

Contents

Recent Developments in
Computer and Internet Law .. 3

Member Profile 11

Mark Your Calendars:
Computer Law Section Annual
Meeting and Golf Outing..... 12

Michigan Computer Lawyer is published bi-monthly. If you have an article you would like considered for publication, send a copy to:

Matthew M. Jakubowski
Brooks Kushman, PC
1000 Town Center
Floor 22, Suite 2200
Southfield, MI 48075-1183
E-Mail: mjakubowski@brookskushman.com

2004 Spring Luncheon

By *Matthew M. Jakubowski*

On May 20, 2004, the Computer Law Section hosted its Annual Spring Networking Luncheon at the Livonia Marriott. This year's topic was legal perspectives on peer to peer ("P2P") music file sharing. Committee Chair Kimberly Paulson, along with Anthony Targan and Larry Jordan, assembled a distinguished panel to discuss legal issues concerning P2P sharing. The panel consisted of Moderator, Gary Graff, a music journalist, Cindy Cohn, of the Electronic Frontier Foundation, Jack Bernard, of the University of Michigan, and Howard Hertz, of Hertz, Schram & Saretsky. Overall, the panel did a wonderful job of conveying the divergent perspectives held by different groups involved in the ongoing legal battles over P2P music file sharing.

Mr. Graff articulated the artists' often conflicted views of P2P sharing. On one hand, artists want compensation for their artistic efforts. On the other hand, on some level, they want to support the rebellious nature of music, notably rock n' roll music, by allowing fans to share music.

As we feasted on a wonderful lunch, the panelists engaged in verbal sparring, each speaking passionately about this controversial issue. While they all agreed that P2P music file sharing is a problem, it was obvious that they were not going to agree on a solution. Their conflicting opinions made for a thorough and thought-provoking presentation for the rest of us.

Mr. Graff articulated the artists' often conflicted views of P2P sharing. On one hand, artists want compensation for their artistic efforts. On the other hand, on some level, they want to support the rebellious nature of music, notably rock n' roll music, by allowing fans to share music. Mr. Graff noted that the accessibility and universality of P2P sharing has made artists very cautious about the creative process of music making in fear of it being bootlegged before the work is finished. On the positive side, the nature of P2P sharing may provide a "grass roots" mechanism for lesser known musicians to reach the masses with their music. In sum, artists must grapple with the good and the bad of P2P music sharing as it becomes more and more prevalent.

**STATE BAR OF MICHIGAN
COMPUTER LAW SECTION**

Chairperson—Frederick E. Schuchman III

Chairperson-elect—Sandra Jo Franklin

Secretary—Paul J. Raine

Treasurer—Stephen L. Tupper

COUNCIL MEMBERS

Marla Schwaller Carew

Christopher J. Falkowski

Sandra Jo Franklin

Thomas M. Iacobelli

Lawrence R. Jordon

Bernard T. Lourim

Marta A. Manildi

Jeffrey G. Raphelson

Kimberly A. Paulson

Paul J. Raine

Fredrick E. Schuchman III

Jerome M. Schwartz

David R. Syrowik

Anthony A. Targan

Tyrone C. Tartt

Stephen L. Tupper

Gregory L. Ulrich

Janet M. Ziulkowski

IMMEDIATE PAST CHAIR

Anthony A. Targan

EX-OFFICIO

Claudia V. Babiarz

Thomas Costello Jr.

Kathy Damian

Robert A. Feldman

Mitchell A. Goodkin

William H. Horton

Lawrence R. Jordan

Charles P. Kaltenbach

Michael S. Khoury

J. Michael Kinney

Thomas L. Lockhart

Janet L. Neary

Jeffrey G. Raphelson

Steven L. Schwartz

Carol R. Shepard

COMMISSIONER LIAISON

Gregory L. Ulrich

STATEMENT OF EDITORIAL POLICY

The aim and purpose of the Michigan Computer Law Section of the State Bar of Michigan is to provide information relative to the field of computer law, and other information that the section believes to be of professional interest to the section members.

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.

Mr. Bernard is Assistant General Counsel at the University of Michigan, concentrating his practice on intellectual property, computer and cyber law. With this focus, Mr. Bernard presently addresses many issues regarding P2P sharing from a student representation perspective. Mr. Bernard stressed that education is the linchpin for curbing improper uses of P2P sharing technologies, an approach that has been praised by the RIAA. He noted that the University has been very successful at extinguishing recidivism from students cited by the RIAA as participating in improper P2P sharing and at diminishing legal issues regarding P2P sharing in general.

Ms. Cohn is the Legal Director for the Electronic Frontier Foundation (“EFF”), a non-profit group working to protect individual digital rights. Lamenting the overbroad application of intellectual property rights and the RIAA’s over-zealous enforcement of these rights, Ms. Cohn believes that this “let’s stomp it out” solution to P2P sharing is not going to work. The EFF is endeavoring to clear up the misconception that P2P sharing is synonymous with copyright infringement, by focusing on how P2P sharing can coexist with the music industry. Keeping in mind that a computer’s chief virtue is copying, the EFF is working towards a solution in which artists are paid by controlling this copying. One solution that has emerged is voluntary collective licensing wherein the music industry forms a collecting society, which offers file sharing to music fans for a reasonable regular payment, e.g. \$5 per month. Ms. Cohn stressed that P2P file sharing is here to stay, and therefore a solution must be found to address it in a fair and even-handed manner.

