

Michigan

COMPUTER LAWYER

Editor

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<http://www.michbar.org/sections/computer/>



State Bar of Michigan Computer Law Section

The Force of Change

As lawyers specializing in the law of computers, we are in no position to resent change. Once declared Time magazine's "Machine of the Year" (as opposed to "Man of the Year," Time Magazine, 3 January 1983), the computer has been the single greatest catalyst for change any of us has known. It has brought revolutionary advances in communications, analysis, discovery, information management and entertainment, to name a few. As a corollary, it has sparked dramatic changes in the economy and in law from which we have all benefited.

Production efficiencies result in lower prices faster now, forcing businesses to rationalize their operations quickly and constantly. This is also a trend in non-profit corporations and service organizations as well. So, it should surprise no one that the State Bar of Michigan is rationalizing its own operations, specifically the annual meeting. For years, only a fraction of the bar membership has attended the annual meeting. Those who are active in the bar attend every year; others attend only when the location is convenient or because they are receiving an honor. Thus, the State Bar evaluated whether the costly, three-day meeting is a worthwhile expense and concluded it was time to cut back.

This year's annual meeting will last only two days, 26-27 September 2002, at the Amway Grand Plaza Hotel, Grand Rapids Michigan. The State Bar has done an admirable job of accommodating those sections and committees that have a tradition of presenting speakers or programs as part of their annual meeting. However, this year, several more sections and committees will not present any programs other than their annual business meeting.

Here's the bad news. The relatively small size of our section, approximately 400 members, does not justify a premium time slot for our annual meeting and program. We were scheduled for Friday afternoon, 27 September 2002. While your council looks forward to the annual program as much as any other members of the section, we concluded this time slot would inconvenience members and discourage attendance. As a result, we decided to hold a separate annual meeting. We will schedule it so as not to conflict with the State Bar annual meeting.

Not all change is pleasant but this makes sense. Continuing to hold a three-day extravaganza for only a fraction of the State Bar membership was not a valued use of our dues. This year's scaled-down meeting is a rational response to the poor attendance. I urge you to support and attend the State Bar's annual meeting. Details about our section's annual meeting will follow by email and in the next newsletter. In the meantime, please contact me (jraphelson@bodmanlongley.com) or any other council member with your questions or concerns about our decision not to participate in the State Bar's annual meeting.

Jeffrey G. Raphelson

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Unless otherwise stated, the views and opinions expressed in the Michigan Computer Lawyer are not necessarily those of the Computer Law Section, or the State Bar of Michigan.



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What a Patentee Must Do to Prove Infringement and Damages of a Method Claim for Computer Software

By Marc Lorelli of Brooks & Kushman, P.C.

Marc Lorelli is the third place winner of the 2001 Edward F. Langs Writing Award

INTRODUCTION

This paper attempts to analyze what a patentee must do to prove infringement and damages of a method claim for computer software. The analysis begins with a brief recitation of the requirements for patent protection of computer software. It continues to include a discussion of direct and indirect infringement of method claims, as well as a discussion of certain damages issues. Specifically, this paper looks at the requirements of a patentee to obtain damages where the claimed method of infringement is not necessarily performed by every purchaser of the software, i.e. where the software is bundled.¹

PATENT PROTECTION FOR COMPUTER SOFTWARE

Acquiring patent protection of software patents can be very difficult and time consuming. To obtain a patent, the Patent Act, 35 U.S.C. §1, *et. seq.*, requires that the software meet a number of requirements.

First, the invention must fall into a defined category of statutory subject matter. Section 101 of the Patent Act provides that:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefore . . .²

Software method claims typically fall under the process category.³ A 'process' is described by the Supreme Court as "a mode of certain materials to produce a given result. It is an act, or a series of acts, performed upon the subject matter to be transformed and reduced to a different state or thing."⁴ Although the patentable categories are understood generally to "include anything under the sun that is made by man,"⁵ not every discovery includes patentable subject matter. In fact, until recently, computer software was not considered patentable subject matter.

Once an invention is established to involve statutory subject matter, an invention must also meet the three requirements of utility, novelty, and nonobviousness in order to qualify for patent protection.⁶ The requirement of utility is typically not difficult. Utility does not require that the invention be more useful than what preceded it. All that is required is that the invention be useful for some purpose, is operable, and is somehow beneficial to society.⁷ The

'beneficial to society requirement' only excludes invention where the sole purpose is to commit illegal or immoral acts.

The second requirement is that the invention be new or novel. This requirement is embodied in section 102 of the Patent Act.

A person shall be entitled to a patent unless -

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, ...⁸

This requires simply that the inventor be the first to invent that which he seeks to patent. The claimed invention must be new.

Finally, the claimed invention must be nonobvious. Nonobvious means that the differences between the claimed invention and those that came before it would not be obvious to a person with ordinary skill in that field of endeavor. Thus,

[t]he nonobviousness requirement extends the field of unpatentable material beyond that which is known to the public under § 102, to include that which could be readily deduced from publicly available material by a person of ordinary skill in the pertinent field of endeavor.⁹

These patentability requirements are extensive and must be met before the government grants a monopoly for the claimed invention. The monopoly gives the patentee the right to exclude others from making, using, or selling the patented invention for a limited period of time.¹⁰ This patent monopoly is intended to reward and to further encourage creative activity.

Software patents traditionally did not fare well with these requirements. In fact, software patents were traditionally considered nonpatentable subject matter because they were mathematical algorithms. In 1972, the Supreme Court, in its first decision on a software patent, held software was not patentable subject matter.¹¹ The landmark case of *Gottschalk v. Benson* involved an inventor who claimed a method for converting binary code decimals into pure binary numerals. The United States Patent and Trademark Office (USPTO) rejected the application, but the Court of Customs and Patent Appeals (CCPA) reversed. The Commissioner of the USPTO

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petitioned for and received certiorari. The critical question certified by the Supreme Court was whether a computer software method could be considered a ‘process’ under 35 U.S.C. § 101.¹² The Supreme Court held the software *unpatentable* primarily because of the possibility of the software claim impermissibly covering a mathematical algorithm.

As software took an increasing importance in the world economy, the courts began to become more flexible in their interpretation of 35 U.S.C. § 101.¹³ The viability of software patents was finally solidified in the Supreme Court case of *Diamond v. Diehr*.¹⁴ In 1981, the Court in *Diehr* held that the patent laws could afford protection to software that is linked to a physical process.¹⁵ The Supreme Court held that where the computer software is linked to a structure or process that the patent laws were intended to protect — the software is patentable.¹⁶

Following *Diehr*, the Court of Customs and Patent Appeals (CCPA) developed its own test for software patentability derived from the analysis in three cases: *In re Freeman*,¹⁷ *In re Walter*,¹⁸ and *In re Abele*.¹⁹ Under the *Freeman-Walter-Abele* test, the first question is whether the claim directly or indirectly recites a mathematical algorithm? If not, then the claim is directed to patentable subject matter. The second question is whether the claim involves application of the claimed algorithm to physical elements or processes? If it does, the claim is directed to patentable subject matter. If it is not, the claim is unpatentable.

The Federal Circuit, however, in *In re Alappat*,²⁰ retreated from the *Freeman-Walter-Abele* test, and instead relied on *Diehr* in discussing whether computer software is patentable. The Federal Circuit stated:

the proper inquiry in dealing with so called mathematical subject matter exception to § 101 . . . is to see whether the claimed subject matter as a whole is a disembodied mathematical concept . . . which in essence represents nothing more than a law of nature, natural phenomenon, or abstract idea.²¹

Later, the Federal Circuit laid to rest any doubt concerning the patentability of computer software in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*²² The court held that computer software that carries out a business method was patentable because it produce[d] a ‘useful concrete and tangible result.’²³ In making this decision, the court followed *Alappat* and unambiguously retired the *Freeman-Walter-Abele* test for use in determining whether software is patentable under 35 U.S.C. § 101. The *State Street* decision suggests that any software-related invention will be patentable subject matter as long as it generates something ‘useful, concrete and tangible.’²⁴ Thus, resulting in practically all software that is new and nonobvious being patented.

DIRECT INFRINGEMENT

If a software claim meets all of the above criteria, a patent is granted. A patent confers a right to exclude. Infringement occurs when someone makes, uses, offers to sell, sells, or imports the patented invention without the patentee’s permission.²⁵ Software

method claims, however, are only infringed by the use of the software — not the sale of the software.²⁶ For this and other reasons, the Patent Act creates liability for direct and indirect infringers.²⁷

On the other hand, indirect infringement consists of either contributory infringement or inducement to infringe.²⁸ For a defendant to be liable for indirect infringement, the patent must show at least one instance of direct infringement.²⁹ It has long been clear that contributory infringement cannot occur in the absence of a direct infringement.³⁰ Similarly, there can be no inducement to infringe without an instance of direct infringement.³¹ Accordingly, a patentee must show at least one act of direct infringement to hold a defendant liable for any type of infringement. This required act of direct infringement may be proved by direct or circumstantial evidence.³² The circumstantial evidence must show conduct permitting a reasonable jury to infer use of the patented method.³³

In *Moleculon Research Corp v. CBS, Inc.*,³⁴ the asserted claims were directed to a method of solving the Rubik’s Cube® puzzle. The patentee, Moleculon, did not show any evidence of direct infringement of CBS, the defendant. Instead, the patentee relied upon the defendant’s extensive sales and distribution of an instruction sheet teaching the claimed method to establish direct infringement by circumstantial evidence. The district court held for the patentee. The Federal Circuit affirmed, holding:

One more issue remains. Method claims 3-5 can be infringed only by a puzzle user. Thus, Moleculon’s claim is one for inducing infringement under 35 U.S.C. § 271(b). CBS argues that it cannot be liable for inducing infringement of claims 3-5 because there is no evidence of direct infringement of the method claims. The district court held that Moleculon had met its burden of showing infringement under section 271(b) with circumstantial evidence of extensive puzzle sales, dissemination of an instruction sheet teaching the method of restoring the preselected pattern with each puzzle, and the availability of a solution booklet on how to solve the puzzle.

