profits attributable to its use of plaintiff's mark; confusion may cause consumers to reject both plaintiff's and defendant's products; and calculating lost sales resulting from the infringement is extremely difficult.

The court noted, however, that in this case: (i) ROC had used SMJ's mark solely "to pique the interest of passers-by" so that their leaflets would be read; (ii) ROC was not profiting from the distribution of the leaflets, so there was no "need to engage in a speculative disgorgement calculation" should SMJ prevail at trial; (iii) because the confusion was dispelled as soon as the leaflet was read, there was no lingering confusion that could result in an irreparable loss of customers; and (iv) ROC's use of the mark was unlikely to cause SMJ to lose any sales due to the infringement. The court also noted that it was not confusion as to the source of the leaflet that might drive customers away from the restaurant. "Rather, it is the message inside the leaflet that might cause the reader to choose to dine elsewhere. That harm, however, results from Defendants' criticism, not Defendants' use of Plaintiffs' marks, and therefore it cannot provide the irreparable harm necessary to support an injunction under the Lanham Act."

The court concluded:

> The unique facts of this case make it one of "those few cases . . . where irreparable harm does not follow from [likelihood of confusion]."[11] The harm claimed by Plaintiffs results from the content of Defendants' message, not from Defendants' use of Plaintiffs' trademark. Plaintiffs cannot obtain an injunction based on the content of Defendants' expressive message,[12] and the fact that Defendants are using Plaintiffs' marks does not allow Plaintiffs to dress up their request for a prior restraint on speech as an injunction under the Lanham Act. The record before the Court is insufficient to show that Plaintiffs face a likelihood of irreparable harm from Defendants' use of their marks in the absence of an injunction.

IV. Conclusion

SMJ Group illustrates the breadth of the Lanham Act's "use in commerce" requirement, holding that it extends even to critical speech when the use of the plaintiffs' mark in connection with that speech relates to a service provided by the defendant—in this case the provision of information concerning restaurant labor conditions. The decision also, notably, holds that initial interest confusion can exist even where the defendant's activities are not profit-generating as the court found no support for a non-profit exception in the plain language of the Lanham Act. Finally, the decision serves as a reminder that in a preliminary injunction proceeding, the presumption of irreparable harm that normally arises from a finding of likely success on the merits is not a hard-and-fast rule and that the court has the discretion in a given case to find that the presumption is not adequately supported by the record. In *SMJ*, the court denied the plaintiffs' preliminary injunction motion where it found no evidence that the defendant's use of the mark, as opposed to the content of the critical speech directed toward the plaintiffs' activities, could cause harm to the plaintiffs.