One of his main points was that an artist currently does not have the choice as to whether his songs are available for free online.

Mr. Hertz specializes in entertainment law and has represented numerous artists and entities in the music industry, including George Clinton, Eminem, Jack White, and CDNow. Mr. Hertz articulated the artists’ view of P2P sharing. One of his main points was that an artist currently does not have the choice as to whether his songs are available for free online. Mr. Hertz would like to see a solution to P2P file sharing issues that allows artists to have this choice.

We’d again like to thank Ms. Cohn, Mr. Bernard, Mr. Hertz, and Mr. Graff for their enthusiastic participation in this event, as well as all of those individuals who attended.

If you would like to learn more about the various perspectives on P2P music file sharing, please refer to the March/April 2004 newsletter, which features two articles regarding this subject. If you have ideas for the next Spring Luncheon or would like to serve on the Spring Luncheon committee, contact Kimberly Paulson at paulson@millercanfield.com.

Recent Developments in Computer and Internet Law

By David R. Syrowik

U.S. SUPREME COURT

Telecommunications

As reported at 2004 WL 573799 (U.S.), the U.S. Supreme Court held on March 24, 2004 that the states can block cities and towns from getting into the phone business. However, this ruling does not cover cable-television and Internet services offered by many local governments that have built their own high-speed data networks that compete against private providers. The decision might have implications for new telephone voice services offered over broadband networks, often called voice-over Internet protocol. Some states have defined those services as traditional telephone offerings, which means they might be subject to the ruling. But the Federal Communications Commission is considering the question of how to define voice-over-data-network services, as are several courts. *Nixon v. Missouri Municipal League*.

First Amendment

As reported in the June 30, 2004 issue of the *Wall Street Journal*, the Supreme Court ruled that Congress's latest effort to regulate Internet-based pornography likely violates the First Amendment's right to free speech. The court's 5-4 decision left in place an injunction barring the law's enforcement and ordered a lower court to determine whether the *Child Online Protection Act* violates the Constitution. The high court had found an earlier version of the law unconstitutional. Justice Anthony Kennedy wrote for the majority. He said the law, which imposed a \$50,000 fine and six months in prison for posting content for commercial purposes on the Internet that is harmful to children, would have a chilling effect on speech. *Ashcroft v. American Civil Liberties Union et al.*

U.S. COURT OF APPEALS

Patents

As reported at 69 USPQ2d 1815, the U.S. Court of Appeals for the Federal Circuit held on February 3, 2004 that language in the specification of a number of

patents regarding voice-over-computer transmissions limited the claims in another patent to direct telephone connections, even though the claims of the patent-in-suit did not clearly include such limitations. Multi-Tech Systems, Inc. is the owner of several patents for using a personal computer to simultaneously transmit voice and/or data over a telephone line. In a declaratory judgment suit filed by Microsoft Corp., the district court construed the patent claims as limited to use of a direct point-to-point telephone line connection, and that Multi-Tech disclaimed the transmission of information through a packet-switched network, such as the Internet. Based on this claim construction, the district court entered a finding of noninfringement.

Microsoft Corp. v. Multi-Tech Systems, Inc.

As reported at 67 BNA's PTCJ 348, the U.S. Court of Appeals for the Federal Circuit held on February 12, 2004 that patent claims covering interactive TV program guides extend to devices that receive digital signals, even though analog signals were the only signals broadcast at the time of filing the patent application resulting in the patent. *Superguide Corp. v. DirecTV Enterprises, Inc.*

As reported at 69 USPQ2d 1996, the U.S. Court of Appeals for the Federal Circuit, in reversing a federal district court, held on March 1, 2004 that a patent claim is not invalid for indefiniteness if the claim can be construed and is not "insolubly ambiguous," even if the claim construction task is formidable and reasonable persons may disagree over the conclusion. Bancorp Services L.L.C. owns a business method patent (5,926,792) on a system for administering life insurance policies with "stable value protected investment" components. The system includes a computerized means for calculating the "credits" for such components, i.e., for figuring the amount that must be guaranteed if the policy needs to be paid prematurely. In Bancorp's infringement suit against Hartford Life Ins. Co., the district court issued a summary judgment that the patent is invalid for indefiniteness. *Bancorp Services, L.L.C. v. Hartford Life Insurance Co.*

As reported at 67 BNA's PTCJ 502, the U.S. Court of Appeals for the Federal Circuit held on March 23, 2004 that a patent holder's infringement allegations are

actionable under state law as tortious interference with prospective economic advantage and unfair competition for alleging patent infringement only if those allegations are objectively baseless. The patent was directed toward a license management system for controlling the number of concurrent copies of a program in use on a computer network. *Globetrotter Software, Inc. v. Elan Computer Group*.

As reported at 68 BNA's PTCJ 53, the U.S. Court of Appeals for the Federal Circuit held on May 13, 2004 that as with examination, claims during reexamination should be given their broadest reasonable interpretation consistent with that those skilled in the art would reach based on the specification and the claim language. Affirming obviousness and anticipating rejections by the Board of Patent Appeals and Interferences, the court reasons that the term "user computer" in a patent on a computer network is not limited to single user computers, such as personal computers, and could encompass prior art mainframes since there were no words of restriction in the claim and the specification stated that a "user" can be a "person, another device, or machine." In *re American Academy of Science Tech Center*.

