

# Bright Ideas

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



## Message from the Outgoing Chair

Intellectual property is serious business. Some analysts estimate that intellectual property adds several trillions of dollars a year to the U.S. economy alone. Yet as this issue of *Bright Ideas* makes clear, intellectual property can have a funny bone, too. One of the more hotly litigated recent copyright cases, *Suntrust Bank v. Houghton Mifflin Co.*, 268 F.3d 1257 (11th Cir. 2001), considered whether *The Wind Done Gone* and *Gone with the Wind* can peaceably co-exist. Reversing the trial court, the Eleventh Circuit found that the “parody” defense to copyright infringement likely applied, and dissolved a preliminary injunction. We are very fortunate to hear in this issue from Michael Gerber, the author of *Barry Trotter and the Unauthorized Parody*, discussing the impact such legal rulings have on creative work. We look forward to featuring more “practical impact” accounts of other intellectual property decisions. If you’d like to participate, or have



(Continued on page 2)

## Message from the Incoming Chair

As a long-standing member of the Intellectual Property Section of the New York State Bar Association, I have always admired how my esteemed predecessors worked to build a strong foundation for our Section. Under Vicki’s recent guidance and leadership, the Intellectual Property Section membership has swelled to over 2,000 strong, and our educational programming schedule has expanded to not only include our Annual and Fall Meetings, but also CLE programs like “Bridge the Gap” and individual Committee programming that has assisted our membership to meet New York’s mandatory CLE requirements.



This strong foundation will enable the Section to move ahead with plans to improve and expand upon our legal training and CLE program capabilities and incorporate new technology, such as video conferencing and Internet-based production formats, to deliver such pro-

(Continued on page 2)

## Inside

Mixed Messages: Parody and Criticism as Defenses to Trademark Infringement in Domain Names.....3 (Matthew David Brozik)	
Thoughts on Parody from the Author of <i>Barry Trotter and the Unauthorized Parody</i> : An Interview with Michael Gerber .....8	
Protect Your Marks in .us, America’s New Internet Address .....12 (Margaret L. Milam)	
Scenes from the Intellectual Property Law Section Annual Meeting .....14	

Systems of Internal Control and Auditability of Digital Transmissions .....17 (Philip H. Teplitzky)	
Annual Law Student Writing Contest Information.....21	
Trade Winds .....22	
Membership Application .....23	
Committee Assignment Request .....24	
Section Committees and Chairs .....26	

## Message from the Outgoing Chair

(Continued from page 1)

suggestions about whom we should interview, please contact [jonathan.bloom@weil.com](mailto:jonathan.bloom@weil.com)

We'd also enjoy sharing ideas, and a few chuckles, in person. We began the year with another sold-out Annual Meeting program, admirably co-chaired by Ray Mantle and Harold Burstyn, featuring some of our "regulars," including Register of Copyrights Marybeth Peters, and many new, dynamic speakers presenting provocative issues and some tentative answers. This spring brought an international forum, moderated by Peter Sloane, on the new European Community Design Protection Regulations featuring Paul Maier, Head of the Design and Enlargement Division of the OHIM, Alicante, Spain; two French practitioners, Karina Dimiajian and Caroline Casalonga, of Bureau D.A. Casalonga Josse; and Brendan O'Rourke of Proskauer Rose with a U.S. perspective.

On May 22, 2002 we co-sponsored, with Cardozo Law School, a discussion on *Eldred v. Ashcroft*, the challenge to the Sonny Bono Copyright Term Extension Act of 1998 that is currently before the U.S. Supreme Court. With a variety of noted academics on the panel, it was a provocative evening. Many thanks to Vejay Lalla for coordinating the panel, and to Bob Clarida for leading the discussion.

Other panels are in the works, including an expansion of our January discussion of intellectual property issues in bankruptcy and a panel on ethical issues in intellectual property law. The Internet Law Committee also hosts an informative lunch meeting the third Tuesday of every month. Check our Web site at [www.nysba.org](http://www.nysba.org) for details.

We have two important dates coming up. Our annual Fall Meeting at The Sagamore is October 10-13. We will be sending a flyer soon, but please save the dates and plan to join us. We will be focusing on the inside story on some cutting-edge cases, practical pointers on intellectual property best practices, and new theories you may want to test out in your next lawsuit.

August 15 is the deadline for submission of law student articles for our writing competition, sponsored by THOMSON & THOMSON. We are looking for good, unpublished articles (no longer than 35 pages) relating to the protection of intellectual property. THOMSON & THOMSON is again generously awarding prizes of \$2,000 for first prize and \$1,000 for second prize. Winning submissions will be published in *Bright Ideas*. Entries should be sent to me at [victoriacundiff@paulhastings.com](mailto:victoriacundiff@paulhastings.com) and Walter Bayer at [walter.bayer@corporate.ge.com](mailto:walter.bayer@corporate.ge.com). More details are on our Web page.

We hope you will participate in one or more of our programs and become an active member of the Section. As I pass the torch to our incoming Chair Marc Lieberstein, I'd like to take this occasion to recognize some of our longest-term contributors: past Chairs Rory Radding, Trish Semmelhack, Bob Hallenbeck and Michael Chakansky; active leaders Neil Baumgarten, Walter Bayer, Jonathan Bloom, Harold Burstyn, Jeff Cahn, Michael Carlinsky, Phil Furgang, Ray Mantle, Charlie Miller, Mimi Netter, Rich Ravin, Peter Sloane and Irv Stein; and all of our Committee Chairs, along with Pat Stockli and Linda Castilla of the New York State Bar Association. Some of our newer members, including Vejay Lalla, Marie-Eleana First, Robert Greener, Joyce Creidy and Debra Resnick are stepping into our now ten-year tradition. We hope you will join us. Best wishes to Marc and the Section for another active decade!

Victoria A. Cundiff

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## Message from the Incoming Chair

(Continued from page 1)

grams to our members. We will also formalize our existing relationships with corporate counsel and the judiciary so we can hear directly from the source how we can better serve our clients and improve our practice. Last, the Section will look outward in this global intellectual property environment and seek to obtain insight and opinions from practitioners around the globe to educate us and make us more aware of how to procure and protect our clients' intellectual property outside the United States. We invite you to visit the Section's Web page on NYSBA's Web site, and visit often, for valuable information, important updates in intellectual property law, and news on upcoming Section events. This will enable you to get the full benefit of being a Section member.

I have had the privilege of working with, and closely assisting, all of the Section's past Chairs—Rory Radding, Tricia Semmelhack, Robert Hallenbeck, Michael Chakansky and Victoria Cundiff—and I consider them mentors. I credit them for making the Intellectual Property Section the fastest-growing Section of the New York State Bar Association. And I look forward to working with them, our newly inducted Executive Committee members, and you to continue to build upon the strong foundation for education and support that the Intellectual Property Section has always provided its membership. Feel free to call me at (212) 382-0700 or e-mail me at [mlieberstein@ostrolenk.com](mailto:mlieberstein@ostrolenk.com).

Marc Lieberstein

# Mixed Messages: Parody and Criticism as Defenses to Trademark Infringement in Domain Names

By Matthew David Brozik

## I. Introduction: Before the Internet

"A parody," the First Circuit stated in 1987, "is a simple form of entertainment conveyed by juxtaposing the irreverent representation of [a] trademark with the idealized image created by the mark's owner."<sup>1</sup> The Second Circuit ruled two years later that a parody must "convey two simultaneous—and contradictory—messages: that it is the original, but also that it is not the original and instead is a parody."<sup>2</sup> To the extent that an alleged parody conveys only the first message, the Second Circuit added, "it is not only a poor parody but also vulnerable under trademark law, since the customer will be confused."<sup>3</sup> While a parody necessarily must engender some initial confusion, the Tenth Circuit had earlier explained, an effective parody will diminish the risk of consumer confusion "by conveying [only] just enough of the original design to allow the consumer to appreciate the point of parody."<sup>4</sup>



But those were the days before Internet usage became commonplace—at least before everyone and his landlord had a Web site. Outside of cyberspace, a claim of parody grounded in the First Amendment remains a formidable defense against trademark infringement claims. The rules of parody do not apply as smoothly online, however, and a successful parody defense to claims of trademark infringement by means of a domain name is difficult to mount. This article considers some recent cases in which this issue, and issues arising in connection with critical but not strictly parodic sites, were raised and suggests the lessons to be taken from them.