Endnotes

1. N.Y.L.J., July 19, 2006, p. 26, col. 1.
2. A review of the trademark database reveals that SMJ Group Inc. owns Registration No. 2,028,443 for BROOKLYN DINER and Design pictured above and 2,337410 for TRATTORIA DELL'ARTE, both for restaurant services.
3. 128 F.3d 86, 92 (2d Cir. 1997).
4. Citing *Gonzales v. Raich,* 125 S. Ct. 2195, 2206 (2005) ("when 'a general regulatory statute bears a substantial relation to commerce, the de minimis character of individual instances arising under that statute is of no consequence'" (quoting *United States v. Lopez*, 514 U.S. 549, 558 (1995).
5. Citing *Jordache Enters., Inc. v. Levi Strauss & Co.*, 841 F. Supp. 506, 514-15 (S.D.N.Y. 1993). The court also cited *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 259 (2d Cir. 1987), and *Grotrian, Helfferich, Schultz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1342 (2d Cir. 1975), and noted that "[i]n all of these cases the application of the initial interest confusion doctrine serves to prevent an infringing party from gaining an unfair commercial advantage through the use of a plaintiffs mark."
6. 420 F.3d 309, 317 & n.5 (4th Cir. 2005).
7. Citing *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 437 F.2d 566, 568 (2d Cir. 1971).
8. *See Brennan's Inc. v. Brennan's Restaurant, L.L.C.*, 360 F.3d 125, 129 (2d Cir. 2004). The court also pointed out, however, that the court of appeals has formulated a different standard as well, explaining: "In other cases, our Court of Appeals has stated that 'a presumption of irreparable harm arises in Lanham Act cases once the plaintiff establishes likelihood of success,' *King v. Innovation Books*, 976 F.2d 824, 831 (2d Cir. 1992), that 'a preliminary injunction should usually issue when the use of a mark creates a likelihood of confusion,' *Church of Scientology Int'l v. Elmira Mission of the Church of Scientology,* 794 F.2d 38, 41 (2d Cir. 1986), and that 'a showing of confusion . . . ordinarily will establish that a risk of irreparable harm exists,' *Gen. Motors Corp. v. Gibson Chem. & Oil Corp.*, 786 F.2d 105, 109 (2d Cir. 1986)."
9. 451 F.2d 1190 (2d Cir. 1971). The court again noted that the general rule of *Omega* cannot always be relied upon, citing *Citibank, N.A. v. Citytrust*, 756 F.2d 273, 275 (2d Cir. 1985), where the Second Circuit reversed a district court's finding that the plaintiff had established irreparable harm on the ground that the district court had based its conclusion solely upon the fact that plaintiff had established a likelihood of confusion. The *Citibank* court noted that the factual record before it was different from the record in *Omega* and that therefore the presumption that existed in *Omega* could not be applied blindly. The district court's "perfunctory comment" and citation to *Omega* was held to be insufficient to establish irreparable harm. *Id*. at 275-76.
10. *Omega*, 451 F.2d 1190.
11. Citing *Church of Scientology Int'l v. Elmira Mission of the Church of Scientology,* 794 F.2d 38, 42 (2d Cir. 1986).
12. Citing *United States v. Quattrone*, 402 F.3d 304, 310 (2d Cir. 2005) (explaining First Amendment protection against content-based prior restrictions on speech).

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Second Circuit Finds Reproductions of Concert Posters in Illustrated Biography to Be Fair Use

By Jonathan Bloom

I. Introduction

The Second Circuit held in *Bill Graham Archives v. Dorling Kindersley Limited*[1] that the inclusion of "thumbnail" reproductions of copyrighted Grateful Dead concert posters in an illustrated history book about the band was fair use.

II. Factual Background

In October 2003, the defendants, Dorling Kindersley Limited, Dorling Kindersley Publishing, Inc., and R.R. Donnelley & Sons Company (collectively "Dorling Kindersley") published *Grateful Dead: The Illustrated Trip* ("*Illustrated Trip*"), a 480-page coffee-table book detailing the history of the Grateful Dead. The book contains over two thousand images, often in collage form, which illustrate events in the band's history and are accompanied by explanatory text.

Plaintiff Bill Graham Archives (BGA) claims to own the copyright to seven concert posters reproduced in thumbnail size (approximately 2" x 3") in *Illustrated Trip*. Dorling Kindersley initially sought BGA's permission to reproduce the posters, but after the parties were unable to agree upon an appropriate license fee, Dorling Kindersley proceeded to include the images in *Illustrated Trip* without paying a fee.[2]

III. Court Proceedings

BGA sued Dorling Kindersley for copyright infringement in the Southern District of New York and sought to enjoin further publication of *Illustrated Trip*, the destruction of all unsold books, and actual and statutory damages. Both parties cross-moved for summary judgment. The primary issue before the district court was whether Dorling Kindersley's use of BGA's images constituted fair use. The district court held that it was and granted Dorling Kindersley's motion for summary judgment. BGA appealed, and the Second Circuit, in an opinion by Judge Jane A. Restani, Chief Judge of the U.S. Court of International Trade, sitting by designation, affirmed.[3]