Trademarks

As reported at 355 F.3d 506, the U.S. Court of Appeals for the Sixth Circuit held on January 14, 2004 that the mark "Lawoffices" in a lawyer's domain name, "lawoffices.net", is unprotectable because it is merely descriptive of an online database of attorneys and the electronic publication via a global network of computers. The court accordingly affirmed a summary judgment that the mark was not infringed by West Group's use of the domain name lawoffice.com for its online resource for various legal information. The plaintiff had registered the domain name lawoffices.net, but did not own either a federal or state registration for the lawoffices.net designation. The plaintiff used the registered domain name in association with a website that included a directory of forty lawyers, legal information about cyberlaw issues, a vanity e-mail service, a listing of domain names for sale, and a hosting service for legal-related websites. The defendants used the domain name lawoffice.com to market West's online directory of legal information. The court also found that the plaintiff had not offered evidence sufficient to show that the mark had acquired "secondary meaning" to the effect of associating the mark with a specific source of services. Consequently, the court found

that plaintiff's mark was neither inherently distinctive nor had the descriptive mark acquired distinctiveness through "secondary meaning" due to the wide use of the phrase "lawoffice(s)." *DeGidio v. West Group Corp.*

As reported at 67 BNA's PTCJ 237, the U.S. Court of Appeals for the Ninth Circuit held on January 14, 2004 that users who enter the term "playboy" into a search engine may be initially confused into thinking that unlabeled banner advertisements triggered by the search terms are connected to the publisher of Playboy magazine. Reversing a district court's award of summary judgment for the defendants, the court says that evidence presented by the mark owner established a strong likelihood of initial interest confusion. *Playboy Enterprises, Inc. v. Netscape Communications Corp.*

As reported at 70 USPQ2d 1603, the U.S. Court of Appeals for the Fourth Circuit held on April 13, 2004 that declaratory plaintiffs' evidence that defendants' "freebies" mark is generic is sufficient to rebut presumption of validity raised by registration of the mark for use in connection with "magazines and newspapers with information about mail order offerings," since evidence shows that defendants use the term in the generic sense, to refer to things provided without charge, on their "freebies.com" website, and since the term "freebie site" is commonly used to refer to sites with offers similar to those on defendants' site. *Retail Services, Inc. v. Freebies Publishing*.

As reported at 68 BNA's PTCJ 236, the U.S. Court of Appeals for the Federal Circuit recently held that the trademark "patents.com" is merely descriptive and thus not registrable for a law firm's Internet-based software for tracking patents. Affirming the Trademark Trial and Appeal Board's decision upholding the refusal to register the mark, the court agrees that the term "patents" merely describes a feature of the goods. Adding the top level domain indicator ".com" lends no more source-identifying significance to the term than adding "Corp." to an otherwise unregistrable mark. However, the court declines to adopt a per se rule that TLDs can never render a descriptive term sufficiently distinctive for trademark registration. In *re Oppedahl & Larson LLP*.

Copyright

As reported at 67 BNA's PTCJ 341, the U.S. Court of Appeals for the Ninth Circuit held on February 10, 2004 that America Online may be liable for contributory infringement based on the unauthorized

posting for 14 days of author Harlan Ellison's works on a Usenet service available to its subscribers. Reversing in part a summary judgment for AOL, the court is not satisfied that the Internet service provider reasonably implemented a policy for terminating repeat infringers as required under 17 U.S.C. §512(a) for the DMCA's safe harbor liability limitations. *Ellison v. America Online*.

As reported at 67 BNA's PTCJ 352, the U.S. Court of Appeals for the Seventh Circuit affirmed on January 29, 2004 a \$5,000 fine and \$100,000 attorneys' fee award levied against the owner of the Aimster file-sharing service for violating an earlier injunction. In *re Aimster Copyright Litigation*.

As reported at 67 BNA's PTCJ 481, the U.S. Court of Appeals for the Sixth Circuit, in a matter of first impression, held on March 19, 2004 that just as the unprotectable elements common to two works must be filtered out when analyzing the works for substantial-similarity in a copyright infringement action, the protectable elements of the defendant's work that were independently created prior to access to the plaintiff's work must be disregarded as well. In other words, elements of allegedly infringing work that were independently created before alleged infringer had access to copyrighted work are properly discounted in performing substantial-similarity analysis, and thus must be filtered out at the first stage of that analysis. The court cited *Apple Computer v. Microsoft Corp.*, 35 F.3d 1435 (9th Cir. 1994) for the proposition that even protectable elements may be filtered out at the first stage of the substantial-similarity analysis. *Murray Hill Publications, Inc. v. Twentieth Century Fox Film Corp.*

As reported at 68 BNA's PTCJ 190, the U.S. Court of Appeals for the Fourth Circuit recently held that Internet service providers are not liable as direct infringers when they passively copy and store copyrighted material at the direction of users in order to make that material available to other users upon their request. Affirming a summary judgment in favor of the ISP, the court holds that under the 1995 decision in *Religious Technology Center v. Netcom Online Communications Services, Inc.*, the automatic copying, storing, and transmission of copyrighted materials, when instigated by others, does not render the ISP liable under Sections 501 and 106 of the *Copyright Act*. *CoStar Group, Inc. v. Loopnet, Inc.*