If CBS is arguing that proof of inducing infringement or direct infringement requires *direct*, as opposed to *circumstantial evidence*, we must disagree. It is hornbook law that direct evidence of a fact is not necessary. A circumstantial evidence is not only sufficient, but may also be more certain, satisfying and persuasive than direct evidence. *Michalic v. Cleveland Tankers, Inc.*, 364 U.S. 325, 330, 81 S.Ct. 6, 10, 5 L.Ed.2d 20 (1960).³⁵

Therefore, the Court ruled that circumstantial evidence can be used to prove direct and indirect infringement.

In further cases, the Federal Circuit also addressed this issue in *Chiuminatta Concrete Concepts, Inc. v. Cardinal Industries, Inc.*³⁶ In *Chiuminatta*, the asserted claims were directed to a method for cutting concrete.³⁷ The method specifically required of cutting concrete “before the concrete has hardened sufficiently to allow cutting by a conventional abrasive concrete saw, while still producing an acceptable surface finish adjacent to the cut groove.”³⁸



The patentee did not show any actual evidence of an act of direct infringement.³⁹ Instead, the patentee pointed to advertisements that encouraged infringing use.⁴⁰ This was enough for the Federal Circuit to uphold the district court's grant of summary judgment for the patentee.⁴¹

Thus, generally, any act of advertising or instructions that lead to the patented method will be enough to show direct infringement and also enough to establish inducement.⁴² The above-mentioned cases illustrate that circumstantial evidence can be used to prove the necessary act of direct infringement, as well as inducing infringement.

Direct Infringement By End Users Of Software

As illustrated by the above cases, infringement by the end users can be shown by circumstantial evidence. In the computer software realm, direct infringement is easily shown by circumstantial evidence. Instructions to run the software in a computer are more than enough if the patented method necessarily is performed thereafter. Since software is sold with the intention that it be used in a computer and software has no other purpose than in a computer system, this is enough circumstantial evidence to show direct infringement.⁴³

This straight-forward analysis is complicated, however, if the computer software does not necessarily perform the patented method, for example, if the software includes a variety of operating modes or programs. In such a case, the sale of the software alone may not be enough to demonstrate infringement. The patentee would need to demonstrate some additional circumstantial evidence to show infringement at the end users' computers such as instructions or advertisements leading to the practice of the claimed method.⁴⁴

Direct Infringement By The Manufacturer

Alternatively, if a patentee cannot or desires not to show direct infringement at the end users computer, a patentee can attempt to show one instance of direct infringement by the manufacturer. One can be assured that every manufacturer tests and runs its software before making sales of the software. In every instance, a manufacturer will have tested the software in all phases of the development. The mere fact that a company has developed software should be *prime facie* evidence of at least one act of direct infringement, which is enough to establish liability.

This precise issue was discussed in the Federal Circuit case of *Embrex, Inc. v. Service Engineering Corp.*⁴⁵ Service Engineering Corp. (SEC) was accused of infringing a method claim.⁴⁶ However, it never actually sold a product that would infringe the method claim of the patent asserted by Embrex.⁴⁷ SEC only developed the product and began *offering* it for sale, but never sold it.⁴⁸ As stated earlier, the "law is unequivocal that the sale of equipment to perform a process is not a sale of the process within the meaning of §271(a)."⁴⁹ Therefore, without some evidence of the use of the product, either direct or circumstantial, the offers for sale are not infringement. "[A] mere offer to sell a machine such as SEC's can-

not serve as the sole basis for finding infringement of the claimed method."⁵⁰

Embrex did show, however, that SEC and its agents conducted tests when developing the infringing method.⁵¹ SEC contended that this use could not infringe because it was experimental and did not result in the sale of any machines.⁵² SEC argued that this experimental use was either *de minimis* or exempt under an experimental use exception.⁵³ The courts, however, have traditionally construed these exceptions very narrowly.⁵⁴ In this case, the court rejected these exceptions and held that SEC performed the patented method for commercial purposes.⁵⁵ Accordingly, internal use and development of a patented method can establish liability. The Court concluded that "just because SEC was unsuccessful in selling its machines does not confer infringement immunity upon SEC for its infringing acts."⁵⁶

INDUCEMENT TO INFRINGE

The above treatment illustrates that an act of infringement must be present before a defendant can be held liable for contributory infringement or inducement to infringe. Anyone who "actively induces infringement of a patent" without permission is also liable as an infringer under 35 U.S.C. § 271(b). Active inducement infringement requires at least:

- (1) an act of direct infringement, and
- (2) an intent to cause or encourage the act.
Hewlett-Packard Co. v. Bausch & Lomb Inc., 909 F.2d 1464, 1469 (Fed. Cir. 1990)(proof of intent to cause the acts that constitute the infringement is required); *CVI/Beta Ventures, Inc. v. Tura LP*, 905 F.Supp. 1171, 1195-96 (E.D. N.Y. 1995)(inducement to infringe focuses on the intent to cause another to commit acts which constitute infringement and not an intent to cause another to infringe a patent.)

There is, however, a split of authorities as to the type of intent required to induce infringement. Another line of cases effectively adds a third requirement to the above test:

- (3) that the inducer possess the "specific intent to encourage another's infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement."
Manville Sales Corp. v. Paramount Systems, Inc., 917 F.2d 544, 553-54 (Fed. Cir. 1990); *Young Dental Manufacturing Co. v. Q3 Special Products, Inc.*, 891 F.Supp. 1340, 1345 (E.D. Mo. 1995)("the accused infringer must be shown to have had actual knowledge of the patent and the actual intent to induce the infringement").

The *Manville* line of cases improperly places the knowledge requirement of § 271(c) (contributory infringement) into § 271(b) (inducement to infringe). Although developed for similar reasons, § 271(b) & (c) are *separate* statutory sections intended to impart liability through *separate* determinations.

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§ 271(c) covers situations where one who sells an article “knowing the same to be especially made or especially adapted for use in an infringement of such patent” is liable as a contributory infringer. Knowledge of the patent is a prerequisite for one to specifically make a product for use in infringement.⁵⁷

Alternatively, § 271(b) provides that “whoever actively induces infringement of a patent shall be liable as an infringer.” Unlike § 271(c), § 271(b) does not expressly or implicitly require knowledge of the patent. Indeed, “[t]here is no reason to construe paragraph (c) as in any way a limitation of paragraph (b), which stands by itself.”⁵⁸

For these reasons, § 271(b) is much broader than § 271(c) and is best explained by the common law doctrine it was intended to codify — the doctrine of joint tortfeasance.⁵⁹ Where A induces B to commit an act, and B is liable for infringement because of that act, then A is also liable as a joint tortfeasor. Without A’s intent to cause B to act — A is not liable.⁶⁰ A’s knowledge of the patent is not expressly or implicitly a part of this determination because B is liable without knowledge of the patent. Under § 271(b), the focus is on intent to cause another to act, not knowledge.

Hewlett-Packard Is The Proper Standard For Inducing Infringement Under § 271(b)

Inducement is established where one purposefully encouraged or assisted its customers in the infringement a patent ‘knowing’ of the likely infringing result.⁶¹ Intent to infringe a patent is not required under § 271(b), only intent to cause the acts that constitute infringement is needed.⁶²

That, however, leaves open the question of what level of knowledge or intent is required to find active inducement under § 271(b). On its face, § 271(b) is much broader than § 271(c) and certainly does not speak of any intent requirement to prove active inducement. However, in view of the very law and the fact that § 271(b) was intended as merely a codification of pre-1952 law, we are of the opinion that proof of **actual intent to cause the acts which constitute infringement** is a necessary prerequisite to finding active inducement.⁶³

Thus, “inducement does not require intent to cause another to infringe a patent, but focuses instead upon the intent to cause another to commit acts which constitute patent infringement.”⁶⁴

This standard flows logically from the pre-1952 case law and legislative history of § 271(b), as required because § 271(b) was intended as merely a codification of pre-1952 law.⁶⁵

Prior to the Patent Act of 1952, liability for infringement was analyzed by courts “under a theory of joint tortfeasance,” and a party who caused or aided and abetted the commission of another’s infringing acts was held jointly liable with the primary infringer or tortfeasor. The legislative history leading up to the enactment of Section 271 indicates that the statute was not intended to change the state of the substantive law, but merely to codify it. Thus, it remains appropriate to con-

sider inducement to infringe as a form of joint tortfeasance.