The fair use doctrine is a statutory exception to copyright infringement. Section 107 of the Copyright Act permits the unauthorized use or reproduction of copyrighted work "for purposes such as criticism, comment, news reporting, teaching . . . , scholarship, or research."[4] In order to determine whether Dorling Kindersley's reproduction of BGA's posters was a fair use, the court of appeals assessed the facts under the four non-exclusive statutory fair-use factors. It noted, however, that the ultimate test of fair use is "whether the copyright law's goal of promoting the Progress of Science and useful Arts would be better served by allowing the use than by preventing it."[5]

The first factor is the purpose and character of the use, including whether the use is commercial or is for a nonprofit educational purpose. Most important, the court looks to whether the use is "transformative" in order to determine whether the new work merely supersedes the original or, instead, adds something new. The district court found that *Illustrated Trip* was a biographical and historical work and that the images were no longer used for their original expressive purpose but now contributed to the historical purpose of the book.

> In some instances, it is readily apparent that DK's image display enhances the reader's understanding of the biographical text. In other instances, the link between image and text is less obvious; nevertheless, the images still serve as historical artifacts graphically representing the fact of significant Grateful Dead concert events selected by the *Illustrated Trip*'s author for inclusion in the book's timeline.[6]

The district court found that this transformative use weighed strongly in favor of fair use, and the Second Circuit agreed, noting that Dorling Kindersley's biographical and historical use of the images plainly differed from the original expressive, artistic, and advertising purposes of the original posters.

The court of appeals stated that the commercial nature of the book was not dispositive, since the images were "employed only to enrich the presentation of the cultural history of the Grateful Dead, not to exploit copyrighted artwork for commercial gain."[7] The court also pointed out that "[b]y design, the use of BGA's images is incidental to the commercial biographical value of the book."[8] It noted that the BGA images appear on only seven pages of the 480-page book; that the largest reproduction of a BGA image in the book was less than one-twentieth the size of the original; and that the images in total account for less than one-fifth of one percent of the book.[9] The court concluded that Dorling Kindersley had "used the minimal image size necessary to accomplish its transformative purpose"[10] and cited, in this connection, the Ninth Circuit's holding in *Kelly v. Arriba Soft Corp.*[11] that thumbnail-sized images on an online search engine were transformative.[12]

The second factor, the nature of the copyrighted work, requires the court to consider the "protection of the reasonable expectations of one who engages in the kinds of creation/authorship that the copyright seeks to encourage."[13] The district court determined that this factor weighed against fair use because the posters are creative works, but it placed little weight on this factor because the posters had been published extensively. The Second Circuit agreed that creative works enjoy greater protection, but it found that this factor was entitled to little weight because Dorling Kindersley's purpose was to emphasize the historical, rather than the creative, value of the images.[14]

With respect to the third factor, the amount and substantiality of the portion used, the district court found that even though the posters were reproduced in their entirety, this factor weighed in favor of fair use because the images were greatly reduced in size and were presented along with other images and texts. The Second Circuit agreed and observed that the reduced size of the images demonstrated their transformative purpose in that they were not presented for an artistic purpose but rather as historical artifacts of Grateful Dead concerts. Therefore, the court of appeal concluded that this factor weighed in favor of fair use.[15]

As for the fourth fair-use factor, the harm to the market for the original caused by the infringement, the parties agreed that BGA's primary market, the sale of poster images, was not impacted by Dorling Kindersley's use. As for the effect on BGA's potential to develop a derivative market for licensing its images for use in books, the court stated that the inquiry focuses on the impact on potential licensing revenues for "traditional, reasonable, or likely to be developed markets" and that BGA had failed to show impairment of a traditional, as opposed to a transformative, market.[16] The court noted that copyright holders "may not preempt exploitation of a transformative market"[17] such as parody or news reporting.[18] Therefore, the court found that this factor also weighed in favor of fair use.[19]

On balance, the court held that the factors weighed in favor of fair use.