As reported at 70 USPQ 1715, the U.S. Court of Appeals for the First Circuit held on May 21, 2004 that the district court properly awarded attorneys'

fees and costs under Section 505 of the *Copyright Act* to prevailing defendants in action alleging copyright infringement and various state law claims, even though the only issue decided by jury was ownership of computer software that is subject of suit, since plaintiffs asserted copyright claim, thereby permitting *Copyright Act* remedies, and issue actually litigated was necessary to assertion of that claim. *InvesSys, Inc. v. McGraw-Hill Cos.*

Anticybersquatting Consumer Protection Act (ACPA)

As reported at 67 BNA's PTCJ 430, the U.S. Court of Appeals for the Sixth Circuit held on March 5, 2004 that defendant did not act in "bad faith" under the ACPA by registering a domain name and creating a website utilizing plaintiff's mark and on which the defendant detailed her complaints against the plaintiff for its alleged bad service in landscaping her front yard. Therefore, the defendant was not liable under the ACPA. The web page was titled, "My Lucas Landscaping Experience." The court noted that to find liability under the ACPA, a court must consider a defendant's "bad faith intent to profit" from the use of a mark held by another party. The court reviewed the nine factors for determining such intent listed in the ACPA in finding that there was no such "bad faith." The court found that the website was established by the defendant for informing fellow consumers about the practices of the landscaping company that she believed had performed inferior work on her yard and not for trading on the goodwill of the plaintiff's mark. *Lucas Nursery and Landscaping, Inc. v. Grosse*.

As reported at 70 USPQ2d 1630, the U.S. Court of Appeals for the Fifth Circuit held on April 21, 2004 that defendant in action for violation of antidilution and anticybersquatting provisions of the Lanham Act did not make commercial use of plaintiff's "TrendMaker Homes" trademark in operating his "trendmakerhomes.com" website, since a section of the site addressing defendant's complaints about plaintiff home builder was non-commercial, and defendant's inclusion of "Treasure Chest" section in order to draw more visitors to the site did not make the site commercial. *TMI, Inc. v. Maxwell*.

Unfair Competition

As reported at 67 BNA's PTCJ 266, the U.S. Court of Appeals for the Second Circuit held on January 23, 2004 that a restriction on use of Whois data that

appears only after it is received is enforceable when the querying party returns to the site to gather data. The dispute stemmed from a third party's use of a registrar's Whois data to market related services to recent registrants. To become a registrar of domain names, Register.com entered into a Registrar Accreditation Agreement with the Internet Corporation for Assigned Names and Numbers. That agreement required Register.com to maintain a public database of contact information regarding each registrant – known as Whois data – and to permit use of that data “for any lawful purposes except to: . . . support the transmission of mass, unsolicited commercial solicitations via email.” *Register.com, Inc. v. Verio, Inc.*

Telecommunications

As reported at 2004 WL 374262, the U.S. Court of Appeals for the District of Columbia on March 2, 2004 rejected Federal Communication Commission (FCC) rules that force the Baby Bells to open their phone networks to rivals at regulated prices. Also, the court struck down as unreasonable the agency's February, 2002 decision to give to the 50 states the responsibility for determining which parts of a local phone network should be available to rivals at low prices. The court chastised the agency for failing to develop lawful unbundling rules since the 1996 Telecommunications Act and for failing to adhere to prior judicial rulings of the courts. *United States Telecom Association v. Federal Communications Commission.*

As reported at 70 USPQ2d 1786, the U.S. Court of Appeals for the Third Circuit held on April 27, 2004 that the two-year statute of limitations for claim under Pennsylvania's cable piracy statute, rather than three-year limitations period of federal *Copyright Act*, applies to claim brought under anti-piracy provisions of *Federal Communications Act*, which is silent as to limitations period, since Pennsylvania statute is closely analogous to anti-piracy provisions of FCA, and two-year limitations period does not frustrate purpose or implementations of FCA. *King Vision Pay-Per-View Corp. v. 898 Belmont, Inc.*

Right of Publicity

As reported at 70 USPQ2d 1537, the U.S. Court of Appeals for the Sixth Circuit held on April 21, 2004 that a preliminary injunction issued in action for violation of right of publicity, which prohibits defendant from using images of plaintiff on websites,

DVDs, and other media, is stayed pending disposition of appeal, since defendant has shown strong likelihood of demonstrating that injunction is unconstitutional prior restraint on speech. Earlier, the U.S. District Court for the Northern District of Ohio had held that a plaintiff asserting claims for right of publicity and appropriation, based on defendants' unauthorized, commercial use of images showing plaintiff participating in “wet T-shirt” contest, is entitled to preliminary injunction prohibiting such use, since injunction is necessary to prevent further erosion of plaintiff's professional and personal “personas.” The court noted that other circuits had stated that even if the website is viewed as purely commercial, the requirement of procedural safeguards in the context of a prior restraint applies to commercial speech. *Bosley v. WildWetT.com.*

U.S. DISTRICT COURTS

Patents

As reported at 67 BNA's PTCJ 579, on April 12, 2004, in the U.S. District Court for the District of Delaware, drugmaker Pfizer sued a Web pharmacy who allegedly infringed a Lipitor patent and trademark by illegally selling generic versions of that drug. *Pfizer, Inc. v. look4generics.com*