## II. Parody Exploiting Trademarks Accurately

A prime example of the first legal obstacle that a parodic Web site operator must overcome is to be found in *People for the Ethical Treatment of Animals v. Doughney*.<sup>5</sup> In 1995, Michael Doughney registered with Network Solutions, Inc. (NSI) the domain name "peta.org," purportedly on behalf of a not-for-profit organization called People Eating Tasty Animals.<sup>6</sup> Doughney set up at [www.peta.org](http://www.peta.org) a Web site resource "for those who enjoy eating meat, wearing fur and leather, hunting, and the fruits of scientific research."<sup>7</sup> One needs little information and less imagination to recognize that

Doughney intended to take a swipe at People for the Ethical Treatment of Animals (PETA) (a mark it registered in 1992), an animal-rights organization with more than 600,000 members worldwide that is dedicated to promoting and heightening public awareness of animal protection issues and is opposed to the exploitation of animals for food, clothing, entertainment, and vivisection.<sup>8</sup> Doughney's site was patently antithetical to PETA's views, but Doughney was considerate enough to provide visitors with a hyperlink to PETA's own Web site.<sup>9</sup> Nevertheless, PETA sued Doughney in the Eastern District of Virginia, asserting claims of federal and state service mark infringement and unfair competition, dilution, and cybersquatting. Doughney asserted a parody defense. The district court granted summary judgment in favor of PETA.

On appeal, the Fourth Circuit looked to New York law for guidance in determining whether Doughney's use of the mark in question was use "in connection with goods or services," as required by the Lanham Act.<sup>10</sup> The court stated that to use PETA's mark "in connection with" goods or services, Doughney need not have actually sold or advertised goods or services on the Web site.<sup>11</sup> Rather, he need only have prevented users from obtaining or using PETA's goods or services or have linked his Web site to other sites selling goods or services.<sup>12</sup> In *Planned Parenthood Federation of America, Inc. v. Bucci*,<sup>13</sup> which the Fourth Circuit followed in *Doughney*, the court held that the defendant pro-life activist's use of the domain name "plannedparenthood.com" to identify a site critical of Planned Parenthood was use in commerce

because it is likely to prevent some Internet users from reaching plaintiff's own Internet [W]eb site. Prospective users of plaintiff's services who mistakenly access defendant's [W]eb site may fail to continue to search for plaintiff's own [Web site], due to anger, frustration, or the belief that plaintiff's [Web site] does not exist.<sup>14</sup>

As Doughney's site linked to various other sites of meat, fur, and leather merchants, and hunting and animal research organizations, the Fourth Circuit might have found use in commerce without resort to the *Planned Parenthood* reasoning, but either rationale would have sufficed to deem Doughney's domain name "used in commerce."



The court then considered whether Doughney's parody defense overcame his undisputed infringement of PETA's mark.<sup>15</sup> To answer that question, the court asked whether "peta.org" conveyed the requisite simultaneous messages of authenticity and illegitimacy—without reference to the content of the site.<sup>16</sup> Finding that "peta.org," taken alone, conveys only the message of authenticity—that is, it does not signal that it is a take-off on PETA's mark—the court ruled that the domain name was not parodic, and therefore was not a defensible infringement. The court rejected Doughney's argument that the second message—that the site is a parody—is conveyed by the site itself. Following *Planned Parenthood*, the court held that if a user would not receive the second message unless and until visiting the site itself, then use of the domain name incorporating PETA's mark is impermissible.<sup>17</sup>

### III. Parody in Name Alone

What about the opposite situation, where the domain name is parodic on its face, but the Web site it identifies is not? Is such use defensible? For the answer, we look to *A & F Trademark, Inc. v. Jorgensen*.<sup>18</sup> A & F Trademark, Inc., owner of the federally registered mark Abercrombie & Fitch—under which its licensee, Abercrombie & Fitch Stores, Inc., has sold men's and women's casual clothing since 1892—complained to Register.com, Inc. about one Justin Jorgensen, who had registered the domain name "abercrombieandfilth.com."<sup>19</sup> At www.abercrombieandfilth.com, Jorgensen maintained a gay-oriented pornographic Web site.<sup>20</sup> In accordance with the Uniform Domain Name Dispute Resolution Policy (UDRP) implemented by the Internet Corporation for Assigned Names and Numbers (ICANN) in 1999, Register.com submitted the dispute to the World Intellectual Property Organization (WIPO) Arbitration and Mediation Center for administration and a determination.<sup>21</sup> Enter the ambitious arbiter, sole panelist Jordan S. Weinstein, in August 2001.<sup>22</sup>

Weinstein acknowledged that while it is not explicitly identified as such in the UDRP, parody nevertheless might be a valid defense to a claim of trademark infringement.<sup>23</sup> He also noted that the Fourth Circuit in *Doughney* had held a domain name identical to a trademark to be incapable of being parodic,<sup>24</sup> but he stated his belief that no court or UDRP panel had yet attempted to create a workable test for determining when a domain name itself constitutes parody.<sup>25</sup> Weinstein went on to establish a two-part inquiry for identifying when a domain name is parodic: (1) Does the domain name itself have the capacity to constitute a parody? (2) If so, is use of the domain name consistent with a claim of parody?<sup>26</sup>

Guided by *Doughney*, Weinstein found "abercrombieandfilth.com" to be capable of conveying the requisite messages of authenticity and illegitimacy with the requisite simultaneity. Moving to the second step of his analysis, Weinstein considered whether Jorgensen's use of "abercrombieandfilth.com" was consistent with his claim of parody.<sup>27</sup> Weinstein then did what the Fourth Circuit did not do in *Doughney*: he considered the content of the site. "In order to constitute parody," Weinstein opined, "the [W]eb site must poke fun at the goods or services associated with Complainant's marks: use of another's trademark to poke fun at something unrelated to Complainant's mark is not parody."<sup>28</sup> Because he found that Jorgensen's site did not poke fun at the Abercrombie & Fitch business venture, Weinstein ruled that Jorgensen's site failed the second prong of the test.<sup>29</sup>

### IV. Back in the S.D.N.Y.

One might question Weinstein's assertion that no court had attempted to create a workable test of a domain name's parodic nature. After all, the Fourth Circuit in *Doughney* had established a test. Perhaps Weinstein was referring to want of a test for cases in which the domain name itself contained a parodic element. In fact, presumably unbeknownst to Weinstein, while he was considering the matter before him, the United States District Court for the Southern District of New York was considering *Mattel, Inc. v. Adventure Apparel*<sup>30</sup> and preparing to provide some guidance *a propos* of Weinstein's second step.

Adventure Apparel, a sole proprietorship owned by Jeffrey Groch that sells swimwear and tanning sessions, registered with NSI the domain names "barbiesbeachwear.com" and "barbiesclothing.com."<sup>31</sup> With no unique content yet to associate with these domain names, Groch "parked" them at his company's primary Web site, www.adventureapparel.com. A Web browser that was pointed to any of the three addresses would bring up the last.<sup>32</sup>

Mattel, Inc., the world's largest manufacturer of toys, games, and playthings, maker and distributor of Barbie dolls, and owner of numerous Barbie-related trademarks, sued in the Southern District of New York to enjoin Groch's use of the two parked domain names.<sup>33</sup> The court found first that "Barbie" is both a distinctive trademark and a famous mark and that Groch's domain names were both confusingly similar to and dilutive of it.<sup>34</sup> Groch asserted a parody defense. When it considered whether Groch was making a bona fide noncommercial or fair use of the mark in a site accessible under either domain name, the court, taking its cue from the Anticybersquatting Consumer Protec-

tion Act of 1999,<sup>35</sup> provided a glimpse into what might be the future of the law of parody (at least locally):

Groch offers evidence in the form of an affidavit that the domain names “barbiesbeachwear.com” and “barbiesclothing.com” were registered with the intent to set up a parody site. Such use would in fact be a protected noncommercial use and would entitle its holder further to First Amendment protection. However, no parody site was ever established. By “parking” the domain names at a commercial [Web site] and conducting business through the domain name[s] defendant has lost the ability to claim this factor in his favor.

\* \* \*

Groch’s domain name registration [might] have been protected under the First Amendment if a parody [site] had been established at the [URLs]. However, he decided to park the two domain names at the Adventure Apparel [Web site] and made a sale through . . . www.barbiesbeachwear.com

If Groch intended that “barbiesbeachwear.com” and “barbiesclothing.com” would have become [W]eb sites to parody the negative social impact of portraying women in a distorted and socially harmful manner, he would have done well not to associate [them] with his retail [W]eb site which sells women’s clothing, boots, breast enhancement products, hosiery and body stockings.