IV. Conclusion

Bill Graham Archives illustrates the latitude afforded by the fair use doctrine, when applied properly, to transformative uses that are intended to, and do, serve an entirely different and socially valuable purpose than the original work—even where the work is copied in its entirety. In this case, posters originally used to promote rock concerts were reduced in size and used to illustrate a historical event—the concerts advertised in the posters. The defendants' use clearly was a work of scholarship—one of the illustrative fair uses in section 107—that was consistent with the constitutional purpose of the Copyright Act to promote "the Progress of Science and useful Arts"—specifically, knowledge about the history of the Grateful Dead.

Notably, the court's analysis of transformativeness rested on the differing purpose of the challenged use—history rather than promotion—which, in the court's view, outweighed the fact that, while the book reproduced the posters in their entirety, albeit greatly reduced in size. That *conceptual* transformativeness was arguably even more important to the court's reasoning than the *physical* transformativeness involved in simply shrinking the images, although the court relied upon that fact as well, noting both how small the reproductions were compared to the originals and how small a portion of the book they comprised.

The court carried its finding of a transformative purpose into its analysis of market harm, where it emphasized the distinction between traditional and transformative markets. In this regard, it could be argued that the distinction between a market that is "likely to be developed" (a "traditional" market) and one that is not (a "transformative" market) is not always easy to make. Is it obvious, for example, that illustrated biographical/historical works such as *Illustrated Trip* are part of a transformative market, while quiz books and similar spin-off products such as the *Seinfeld Aptitude Test* trivia book at issue in *Carol Publishing* are not? It might seem somewhat arbitrary to characterize an historical work as transformative and a quiz book, on the other hand—arguably at least as creative a use of the copyrighted material—as a "traditional" use that the copyright owner presumptively has the right to exploit or not.

But the key distinction between *Bill Graham Archives* and *Castle Rock* is the fact that the *Illustrated Trip*, as a biographical work, fell squarely within the arena of presumptively fair uses—uses with a transformative purpose—whereas in *Carol Publishing*, the Second Circuit found that the transformative purpose of the *Seinfeld Aptitude Test* was "slight to non-existent";[20] it did not criticize or comment upon "Seinfeld" in any way. Rather, its object was to "repackage Seinfeld to entertain Seinfeld users." The book was derived entirely from copyrighted episodes of "Seinfeld." *Illustrated Trip*, by contrast, placed the posters, which formed only a tiny portion of the book, in historical context, thus implicating a core purpose of the fair use doctrine.

Thus, although the plaintiff in *Castle Rock* had "exhibited little if any interest in exploiting [the] market for derivative works based on Seinfeld,"[21] the court concluded that the law of copyright "must respect that creative and economic choice."[22] In *Bill Graham Archives*, on the other hand, the court held that the copyright holder did not have the power to control the historical presentation of the concert posters.

Despite the difficult line-drawing that fair-use cases often present, particularly in identifying those derivative markets the copyright owner is entitled to exploit, the court in *Bill Graham Archives* drew the line judiciously.

Endnotes

1. 448 F.3d 605 (2d Cir. 2006).
2. *Id.* at 606-07.
3. *Id*.
4. 17 U.S.C. § 107.
5. 448 F.3d at 608 (quoting *Castle Rock Entm't, Inc. v. Carol Publ'g Group*, 150 F.3d 132, 141 (2d Cir. 1998) (internal citations and quotation marks omitted).
6. 448 F.3d at 610.
7. *Id.* at 611.
8. *Id*. at 612.
9. *Id*. at 611.
10. *Id.*
11. 336 F.3d 811 (9th Cir. 2003).
12. 448 F.3d at 611.
13. *Id*.
14. *Id*. at 613.
15. *Id*.
16. *Id*. at 614.
17. *Id*. at 615 (quoting *Castle Rock*, 150 F.3d at 146 n.11).
18. *Id*. at 614.
19. In addition to the four statutory factors, the district court also examined whether Dorling Kindersley had acted in good faith and found that it had in attempting to obtain a license to use BGA's images. The Second Circuit did not comment on this aspect of the district court's ruling.
20. 150 F.3d at 142.
21. *Id*. at 145.
22. *Id*. at 146.