As reported at 69 USPQ2d 1466, the U.S. District Court for the District of Delaware held on January 14, 2004 that the public interest does not favor preliminary injunction prohibiting defendants from operating an accused electronic platform that facilitates wholesale trading of U.S. government securities, since shutting down defendants' system could reduce trading in U.S. Treasury securities indefinitely, and would increase systemic risk to secondary securities market. *eSpeed, Inc. v. Brokertec USA LLC.*

As reported at 67 BNA's PTCJ 325, the U.S. District Court for the Southern District of New York held on February 2, 2004 that the defense of equitable estoppel cannot be asserted against a patentee of a speech codec software patent if the alleged infringer is unaware of the patent when the alleged infringement takes place. *AT&T Corp. v. Microsoft Corp.*

As reported at 67 BNA's PTCJ 243, the U.S. District Court for the Northern District of Illinois held on January 14, 2004 that a jury's award of over \$500 million in damages against Microsoft was within the

realm of reason and will not be set aside merely because the bundled nature of the defendant's software made it hard to determine the degree to which the infringing technology contributes to the value of the software.

Eolas Techs, Inc. v. Microsoft Corp.

As reported at 70 USPQ2d 1141, the U.S. District Court for the Southern District of New York held on February 2, 2004 that a defendant software company that was not aware of plaintiff's speech codec patent at the time it incorporated accused codecs in its computer software cannot assert equitable estoppel as affirmative infringement defense. The same court then held on March 5, 2004 that foreign software copies are "components" under Section 271(f) assembly prohibition. 67 BNA's PTCJ 459. *AT&T Corp. v. Microsoft Corp.*

As reported at 68 BNA's PTCJ 102, the U.S. District Court for the Western District of New York recently held that a 1983 journal article by a researcher at Bell Labs anticipated and made obvious single-stroke character recognition software so as to render invalid Xerox's 1997 patent for a handwriting interpretation system. The ruling on invalidity is a win for the maker of Palm handhelds, 3Com Corp., which has fought Xerox since 1997 over claims that Palm's handwriting software infringes Xerox's patent. *Xerox Corp. v. 3Com Corp.*

Copyrights

As reported at 67 BNA's PTCJ 590, the U.S. District Court for the Middle District of Florida recently held that an Internet company that extracted and posted sales listing information on yachts from a competitor's website did not infringe the original site's copyright. Granting a declaratory judgment of noninfringement, the court says that the momentary copying of the website to extract uncopyrightable facts was fair use. It also holds that a "valet service" that moved pictures and descriptions of boats listed for sale onto the competing website is not a copyright infringement because any copyrights on those listings are owned by the yacht brokers, not the website operator. *Nautical Solutions Marketing, Inc. v. Boats.com*

As reported at 69 USPQ2d 1059, the U.S. District Court for the District of Massachusetts held on January 9, 2002 that "rule editors" in defendant's software, which are interactive program sequences, are not copyrightable, since editors are mechanisms through which software is controlled, and thus constitute a

method of operation rather than expression; any expressive choices defendant made in developing editors cannot be protected, in that they are bound up in the software's method of operation. *ILOG, Inc. v. Bell Logic LLC.*

As reported at 67 BNA's PTCJ 363, the U.S. District Court for the Northern District of California held on February 19, 2004 that the manufacture and sale of software used for copying DVDs violates the *Digital Millennium Copyright Act's* provisions against trafficking in and using technologies to circumvent copyright protection measures. The court rejected arguments that the DMCA restrictions unconstitutionally interfere with the First Amendment rights of the software provider or the fair use rights of its customers. *321 Studios v. Metro Goldwyn Mayer Studios, Inc.*

As reported at 67 BNA's PTCJ 420, the U.S. District Court for the Southern District of New York held on March 3, 2004 that the manufacture and sale of computer software that decrypts the content scrambling technology protecting motion pictures on DVDs violates the anti-trafficking provisions of the *Digital Millennium Copyright Act*. The court preliminarily enjoined further manufacture and sale of the defendant's software, and characterized the defendant's conduct as "essentially identical" to conduct already found in violation of the DMCA's anti-trafficking provisions in several other cases. *Paramount Pictures Corp. v. 321 Studios.*

As reported at 68 BNA's PTCJ 175, the U.S. District Court for the Southern District of New York recently held that an award of attorneys' fees is appropriate against a defendant found in contempt of an earlier court order, even though the failure to remove allegedly infringing content from its website was not willful. *Shady Records, Inc. v. Source Enterprises, Inc.*

Copyrights - DMCA

As reported at 70 USPQ2d 1105, the U.S. District Court for the Southern District of New York held on February 23, 2004, in a matter of first impression, that accessing and copying from a competitor's Internet service by the unauthorized use of a password did not violate the anti-circumvention provisions of the *Digital Millennium Copyright Act*. "Circumvention," as used in *Digital Millennium Copyright Act*, requires descrambling, decryption, avoidance, bypassing, removal, deactivation or impairment of "technological measure that effectively controls access" to protected work; in

present case, cause of action for “circumvention” did not accrue when defendant merely used password, without authorization, to access plaintiff’s web-based service. *I.M.S. Inquiry Management Systems Ltd. v. Berkshire Information Systems*.