While hinting at the second prong of a possible two-prong test, however, the court made no mention of the first prong: whether the domain name itself is parodic. Groch likely would not have satisfied the first prong, as neither “barbiesclothing.com” nor “barbiesbeachwear.com” simultaneously conveys the messages that it is an official, sanctioned Barbie Web site and yet is not. *Perhaps “boobie.com”?* Or perhaps “barbie sucks.com,” which probably would pass muster as the parodic domain name of a Web site taking aim at the doll.

## V. A Critical Alternative: So-called “Sucks” Sites

Rather than two new general-use, top-level domain suffixes, namely “.biz” and “.info,” perhaps ICANN

instead should have permitted the establishment of a “.sucks” domain and created a dedicated lane on the information superhighway for those who wish to criticize others’ enterprises. As it is, such a shoulder to the road is defining itself, and that shoulder has a chip on it, as it were.

Before he considered the respondent’s parody defense in *Jorgensen*, arbiter Weinstein determined whether the domain name at issue, “abercrombieandfilth.com,” infringed the complainant’s mark in the first instance. Jorgensen likened his domain name to the so-called “sucks” domain names. In response, Weinstein pointed out that the “sucks” cases have not created a clear rule: “directlinesucks.com” and “adtsucks.com” have been held to be confusingly similar to the marks at which they take aim, while “wallmartcanadasucks.com” and “lockheedmartinsucks.com” have been held not to be.<sup>36</sup> Of course, if a domain name is not confusingly similar in the first instance, then a parody defense is unnecessary, as the complainant/plaintiff cannot prevail on its infringement claim. Nevertheless, arguably the best insight available regarding whether tacking “sucks” onto an otherwise protectible trade name constitutes parody comes from a case in which the domain name was found to be noninfringing. Henry H. Perritt, Jr., the sole panelist in *Wal-Mart Stores, Inc. v. wallmartcanadasucks.com* and *Kenneth J. Harvey*,<sup>37</sup> concluded that “a domain name including the word ‘sucks’ cannot be confusingly similar [to the mark to which ‘sucks’ is appended],” and that “a privilege for criticism and parody reinforces that conclusion.”<sup>38</sup>

Kenneth Harvey registered “wallmartcanadasucks.com” and made accessible at that address a Web site critical of Wal-Mart, the retail department store chain.<sup>39</sup> Wal-Mart Stores, Inc., owner of the famous registered mark, brought a complaint against Harvey and his site before a WIPO panel.<sup>40</sup> “Two lines of authority are pertinent to this dispute,” Perritt wrote.<sup>41</sup> “The first involves application of factors for determining likelihood of confusion under the Lanham Act to a Web [site] using the word ‘sucks’. . . . The second involves the treatment of parody and criticism . . . more generally.”<sup>42</sup> Regarding the first inquiry, Perritt concluded that a reasonably prudent user would not mistake the “wallmartcanadasucks.com” site for any of Wal-Mart’s official sites and that there is little likelihood that Wal-Mart will extend its business to operate an official anti-Wal-Mart site.

So Harvey was already off the proverbial hook, free to criticize Wal-Mart on his Web site, with the permission, if not the blessing, of WIPO. Still, because Harvey had raised a parody defense, Perritt weighed in on that argument as well. At the outset, Harvey’s posture was akin to that of Doughney in that the content of the site

in question was plainly parodic, or at least critical.<sup>43</sup> The question remained whether the domain name itself was parodic. Acknowledging that in domain name disputes it is essential that the “accused domain name itself signif[y] parodic or critical purposes, as opposed to [mere] imitation of trademark,”<sup>44</sup> and also that appending “sucks.com” to a company’s name “has become a standard formula for Internet sites protesting the business practices of [the] company,”<sup>45</sup> Perritt concluded that Harvey had the right to use the domain name at issue as “a foundation for criticism of the complainant.”<sup>46</sup>

## VI. Beyond “Sucks”

“Many of the WIPO Center ‘protest and criticism’ [c]ases have involved the word ‘sucks’ added to a well-known trademark,” wrote sole panelist Dennis A. Foster in *Burlington Coat Factory Warehouse Corp. v. Smartsoft*.<sup>47</sup>

Some panels have found the resulting domain names to be confusingly similar because Internet search engines pick up the trademark and cannot discern that the word “sucks” is now commonly used for protest or criticism in English, especially American English. The Panel does not believe these decisions accurately reflect the current posture of U.S. courts. Instead, the Panel is more in sympathy with a recent WIPO decision . . . where the Panel found “Lockheedsucks” was not confusingly similar to “Lockheed.”<sup>48</sup>

Noting that many use the Internet not just to find providers of goods and services but also to search for information critical of these providers of goods and services, Foster found that owners of critical Web sites “necessarily have to use the trademark owner’s mark, paired with ‘sucks’ or what-have-you, to signal their presence on the Internet.”<sup>49</sup> But what is this *what-have-you* to which Foster alluded?

The case before him was brought by Burlington Coat Factory Warehouse Corporation, a clothing and accessory retailer whose product line admittedly includes items made with animal fur.<sup>50</sup> Burlington had complained about Smartsoft’s registration and use of the domain names “burlingtonmurderfactory.com,” “burlingtonkillfactory.com,” burlingtondeathfactory.com,” “burlingtonbloodfactory.com,” and “burlingtonholocaustfactory.com.”<sup>51</sup> Foster found, without much apparent wrangling with his own conscience, that the respondent’s use of “murder,” “kill,” “death,” “blood,” and “holocaust” to indicate the critical nature of its several Web sites (which were, in fact, critical of the com-

plainant’s business) satisfied the requirements of the parodic domain name test.<sup>52</sup> Foster did not believe that the public would think that these sites were sponsored by the complainant.<sup>53</sup>

What did not sit well with Foster, however, was that the respondent’s use of the domain names at issue was not pure critical use; it was, in part, commercial use. In fact, Foster found that the respondent’s critical use was a mere “fig leaf of protest”<sup>54</sup> to defend its use of the domain names, disingenuously to try to bring its use of the marks within the safe haven of protest and criticism.<sup>55</sup> The respondent had at its Web sites photographs of cruelly treated dogs, but it also had advertisements for Dotster, Inc., the online registrar with which the respondent had registered its sites.<sup>56</sup> The respondent, Foster found, was primarily interested in selling Internet domain names, not in saving animals.<sup>57</sup> As the mixed messages of the respondent’s sites therefore might confuse the public, Foster ordered them transferred to the complainant.<sup>58</sup>

## VII. Conclusion

What lessons can we take from these decisions? As in the real world, parody is a defense to claims of trademark infringement online, specifically infringement by use of one’s mark within another’s domain name. When the infringer asserts a parody defense, however, under the two-part analysis that has emerged, the adjudicator will look first to the domain name itself and determine whether the domain name alone, in the first instance, conveys the requisite simultaneous messages of authenticity and inauthenticity. Only if the domain name passes this test will the content of the site be examined. If the content is not itself parodic or at least critical, however, and not exclusively noncommercial, then use of even an otherwise parodic domain name will not stand.

## Endnotes

1. *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 34 (1st Cir. 1987).
2. *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ. Group, Inc.*, 886 F.2d 490, 494 (2d Cir. 1989).
3. *Id.*
4. *Jordache Enterprises, Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1486 (10th Cir. 1987).
5. 263 F.3d 359 (4th Cir. 2001).
6. *Id.* at 362-63.
7. *Id.*
8. *Id.*
9. *Id.* at 363.
10. 15 U.S.C. §§ 1114 and 1125(a). The court noted that what little case law existed on point came out of New York.
11. 263 F.3d at 365.