* * *

The level of intent required before liability may be imposed upon a primary tortfeasor applies as well to one who aides and abets or causes another to commit a tort.⁶⁶

Consequently, it is undisputed that the purchasers of software are liable for direct infringement without knowledge of the patent.⁶⁷ Since the purchasers are liable, the software manufacturer likewise is also liable as a joint tortfeasor.⁶⁸ Without joint liability to the seller, the patentee would be forced to sue each and every user of the software in order to recover for this infringement. Such a result conflicts with a main purpose of § 271(b), which is to “afford adequate protection to valid patents . . . especially in situations where enforcement against direct infringers is impractical.”⁶⁹

It is also undisputed that the seller would be liable for direct infringement for its internal use of the software. If the seller is liable for using the software itself, then why should the seller escape liability for its *subsequent* acts of inducing others to practice the claimed method? Such a result punishes the patentee because the patentee drafted method claims, a result intended to be abolished by § 271(b).⁷⁰

Moreover, requiring knowledge of the patent to be liable under § 271(b) conflicts with its statutory language and the tenants of statutory construction. § 271(b), nor its legislative history state a desire to make knowledge of the patent part of the analysis. In fact, if Congress so intended, it would have expressly stated a knowledge requirement in the text of § 271(b), just as it did for § 271(c). Therefore, the lack of specificity in § 271(b) was purposely intended to ensure that knowledge of the patent was not included in the test for inducement.

Manville Addresses Personal Liability Of Officers And Directors

Many courts cite *Manville*⁷¹ to support the contention that infringement under § 271(b) requires a specific intent to infringe a patent.

It must be established that the defendant possessed specific intent to encourage another’s infringement and not merely that the defendant had knowledge of the acts alleged to constitute inducement. The plaintiff has the burden of showing that the alleged infringer’s actions induced infringing acts that he knew or should have known his actions would induce actual infringements.⁷²

Manville, however, is inapplicable outside the situation in which it was applied. *Manville* deals with officer or director liability for the acts of a corporation. Under § 271(b), officers and directors are not protected by the corporate veil, hence, a more stringent standard for inducing infringement was developed for this context only.⁷³

Following *Manville* in the present context would require every infringement under § 271(b) to be willful. Willful infringement essentially requires knowledge of the patent and knowledge of the



infringement.⁷⁴ Likewise, *Manville's* "specific intent to encourage another's infringement" requires (at least) knowledge of the patent and knowledge of the infringement. *Manville's* view equates inducement and willful inducement.

But inducing infringement and willfully inducing infringement are separate determinations as they are not the same.⁷⁵ There is a difference in the law between inducement and willful inducement that is disregarded with the application of *Manville* outside of its context. For these reasons, only intent to induce acts that constitute infringement is required under § 271(b). The specific intent requirement was apparently added to § 271(b) as a type of policy consideration when dealing with officer and director liability. Without a specific intent requirement in this context, all officers would be personally liable every time a corporation infringes a patent. The specific intent requirement was added to the analysis to deal with this specific situation. *Manville*, therefore, should not be extended beyond the specific context in which it was applied.

CONTRIBUTORY INFRINGEMENT

On the other hand, 35 U.S.C. § 271(c) specifically deals with knowledge. § 271(c) covers the situation where a component is sold that is especially designed for use in a patented process.

Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.⁷⁶

Obviously, similar to the inducement to infringe, there can be no contributory infringement in the absence of a direct infringement.⁷⁷ This was expressly set forth in the Supreme Court case of *Aro Mfg. Co. v. Convertible Top Replacement Co.* It is not clear, however, whether *Aro* requires proof of an actual act of direct infringement. Some suggest that *Aro* "can be read to require nothing more than a showing that a purchaser from the alleged contributory infringer would infringe if he used his purchase"⁷⁸ Other case law strongly asserts that this statement can not apply to method claims, particularly in a damages calculation discussed *infra*.⁷⁹

The knowing requirement is also a point of contention with contributory infringement as it is with inducement to infringe. 35 U.S.C. § 271(c), unlike § 271(b), specifically states a knowledge requirement in the statute. In *Aro Mfg. Co. v. Convertible Top Replacement Co.*,⁸⁰ the Supreme Court held that § 271(c) requires "a showing that the alleged contributory infringer knew that the combination for which his component was especially designed was both patented and infringed." A simple letter notifying the infringer is typically enough to meet this knowledge requirement.⁸¹

The primary issue that arises in computer software cases is the capacity for non-infringing use. Since 271(c) codified the case law as it stood in 1952, the cases that held that there would be no

liability for sale of "staple articles of commerce" even where the seller knew of the buyer's infringing use.⁸² In order for an article to be a staple article of commerce the use of the patented method must be both incidental and necessary to the performance of other non-infringing methods. The general test to determine if a product is a staple article of commerce is whether the product has a substantial noninfringing use.⁸³ If the product is suitable for substantial noninfringing uses, the alleged infringer cannot be liable for contributory infringement.⁸⁴

In software cases, the issue is generally whether software with a variety of modes or programs is a "staple article of commerce." If only one of those modes infringes, the entire software package has a substantial non-infringing use because of the other modes. The case law that has developed this principle, however, is based on non-software type products. Generally, the applicable law required analysis of the product *as a whole* to determine whether a product has substantial non-infringing uses.⁸⁵

Complicating this further is the fact that Software programs can often be used in an infringing and non-infringing manner. Therefore, analysis of the product as a whole would almost always lead to finding of no contributory infringement. For this reason, the proper analysis for software patents would look to the computer code that performs the infringing method and whether that code is necessary for the non-infringing uses. This analysis is supported by the doctrine that adding features (or code) to an infringing product does not make it a staple article of commerce.

Additional functions in a device that practices a patented method does not diminish direct infringement and, therefore, the fact that the device sold has other functions which are performed simultaneously with the patented method does not otherwise substantiate a noninfringing use for the purposes of § 271 (c). This rule flows directly from the logic of the patent laws. To hold to the contrary would allow sellers of products that are clearly intended to infringe a patented method to avert liability simply by adding functions to that device.⁸⁶

In software with multiple modes of operation, the infringing code is not essential to any of the other functions and is simply added to perform the infringement. Removing the infringing code would not affect any of the noninfringing uses. Therefore, software with a number of independent modes of operation must, as a matter of law, constitute contributory infringement.

Moreover, even if the product had some significant non-infringing use, the manufacturer's knowledge that it will be used for direct infringement is sufficient:

even if the article has some significant non-infringing use, a manufacturer's knowledge that the component is to be used by an owner of an infringing system is sufficient to meet the burden under Section 271(c). See *Dawson Chemical Co. v. Rohm & Haas Co.*, 448 U.S.



176, 218, 100 S.Ct. 2601, 2624, 65 L.Ed.2d 696 (1980)(stating that when component sold for use in infringing system, article is not staple).⁸⁷

Therefore, where the code is added to a product, and that code does not have a significant non-infringing use, the sale of that product constitutes contributory infringement.

The Northern District of Illinois, however, came to a contrary result. In *Universal Electronics, Inc. v. Zenith Electronics Corp.*,⁸⁸ the court held that a universal remote that can be used with a variety of manufacturers' remotes does not necessarily infringe Zenith's patents. The court emphasized that when determining whether the universal remotes are staple articles, the court must look at the entire device, not just the part capable of practicing the invention.⁸⁹ This decision fails to address why the capability of functioning the Zenith remotes was added. The capability was clearly added for infringement and the other non-infringing uses could have been employed without the code that caused the infringement. If *Universal Electronics* is followed, an infringer could avoid liability by simply adding functions to software (contributory) and not providing discrete instructions on how to perform the claimed method (inducement). This result does not make sense. The specific code that was added in *Universal Electronics* to run the Zenith remotes had no affect on the other functions, thus, it did not need to be present for the non-infringing uses. Therefore, the court should have held that it was contributory infringement.

DAMAGES

Once liability for infringement is established, damages often become a different and more complicated issue. This is particularly true where the software does not necessarily perform the patented method, i.e. the patented process is bundled with other software.

The patent statute provides that a patent owner "shall have a remedy by civil action for infringement of his patent."⁹⁰ The remedy for infringement is typically a judgment for money damages and/or an injunction.⁹¹ This paper focuses on the availability of monetary damages for acts of contributory infringement. 35 U.S.C. § 284 states:

[u]pon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.⁹²

The patent owner is to be restored financially to the position he would have been in but for the infringement.⁹³ The appropriate measure of monetary damages may be determined by either (1) lost profits or (2) a reasonable royalty based on the circumstances of the case.⁹⁴

A contributory infringer is liable as a direct infringer.⁹⁵ Once one act of direct infringement is shown, liability for both direct and indirect infringement is established. A separate damages analysis, however, must still be performed.⁹⁶

Lost Profits

A patent owner may recover as a measure of damages the lost profits caused by the illicit competition of an infringer. The patent owner must establish the causation for lost profits, i.e. but for the infringement, the patentee would have made the sales or charged higher prices. In addition to lost sales, the patent owner must also establish a reasonable approximation for the profits lost.

Establishing the ability to collect lost profits is difficult, especially where there are multiple substitute products and multiple competitors. The test generally used to determine whether a patentee is entitled to lost profits is the *Panduit* test.⁹⁷ To obtain damages for lost profits, the patent owner must prove:

- (1) demand for the patented product,
- (2) absence of acceptable noninfringing substitutes,
- (3) his manufacturing and marketing capability to exploit the demand, and
- (4) the amount of profit he would have made.⁹⁸

Although this is the most popular test for determining a patentee's ability to obtain lost profit damages, it is not the exclusive test.⁹⁹

In computer software having multiple modes of operations, some of which do not infringe, the *Panduit* test generally cannot be established. If there are multiple non-infringing modes to satisfactorily accomplish the results of the claimed method lost profit damages are difficult to establish.