As reported at 67 BNA’s PTCJ 617, the U.S. District Court for the Northern District of Illinois held on April 12, 2004 that an Internet service provider that receives a takedown notice under the *Digital Millennium Copyright Act* lacks standing to challenge the constitutionality of that notice procedure. *Fatwallet, Inc. v. Best Buy Enterprises Services, Inc.*

Trademarks

As reported at 69 USPQ2d 1337, the U.S. District Court for the Southern District of New York held on December 22, 2003 that the use of the plaintiff’s trademarks to trigger the display of competing pop-up ads when a user accesses the plaintiff’s website is a use in commerce that is likely to lead users to mistakenly assume that the ads are endorsed by the plaintiff. In a trademark infringement action pitting an online contact lens retailer against its competitor and the developer of the pop-up ad software, the court preliminarily enjoins the ads for initial interest confusion under the *Lanham Act*. *1-800-Contacts, Inc. v. WhenU.com*

As reported at 70 USPQ2d 1315, the U.S. District Court for the District of Minnesota held on January 5, 2004 that plaintiffs are likely to succeed on merits of their claims for trademark infringement and cybersquatting in action in which defendants knowingly, intentionally, and with bad-faith intent to profit from registered Internet domain names that incorporate and are identical or confusingly similar to plaintiffs’ distinctive marks for law firm. *Faegre & Benson LLP v. Purdy*.

As reported at 67 BNA’s PTCJ 267, the U.S. District Court for the District of Delaware held on January 9, 2004 that a non-profit French corporation has standing to maintain its cybersquatting claim against a defendant whose Internet domain name may infringe its trademark because the corporation’s operation of a website to provide information about a spinal surgery satisfies the *Lanham Act*’s “use in commerce” provision. *Argos v. Orthotec LLC*.

As reported at 69 USPQ2d 1254, the U.S. District Court for the Northern District of Illinois held on August 21, 2003 that a defendant who owns registrations for “keracare.com” and many similar Internet domain

names, and who advertises on the Web under the name “Avlon Affirm Hair Products,” is diverting plaintiff’s customers to his website, and thus may be liable for dilution of plaintiff’s “KeraCare,” “Affirm,” and “Avlon” trademarks, even though defendant is selling genuine goods. *Avlon Industries, Inc. v. Robinson*.

As reported at 67 BNA’s PTCJ 223, the U.S. District Court for the Western District of Wisconsin held on January 8, 2004 that an interactive website, the sale of one book, and an exchange of e-mail between a West Indies-based website operator and a Wisconsin resident, did not amount to sufficient contacts to support personal jurisdiction there. *Hy Cite Corp. v. Badbusinessbureau.com*.

As reported at 67 BNA’s PTCJ 352, the U.S. District Court for the Western District of Washington held on February 10, 2004 that whether a mark is generic should be measured at the time the user entered the marketplace (i.e., November, 1985), even if the mark is no longer generic. Microsoft Corp. sued Lindows.com for infringing its “Windows” trademark. Microsoft filed a motion pursuant to 28 U.S.C. § 1292(b) to certify as a controlling question of law the proper time to measure whether the Windows trademark is generic. *Microsoft Corp. v. Lindows.com, Inc.*

As reported at 67 BNA’s PTCJ 430, the U.S. District Court for the Eastern District of New York held on February 21, 2004 that modification of an injunction to permanently enjoin a defendant’s use of the plaintiff’s trademark in lowercase is warranted, given both parties’ use of the Internet as their primary marketing and advertising tool. *Independent Living Aids, Inc. v. Max-Aids, Inc.*

As reported at 69 USPQ2d 1861, the U.S. District Court for the Northern District of Illinois held on December 10, 2003 that a party seeking recovery for cybersquatting may elect award of statutory damages for each violation, instead of actual damages, pursuant to 15 U.S.C. § 1117(d); cybersquatting claims will not be dismissed on grounds that statutory damages will be de minimis compared to litigation costs. *FieldTurf, Inc. v. Triexe Management Group, Inc.*

As reported at 67 BNA’s PTCJ 618, the U.S. District Court for the District of New Jersey held on March 30, 2004 that a dissatisfied customer who posted critical remarks about a moving company on his websites did not have the “bad faith intent to profit” required for violation of the *Anticybersquatting Consumer Protection Act*. *Mayflower Transit v. Prince*.

As reported at 70 USPQ2d 1853, the U.S. District Court for the Northern District of Illinois held on May 21, 2004 that plaintiff asserting violation of *Anticybersquatting Consumer Protection Act* is entitled to summary judgment that defendant acted with bad faith intent to profit in registering “justdoit.net” Internet domain name, which contains plaintiff’s “Just Do It” trademark, and defendant may not avail itself of ACPA’s “safe harbor” provisions by asserting that its CEO used the phrase “just do it” in motivational speeches and in his book prior to registration of domain name. *Nike, Inc. v. Circle Group Internet, Inc.*

Trade Secrets

As reported at 69 USPQ2d 1981, the U.S. District Court for the Eastern District of Virginia held on December 5, 2003 that plaintiff has demonstrated likelihood of success on merits of its claim that defendants violated *Virginia Uniform Trade Secret Act* (VUTSA) by secretly “hacking” plaintiff’s interactive website and misappropriating confidential customer lists and computer software code, since customer lists and proprietary software qualify as trade secrets, since plaintiff created significant electronic safeguards to protect this information, and since use of software “robot” to hack into computer system and take or copy proprietary information constitutes misappropriation under VUTSA. *Physicians Interactive v. Lathian Systems, Inc.*