12. *Id.*
13. 42 U.S.P.Q.2d (BNA) 1430 (S.D.N.Y. 1997).
14. *Doughney* at 365, citing *Planned Parenthood*, 42 U.S.P.Q.2d (BNA) at 1435. This phenomenon is sometimes called "initial interest confusion."
15. *Id.* at 366.
16. *Id.*
17. See also *Morrison & Foerster LLP v. Wick*, 94 F. Supp. 2d 1125 (D. Colo. 2000).
18. 2001 UDRP LEXIS 1064.
19. *Id.*
20. *Id.* at \*3.
21. *Id.* at \*1-2.
22. *Id.* at \*2-3.
23. *Id.* at \*14.
24. *Id.* at \*15.
25. *Id.* at \*14.
26. *Id.* at \*14-15.
27. *Id.* at \*15.
28. *Id.* at \*15-16, citing *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997). Use of one item of intellectual property, be it a mark or copyrightable work (or both), to make fun of another without at least in part targeting the first for criticism is satire, not parody. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994).
29. *Id.* at \*16.
30. 2001 U.S. Dist. LEXIS 13885.
31. *Id.* at \*1-2.
32. *Id.* at \*2-3.
33. *Id.* at \*1.
34. *Id.* at \*6.
35. 15 U.S.C. § 1125(d).
36. *Jorgensen*, 2001 UDRP LEXIS 1064 at \*12-13.
37. WIPO Domain Name Dispute Case No. D2000-1104, available at <http://arbitrator.wipo.int/domains/decisions/html/2000/d2000-1104.html>.
38. *Id.* at 2.
39. *Id.* at 11-12.
40. *Id.* at 1, 11.
41. *Id.* at 6.
42. *Id.*
43. Perritt drew no distinction between sober criticism and strict parody, citing *Acuff-Rose*, 510 U.S. at 582-83 ("First Amendment protections do not apply only to those who speak clearly, whose jokes are funny, and whose parodies succeed.")
44. *Id.* at 9.
45. *Id.* at 12.
46. *Id.*
47. 2001 UDRP LEXIS 211, \*6.
48. *Id.* at \*6-7, citing *Lockheed Martin Corp. v. Parisi*, WIPO Case No. D2000-1015.
49. *Id.* at \*7.
50. *Id.* at \*1-3.
51. *Id.* at \*1.
52. *Id.* at \*8.
53. *Id.* at \*9-10.
54. *Id.* at \*13.
55. *Id.* at \*12.
56. *Id.* at \*6.
57. *Id.* at \*14.
58. *Id.* at \*15.

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## REQUEST FOR ARTICLES

If you would like to submit an article, or have an idea for an article,  
please contact *Bright Ideas* Executive Editor

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*Articles should be submitted on a 3.5" floppy disk, in Microsoft Word, along with a printed original, or by e-mail if in Microsoft Word. Submissions should include biographical information.*



# Thoughts on Parody from the Author of *Barry Trotter and the Unauthorized Parody*: An Interview with Michael Gerber

**Editor's note:** *Suntrust Bank v. Houghton Mifflin Co.*,<sup>1</sup> the recent highly publicized copyright infringement case involving "The Wind Done Gone," Alice Randall's parody of Margaret Mitchell's classic novel "Gone With the Wind," sparked debate over the following issue: Can the owner of the rights to a valuable literary work enjoin publication of a parody that liberally borrows significant elements such as characters, setting, and plot elements in order to create a new work that comments critically on the earlier work? Put differently, how can a parodic fair use be distinguished from an unauthorized derivative work? Where does copyright protection end and free speech begin?

The Eleventh Circuit, reversing the district court, held that a preliminary injunction barring publication of the "The Wind Done Gone" was improperly entered because Houghton Mifflin had demonstrated that it was likely to prevail on its fair-use defense. In so ruling, the court stressed that "the public interest is always served in promoting First Amendment values and in preserving the public domain from encroachment."<sup>2</sup> In its fair-use analysis, the court found that while Randall's work, which retells aspects of "Gone with the Wind" from the perspective of an invented slave character, was substantially similar to "Gone With the Wind," it was a "transformative" critical statement that aimed to "demystify ['Gone With the Wind'] and strip the romanticism from Mitchell's specific account of this period of our history."<sup>3</sup> As to whether Randall had borrowed more from "Gone With the Wind" than necessary to achieve her critical objective (the third fair-use factor), the court declined to reach a conclusion based upon the limited record before it, but it emphasized that parodists "must be able to conjure up at least enough of [the] original to make the object of its critical wit recognizable."<sup>4</sup> With respect to the final fair-use factor—market harm—the court found that the plaintiff had "failed to demonstrate that ['The Wind Done Gone'] would supplant demand" for "Gone With the Wind" sequels.<sup>5</sup> Concluding that any harm to plaintiff could be remedied by money damages and that issuance of an injunction was "at odds with the shared principles of the First Amendment and the copyright law," the court vacated the injunction (characterizing it as a "prior restraint") and remanded for further proceedings.

The issues raised by the Suntrust Bank case went beyond the legal parsing of Randall's borrowings from Margaret Mitchell. Lawrence Lessig took the case as an opportunity to criticize the Sonny Bono Copyright Term Extension Act of 1998—the constitutionality of which will be decided

by the U.S. Supreme Court in *Eldred v. Ashcroft*<sup>6</sup>—for permitting powerful corporations that control the rights to works and characters that have become part of the nation's cultural life to profit at the expense of the public domain without furthering the Copyright Clause's purpose of promoting science or the useful arts.<sup>7</sup> Others viewed the case simply as an improper attempt to assert copyright rights to suppress important social commentary, while the Margaret Mitchell estate and its supporters, on the other hand, raised the specter of a raft of unauthorized sequels poaching famous copyrighted characters and plots and seeking legal cover under the mantle of parody. So while the case brought to the surface the tension between copyright and the First Amendment, it also focused attention on the perceived threat posed by aggressive corporate rights holders to the vitality of the public domain, and, on the flip side, the threat posed to rights holders by free riders.

Against this legal backdrop, we asked **Michael Gerber**, author of the recently published novel **Barry Trotter and the Unauthorized Parody**, to provide a writer's perspective on parody, in particular its status as a literary form in today's marketplace.

## 1. What is a parody, as opposed to satire and other forms of criticism, and what leads a writer to choose parody as a form?

Parody is a technique; satire's an intent. Swift's *A Modest Proposal* is satire, but it's not parody—there was no original widely-known "Immodest Proposal" that Swift was lampooning. Parody is a specific literary device where the distinctive details of an original text are exaggerated or otherwise changed to make a point about that original and/or the world it inhabits. Parodies are most often satirical, but they don't have to be; they can be absurd, nonsensical, whimsical, etc. Parody is the structure; the flavor and intent varies from work to work, writer to writer. *Barry Trotter*, for example, is satirical, but there's also a lot of whimsy, some nonsense, some puns, bathroom humor . . .

Parody is the comic method of choice in our recycling, recombinant, postmodern age; what sampling is to music, parody is to literature. Once you get tuned into parody, you see it everywhere—movies, TV, commercials, even graphic design! It is omnipresent because it is protected speech. Our American tradition recognizes parody as an important, perhaps even essential, part of intellectual discourse, and it is almost unknown



that something recognized as clearly parodic loses in a court of law.

But protected status is not, I believe, the main reason underlying parody's current popularity. As media consumes more and more of our waking hours, parody becomes a more and more efficient means of communication. This efficiency is what makes a writer choose to parody something—you can convey a tremendous amount of information in a few words (or in a short time, if it's TV/movies). If I say, "This is a parody of 'Star Trek,'" you immediately know the parameters—I don't have to spend a moment setting them up, introducing the characters, and such. We can get right to the jokes; today's audiences have shorter attention spans than ever.

Parody also defines its audience, something very important in our increasingly fractured, heterogeneous marketplace. Like a sequel, a parody has an advantage over other artistic forms from a marketing perspective. "Who will buy/watch this?" is easily answered. Think of the stereotypical Hollywood pitch meeting: "It's just like x, only different." That defines parody. The risk-averse "go with what works" bias of big media actually encourages parody, which is ironic, since they hate it so much.

## **2. How did you first come to work in a parodic vein? What are some of the parodies that influenced your work?**

The first five years of *National Lampoon*, from 1970-1975, are every modern American comedy writer's bible, whether he/she knows it or not. *NatLamp*'s specialty was parody, carefully observed, and gracefully executed—with the visual side as precise (and often as funny) as the text. Their high point, for parody at least, was *The 1964 High School Yearbook* parody, which was released in 1974 and remains a classic. (Try to buy one on eBay, if you don't believe me.) The whole *Lampoon* aesthetic—mixing high and low culture, graphic precision, and quite a lot of sex and luridness—is something that I absorbed at a very young age. *Barry Trotter*'s closest ancestor is a book called *Bored of the Rings*, which was written by Doug Kenney and Henry Beard in 1969, when they were fresh from *The Harvard Lampoon* and just about to start the *National* one. And of course there was *MAD* magazine, which was not as earthshaking as it had been back in the '50s, but I still read it from age five on. *Barry*'s about halfway between *MAD* and *NatLamp*—more sophisticated than *MAD*, but not nearly as sexual as *NatLamp* was.

Both *MAD* and *NatLamp* trace their roots back to college humor magazines, the student-run, small-circulation magazines that have limped along proudly for the last 130 years. The magazine parody was invented

by Robert Benchley while at *The Harvard Lampoon* in 1911, and it's a form that made a lot of magazines thousands (perhaps millions) of dollars over the years. So naturally, I first began working in a parodic vein while running Yale's humor magazine, *The Record*. My years (1987-91) were also the time that desktop publishing became available, so I was suddenly able to do the kind of meticulous, graphically-precise parodies that I had grown up reading in *MAD* and *NatLamp*. It was a very exciting, creative time for me.