Reasonable Royalty

If a patent owner cannot prove lost profits, the patent owner is entitled to no less than a reasonable royalty.¹⁰⁰ A reasonable royalty for use of the patented invention is judicially defined as that amount which would have been set in a hypothetical negotiation between a willing licensor and a willing licensee at the date on which the infringement began. In determining a reasonable royalty rate, the courts will consider a number of factors. The factors typically considered are:

- (1) the royalties received by the patentee for the licensing of the patent in suit, proving or tending to prove an established royalty,
- (2) the rates paid by the licensee for the use of other patents comparable to the patent in suit,
- (3) the nature and scope of the license, as exclusive or non-exclusive; or as restricted or non-restricted in terms of territory or with respect to whom the manufactured product may be sold,
- (4) the licensor's established policy and marketing program to maintain his patent monopoly by not licensing other to use the invention or by granting licenses under special conditions designed to preserve that monopoly,
- (5) the commercial relationship between the licensor and licensee, such as, whether they are competitors in the same territory in the same line of business; or whether they are inventor or promoter,



- (6) the effect of selling the patented specialty in promoting sales of other products of the licensee; the existing value of the invention to the licensor as a generator of sales of his non-patented items; and the extent of such derivative or convoyed sales,
- (7) the duration of the patent and the term of the license,
- (8) the established profitability of the product made under the patent; its commercial success; and its current popularity,
- (9) the utility and advantages of the patent property over the old modes or devices, if any, that had been used for working out similar results,
- (10) the nature of the patented invention; the character of the commercial embodiment of it as owned and produced by the licensor; and the benefits to those who have used the invention,
- (11) the extent to which the infringer has made use of the invention; and any evidence probative of the value of that use,
- (12) the portion or profit of the selling price that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous inventions,
- (13) the portion of the realized profit that should be credited to the invention as distinguished from non-patented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer,
- (14) the opinion testimony of qualified experts,
- (15) the amount the licensor and a licensee would have agreed upon at the time the infringement began if both had been reasonably and voluntarily trying to reach an agreement.¹⁰¹

In many situations, lost profits cannot be established, therefore, the ability to obtain a reasonable royalty for the use made of the invention is employed by many patentees. A reasonable royalty is the minimum amount of damages to which a patentee is entitled.

The key to the present analysis is the statutory language: “the court shall award ... in no event less than a reasonable royalty *for the use* made of the invention by the infringer.”¹⁰² This becomes a more difficult analysis for bundled software or software with a variety of operating modes.

Most courts hold that for a method claim to be infringed, it must be used. A patentee is entitled to a reasonable royalty for that use which occurs at an end users computer. The patentee may show the use of the patented method for damages by circumstantial evidence, as stated in *Moleculon*.¹⁰³ Generally, the patentee has the burden to establish damages.¹⁰⁴

“[I]n patent law, [however], the fact of infringement establishes the fact of damage because the patentee’s right to exclude has been violated.”¹⁰⁵ Once a patentee has established liability through circumstantial evidence via *Moleculon*, damage is established.

Courts, whenever possible, will allocate damages for only infringing uses where there is sufficient evidence to support such an apportionment.¹⁰⁶ In such situations, the defendant bears the burden of an uncertainty in the allocation and must present evidence between infringing and non-infringing uses in order to reduce damages.¹⁰⁷ This burden-shifting theory, although never fully enunciated by the Federal Circuit, shows up implicitly in a number of cases. In *Standard Havens Prods. v. Gencor Industries Inc.*,¹⁰⁸ the Federal Circuit held that a patentee of a method claim could not collect lost profit damages on products sold in foreign countries because there was no infringement.¹⁰⁹ The defendant raised the evidence that some products were sold for use in foreign countries and as such should be excluded from the damages or royalties to be paid.

In *Chiuminatta Concrete Concepts, Inc. v. Cardinal Industries*,¹¹⁰ the Federal Circuit held that where a defendant submits information concerning whether each sale led to an infringing use, summary judgment for the patentee is improper. In this case, the patented method concerned cutting ‘green’ concrete before it has fully set. The defendant sold a saw with instructions on how to infringe the patent. This circumstantial evidence allows a jury to infer that the customers followed those instructions and direct infringement occurred.¹¹¹

The defendant set forth evidence that most saw blades purchased with its saws were incapable of performing the patented method,¹¹² showing, once again, a propensity to a burden shifting theory on damages. Moreover, this panel made sure that they mentioned that:

[w]e do not imply that Chiuminatta is required to demonstrate a one-to-one correspondence between units sold and directly infringing customers. Proof of inducing infringement or direct infringement may be shown by circumstantial evidence. See *Moleculon Research Corp. v. CBS*, 793 F.2d 1261 (Fed. Cir. 1986). “It is hornbook law that direct evidence of a fact is not necessary. ‘Circumstantial evidence is not only sufficient, but may also be more certain, satisfying and persuasive than direct evidence.’” *Id.* at 1272 (Citations omitted).¹¹³

If a one-to-one correspondence is not necessary, then circumstantial evidence of instructions to perform the patented method is enough for a patentee to establish damages. Anything more than circumstantial evidence would involve the absurd result of requiring the patentee to take discovery of each and every user of the product to see how they actually use it. This approach was characterized by Chief Judge Markey as impractical and undesirable in *Hodosh v. Block Drug Co., Inc.*¹¹⁴ A patentee need only establish the fact of damages with reasonable, not absolute, certainty.¹¹⁵ Therefore, a royalty award need only be reasonable, not mathematically precise.¹¹⁶

In *Electro Scientific Industries v. General Scanning, Inc.*,¹¹⁷ the Federal Circuit held that it is the defendant’s duty to allocate between infringing and non-infringing uses. In this case, the plain-

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tiff sued on two patents: one covering laser processing metal links and the other for processing non-metal links. Both processes could be performed by the same machine. The court held the patent concerning the method for processing non-metal links invalid. Therefore, the patentee could only obtain damages for use of the method to process metal links. The defendants were unable to allocate between its sales that lead to infringement and those that did not. Because the defendants were unable to allocate the uses, the Federal Circuit held the defendants liable for all sales of its laser processing machine even though some most likely did not infringe.

In addition, in *Enpat, Inc. v. Microsoft Corp.*,¹¹⁸ the court held that when a defendant shows that some sales of the software that can practice the infringing method were sold to foreign countries, those sales cannot be used in the calculation of a reasonable royalty. Since the defendant has the right to make and sell the software to foreign countries, it cannot infringe, and was not considered in the reasonable royalty calculation. The court held that these sales presented by the defendant were incapable of infringing.

Furthermore, in *Oak Industries v. Zenith Electronics Corp.*,¹¹⁹ the patentee held claims to a method for eliminating direct interference on community antenna systems. The infringer sold similar converters. The converters would only use the claimed method, however, if they were near a community antenna. The court placed the burden on the defendant to show how many of the units that were capable of infringing were sold to people living within 7.5 miles of a community antenna. Converters used more than 7.5 miles away from a community antenna could not infringe at that location. Therefore, the court held that damages would be limited to those sales that could reasonably be inferred to result in infringing use. The court specifically stated that the defendant “bears the burden of uncertainty in the allocation between infringing and non-infringing converters.”¹²⁰

Lastly, in *CFMT, Inc. v. Steag Microtech, Inc.*,¹²¹ the infringer argued that “even if [the patentee] proved that [an infringing] process carried out according to [the patentee’s] brochures, manuals, and video presentation infringes, [the patentee] did not prove that any particular customer carried out the drying process in that way.”¹²² In rejecting this argument, the court stated that: “[The infringer] did not present any evidence that customers use the [product] in some non-infringing way.”¹²³

All of the above cases implicitly support a burden-shifting approach. In the absence of a showing by the infringer of non-infringing uses, the reasonable royalty should be calculated to include all devices capable of infringing. Although the plaintiff in *Oak Industries* argued for a reasonable royalty based on all units capable of infringing, it can still obtain reasonable royalties on all units that are shown to infringe via circumstantial evidence — and the reasonable royalty rate would be higher.¹²⁴ Reasonable royalties are set from a hypothetical negotiation at the time the infringement began and should conceivably include factors such as: sales not likely to infringe, foreign sales that cannot infringe (because that will affect the market), developmental use and other economic considerations. Although some courts have specifically held that these con-

siderations should not be a factor in the determination of a reasonable royalty, it is of fundamental importance to look at all considerations of a hypothetical negotiation. Additionally, since a patentee can obtain a reasonable royalty based on considerations other than damage, the hypothetical negotiation should truly place the parties in good faith discussion at the time the infringement began.¹²⁵ This necessarily includes considerations of sales of units that are capable of infringing.

Indeed, the Federal Circuit has recently held that software that is capable of infringing does infringe a method claim.¹²⁶ *Hilgraeve v. Symantec* basically united the law between methods claims and functional language of apparatus claims.¹²⁷ Thus, for “damages adequate to compensate for the infringement.” all units sold must be considered in the calculation of damages.¹²⁸ This position again conforms to the burden shifting theory on damages. If all units can infringe, all units should be used in the calculation of damages, unless the defendant shows otherwise.¹²⁹

Another important consideration in determining a reasonable royalty is the affect on the marketplace for the patented invention. If one is allowed to sell products that are capable of infringing without liability, the market for the patentee is essentially destroyed without having any recourse.

CONCLUSION

The above analysis has outlined some basic principles of patent law concerning software method patents. Specifically, it addressed the problems that may be specific to software method claims with respect to infringement and damages.