UNITED STATES INTERNATIONAL TRADE COMMISSION

As reported at 67 BNA’s PTCJ 295, the U.S. International Trade Commission ruled on January 14, 2004 that a notice barring consumers from using third party garage door openers – inserted after a court held that use of authorized replacement transmitters does not violate the *Digital Millennium Copyright Act* – does not amount to a “new fact” sufficient to defeat application of res judicata to this DMCA-related proceeding. *In the Matter of Certain Universal Transmitters for Garage Door Openers.*

U.S. PATENT AND TRADEMARK OFFICE

As reported at 67 BNA’s PTCJ 417, on February 25, 2004, the U.S. Patent and Trademark Office in an ex parte reexamination “office action” rejected all 10 challenged claims in a University of California patent on Web browser technology that Microsoft was found last August to have infringed with its Internet Explorer browser platform. Although preliminary, the PTO ruling may free Microsoft from a \$520.6 million damages obligation in the patent infringement lawsuit titled *Eolas Technologies, Inc. v. Microsoft Corp.*

As reported at 69 USPQ2d 2009, the Trademark Trial and Appeal Board held on April 2, 2004 that registration of “Certified Software Manager” as certification mark for software asset and licensing management is refused on ground that designation merely indicates that holder of certificate issued by applicant has passed examination and been awarded title or degree of “Certified Software Manager,” and that designation thus is not likely to be perceived by relevant purchasers as certifying characteristics of services rendered by that individual. *In re Software Publishers Association.*

FEDERAL STATUTES

On December 16, 2003, President Bush signed into law the *Controlling the Assault of Non-Solicited Pornography and Marketing Act* (CAN-SPAM Act of 2003 [15 U.S.C. § 7701 et seq.]). The CAN-SPAM Act is considered the first federal law to regulate spam. It went into effect on January 1, 2004. The preamble of the CAN-SPAM Act states that its purpose is to “regulate interstate commerce by imposing limitations and penalties on the transmission of unsolicited commercial electronic mail via the Internet. The Act makes it unlawful for spammers to send an unsolicited commercial e-mail to another unless certain requirements are followed. Specifically, a spammer’s e-mail must provide:

1. Clear and conspicuous identification that the e-mail is an advertisement or solicitation;
2. Clear and conspicuous notice of the opportunity to decline to receive further commercial e-mail messages from the sender (i.e., an opt-out provision); and
3. A valid physical postal address of the sender. Spammers can avoid these requirements if a

recipient provides valid affirmative consent to receive commercial e-mail messages. However, if a recipient chooses to opt-out of receiving commercial e-mail and the spammer does not honor the request, the spammer will be subject to civil penalties.

STATE COURTS

Michigan

As reported at 2004 WL 434292, in a case of first impression within Michigan, the Michigan Court of Appeals held on March 9, 2004 that a formula used to generate water and sewer fees was not “software” as defined in *Michigan’s Freedom of Information Act* (FOIA) and therefore was discoverable through the FOIA. The FOIA provides a disclosure exemption for “software” under MCL 15.232(f). The FOIA defines software as:

[a] set of statements or instructions that when incorporated in a machine usable medium is capable of causing a machine or device having information processing capabilities to indicate, perform, or achieve a particular function, task, or result. Software does not include computer-stored information or data, or a field name if disclosure of that field name does not violate a software license.

MCL 15.232(f).

The court rejected defendant’s argument that because the formula was contained only in a software program and nowhere else, the formula was inextricable and thus exempt from FOIA disclosure. The court agreed with the trial court that the formula was not software, but rather was “computer-stored information and data” under the statute. The court also found that the formula, together with software, was contained on a computer disk and that portion of the disk containing the formula was a “public record” under MCL 15.232(e) and therefore subject to disclosure. *City of Warren v. City of Detroit*.

California

As reported at 67 BNA’s PTCJ 393, the California Court of Appeals held on February 27, 2004 that evidence is lacking that a preliminary injunction preventing Internet publication of a code that permits descrambling of DVDs was warranted under the

Uniform Trade Secrets Act. The court, noting that hundreds of websites had posted the descrambling program by the time the lawsuit was filed, finds that there was no evidence that the proprietary scrambling technology was still a secret when the descrambling code was posted by the defendant on his website. *DVD Copy Control Association, Inc. v. Bunner*.

As reported at 67 BNA’s PTCJ 514, the California Court of Appeals held on March 9, 2004 that the *Uniform Single Publication Act* applies to tort claims brought against an entertainment company, alleging that photographs of the plaintiffs as sixth graders had been altered by computer and turned into fictional cartoon-like characters, rendering the claims untimely under the statute of limitations. *Long v. Walt Disney Co.*

New Hampshire

As reported at 70 USPQ2d 1254, the New Hampshire Supreme Court held on February 20, 2004 that defendant who took possession of several photographs without permission and scanned them into his computer committed crime of receiving stolen property, even though he returned original photographs to their owner, since images retained by defendant constitute “property of another” under state’s theft statute, and defendant acted with “purpose to deprive” photographs’ owner of scanned images. *State v. Nelson*.