## **3. Are you concerned that large corporate rights holders are seeking to stifle parodies in order to maximize the profitability of their franchises? In other words, is parody under assault (as *The Wind Done Gone* case suggests)?**

Yes, very much so, particularly in print. Print parody, perhaps due to its perceived permanency, comes under more scrutiny—which is strange, since by any important measure, audience or revenue, print is a pygmy. Can you imagine what "Saturday Night Live" would do if each parodic sketch was given the kind of scrutiny that *The Wind Done Gone* was? Why wasn't Carol Burnett sued? More people saw her parody than Alice Randall's. So the issue with *TWDG* is what the book said, and the literary hair-splitting strikes me as a red herring. The Mitchell estate's right to make dough *ad infinitum* is not sacrosanct—as if *GWTW* would sell less as a result of *TWDG*! Fact is, the audiences wouldn't overlap for long; it would become clear that if you dug *GWTW*, *TWDG* wouldn't be a satisfying read, and vice versa. I simply don't see how *TWDG* could "injure" *GWTW*'s sales—or stature as a national myth—any more than, say, Ken Burns' "Civil War" series. *GWTW* is a story, that's all. *TWDG* is a counter-interpretation—pick your choose, as my Mom used to say.

In print, anything with an audience large enough to be worthy of painstaking parody will be owned and protected by a large corporation. That's just where we are these days. But to get wide distribution and publicity, you have to be published by another large corporation—which will be risk-averse. Not only will they get uncomfortable if you criticize a fellow mega-corporation (thus giving you whole areas of *verboden* territory), they will also sacrifice graphic precision for a smaller risk of being sued over "trade dress" infringement. The lawyers say, "You can't confuse the consumer," when the parodist's goal is to have the packaging strongly suggest the original—as with the text—in order to comment on the original. It's an untenable situation, and that's why most of the parodies that are published by big publishers are blunt and unfunny; they're designed that way, so that they make a little dough, but aren't so good that they would cause a stir and cause the owners of the original to sue.

Clearly, the issue is control. Corporations resent it when somebody not on the payroll comments on a property on which they've spent millions to stuff into the brain of every sentient biped on the planet. Not only do they want it in your head, they also want to control your perceptions of it, too. Then some damn funnyman comes along . . . I can understand their irritation—but I say that omnipresence makes the property more fair game, not less. Being parodied is a byproduct of success.

Corporations don't have to sue to squelch parodies—if I wasn't willing to donate part of my stomach lining to free speech, *Barry Trotter* wouldn't exist. Much of the chilling effect on speech comes from saber-rattling—and in this, there is a pretty clear calculus going on as to who gets bothered. For example: everybody knows the MasterCard ad campaign with the tag line “ . . . priceless.” After it appeared, it was parodied all over the place, with nary a peep from MasterCard or their ad agency. But when political upstart Ralph Nader used a MC parody to further his campaign, MasterCard threatened a suit. The point is, when it comes to parody, whether you're legally protected may not be as important as who you have protecting you.

The sad thing is that all this corporate fear is based on the misconception that a parody somehow detracts from the original. That hasn't been borne out by reality. Parodies with a negative take on an original don't appeal to the same audience. It's not as if by reading Tony Hendra's *Off the Wall Street Journal* (1982), people will suddenly realize, “By God, he's right! This *Wall Street Journal* thing is a piece of crap! I'm going to read *Barron's* instead!” I've literally never heard of something being seriously injured by a parody. If anything, a parody is a great piece of free advertising—it's evidence that the original is an institution.

Look at that much-parodied warhorse, “Star Trek.” That entire franchise is due to one thing: obsessed fans. If not for the fans, “Star Trek” would've been cancelled in 1969, and Paramount would be billions of dollars poorer today. I wrote *Barry Trotter* because Warner Brothers was determined to control the Harry Potter brand to the degree that it was sending cease-and-desist letters to 12-year-olds running Web sites out of their bedrooms. Was it legal for WB to do this? Yes. Was it smart? In my opinion, no; these corporations should nurture love of their properties, not get hung up on controlling them. I think they've stopped going after the kids, and they haven't sued me yet, either. So I hope that corporations come to see that this kind of thing—parodies, Web sites, fanfic, conventions—is not a threat, but at least neutral, and most likely a benefit to them. The paranoia is silly, counterproductive, and keeps worthy things out of the marketplace.

**4. To what extent did the legal parameters with which the courts have distinguished permissible from impermissible parody inform your work?**

To the extent that I could decipher them, a great deal. But after talking to many lawyers, it became clear to me that what was permissible varied from case to case, judge to judge. So I simply tried to hew to the rules clearly established by other, unsued parodies, like *Bored*. *Barry Trotter* uses techniques that have been used for a long time—and remember, the point of a parody is not to pass for an original, but to echo an original while adding a new perspective. *Barry Trotter* isn't *Harry Potter*, and nothing that I've received since publishing it suggests that readers have one iota of confusion over the relationship. People are up to their eyeballs in parody; they know it when they see it.

**5. Does the rule that a parody must comment on the work being parodied, and not just use that work as a vehicle for more general social commentary, correspond with your understanding of what parody is?**

I believe that a properly done parody—well-observed, precise, and with a clearly defined relationship to the original contained in the premise (“It's ‘Star Trek,’ but they're all members of Congress!”)—necessarily comments on the original. It may also comment on other issues; in a parody novel like *Barry*, you have to comment on other things simply to fill up the pages.

Look, to a comedy writer, the definition of “parody” is very clear, if not always easy to articulate. If you're looking for someone to blame for the fuzziness of “parody” as a concept, look to the big corporations themselves. An ex-*NatLamp* friend of mine says that on the cover of a book, the word “parody” should be translated as “please don't sue us.” Most of the time, there is a very fuzzily-defined relationship between the original and the parody; it's simply a humorous knock-off. (Of course, one man's humorous knock-off is another man's parodic masterpiece.) I'm coming to believe that parody's like pornography—I can't define it, but I know it when I see it. But the parodies I do have a strong relationship to the original; that's why I chose a parodic structure instead of another one that is easier to do and avoids the legal hassle altogether.

**6. Are there any lessons to be drawn from, or points you would like to make regarding, your experience with shopping the *Barry Trotter* manuscript?**

Parodies do not have to be negative. In fact, the most popular ones aren't. *Barry Trotter and the Unauthorized Parody* is a fan's book, written by a fan for other fans to enjoy. That doesn't mean that there isn't plenty

of satire in the book. I kid Rowling and the fans a bit, and the tics of the original series occasionally—but I was writing out of respect for and enjoyment of the originals. Publishers couldn't see that, because they are so ignorant of what makes a successful parody. One actually told me, "I don't think people HATE Harry Potter enough to buy your book." To date, I can report no sales to Harry-haters.

Publishing people are so anxious to surf the zeitgeist—it sometimes seems like their only critical faculty. "Will it spawn a national craze?" "Does it tap into something that me and my friends here in New York talk about?" "What will x demographic be into this time next year?" The lack of creativity, or knowledge of what's worked in the past (and I don't mean last quarter), is truly disheartening. There is no understanding of humor in print, and so little money on offer that nobody who's got major-league chops would ever spend his/her time doing it. I'm a freak, and after years I'm coming to accept that.

Doing a parody of Harry Potter was such an obvious idea—and to do it in a way that Harry Potter fans would actually enjoy, so clearly the way to go about it—that my difficulties getting it to the marketplace, given my track record and the fact that the book was shopped more or less finished, are a real object lesson. Publishing is absolutely doomed vis-à-vis other media unless it wakes up and realizes it's not Hollywood or television, will never command the kind of attention or glamour or profit margins of the visual media, and asks, "What the hell can we do well that they can't?" Then, without tears, really commit to the creative possibilities of print, doing the things it does well.

One of the first rules of parody is to use the same medium as the original, and yet, if I hadn't persevered with *Barry*, either some schlocky parody would've come out and promptly died a deserved death ("proving" yet again that humor doesn't sell) or—and this is more likely—the upcoming Wayans brothers' movie "Scary Movie III: Lord of the Wands" would've been the only satirical comment on Harry Potter, the biggest publishing phenomenon of our time. Harry Potter's a book. The parody should be a book, and I tried my damndest to make the parody worthy of the original. I hope I succeeded. If I did, it was in spite of the structure and prejudices of big publishing, and even though I've suffered for it, I'm quite proud of that.