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UPCOMING SECTION EVENTS

Tuesday, September 19, 2006: IP Law Section Roundtable: Managing Your Intellectual Property Arbitration. Visit the IP Section page in August at www.nysba.org/ipl for registration information.

Monday, November 6, 2006: IP Law Section Annual Law Student Writing Contest submissions deadline. Call 518-487-5587 or visit the IP Section page at www.nysba.org/ipl for contest rules. Sponsors: Sills Cummis Radin Tischman Epstein and Gross and Morrison & Foerster LLP.

Tuesday, January 23, 2007: IP Law Section Meeting during NYSBA Annual Meeting. Marriott Marquis,1535 Broadway, New York, NY. 9 am to 5:30 pm with Luncheon. Call 518-463-3200 for more information or visit www.nysba.org/ipl in November.

SCHEDULE OF EVENTS

Thursday, October 12

7:00 pm - 11:00 pm — **Buffet Dinner for Arriving Guests** - Sagamore Dining Room, Main Hotel
Spouses, Significant Others and Children Welcome!

Friday, October 13 *All Sessions will be held in the Sagamore Conference Center*

8:00 am - 12:00 pm — **Golf** - Sagamore Golf Course
Join your fellow attorneys on the links for a round of golf at the resort's award-winning course. A pre-paid greens fee of $110.00 is required.

9:00 am - 1:00 pm — **Registration** - Conference Center Lobby

12:00 noon - 1:00 pm — **Lunch** - Trillium Bis Dining Room, Main Hotel

GENERAL SESSION - Nirvana Room, Conference Center

1:10 pm - 1:20 pm — **Introductory Remarks**

Debra I. Resnick, Esq. - Section Chair
FTI Consulting, Inc.
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Marc A. Lieberstein, Esq. - Program Co-Chair
Pitney Hardin, LLP
New York, New York

1:20 pm - 5:20 pm — ***AN INTELLECTUAL PROPERTY THINK TANK: A CASE STUDY ABOUT "GOOD IDEAS" & THEIR CONSEQUENCES***

The start-up company faces considerable intellectual property challenges. Today's "think tank" program will allow you to participate in a series of roundtable discussions based on a hypothetical start-up company and its attempts to protect and market its best ideas around the globe. After a presentation introducing the hypothetical, attendees will spend time rotating among three roundtable breakout sessions and participating in discussions led by our distinguished facilitators. Each roundtable will focus on a different intellectual property issue that arises from the hypothetical and strategies and potential solutions that might serve the client to best protect and market its business and its intellectual assets. Afterwards, our facilitators will discuss the results of their various roundtables and conduct an open discussion for feedback on the various resolutions.

"Good ideas are not adopted automatically. They must be driven into practice with courageous patience." - Hyman Rickover (1900 - 1986)

1:20 pm - 2:10 pm — ***X-Treme Patent Valuation: How to Determine the Value of Even the Strangest of Patents***

David A. Haas
CRA International
Chicago, Illinois

SCHEDULE OF EVENTS

2:10 pm - 2:35 pm *The Good Idea: Think Tank Hypothetical*

Barry M. Benjamin, Esq.
Pitney Hardin, LLP
New York, New York

2:35 pm - 2:50 pm **Coffee Break**
Sponsored By: **Thomson-West**

2:50 pm - 4:05 pm **THINK TANK ROUNDTABLE TOPICS AND PRESENTERS**
Each of the three rotating sessions will last 25 minutes