FOREIGN

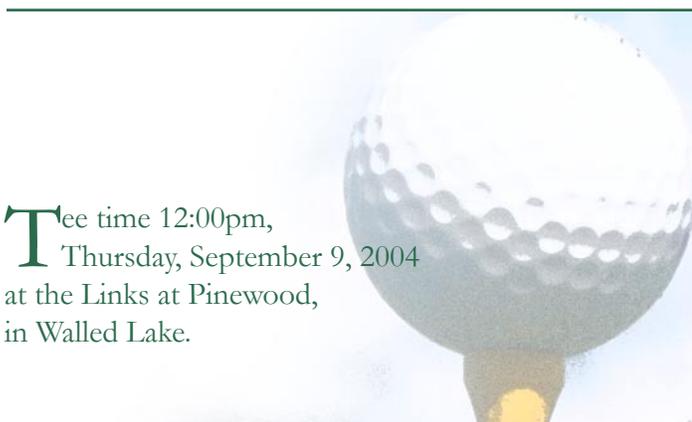
European Union

As reported in the March 25, 2004 *Wall Street Journal*, EU regulators slapped Microsoft with tough sanctions and a record \$612.7 million fine for allegedly abusing its market power for technology that links computers and plays music and video. The software titan was ordered to disclose code from its Windows operating system and to offer PC makers a version of Windows that doesn’t include Media Player. The European Commission concluded a five-year investigation by ruling Microsoft violated European Union antitrust law. The Commission found that “Microsoft abused its market power by deliberately restricting interoperability between Windows PCs and non-Microsoft work group servers, and by tying its Windows Media Player, a product where it faced competition, with its ubiquitous Windows operating system.” Within 120 days, Microsoft must disclose

information that will allow non-Microsoft servers to achieve full interoperability with Windows PCs and servers. Within 90 days, Microsoft must offer CP manufacturers a version of Windows without Media Player. It also must refrain from making such versions less attractive. Microsoft has 70 days to appeal the order.

WORLD TRADE ORGANIZATION (WTO)

As reported in the March 25, 2004 issued of the *Wall Street Journal*, the WTO ruled that U.S. laws restricting Internet gambling violate trade pacts, setting the stage for access by offshore Web firms. In a decision on a case brought against the U.S. by the Caribbean nation of Antigua and Barbuda, the WTO ruled that gambling was covered under global service-sector agreements and that the U.S. must stop trying to thwart gambling companies' business. Though the scope of the decision is limited to companies based in Antigua, U.S. gambling-industry officials said it could open the door for other nations to seek similar access for their Internet gambling businesses.



Tee time 12:00pm,
Thursday, September 9, 2004
at the Links at Pinewood,
in Walled Lake.

Computer Law Section
Annual Meeting and Golf Outing

Member Profile

KIMBERLY PAULSON has been a member of the governing council of the Computer Law Section since 2001. She has worked on the Annual Meeting Committee, the Nomination Committee, and the Ed Langs Writing Award Committee, and has served as the chair of the Annual Spring Networking Luncheon Committee for the last three years.



Kim is a research attorney at Miller, Canfield, Paddock and Stone, P.L.C., where she practices in the fields of computer law, intellectual property, and commercial litigation. She also works as an adjunct professor at the University of Detroit Mercy School of Law, where she teaches a class on computer law. She received her law degree in 1997 from Fordham University School of Law, where she was Associate Editor of the *Fordham Moot Court Board* and the *Fordham Intellectual Property, Media, & Entertainment Law Journal*, and a member of the Board of Student Advisors. She received her undergraduate degree from the University of Michigan in 1992.

In addition to serving on the Council of the Computer Law Section, Kim is also a member of the Intellectual Property Section of the American Bar Association, where she serves on the Special Committee on Trademarks and the Internet and the Special Committee on Copyrights and the Internet.

Kim has published articles relating to Internet Law in *Michigan Lawyers Weekly*, *Intellectual Property Counselor*, *Michigan Bar Journal*, and the Computer Law Section's newsletter. She has also spoken on the topic at various events.

In her spare time she serves as a volunteer attorney for the Women's Survival Center and works with homeless cats at the Michigan Animal Rescue League. She also loves reality T.V., karaoke, and watching football. Plus, she's hopelessly addicted to Literati, an online word game, and is working on her first novel.

Kim is married to Jim, who is, ironically, a computer guy. What many people don't know is that Kim and Jim were married on Valentine's Day in Las Vegas by an Elvis impersonator. She'd be happy to show you the priceless pictures. They live in Farmington Hills and have two spoiled cats named Garth and Axl.

Mark Your Calendars

ON THURSDAY, SEPTEMBER 9, 2004

the Computer Law Section will again hold its Annual Meeting and Golf Outing at the Links at Pinewood, in Walled Lake.

Golf begins at noon: a social hour at 5:00 pm, followed by dinner. The meeting will start with an educational program, tentatively scheduled as a panel discussing international issues for lawyers, and then our Annual Meeting, including the election of the council and officers.

The pricing is as follows:

	Dinner Only	Golf and Dinner
Members:	\$30	\$60
Non-Members	\$50	\$95

We will hear more about this event as the time draws near, but make certain that you have it marked down and penciled in red.

Also, this is the time of year when we are looking for volunteers who may wish to run for Section Council or as a Section Officer. If you are interested in becoming a Council Member, or an Officer, please contact me at sfesiii@aol.com.



Computer Law Section Annual Meeting and Golf Outing

STATE BAR OF MICHIGAN
MICHAEL FRANCK BUILDING
306 TOWNSEND STREET
LANSING, MI 48933