## 7. What message(s) are you trying to convey in your work?

Well, the primary message is always: laugh, damn you! There are other messages—thoughts, really—that I

am trying to present to the reader for consideration. In *Barry Trotter*, some of the thoughts were: merchandising and the lust for perfect synergy can injure an original, and shouldn't be a foregone conclusion; the relationship between a book and a reader is both powerful and fragile; imagination is the closest thing to magic we've got, so we should nurture it, especially in kids; and the commercialization of things like *Harry Potter* isn't simply a case of big, bad companies forcing drek onto a passive audience—that we as consumers need to be pickier in what we consume, and encourage higher standards of creativity and quality in our media. But don't get the wrong impression—mostly it's fart jokes.

## 8. Any prognostications regarding parody as a form?

Predicting the future is guaranteed to make you look like an idiot, but that particular jig is up. In my opinion, parody will continue to be popular in direct proportion to the degree popular culture forms our common bond as Americans. I think that general parody—like *The Onion*, which uses the aesthetic of a McPaper as an organizing device, not as a vehicle for launching jabs specifically at *USA Today*—will continue to dominate, simply because it is less sueable and, in the right hands, effective. But I also hope that parodists will continue to accept the risk and do specific parody, because that precision is where whatever small power parody has to change people's minds exists. Free speech isn't something you're given; it's something you have to care enough to take, and since parody always seems to be on the battlements, I guess it must be important. All I know is, it makes people laugh. And, much less often but still occasionally, think.

## Endnotes

1. 268 F.3d 1257 (11th Cir. 2001).
2. *Id.* at 1276.
3. *Id.* at 1270.
4. *Id.* at 1271 (quoting *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 588 (1994)) (emphasis in original).
5. *Id.* at 1275. The court added that any harm to the market for derivative works caused by the effectiveness of the critical commentary—as opposed to actual market substitution—is not cognizable as "market harm." *Id.* at 1274.
6. No. 01-618, review granted Feb. 19, 2001.
7. See Lawrence Lessig, *Let the Stories Go*, N.Y. Times, Apr. 30, 2001, at A19.

Michael Gerber's *Barry Trotter and the Unauthorized Parody* can be ordered through [www.barrytrotter.com](http://www.barrytrotter.com) or from major online booksellers.



# Protect Your Marks in .us, America's New Internet Address

By Margaret L. Milam

With the September 11th attacks fresh in the minds of Americans, the resulting increase in patriotism should cause the launch of the .us domain extension by NeuStar, Inc. to become the biggest threat to .com. Although several new domain name extensions were launched during the last year (such as .biz, .info and .name), companies that may be resistant to protecting their brands in yet another new domain name extension should not overlook .us, which many in the industry believe will gain significant traction as a result of this increased patriotism. Indeed, NeuStar's tagline of "America's Internet Address" reinforces this marketing theme. Because of this U.S.-centric message and the limited availability of attractive .com names, .us offers a viable alternative to .com as the home for America's on-line presence.

.us is the country-code, top-level domain that is assigned to the United States. .us is one of more than 200 two-letter, country-code, top-level domains that are assigned to the world's sovereign nations. These "ccTLDs," as they are called, exist in the Internet's addressing system along with the general top-level domain names, or "gTLDs" as they are commonly referred to by practitioners (gTLDs include .com, .net, .org, .info, .biz and .name). In certain countries, such as England and Japan, their respective ccTLDs are heavily used for commercial purposes. Until now, the .us ccTLD, which has been in existence for a number of years, has experienced only limited use, mostly by federal, state, and local governmental agencies as their Internet address. This is largely because a cumbersome "multi-level" format was required (for example, "name.locality.state.us", or, "markmonitor.boise.Idaho.us").

In submitting a bid to the United States Department of Commerce (DOC) to manage the .us registry, NeuStar agreed to continue to maintain the existing registrations in the old .us format. However, the relaunch of .us has done away with the old hierarchy and opened registrations to the more commercially viable second-level domain registrations (for example, markmonitor.us), making .us an attractive alternative to .com. More importantly, however, because .us is only open to individuals and entities meeting certain geographic requirements (referred to as the .us nexus requirements), .us is viewed by many in the United States government as a means to regulate certain Internet-related content. For example, H.R. 3833, proposed

by Rep. John Shimkus, essentially proposes to create a federally regulated "green-light area" on the Web for children. This bill proposes requiring NeuStar to create a .kids.us extension which would ensure that only content suitable for children under 13 is available there. Should this bill or other bills targeting other Internet-related policy concerns be enacted, NeuStar likely will experience significant commercial interest by companies trying to reach the youth market and other specialized markets, resulting in .us becoming an important address for conducting online business, not merely a domain that serves as a means of defensively protecting important trademarks.

It is important to understand that unlike the gTLDs launched last year, .us is not administered by ICANN in the same fashion as the gTLDs. NeuStar's role with .us includes serving as the administrator (analogous to ICANN) in developing policies that affect the .us registry and managing the registry itself (analogous to Verisign for .com). In serving its role as the .us administrator, NeuStar announced the creation of a "usTLD Policy Council" to address policy issues affecting the .us registry. The policy council will have the ability to make recommendations to NeuStar that will not be binding upon NeuStar.

As the .us administrator, NeuStar has adopted policies that are highly favorable to trademark holders, including the establishment of sunrise period pre-application processes and the adoption of a more favorable dispute resolution process. With respect to the latter, NeuStar has created the "USDRP," found at [www.neustar.us/policies/docs/usdrp](http://www.neustar.us/policies/docs/usdrp), which expands the UDRP adopted by ICANN. Under the USDRP, the concept of "bad faith" has been expanded to include a registration "to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name." In addition, relief can be obtained under the USDRP if the contested name was either used in bad faith or was registered in bad faith. Accordingly, trademark holders should find it much easier to regain control over wrongfully registered domain names by cybersquatters attempting to abuse their important trademarks.

In addition, during the .us sunrise period, originally scheduled to run from March 4 until April 9, 2002 (it was extended to April 16), trademark holders were given the first opportunity to protect their trademarks in the .us space. Unlike the other recently launched



gTLDs, .us sunrise period registrations were available for both registered and pending trademarks if filed with the USPTO before July 27, 2001. This provided companies with the unique opportunity of protecting trademarks that were applied for but ultimately may have been rejected by the USPTO for descriptiveness, likelihood of confusion, or other standard objections.

A unique aspect of the .us sunrise period was the DOC requirement that NeuStar validate the information contained in a sunrise application as against the information related to the specified trademark contained in the USPTO records. This unique validation was designed to prevent the types of problems experienced by Affilias, the registry for .info, where it is estimated that more than 25 percent of all sunrise registrations resulted from inaccurate, incomplete, or, in some instances, fraudulent applications. According to the NeuStar proposal to the DOC, posted at [www.neustar.us](http://www.neustar.us), NeuStar expected to perform its validation of sunrise applications after the random selection process had selected a domain name for .us registration. If the domain name was rejected as nonqualifying, another name was chosen at random. At least one .us registrar, Markmonitor, designed a pre-validation ordering system that extracted the required information from the USPTO database and tested the application for validation in accordance with the standards announced by NeuStar, greatly simplifying the process and reducing the likelihood of failing the .us validation test.