Intellectual Property Protection Stategies

Susan Upton Douglass, Esq.
Fross Zelnick Lehrman & Zissu, PC
New York, New York

Douglas A. Miro, Esq.
Ostrolenk Faber Gerb & Soffen, LLP
New York, New York

Venture Capital, Due Diligence and the Risks

A. John P. Mancini, Esq.
Mayer Brown Rowe & Maw, LLP
New York, New York

Barbara Horvath, CPA
FTI Consulting, Inc.
Washington, DC

Getting A Piece of the Action: Ethical Issues, Investments & Contingent Fees

Philip Furgang, Esq.
Furgang & Adwar, LLP
New York, New York

James C. Otteson, Esq.
Wilson Sonsini Goodrich & Rosati
Palo Alto, California

4:05 pm - 4:30 pm *Regroup for Think Tank Questions and Answers*

4:30 pm - 5:20 pm *Taming the Wild West: Intellectual Property Criminal Enforcement Update*
A local "sheriff" will provide an update on how the U.S. Government is enforcing our criminal intellectual property statutes with a review of recent case law and developments.

Adam Lurie, Esq.
Assistant United States Attorney, District of New Jersey
Newark, New Jersey

6:30 pm - 9:30 pm **Children's Dinner -** Triuna Room, Conference Center
Drop off your children and attend the Cocktail Hour and Dinner

6:30 pm - 7:30 pm **Cocktail Hour -** Conference Center Foyer

7:30 pm - 9:30 pm **Dinner -** Wapanak Room, Conference Center
Join us for dinner and music featuring the RAY ALEXANDER TRIO
Music Sponsored By: **TRADEMARK ASSOCIATES OF NY, LTD.**
Wine Provided By: **FROSS ZELNICK LEHRMAN & ZISSU PC**

9:30 pm - 12 midnight **Casino Night -** Wapanak Room, Conference Center
Join us for an evening of fun and games...Try your luck at blackjack, craps and roulette.
Casino Night Sponsored By: **CRA INTERNATIONAL**

Saturday, October 14 *All Sessions will be held in the Sagamore Conference Center*

8:00 am - 9:10 am **Registration** - Conference Center Lobby

MORNING SESSION - Nirvana Room, Conference Center

9:10 am - 9:15 am **Introductory Remarks**

Charles T.J. Weigell III, Esq. — Program Co-Chair
Fross Zelnick Lehrman & Zissu PC
New York, New York

THE GREAT INTELLECTUAL PROPERTY DEBATES: "HARDBALL STYLE"
The Intellectual Property Law Section proudly presents a series of current intellectual property debates covering five hot topics - trademark dilution, the Google library, keyword advertising links, patent injunctions and trade dress protections. Our panels of experienced professionals will agree to disagree, and try to convince you that their position is the right one. A moderator will conduct each debate, ask questions, and provide each presenter with an opportunity to present his or her side of the issue.
"If two people agree on everything, you may be sure that one of them is doing the thinking" - Lyndon B. Johnson (1908 - 1973)

9:15 am - 10:05 am ***Free Speech vs. the Federal Trademark Dilution Act***
The proposed amendments to the Federal Trademark Dilution Act, passed recently by the Senate, have been seen alternatively as both a necessary clarification of the existing law or an imminent threat to infringe on our first amendment free speech rights. You decide if these amendments truly pose more problems than they resolve.

Professor Sheldon Halpern, Esq. — Moderator
Albany Law School
Albany, New York

For the Amendments:
Dale Cendali, Esq.
O'Melveny & Myers, LLP
New York, New York

For Free Speech:
Paul Alan Levy, Esq.
Public Citizen
Washington, DC

10:05 am - 10:15 am **Coffee Break**
Sponsored By: **ROUSE & CO. INTERNATIONAL**

10:15 am - 11:05 am ***The Google Library Controversy***
Does the Google library, and other attempts to convert university library sources to on-line accessible electronic formats, represent a vast repository of available knowledge, or a perpetual copyright infringement? Listen to this digital copyright debate about fair use vs. just compensation.