This discussion also demonstrates the injustice that may occur when courts are confined to a strict reading of the statute that was not drafted with software patents in mind. It is paramount that courts follow the implicit precedent outlined above and require that a defendant have the burden of apportioning between sales that lead to infringement and those that do not, and resolving any ambiguity in favor of the patentee. Once a showing is made that the patentee attempted to induce each purchaser to practice the patented method, the patentee should not have to go any further — the defendant should bear the burden of establishing sales that did not lead to infringement as in *Chuiminatta, Oak Industries, Electro Scientific Industries, Standard Havens, and Enpat*. If not, the patentee will be left to the daunting task of having to conduct discovery concerning every purchaser - a truly impractical result.

ENDNOTES

¹This analysis is directed to bundled software where one product includes a variety of operating modes (i.e. Microsoft Office). By simply operating the software with multiple operating modes, it is not a certainty that each mode (or program) will be used. An example of software with multiple modes of operation would be a calendar program that can be utilized with or without pop-up reminders. Difficulty arises where operation in the pop-up reminder mode is the only mode that infringes.

²35 U.S.C. § 101.

³In *In re Shrader*, 22 F.3d 290 (Fed. Cir. 1994), the Federal Circuit suggested that changes to intangible things, such as computer code, could be brought within the umbrella of the “process” category of subject matter.

⁴*Cochrane v. Deener*, 94 U.S. 780, 787-88 (1877).



⁵Diamond v. Diehr, 450 U.S. 175 (1981).

⁶35 U.S.C. ‘§ 101, 102, and 103.

⁷Chisum, CHISUM ON PATENTS, ‘4.01.

⁸35 U.S.C. § 102.

⁹Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989).

¹⁰35 U.S.C. §§ 271 and 154.

¹¹Gottschalk v. Benson, 409 U.S. 63 (1972).

¹²35 U.S.C. § 101 states:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

¹³See, e.g. In re Freeman, 573 F.2d 1237 (C.C.P.A. 1978)(holding system for typesetting mathematical equations in a computer system was patentable); In re Iwahashi, 888 F.2d 1370 (Fed. Cir. 1989)(holding a software method of voice recognition employing a mathematical auto-correlation operation).

¹⁴450 U.S. 175 (1981).

¹⁵Id.

¹⁶Id.

¹⁷684 F.2d 902 (CCPA 1982).

¹⁸618 F.2d 758 (CCPA 1980).

¹⁹573 F.2d 1237 (CCPA 1978).

²⁰33 F.3d 1526 (Fed. Cir. 1984).

²¹Id. at 1544.

²²149 F.3d 1368.

²³Id. at 1374.

²⁴Id. at 1375-77.

²⁵35 U.S.C. § 271(z).

²⁶See, e.g., Joy Technologies, Inc. v. Flakt, Inc., 6 F.3d 770, 774-75 (Fed. Cir. 1993)(a “method claim is *directly* infringed only by one practicing the patented method”)(emphasis in original).

²⁷35 U.S.C. § 271(a), (b) & (c).

²⁸35 U.S.C. § 271(b) &(c).

²⁹Joy Technologies, 6 F.3d at 774 (citing Deepsouth Packing Co v. Laitram Corp., 406 U.S. 518, 526 (1972)(contributory infringement); Aro Mfg. Co. v. Convertible Top Replacements Co., 365 U.S. 336, 341 (1961)(contributory infringement); Standard Havens 953 F.2d 1360, 1374 (Fed. Cir. 1991)(contributory infringement); C.R. Bard, Inc. v. Advanced Cardiovascular Sys., Inc., 911 F.2d 670, 673 (Fed. Cir. 1990)(active inducement and contributory infringement); Moleculon Research Corp. v. CBS, Inc., 872 F.2d 407, 410 (Fed. Cir. 1989)(active inducement); Preemption Devices, Inc. v. Minnesota Mining & Mfg. Co., 803 F.2d 1170, 1173 (Fed. Cir. 1986)(contributory infringement); Met-Coil Sys. Corp. v. Korners Unlimited, Inc., 803 F.2d 684, 687 (Fed. Cir. 1986)(active inducement)).

³⁰Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336, 341-42 (1961); Kendall Company v. Progressive Medical tech., 85 F.3d 1570, 1573 (Fed. Cir. 1996); See, *supra*, note 29.

³¹Met-Coil Sys. Corp. v. Korners Unlimited, Inc., 803 F.2d 684, 687 (Fed. Cir. 1986). See, *supra*, note 29.

³²Moleculon Research Corp. v. CBS, Inc., 793 F.2d 1261, 1272 (Fed. Cir. 1986).

³³Mendenhall v. Cedarapids, Inc., 5 F.3d 1557, 1579 (Fed. Cir. 1993); Moleculon Research Corp. v. CBS, Inc., 793 F.2d 1261, 1272 (Fed. Cir. 1986); Chiuminata Concrete Concepts, Inc. v. Cardinal Industries, Inc., 145 F.3d 1303 (Fed. Cir. 1998).

³⁴793 F.2d 1261, 1272 (Fed. Cir. 1986).

³⁵Moleculon Research Corp. v. CBS, Inc., 793 F.2d 1261, 1279 (Fed. Cir. 1986).

³⁶145 F.3d 1303 (Fed. Cir. 1998).

³⁷Chiuminata, 145 F.3d at 1311.

³⁸Id.

³⁹Id.

⁴⁰Id. at 1312.

⁴¹Id. at 1312.

⁴²See e.g., *Mickowski v. Visi-Trak Corp.*, 36 F.Supp.2d 171, 180 (S.D.N.Y. 1999)(an accused infringer’s “sales literature and product manual . . . clearly encourage[d] purchases” of its product to use the patented

method); *Apple Computer Inc. v. Articulate Systems, Inc.*, 43 USPQ2d 1843, 1845 (N.D. Cal. 1997)(“The requisite intent to induce may be inferred from all of the circumstances, such as giving a direct infringer instructions on how to use a patented process or designing a product to infringe.”)

⁴³*Brantingson Fishing Equipment Co. v. Shimano American Corp.*, 8 USPQ2d 1669, 1675 (Fed. Cir. 1988); *Moleculon*, 793 F.2d at 1261.

⁴⁴See e.g., *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1279 (Fed. Cir. 1986)(holding instructions on how to perform the patented method was sufficient circumstantial evidence to show indirect and direct infringement); *Chiuminata Concrete Concepts, Inc. v. Cardinal Industries, Inc.*, 145 F.3d 1303 (Fed. Cir. 1998)(holding instructions on how to use a saw to perform the patented method was sufficient to show direct and indirect infringement); *Mickowski v. Visi-Trak Corp.*, 36 F.Supp.2d 171, 180 (S.D.N.Y. 1999)(an accused infringer’s “sales literature and product manual . . . clearly encourage[d] purchases” of its product to use the patented method); *Apple Computer Inc. v. Articulate Systems, Inc.*, 43 USPQ2d 1843, 1845 (N.D. Cal. 1997)(“The requisite intent to induce may be inferred from all of the circumstances, such as giving a direct infringer instructions on how to use a patented process or designing a product to infringe.”)

⁴⁵216 F.3d 1343 (Fed. Cir. 2000).

⁴⁶Id. at 1346.

⁴⁷Id. at 1347.

⁴⁸Id.

⁴⁹*Joy Technologies Inc. v. Flakt, Inc.*, 6 F.3d 770, 773 (Fed. Cir. 1993).

⁵⁰*Embrex*, 216 F.3d at 1349.

⁵¹Id.

⁵²Id.

⁵³Id.

⁵⁴See *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 863 (Fed. Cir. 1984)(holding that courts should not “construe the experimental use rule so broadly as to allow a violation of the patent laws in the guise of ‘scientific inquiry,’ when that inquiry has definite, cognizable, and not insubstantial commercial purposes.”)

⁵⁵216 F.3d at 1349.

⁵⁶Id.

⁵⁷*Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990).

⁵⁸*Giles Sutherland Rich, Infringement Under Section 271 of the Patent Act of 1952*, 21 *George Washington Law Review* 521, 539 (April 1953). Giles Sutherland Rich helped draft the 1952 patent law before he was appointed to the judiciary. Judge Rich served on the Federal Circuit from its inception in 1982 until his death in 1999.

⁵⁹Id. at 538. (“One who commands, directs, advises, encourages, procures, instigates, promotes, controls, aids, or abets a wrongful act by another has been regarded as being responsible as the one who commits the act, so as to impose liability upon the former to the same extent as if he had performed the act himself. The liability in such case is joint and several.” citing 52 *Am. Jur., Torts*, § 114 (1944); *Hewlett-Packard*, 909 F.2d at 1469.

⁶⁰For illustrative purposes: If an article is not specifically adapted for use in an infringing manner, the seller and the purchaser are not liable. If the purchaser used the article in an infringing manner, the purchaser is liable - the seller is not. This is true even if the seller *knew* of the infringing manner so long as it did not provide any guidance or assistance. If, however, the seller: 1) instructs the purchaser to use the article in a certain way, and 2) use of the article in that way by the purchaser is direct infringement - the seller and the purchaser are jointly liable.

⁶¹*Water Technologies, Corp. v. Calco, Ltd.*, 850 F.2d 660, 669 (Fed. Cir. 1988).

⁶²*Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990).

⁶³Id. (boldface added).

⁶⁴*CVI/Beta Ventures, Inc. v. Tura LP*, 905 F.Supp. 1171, 1196 (E.D.N.Y. 1995).