Another interesting difference between .us and gTLDs is the requirement of compliance with the .usTLD Nexus Requirements, found at [www.neustar.us/policies/docs/ustld\\_nexus\\_requirements](http://www.neustar.us/policies/docs/ustld_nexus_requirements). Because the .usTLD is viewed as an important public resource to be managed in a manner that benefits the United States, its citizens and residents, registrants must meet certain specific requirements that prove a sufficient nexus with the United States. First, .usTLD domain name registrations must be hosted on computers located within the United States, although the Internet community has expressed concerns regarding

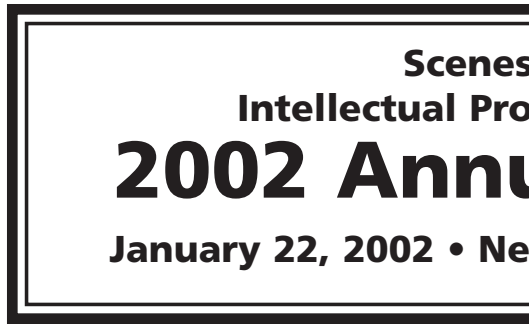
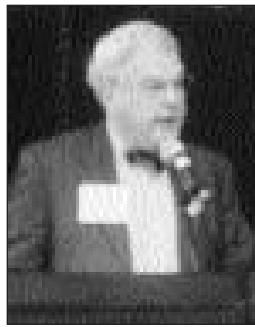
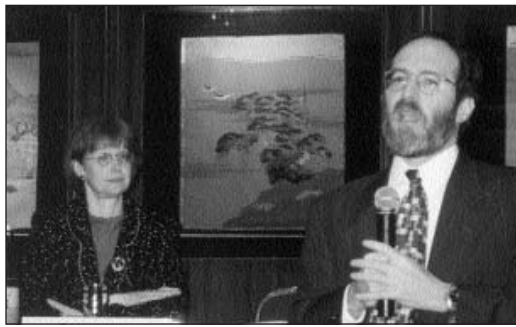
whether this requirement actually can be verified. In addition, a registrant in the .usTLD must be either:

- (1) a natural person who is a citizen or permanent resident of the United States or whose primary domicile is in the United States;
- (2) a United States entity or organization that is incorporated, organized or otherwise constituted within the United States or under state law; or
- (3) a foreign entity or organization that has a bona fide presence in the United States, including by regularly performing lawful activities within the United States (such as selling goods and services or other business, commercial or non-commercial and not-for-profit activities) or maintains an office or other property within the United States.

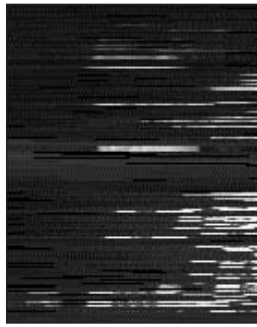
The .usTLD Nexus Requirements must be satisfied at the time of the initial application and throughout the term of any registration granted. However, unlike the sunrise requirements described above, NeuStar did not validate compliance with the .usTLD requirements prior to the selection and awarding of successful .us sunrise registrations. Instead, NeuStar conducted “spot checks” on registrant information and required applicants to certify, under penalty of perjury, that they met the .usTLD nexus requirement. In addition, NeuStar adopted a specific Nexus Dispute Policy, found at [www.neustar.us/policies/docs/ustld\\_nexus\\_requirements](http://www.neustar.us/policies/docs/ustld_nexus_requirements), which allows third parties to challenge the authenticity or veracity of a registrant’s .us nexus certification.

After the expiration of the sunrise period on April 16, the .usTLD registry commenced its live “first-come first-serve” registration service on April 24, 2002. For more information about the .usTLD launch, visit NeuStar’s Web site or the Web site of its accredited .us registrars at [www.neustar.us/register/dotus\\_registrars](http://www.neustar.us/register/dotus_registrars).

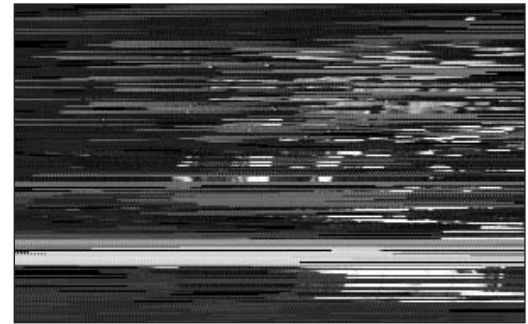
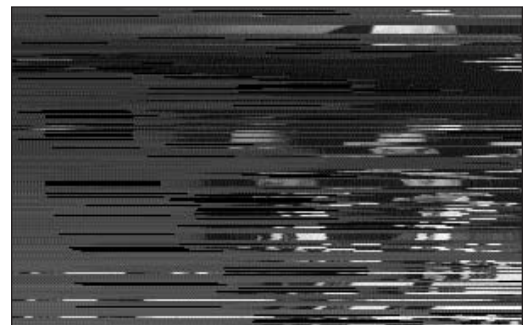
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# Systems of Internal Control and Auditability of Digital Transmissions

By Philip H. Teplitzky

## I. Introduction

The marketing and selling of music has undergone a major revolution in the last few years. Traditionally, one purchased an album, CD, or some form of physical reproduction of the music. This was the way it had been since Edison invented the Gramophone. However, with the introduction of the Internet and the shift to downloading of bits, that has changed. The industry has morphed from the acquisition of the tangible to the download of the intangible. The proof of this change is in the numbers. In the last year, the number of requests for licenses for digital transmissions has increased dramatically.

This revolution in the music delivery business has resulted in a number of new rules and regulations. In the 1990s, Congress passed laws that reaffirmed that the Copyright Act is just as applicable to the Internet as it is to the physical world and that it is illegal to download music without obtaining the appropriate license authority and without making the proper royalty payments to the copyright owners. Such legislation provides creators with fair and equitable protection for their works and reasonable and acceptable compensation, and it continues the principle laid down by the Founding Fathers that the fruit of the creator's genius is his to control for limited periods of time. It should be noted that one of the first laws enacted by the new United States of America provided copyright protection for creative works. Creativity has to be protected and rewarded if we want to keep it thriving.

A similar revolution is occurring in the laws and processes that protect the financial rights of copyright owners. The courts have upheld the principle that copyright holders have a protectible interest in music downloaded from the Internet. This right is protected by the issuance of licenses and the collection of royalties associated with those licenses. Just as the rights of shareholders are protected by legislation, and just as there is a requirement that publicly traded companies issue certified audits of their financial positions, so too must digital music companies provide the licensor of music with audits of the number of downloads that have occurred and an accurate and complete record of what royalty payments are owed, based on the terms and conditions of the licenses.

This article addresses the issues raised above and the following questions:

- 1) What constitutes an adequate System of Internal Control (SIC) for digital transmissions?
- 2) How does one audit that system of internal control to ensure that it is accurate, complete, and timely?

Without answers to these two questions, rights holders, like those with financial interests in a company, will have no way of knowing if their rights are being protected.

## II. Digital Transmissions

Many of the musical compositions that one hears via digital transmission were originally recorded in analog rather than digital form. The transformation to digital format is done when a CD is made. The analog-to-digital transformation is made possible by sampling the analog sound reproduction and recording the numerical value of the sound. All sound waves can be represented by a digital number. The quality of the digital reproduction is a function of how often one samples, the number of times per second one calculates the value of the sound wave, and the number of tracks sampled.<sup>1</sup> The digital representation can be stored in its entirety or compressed to save space. The MP3 and MPG formats are examples of compressed representation of original music. The reason music can be compressed and that the number of bits (i.e., the number of discrete sampling data points) may be reduced is that the human ear has a latency period. The ear does not refresh the sound for a finite period. If the sound is reproduced at a rate greater than the ear's ability to refresh, quality is lost. However, since the ear cannot respond fast enough to notice, that does not matter. Compression algorithms and standards take advantage of this phenomenon. They reduce the number of samples. They also save space on the CD and reduce the amount of time it takes to download and store a song. In fact, this technology goes even farther, as modern signal-processing algorithms and hardware are able to fill in the gaps. They can determine what the value of the missing bits should be by analyzing the difference in values between the current bit rate and the bits just played, and by looking ahead to see what the upcoming bits are. The processor then can fill in the missing pieces and smooth the curve. Thus, although the number and quality of the music is improved, less information is sent, and therefore less time is needed to download.

The major formats for music downloads are MP3 and WAV. However, these soon will be replaced by new compression standards that will provide better quality with fewer or the same number of bits.

### III. Digital Rights Management (DRM)

In the early days of Internet music downloading (two years ago), the trade in music was wide open. There were no controls or regulation. Since then, providers have introduced the concept of Digital Rights Management (DRM). DRM software encrypts bits and renders them unplayable. The end user has to purchase a key to unlock the bits from the provider. No key, no music—it is that simple. DRMs provide several different types of protection for songs that are downloaded and played

- on your computer but only your computer;
- for a specific number of times on your computer; and
- for a specific period of time on your computer.

This is accomplished by wrapping the song in a DRM envelope, which keeps track of the computer one is on. It does this by using a unique attribute of each computer or downloaded software as part of the DRM key and by keeping track of how many times and on what dates a song is played. DRMs are very sophisticated pieces of software and are improving daily. The interesting part of using a DRM is that it separates the process of downloading the bits from using the bits. One can download or pass on all of the copies one has of a song, but without the key to unlock them, they are just useless bits of data, unplayable and unusable. It is only with the acquisition of the key that they become useful.

### IV. What Are the Issues?

Several issues have arisen because of the introduction of digital music transmissions. Perhaps the most effective way of articulating these issues would be to pose them as a series of questions that need to be answered:

- How do you know how many downloads have occurred?
- When does a download actually happen: when it starts, or when it finishes? What about partial downloads?
- How do you know that a downloaded song has not been given to someone else?
- What happens when you want to back up and/or replace your hard drive and/or computer? Do you still have the bits?