Professor Justin Hughes, Esq. — Moderator
Benjamin N. Cardozo School of Law
New York, New York

For Fair Use
Jonathan Band, Esq.
Jonathan Band PLLC
Washington, DC

For The Need for Compensation
Thomas Kjellberg, Esq.
Cowan Liebowitz & Latman P.C.
New York, New York

Keyword searches and sponsorship links are the foundation for most Internet search engines. But how should trademark law treat third parties who link their banner and pop-up advertising to keyword searches based on someone else's trademarks? Is this an infringing use of the trademark? Is it a "use in commerce" of the mark at all? And are proprietors of Internet search engines contributorily liable for permitting the use of trademarks as linking keywords? With potentially millions of "hits" at stake, our debaters take on the question.

Stephen W. Feingold, Esq. — Moderator
Pitney Hardin, LLP
New York, New York

For Fair Use
Barry G. Felder, Esq.
Brown Raysman Millstein
Felder & Steiner, LLP
New York, New York

Against Fair Use
Paul W. Garrity, Esq.
Kelley Drye & Warren, LLP
New York, New York

12:00 pm - 1:15 pm **Section Luncheon -** Trillium Bis Dining Room, Main Hotel

AFTERNOON SESSION - Bellvue Room, Conference Center

1:25 pm - 2:15 pm ***Injunctive Relief in Patent Cases — Was eBay Correct?***

The Supreme Court decision in *eBay v. Mercexchange* provided little guidance in how to apply "equitable principles" to patent injunctions. The debate rages on over whether injunctive relief should be readily or rarely available to patentees. Are injunctions a trap for digital information providers and a drag on technological development, or are they a just remedy for an earlier inventor who obtained a valid patent? Is the patent troll a terrible monster or simply misunderstood? After listening to the debate, you decide.

Douglas A. Miro, Esq. — Moderator
Ostrolenk Faber Gerb & Soffen LLP
New York, New York

Anti-Injunction
Professor Saul Seinberg, Esq.
Albany Law School
Albany, New York

Pro-Injunction
David F. Ryan, Esq.
Fitzpatrick Cella Harper & Scinto
New York, New York

2:15 pm - 2:25 pm **Coffee Break**

2:25 pm - 3:15 pm ***The Trade Dress/Expired Patent Debate***

Consider that a product is covered by a utility patent. Then the patent expires. Can trade dress rights be asserted in the product shape and appearance thereafter? Should any trade dress rights be recognized? These questions set the debate which the Supreme Court left open in its 2000 Traffix decision, and district courts have since sought to provide an answer. So does our panel. The debate invokes policy concerns that trade dress protections extend the exclusivity of patent rights, and also practical concerns about defending a product's distinctive shape and appearance against blatant copying.

Professor Sheldon Halpern, Esq. — Moderator
Albany Law School
Albany, New York

***Trade Dress Protection**:*
Jonathan E. Moskin, Esq.
White & Case, LLP
New York, New York

No Trade Dress Protection:
Bruce W. Stratton, Esq.
Dimock & Stratton, LLP
Toronto, Canada

3:15 pm **Adjourn**

4:15 pm **Boat Ride Around Lake George on "THE MORGAN"**
Sponsored by: **THOMSON COMPUMARK**
Boarding begins at 4:15 pm at the dock behind the Main Hotel.
THE MORGAN departs promptly ***at 4:30 pm!***

7:30 pm **Children's Dinner -** Triuna Room, Conference Center

7:30 pm **Dinner -** Bellvue Room, Conference Center
As they say in Louisiana, "laissez les bon temps rouler!"
Let the good times roll!
Join us for *Cajun and Bayou Specialties with music by Roger Morris*
Entertainment Sponsored By: **OSTROLENK FABER GERB & SOFFEN, LLP**

9:30 pm - 11:00 pm **Join us for After Dinner Drinks in Mr. Brown's Pub with Entertainment by *The Copycats*** - Downstairs, Main Hotel
Sponsored By: **PITNEY HARDIN LLP**