⁶⁵ *Hewlett-Packard*, 909 F.2d at 1469.



- ⁶⁶CVI/Beta Ventures, 905 F.Supp. at 1196. (citations omitted) (boldface added).
- ⁶⁷See *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 n. 2 (Fed. Cir. 1996)(patent infringement is a strict liability offense.)
- ⁶⁸This position is consistent with Federal Circuit law, which holds infringement does not require proof of intent to infringe. *Hilton Davis Chemical Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1523 (Fed. Cir. 1995), *reversed on other grounds*, 520 U.S. 17 (1997)(holding *intent to infringe* only becomes relevant when a patent owner seeks enhanced damages or attorney fees.)
- ⁶⁹*Rich*, at 542.
- ⁷⁰*Rich*, at 526-27.
- ⁷¹*Manville Sales Corp. v. Paramount Systems, Inc.*, 917 F.2d 544, 553-54 (Fed. Cir. 1990).
- ⁷²*Id.*
- ⁷³If there is a conflict, *Hewlett-Packard* is binding precedent to the present case, not *Manville*. In pursuit of uniformity in its decision-making, the Federal Circuit relies upon the procedural mechanism of *stare decisis*. To achieve uniformity, the Federal Circuit "has adopted the rule that prior decisions of a panel of the court are binding precedent on subsequent panels unless and until overturned *in banc*." *Newell Companies, Inc. v. Kenney Manufacturing Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988). If there is a direct conflict between the *Manville* and *Hewlett-Packard* decisions, *Hewlett-Packard* is the binding precedent unless and until overturned *in banc*. Accordingly, *Manville* should be read to avoid conflict which requires limitation of its standard to the area of officer and director liability for corporate acts.
- ⁷⁴*Minnesota Mining & Manufacturing v. Johnson & Johnson*, 976 F.2d 1559, 1580 (Fed. Cir. 1992)
- ⁷⁵*Mentor H/S, Inc. v. Medical Device Alliance, Inc.*, 244 F.3d 1365, 1379 (Fed. Cir. 2001)(holding defendants conduct sufficient to establish inducement, but not willfulness.); *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1579 (Fed. Cir. 1986)(holding willfully inducing infringement and inducing infringement "are not the same thing."); *Power Lift, Inc. v. Lang Tools, Inc.*, 774 F.2d 478, 481-82 (Fed. Cir. 1985)(holding a determination of willfulness is required after a finding of inducement to infringe).
- ⁷⁶35 U.S.C. § 271(c).
- ⁷⁷*Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341-42 (1961).
- ⁷⁸*Nordberg Mfg. Co. v. Jackson Vibrators, Inc.*, 153 USPQ 777, 783 n.8 (N.D. Ill. 1967), *rev'd on other grounds*, 393 F.2d 192 (7th Cir. 1968).
- ⁷⁹*Deepsouth Packing Co v. Laitram Corp.*, 406 U.S. 518, 526 (1972); *Standard Havens 953 F.2d 1360, 1374* (Fed. Cir. 1991); *C.R. Bard, Inc. v. Advanced Cardiovascular Sys., Inc.*, 911 F.2d 670, 673 (Fed. Cir. 1990).
- ⁸⁰377 U.S. 476 (1963).
- ⁸¹*Id.*
- ⁸²See, e.g., *Aralac, Inc. v. Hat Corp. of America*, 166 F.2d 286 (3d Cir. 1948)("the sale of an article of ordinary use without relation to any apparatus does not make the manufacturer guilty of contributory infringement if the buyer later makes use of the article in an infringing apparatus."); *Charles H. Lilly Co. v. I. F. Laucks, Inc.*, 68 F.2d 175 (9th Cir. 1933)(the sale of a standard article of commerce, even with knowledge that the defendant would use it to infringe, does not and can not constitute contributory infringement.)
- ⁸³*C.R. bard, Inc. v. Advanced Cardiovascular Systems, Inc.*, 911 F.2d 670, 674 (Fed. Cir. 1990).
- ⁸⁴*Id.* at 675; see also *Universal Electronics, Inc. v. Zenith Electronics Corp.*, 846 F.Supp. 641, 651 (N.D. Ill. 1994)(determining that defendant's product has "substantial non-infringing uses" because the same hardware could perform non-infringing functions).
- ⁸⁵*Hodosh v. Block Drug. Co.*, 833 F.2d 1575, 1578 (Fed. Cir. 1987).
- ⁸⁶*Oak Industries, Inc. v. Zenith Electronics Corp.*, 697 F.Supp. 988, 995 (N.D. Ill. 1988).
- ⁸⁷*Preemption Devices, Inc. v. Minnesota Min. And Mfg. Co.*, 630 F.Supp.463, 471 (E.D. Pa. 1985), *aff'd in part, vacated in part, and remanded*, 803 F.2d 1170 (Fed. Cir. 1986).
- ⁸⁸846 F.Supp. 641 (N.D. Ill. 1994).
- ⁸⁹*Id.* at 651 (citing *Hodosh v. Block Drug. Co.*, 833 F.2d 1575, 1578 (Fed. Cir. 1987)).
- ⁹⁰35 U.S.C. § 281.
- ⁹¹35 U.S.C. § 283, 284, 285, 289.
- ⁹²35 U.S.C. § 284.
- ⁹³*Rite-Hite Corp. v. Kelley Co., Inc.*, 566 F.3d 1538, 1545 (Fed. Cir. 1995)(en banc), cert. denied, 516 U.S. 867 (1995).
- ⁹⁴See *Smithkline Diagnostics, Inc. v. Helena Laboratories Corp.*, 926 F.2d 1161, 1163 (Fed. Cir. 1991)("A patentee may seek to recover actual damages, usually, the amount of profits actually lost, or if unable to prove actual damages, the patentee is entitled to a reasonable royalty.")
- ⁹⁵35 U.S.C. § 271(b) & (c).
- ⁹⁶*Chiuminatta Concrete Concepts, Inc. v. Cardinal Industries, Inc.*, 00-1172, 2001 U.S. App. LEXIS 233 (Fed. Cir. Jan. 8, 2001).
- ⁹⁷*Panduit Corp. v. Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978).
- ⁹⁸*Id.* at 1156.
- ⁹⁹*Bio-Rad Laboratories, Inc. v. Nicolet Instrument Corp.*, 739 F.2d 604 (Fed. Cir. 1984).
- ¹⁰⁰35 U.S.C § 284.
- ¹⁰¹*Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F.Supp. 1116 (S.D.N.Y. 1970).
- ¹⁰²35 U.S.C. § 284. (emphasis added).
- ¹⁰³*Moleculon Research Corp. v. CBS*, 793 F.2d 1261 (Fed. Cir. 1986); *Chiuminatta Concrete Concepts, Inc. v. Cardinal Industries, Inc.*, 00-1172, 2001 U.S. App. LEXIS 233 (Fed. Cir. Jan. 8, 2001).
- ¹⁰⁴*Smithkline Diagnostics, Inc. v. Helena Laboratories Corp.*, 926 F.2d 1161, 1163 (Fed. Cir. 1991); *Oxy Metal Industries Corp. v. Quin-Tec, Inc.*, 216 U.S.P.Q. 318, 319, 324-35 (E.D. Mich. 1982).
- ¹⁰⁵*Lindemann Maschinenfabrik GmbH v. American Hoist & Derrick Co.*, 895 F.2d 1403, 1406 (Fed. Cir. 1990) (emphasis added). Infringement liability and damages are governed by two separate statutory sections. Section 271 controls infringement liability. An infringer under § 271 is liable for damages under § 284. There is no right to § 284 damages unless § 271 liability is proved. On the other hand, after § 271 liability is proved, § 284 damages are mandatory — "damages adequate to compensate for the infringement, but in no event less than a reasonable royalty." Once liability is established the patentee is entitled to damages for sales of the invention "by the infringer."
- ¹⁰⁶See *Nickson Industries, Inc.. v. Rol Mfg.*, 847 F.2d 795-798-99 (Fed. Cir. 1988); See also *Fromson v. Western Litho Plate and Supply Co.*, 853 F.2d 1568, 1578 (Fed. Cir. 1988)(refusing apportionment under the facts of the case but stating in dicta: "Royalties are paid and payable on the use made of the invention, i.e. on *infringing products* and *infringing uses* made of the invention.") (emphasis in original).
- ¹⁰⁷*Nickson*, 847 F.2d at 799; *Electro Scientific Industries, Inc. v. General Scanning Inc.*, 99-1523, 2001 U.S. App. LEXIS 6779 (Fed. Cir. April 18, 2001).
- ¹⁰⁸953 F.2d 1360 (Fed. Cir. 1991).
- ¹⁰⁹A U.S. Patent only covers article sold or used in the United States, patents are territorial in nature.
- ¹¹⁰*Chiuminatta Concrete Concepts, Inc. v. Cardinal Industries*, 00-1172, 2001 U.S. App. LEXIS 233 (Fed. Cir. January 8, 2001).
- ¹¹¹This should be sufficient evidence for a patentee to avoid summary judgment. In *Chiuminatta Concrete Concepts, Inc. v. Cardinal Industries, Inc.*, 2001 WL 21304 (Fed. Cir. Jan. 8, 2001)(unpublished), the Federal Circuit reviewed the grant of summary judgment to the *patentee* on the amount of lost profit damages. In *Chiuminatta*, the defendant sold power saws that could be used in a variety of different ways - just like software with many modes of operation. The defendant, however, encouraged and instructed its customers to use its power saw in an infringing manner. When viewed in the light most favorable to the *defendant* (as in *Chiuminatta*), this evidence just "falls short of proof that each sale of a . . . saw led to an act of infringement." It follows, however, that when viewed in the light most favorable to the *patentee*, such evidence



will allow a reasonable jury to infer that each sale led to infringement. In any event, the patentee need not “demonstrate a one-to-one correspondence between units sold and directly infringing customers” to obtain damages - especially when based on a reasonable royalty.