- What happens when you transfer the song to your portable player and/or computer? Do you have the right to do this and play the song?
- Can you give the song to someone else (like you can with a CD)?
- If it is a limited download, how do you know that the time has expired or when the user has reached the limit on the number of plays?

These are just some of the issues that the music industry is wrestling with. Tools and techniques have been developed to address each of them. This article does not discuss the effectiveness or appropriateness of the various approaches but, rather, focuses on how much reliance can be placed on the information they generate. Put somewhat differently, let us suspend disbelief and say that all of the tools, methods and techniques work perfectly. How then do we know that they are operating, operating consistently, and that the information they are producing is accurate, complete and authorized? We do this by establishing an SIC.

### V. What Is a System of Internal Control (SIC)?

SICs are the tools, methods and techniques that management employs to ensure that data is:

- **Accurate:** An SIC can show that a company that claims to have sold \$500,000 worth of widgets in a year in fact has sold that amount.
- **Complete:** An SIC can show that all of the data is there and that no transactions have been missed.
- **Authorized:** An SIC can show that only those transactions that are legitimate have been recorded and that no unauthorized, rogue, or otherwise unapproved transactions have occurred.
- **Secure:** An SIC can show that only authorized and authenticated employees have accessed the system and made changes.
- **Timely:** An SIC can show that the system operates in a way that is consistent with the cycles it is intended to control. (For example, if changes are made on a real-time basis, then batch control tools and techniques are not appropriate.)

As for evidence of use, there has to be some way to determine whether the controls have in fact been doing what they are intended to do. (An example of this would be the use of a security system that prevents unauthorized access and creates an audit trail of unauthorized attempts to use the system.)

SICs have many individual tools and methods that can be used to achieve control objectives. For example,

to ensure that a system is secure, some of the methods, tools and techniques that might be employed include:

- use of a locked computer room and physical security;
- sign-in and sign-out record sheets, physical security and evidence of use;
- SSL secure connection;
- password protection of servers;
- password-protected computers with a mandatory change of passwords every 30 days;
- password-protected environments for development, testing, and operations, with only limited accessibility to the operational environment; and
- encrypted password files.

All of the above are part of an SIC aimed at enhancing and maintaining the security of the environment.

### A. Characteristics and Attributes of an SIC

SICs may be applied to many dimensions of the environment. There are two main types of controls: financial and operational. Financial controls are aimed at keeping the books and records of a company in agreement with actual sales and purchases. Financial controls are often reflected in a financial report issued by a company at the end of the year. The numbers in the report can be regarded as accurate, since an audit firm has evaluated the SIC and found it to be adequate. Investors, banks, and other people with a monetary interest in a company rely on these numbers to give an accurate and fair representation of a company's financial health. Operational controls address how a company does business. These controls include the sending of goods, receipt of goods, warehousing, and the sales and ordering process. They also include the processes and methods used to develop and deploy computerized systems. In an era when the only product that a company may produce is information, as with digital music services, the SIC associated with the development and deployment of computer systems is often more important than any other. How systems are developed, tested, deployed, and maintained is of major concern. There needs to be an SIC established in this area, just as in the more traditional financial area.

### B. What Is Auditability?

An audit is a way to determine if the SIC is operating effectively, consistently, and constantly. In effect, an audit is a way to have some level of assurance that the controls that were implemented are in fact doing their jobs. Generally, an auditor—be it internal or external, using a set of audit tools, methods, and techniques—

reviews and tests the SIC to determine if the system is operating properly, and, more importantly, if it is meeting the control objectives for which it originally was implemented. It is possible to have a very well designed, operational SIC, but not have it meet the control objectives for which it was designed. SICs must be appropriate for the operational and technological environment in which they live. Batch controls, which are designed for a main-frame environment, while perfectly conceived, may be inappropriate for an online, Internet-enabled environment. Audits are a way to have an expert render an opinion as to the adequacy and appropriateness of the SIC. To do this, auditors use an assortment of audit tools, methods, and techniques.

The basic audit process can be divided into two types:

1. **Substantive Review:** This is often colloquially referred to as “counting the beans.” In the case of a financial audit, it may be possible to re-compute or reconstruct the financial position of the company by adding up all of the receipts (sales) and purchases (expenses) and recalculating the financial position of the company. Sometimes this process is shortened by using statistical sampling techniques that permit the auditor to reduce the number of transactions that he has to redo in order to achieve a reasonable level of correctness.
2. **Compliance Review:** In this case, the auditor reviews the SIC that has been put in place and, via reviews and tests, determines if the SIC is operating effectively and meets the control objectives for which it was designed. One of the major control techniques on which an external auditor may rely is to use the findings of an internal audit group that performs substantive tests throughout the year. Compliance reviews generally are the only kind of audit that can be done in a highly automated, information-intensive environment.

## VI. What Is Different About the Digital World?

The inevitable question therefore must be asked: What makes digital music transmission systems different from other systems? The answer is everything and nothing. In terms of the general control and audit objectives, digital music systems are the same as any other system. However, in terms of the specific control tools, methods, and techniques that have to be used, and, by inference, the audit tools, methods, and techniques, everything is different. As was stated earlier, many of these issues have yet to be addressed. For example, no one has yet determined how to control backups or how to treat portability, reacquisition of content (either due

to crashed hard drives or the replacement of computers), or DRM management and associated public and private key management and replication of content to portable devices for people who do not have Internet access. In the digital music world, where the bits are the product, there is no way to conduct a substantive operational audit. It may be possible to conduct such an audit on the revenue side, but not on the side that deals with the bits. All of the controls and audit techniques must be compliance-oriented and, by inference, would need to be conducted through the computer contemporaneously with actual operations. It would be awfully embarrassing to find out that the SIC did not work but that such failure was only discovered several days later because the audit approach chosen was not contemporaneous with the speed at which the business operated. As the digital transmission world is one of real-time operation, it is important that the SIC and audit reviews also operate in real time.

## VII. Conclusion

I have attempted to identify and define some of the issues and challenges that will face digital transmission companies in the areas of control and auditability. This is only a survey of the issues. Each of the topics identified is of such breadth and magnitude as to warrant an

article of its own. I hope to have made the reader sensitive to the issues in order to start considering what to do next. These issues must be resolved if digital music providers are to be successful. A good operational and reliable SIC is essential for corporate stability and confidence. The recent events at Enron only make more apparent the need for control and auditability.

## Endnote

1. Many of the original sound recordings were done in analog mode but on multiple tracks, with each track representing a different component of the composition and the quality of equipment doing the sampling. In other words, the quality of the analog recording depended on how fast and accurate the algorithms were.

**Philip H. Teplitzky is Senior Vice President and Chief Information Officer of The Harry Fox Agency, Inc. Prior to joining HFA, he started, managed and built a successful information technology consulting practice; was the Managing Director of Technology for Technology, the New York 911 Project; and managed the creation and growth of several start-up IT departments. A version of this article was published in the Spring 2002 issue of the *NYSBA Entertainment, Arts and Sports Law Journal*.**

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To be eligible for consideration, the paper must have been written solely by a student or students in full-time attendance at a law school (day or evening) located in New York State or by an out-of-state law student or 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 August 15, 2002, to each of the persons named below. As an alternative to sending the disks, the contestant may e-mail the electronic copies, provided that they are e-mailed before 5:00 p.m. EST, August 15, 2002. Papers should be no longer than 35 pages, double-spaced, including footnotes. Submissions must include the submitter's name; law school and expected year of graduation; mailing address; e-mail address; telephone number; and employment information, if applicable.

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**Michael B. Carlinsky, Jeffrey A. Conciatori, and Andrea Pollack** have joined the New York office of the Los Angeles-based litigation firm Quinn Emanuel Urquhart Oliver & Hedges, LLP. Messrs. Carlinsky and Conciatori are co-heads of the firm's Technology and New Media Litigation practice.

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**See page 24 to become a member of the Intellectual Property Law Section**

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Please designate from the list below, those committees in which you wish to participate. For a list of committee chairs and their e-mail addresses, please refer to page 26 of this issue.

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\* \* \*

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

Submissions should preferably be sent on a 3.5" disk (double or high-density) which clearly indicates the word processing program and version used, along with a hard copy or by e-mail to Jonathan Bloom, Executive Editor, at the address indicated on this page. Submissions for the Fall 2002 issue must be received by July 15, 2002.



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