Sunday, October 15

Departure

NYSBA

We wish to express special thanks to our
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ANNOUNCING THE

Intellectual Property Law Section's

ANNUAL LAW STUDENT WRITING COMPETITION

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

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

COMPETITION RULES ARE AS FOLLOWS:

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

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

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

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

Send entries by hard copy and e-mail to: Naomi Pitts, NYSBA, One Elk Street, Albany, NY (e-mail: npitts@nysba.org). Comments and/or questions may be directed to the Co-Chairs of the Young Lawyers Committee: Michael J. Kelly, Kenyon & Kenyon, 1 Broadway, New York, NY 10004, (212) 425-7200, (e-mail: mkelly@kenyon.com) or Dana L. Schuessler, Greenberg Traurig LLP, 200 Park Avenue, New York, NY 10166, (212) 801-6707, (e-mail: schuesslerd@gtlaw.com).

Law Student Writing Contest Winners

2005 No prizes awarded

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

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:

John T. Araneo
Fatimat Olabisi Balogun
Melissa Battino
Brian J. Beatus
Rashmi C. Bhatnagar
Scott Bialecki
Megan Kate Bowen
Dale Margaret Cendali
Julia Cheng
Thomas R. Desimone
Alison Dow
Vincent E. Doyle
Aimee A. Drouin
Brian M. Duncan
Stephen Joseph Elliott
Lauren Emerson
Anna Rose Falkowitz
Paul J. Frankenstein
Sharon Stern Gerstman
Jason E. Gettlemen
Christopher Michael Grant
Victor Day Hendrickson
Kenie Ho
Liel Hollander
Naoko Iwaki
Ashley Wales Johnson
Robert Paul Johnson
Kristin Marie Joslyn
Christopher M. Kamnik
Shirin Keen
Michael James Kelly
Allison B. Kelrick
Hongseok Kim
Nayoung Kim
Lana Koroleva
Adam E. Kraidin
Bonnie E. Krasner
Anna Kuzmik
Peter Lambrianakos
Kristine E. Linnihan
Karine Louis
A. John P. Mancini
Gregory Norman Mandel
Halle Markus
Michelle Mancino Marsh
George Steven McCall
Sean P. McMahon
Jeremy P. Merling
Thomas L. Montagnino
Andres Alfredo Munoz
Brian Anthony Nath
Matthew Jenkins Neel
William P. Nix
Ketan Pastakia
Joseph Mel Paunovich
Stanley Pierre-Louis
Alexander G. Piller
Meghan K. Quigley
Jessica Lorraine Rando
Adam P. Redder
Kathleen A. Roberts
Lindsay Ashburn Roseler
Christian D. Rutherford
Patricia Ann Ryder
David Jonathan Saenz
Dana Lauren Schuessler
Marc A. Schwartz
Jacqueline Seltzer
Shelly Juneja Shah
Matthew John Sherwood
Daniel Wooseob Shim
Robin E. Silverman
Hye Jin Lucy Song
Karen S. Sonn
Andrew Klay Sonpon
Gregory Stephen Spicer
Hui Lun Su
Jie Tang
Elizabeth Wade
Christopher Andrew Werner
Denise S. Wong
Maximilien Alfonso Yaouanc

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 34 to become a member of the Intellectual Property Law Section

COMMITTEE ASSIGNMENT REQUEST

Please designate, from the list below, those committees in which you wish to participate. For a list of Committee Chairs and their e-mail addresses, please refer to page 35 of this issue.

___ Copyright Law (IPS1100)
___ Diversity Initiative (IPS2400)
___ 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

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 2006 issue must be received by October 13, 2006.

NEW YORK STATE BAR ASSOCIATION
INTELLECTUAL PROPERTY LAW SECTION
NYSBA
One Elk Street, Albany, New York 12207-1002

ADDRESS SERVICE REQUESTED

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