¹¹²Chuiminatta, 2001 U.S. App. LEXIS 233, at *12.

¹¹³Chuiminatta, 2001 U.S. App. LEXIS 233, at *13.

¹¹⁴833 F.2d 1575, 1578 n. 11 (Fed. Cir. 1987).

¹¹⁵Broan Mfg. Co., Inc. v. Associated Distributors, Inc., 923 F.2d 1232, 1237 (6th Cir. 1991).

¹¹⁶Gargoyles v. United States, 113 F.3d 1572 (Fed. Cir. 1997); J. Payne Co. v. Chrysler Motors Corp., 451 U.S. 557, 566-67 (1981)(it does not “come with very good grace” for the wrongdoer to insist upon specific certain proof of the wrong that has been committed.)

¹¹⁷Electro Scientific Industries v. General Scanning, Inc., 00-1142, 2001 U.S.App. LEXIS 6779 (Fed. Cir. April 18, 2001).

¹¹⁸6 F.Supp.2d 537 (E.D. Va. 1998).

¹¹⁹726 F.Supp. 1525 (N.D. Ill. 1989).

¹²⁰Oak Industries, 726 F.Supp at 1544 (citing Nickson Industries, Inc. v. Rol Mfg. Co., 847 F.2d 795, 799 (Fed. Cir. 1988).

¹²¹14 F.Supp.2d 572, 592 (D. Del. 1998)

¹²²Id. at 592.

¹²³Id. at 591-92.

¹²⁴Id. at 1544. The defendant in Oak Industries did proffer evidence concerning sales that did not lead to infringement.

¹²⁵Embrex, Inc. v. Service Engineering Corp., 216 F.3d 1343 (Fed. Cir. 2000). In this case, the Federal Circuit held that development use even though no sales were ever made should be a basis for a reasonable royalty. The patentee need not suffer damage to be entitled to a reasonable royalty. Since the patentee is entitled “in no event less than a reasonable royalty” the patentee should receive what it could have bargained for when the infringement began. “Royalties are normally computed upon the sales of a patented product or process. However, parties may choose

other methods to compute the amount that a licensee may pay for the right to use a patented product or process, such as flat fees or milestone payments in the case of pre-commercialization licenses.” Id. at 1350.

¹²⁶Hilgraeve Corp. v. Symantek Corp., 00-1373, 00-1374, 2001 U.S. App. LEXIS 20496 (Fed. Cir. Sept. 18, 2001).

¹²⁷“[I]n determining whether a product claim is infringed, we have held that an accused device may be found to infringe if it is reasonably capable of satisfying the claim limitations, even though it may also be capable of non-infringing modes of operation. See *Intel Corp. v. U.S. Int’l Trade Commission*, 946 F.2d 821, 832 (Fed. Cir. 1991); *Key Pharms., Inc. v. Hercon Labs. Corp.*, 981 F.Supp. 299, 310 (D.Del. 1997), *aff’d*, 161 F.3d 709 (Fed. Cir. 1998); *Huck Mfg. Co. v. Tectron, Inc.*, 187 U.S.P.Q. 388, 408 (E.D. Mich. 1975)(“The fact that a device may be used in a manner so as not to infringe the patent is not a defense to a claim of infringement against a manufacturer of the device if it is also reasonably capable of use that infringes the patent.”); *cf. High Tech Med. Instrumentation, Inc. v. New Image Indus., Inc.*, 49 F.3d 1551, 1556 (Fed. Cir. 1995) (finding that an accused device does not infringe if it does not infringe in its normal configuration, even if it may be altered into an infringing configuration under unusual circumstances). So too the sale of a device may induce infringement of a method claim, even if the accused device is capable of non-infringing modes of operation in unusual circumstances.”

¹²⁸35 U.S.C. § 284.

¹²⁹See *Enpat, Inc. v. Microsoft Corp.*, 6 F.Supp.2d 527 (E.D. Va. 1998)(holding sale of computer software that can not be used to infringe is not compensable.)

University of Dayton Cyberspace Seminar Ends Era on High Note

By Kimberly Paulson of Miller, Canfield, Paddock & Stone

On June 7, I headed back down to Dayton for the thirteenth annual University of Dayton School of Law Computer and Cyberspace Law Seminar. As usual, the three hour drive and full day seminar was time well spent. The University of Dayton Seminar presents a low-cost, quality alternative for those of us unable, or unwilling, to travel to New York or L.A. and spend thousands of dollars on similar seminars.

End of an Era

Before the substantive presentations began, Professor Robert A. Kreiss, the conference Chair who is largely responsible for the success of this seminar, announced that he is retiring. This surely marks the end of an era for the annual seminar. One can only hope that his successor will devote the time and resources to ensure that the Computer and Cyberspace Law Seminar continues to grow and

offer the diverse and thorough program for which it has become known. Professor Kreiss was honored with a humorous “life story” slide presentation and numerous ovations.

Perennial Favorites

The seminar began, as usual, with a lively presentation by Andy Johnson-Laird, President of Johnson-Laird, Inc., a Cyber-Forensics consulting company. Mr. Johnson-Laird’s presentation focused on the debate over cutting-edge biometric identification techniques. According to Mr. Johnson-Laird, some of the legal questions bound to arise with the use of such identification techniques are: 1) who owns the rights to one’s biometric samples?; 2) is there a standard of care connected with the handling and storing of biometric data?; 3) what liability will attach in the case of errors in the use of such information? He also noted the possibility of fraud,

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informing us of publicized experiments demonstrating the ease of duplicating someone's fingerprint. As the prospects of biometrics are more fully realized, new legal issues, and problems, are inevitable, he explained.

Mr. Johnson-Laird also spoke about electronic data and concerns in collecting it. He emphasized the need for context when collecting electronic data. In particular, databases and spreadsheets are useless, he explained, without additional information, including relationships between databases. Other necessary information includes explanations of format, syntax, and semantics. As Mr. Johnson-Laird emphasizes, data and information are not the same thing — data is useless alone.

Copyright and trademark law updates were also provided. Kate Spelman, of Steinhart & Falconer LLP, in San Francisco, made yet another trip to Dayton to discuss significant developments in copyright as relate to cyberspace law. Ms. Spelman spoke of a new social movement, which she compared to the ecological group movement of the 1960's, that emphasizes the public's interest in copyrighted works. Generally, she explained, the modern viewpoint is that the rights granted to owners of copyright should be, in accordance with the U.S. Constitution, limited. In particular, members of this movement believe that copyrighted works should never be the subject of encryption. As a result of digital technology and the new push for less protection for owners, Ms. Spelman expressed the opinion that copyright law is in a state of flux and conveyed her concern that copyright law as we now know it may cease to exist in the future.

Ms. Spelman also discussed the Digital Millennium Copyright Act ("DMCA"). She specifically discussed the DMCA's safe harbor provision. Explaining that the DMCA's definition of who qualifies for safe harbor is very broad, she encouraged everyone to fill out the appropriate paperwork and institute the requisite statutory requirements. By her definition, anyone who gives computers to employees, provides access to the Internet, and does not supervise the employees' use, qualifies under the Safe Harbor and could gain significant benefits from registering with the Copyright Office.

Ms. Spelman also mentioned a few noteworthy cases important to cyberspace law. She discussed *Hendrickson v. eBay, Inc.*,¹ in which the court upheld eBay's immunity under the safe harbor provision of the DMCA, *Eldred v. Reno*,² a case examining the constitutionality of the Sonny Bono Copyright Extension Act, and *Tasini v. New York Times Co.*,³ the highly publicized case prohibiting publishers of collective works from including articles offered by freelance writers in the publishers' electronic databases.

Cybersquatters & Pests

Next, we were treated to two presentations presenting more in-depth analyses on the topics of cybersquatting and controlling Internet "pests." On the trademark law front, Jonathon Hudis of Oblon, Spivak, McClelland, Maier & Neustadt, P.C., of Arlington, Virginia, provided written materials surveying relevant trademark law development. However, in his oral presentation, Mr. Hudis addressed the two primary methods for bringing a cybersquatting

action. Mr. Hudis compared and contrasted filing a suit under the U.S. Anti-Cybersquatting Consumer Protection Act and bringing an action through the ICANN UDRP procedure. He also discussed important trademark cases relevant to cyberspace law, including *People for the Ethical Treatment of Animals, Inc. v. Doughney*⁴, a cybersquatting case where the court broadly defined when a domain name is used in connection with the sale of goods or services.

The final presentation before lunch focused on legal methods for dealing with spiders, crawlers, and other Internet "pests." Robert Hamilton, of Jones, Day, Reavis & Pogue, in Columbus, Ohio, first posed the question of whether spiders, bots, crawlers, and the like are dangerous "pests" or whether they are essential to the "natural order" of the Web. In other words, do they interfere with commerce or ensure perfect market efficiency? Mr. Hamilton examined some of the cases that have applied the traditional law of trespass to situations involving Internet pests. These include *CompuServe Inc. v. Cyber Promotions*⁵, *eBay, Inc. v. Bidder's Edge, Inc.*⁶, and *Register.com v. Verio, Inc.*⁷

Mr. Hamilton then reviewed other causes of action commonly brought in cases involving Internet pests. For example, he listed the Computer Fraud and Abuse Act (and state counterparts), which was raised in the *Register.com* case; the DMCA; traditional copyright law, as claimed in *Ticketmaster Corp. v. Tickets.com*⁸; breach of contract, which was included as a claim in both the *eBay* case and the *Register.com* case; and misappropriation, as raised in the *eBay* case. He emphasized that the cases are generally very fact-specific. The issue is one, Mr. Hamilton explained, that needs to be worked out by the courts. Regardless, the debate over whether Internet pests should be subject to any regulations will continue to rage on.

The Battle Over Electronic Evidence

As is customary for this seminar, the breakout sessions, held after lunch, provided a variety of viewpoints on topical issues. Particularly enjoyable was the break out session on electronic discovery. Opting for a panel discussion instead of three separate presentations, the moderator achieved a spirited debate between a plaintiff's attorney and defense counsel from Louisiana and Los Angeles respectively. The participants consisted of James Blackburn, of Arnold & Porter in Los Angeles, Leonard Davis of Herman, Herman, Katz & Cotlar, LLP, in New Orleans, and Barb Frederiksen of Johnson-Laird, Inc. Despite the differing points of view on the proper manner for conducting electronic discovery, some important basic information came from the discussion.

The speakers agreed that in a case where a party knows it will need to obtain significant electronic discovery from the opposing party, it should get a forensic expert involved immediately. Barbara A. Frederiksen, of Johnson-Laird, Inc., a cyber-forensics consulting company, emphasized that a party should consult with a computer forensic expert before submitting its first request for electronic information. Without proper guidance, Ms. Frederiksen explained, a party may end up with discs full of data that has no



context. She also reminded us that it is more difficult to go back to the producing party and ask for clarification as to the information already produced than to simply request it properly the first time.

The speakers also agreed that once a lawsuit has been filed that a party knows will involve the production of electronic information, it should get its IT department involved right away. The party must first determine the scope and time frame of information relevant to the claims. For instance, where a case will only concern information generated in the past, then current destruction policies probably do not need to be changed. In cases with an ongoing obligation to produce relevant information, we were encouraged to institute a procedure to capture relevant information already in existence before it gets erased and continue routine searches throughout the case to collect any new relevant information. By doing this, they explained, there is less interference with the normal function of the IT department. For example, they can still perform routine erasures on schedule. Beyond the commencement of a lawsuit, though, the parties also suggested that management should routinely meet with the IT department to discuss policies and practices so that a company will be better prepared when it comes time to produce electronic discovery.

The speakers also noted that electronic discovery is generally a well-accepted form of discovery under the federal rules and cited to federal cases concerning the topic. In *Playboy Enterprises, Inc. v. Welles*, for instance, a federal district court held that by requesting “documents” generally under Federal Rule of Civil Procedure 34, a party has also effectively requested production of information stored in electronic form.⁹ Further, according to the court in *Simon Property Group L.P. v. mySimon, Inc.*, even computer records that have been deleted are documents that are discoverable under Rule 34.¹⁰

The issue of spoliation of evidence was also discussed with reference to the destruction of e-mails, back up tapes, and other electronic evidence. The speakers encouraged us to be very careful regarding the destruction of electronic evidence, lest we be found to have engaged in evidence spoliation. At least one court has held that corporate document retention policies do not “trump” the Federal Rules regarding discovery or requests by opposing counsel.¹¹

At the same time, two other breakout sessions were taking place — one on drafting and implementing various web agreements and, for the patent attorneys, a section concerning business method patents. Although I did not attend those sessions, it is obvious from the written materials that the speakers for each represented a variety of practices. For instance, those who spoke regarding web agreements were, respectively, from a law firm and an Internet company. In the patent session, the speakers represented the U.S. Patent and Trademark Office and a Michigan law firm.

Addressing the Internet Internationally

For the second breakout session, I forewent presentations concerning issues in business to business exchanges and more patent law discussions to attend the section focused on international issues in cyberspace. I found the significant differences in

the law of various countries eye-opening. For instance, the first speaker, Robert Carolina, of Taro Lyons in London, explained that U.S. companies sometimes take legal action against a foreign party without properly investigating relevant law. Mr. Carolina warned, in particular, against making hasty claims based on trademark law. He discussed the case *Prince plc v. Prince Sports Inc.*¹² After threatening trademark litigation against the UK company based on registration of a domain name, the U.S. company found itself at the other end of a lawsuit in the UK. By making groundless threats of litigation, the U.S. company had, itself, violated the UK’s trademark statute.

Mr. Carolina also discussed the data protection laws of the EU. He explained that under Directive 95/46/EC and the UK’s Data Protection Act 1998, the processing and cross border transfer of personal data is highly regulated. Also, the individuals to whom the data applies have a great amount of control over how it is used and can challenge the accuracy of the information. Of particular importance is the restriction on the transfer of the data. Under these laws, according to Mr. Carolina, such information can be transferred to countries outside the EU only if adequate data protection is in place. In other words, the EU must find that the country has in place laws comparable to those in the EU. Mr. Carolina commented that the laws of the U.S. probably would not be deemed adequate under this standard. There is a safe harbor in place, however, where the EU works in conjunction with the FTC to promulgate acceptable contractual provisions. A U.S. company utilizing and adhering to these agreed upon contractual provisions will be allowed to receive information from the EU. The activities of such companies are enforced by the FTC.

Finally, Mr. Carolina discussed the dangers of posting on the Internet. He reminded us that when we cross into a foreign jurisdiction, we leave our First Amendment rights at the border. There is often far less protection for freedom of expression outside of the U.S., he explained. This is reflected in the law of defamation and in laws concerning pornographic or illicit materials. Mr. Carolina discussed a case involving criminal charges brought in Germany against CompuServe regarding the alleged distribution of pornographic materials¹³ and another involving a claim brought in France against Yahoo! for displaying nazi memorabilia for sale on-line¹⁴. These cases serve as reminders that knowledge of foreign law is essential to be able to properly advise our clients in the area of cyberspace law.

The other speaker, Rufus Pichler, from Morrison & Foerster, LLP in San Francisco, focused more upon jurisdiction and the enforcement of foreign judgments. He warned that some EU countries have extremely broad jurisdiction rules that may lead to “exorbitant” jurisdiction in the e-commerce context. Commentators have criticized the inflexibility of the jurisdiction rules of many European countries, according to Mr. Pichler, but the problem has yet to be resolved. Apparently, the Hague Convention is struggling with the implications of electronic commerce. Mr. Pichler added that even in the U.S., jurisdiction involving Internet activities is still uncertain.

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Despite paying lip-service to the *Zippo* case, court decisions are still inconsistent, he opined. In fact, he suggested, recent decisions indicate a shift away from the *Zippo* analysis and back to a requirement of “contacts.”

As to enforcement of foreign judgments, that is also uncertain, as demonstrated by the recent U.S. court decision in connection with the above referenced *Yahoo!* case. There, a U.S. district court in California refused to enforce against Yahoo! the injunction issued by a French court, holding that doing so would run contrary to the First Amendment.¹⁵ As far as enforcement in the EU, though, Mr. Pichler reminded us that all EU judgments are enforceable EU-wide, thereby putting at risk assets located anywhere in the EU.

This session pointed effectively demonstrated the dilemmas faced by countries trying to control the invasive presence of the Internet. The global nature of the Internet appears to have created a type of tug-of-war between countries, each eager to enforce its laws and protect its citizens. In conclusion, this session demonstrated that the world has a long way to go in reaching a consensus as to how to govern the Internet, and that, until it does, inconsistency and uncertainty will prevail.

Looking Forward to Next Year

As each year before, I immensely enjoyed this year’s seminar, and learned a great deal as well. My only disappointment was that there was no mention of relevant portions of the USA PATRIOT Act or other anti-terrorism measures, which seem to be especially topical right now. Hopefully I will be writing about that topic in next year’s review.

Endnotes

- 1 165 F. Supp.2d 1082 (C.D. Cal. 2001).
- 2 239 F.3d 372 (D.C. Cir. 2001), *cert. granted*, *Eldred v. Ashcroft*, 122 S. Ct. 1062 (2002).
- 3 533 U.S. 483 (2001).
- 4 263 F.3d 359 (4th Cir. 2001).
- 5 962 F. Supp. 1015 (S.D. Ohio 1997).
- 6 100 F. Supp.2d 1058 (N.D. Cal. 2000).
- 7 126 F. Supp.2d 238 (S.D.N.Y. 2000).
- 8 2000 U.S. Dist. Lexis 12987 (C.D. Cal. 2000).
- 9 60 F. Supp.2d 1050 (S.D. Cal. 1999).
- 10 194 F.R.D. 639 (S.D. Ind. 2000).
- 11 *Trigon Ins. Co. v. U.S.*, 2001 WL 1456388 (E.D. Va. 2001).
- 12 [1998] FSR 21
- 13 *In the Name of the People Judgment of the Munich Regional Court I in the criminal case v. Somm, Felix Bruno, for the dissemination of pornographic writings*
- 14 *LICRA and UEJF v. Yahoo! Inc and Yahoo France*
- 15 *Yahoo!, Inc. v. La Ligue Contre Le Racisme Et l’Antisemitisme*, 169 F. Supp.2d 1181 (C.D. Cal. 2001).



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