



MICHIGAN COMPUTER LAWYER

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Recent Developments in Computer and Internet Law

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U.S. Courts of Appeal

Patents

As reported at 70 BNA's PTCJ 314, the U.S. Court of Appeals for the Federal Circuit held on July 8, 2005 that a patent on a method of organizing "flash memory" storage is not limited by its claim language to systems in which every Flash EEPROM memory cell is grouped into a partitioned sector. *SanDisk Corp. v. Memorex Products Inc.*

As reported at 70 BNA's PTCJ 356, the U.S. Court of Appeals for the Federal Circuit held on July 13, 2005 that the export of software from the United States to foreign computer manufacturers which then copy, install and sell computers loaded with the software abroad constitutes an infringing "supply" of a patented component in violation of Section 271(f) of the patent code. Affirming the district court's finding of patent infringement against Microsoft, the court relies on its earlier holding in *Eolas Technology Inc. v. Microsoft. AT&T Corp. v. Microsoft Corp.*

As reported at 70 BNA's PTCJ 402, the U.S. Court of Appeals for the Federal Circuit held on August 2, 2005 that a district court erred in entering a judgment that the BlackBerry wireless handheld communication device infringed method claims in various patents asserted against the BlackBerry manufacturer, but it correctly found infringement of the patents' system and apparatus claims. Withdrawing its previous opinion in the case, the appellate court's new decision vacates a \$53.7 million damages award and injunction against the BlackBerry manufacturer and sends the case back to the trial court on several issues. *NTP Inc. v. Research in Motion Ltd.*

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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.

Recent Developments

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As reported at 70 BNA's PTCJ 437, the U.S. Court of Appeals for the Federal Circuit held on August 5, 2005 that a claim limitation that says that an invention permits the customization of a computerized kiosk so that whether or not the user interface is "aesthetically pleasing" cannot be evaluated by objective means and is thus indefinite. *Datamize LLC v. Plumtree Software Inc.*

As reported at 70 BNA's PTCJ 505, the U.S. Court of Appeals for the Federal Circuit held on August 22, 2005 that a Japanese company that manufactured silicon wafers in Japan and sold them to another Japanese firm for shipment and sale to a Texas corporation may be liable for inducement infringement because it knew of the plaintiff's patent and of the Texas corporation's potentially infringing activities and provided technical support to the corporation through e-mails and onsite visits. *MEMC Electronic Materials Inc. v. Mitsubishi Materials Silicon Corp.*

As reported at 70 BNA's PTCJ 601, the U.S. Court of Appeals for the Federal Circuit held on September 8, 2005 that a patentee failed to provide supporting evidence of equivalents infringement because its expert statements and other evidence were only general and lacked particularized testimony and linking argument on a limitation-by-limitation basis. Affirming a summary judgment of no equivalents infringement, the court rules that the patentee's expert failed to give any specific evidence and linking argument as to the insubstantiality of differences between the claimed e-commerce patent and Microsoft's Windows Media "metafiles." *Network Commerce Inc. v. Microsoft Corp.*

Copyrights

As reported at 74 USPQ2d 1865, the U.S. Court of Appeals for the Sixth Circuit on June 3, 2005, in an amended opinion, withdrew its original opinion of last September that unlicensed digital sampling of copyrighted "sound recording" constitutes infringement of a copyright holder's exclusive right, under 17 U.S.C. §§ 106(2) and 114(b), to prepare derivative works, and no substantial similarity or "de minimis" inquiry is necessary if fact of sampling is undisputed. Under the 17 U.S.C. § 101 definition of "sound recording," a "sound recording" must result from a series of musical, spoken or other sounds. Digital sampling typically utilizes computer audio systems to enable one to "sample" original works of authorship and duplicate the original work with virtually no change from an album or compact disc collection. In Internet digital sampling, high quality digital samples or sound bytes can be downloaded after browsing music libraries on the Internet. Advances in affordable digital recording equipment, coupled with the advent of the popularity of hip hop or rap music, have made instances of digital sampling extremely common. The court emphasized that it does not matter how much a digital sampler alters the actual sounds or whether the ordinary lay observer can or cannot recognize the song or the artist's performance of it. Since the exclusive right encompasses rearranging, remixing, or otherwise altering the actual sounds, the statute, by its own terms, precludes the use of a substantial similarity test. *Bridgeport Music, Inc. v. Dimension Films.*

As reported at 70 BNA's PTCJ 390, the U.S. Court of Appeals for the Second Circuit held on June 28, 2005 that a retailer's constructive knowledge that its supplier was likely providing it counterfeit software is insufficient to support summary judgment on the issue of willful infringement. A reasonable jury could find either way on whether the software was willfully infringed. *Island Software and Computer Service Inc. v. Microsoft Corp.*

As reported at 70 BNA's PTCJ 500, the U.S. Court of Appeals for the Federal Circuit held on August 24, 2005 that the safe harbor at Section 117(c) of the Copyright Act broadly protects an independent service organization in the copying of proprietary computer software for both repair and maintenance activities. The appeals court rejects the argument that the safe harbor did not apply because the software copies were not destroyed immediately after completion of repairs. *Storage Technology Corp. v. Custom Hardware Engineering & Consulting Inc.*

As reported at 70 BNA's PTCJ 524, the U.S. Court of Appeals for the Eighth Circuit held on September 1, 2005 that the Copyright Act does not preempt the enforcement of an end user license agreement that prohibits reverse engineering of software — even though that practice may be permitted under federal law. Affirming a summary judgment in favor of the copyright owners, the court says that users are free to relinquish their federal reverse engineering right by contract. By reverse engineering the plaintiffs' video game software and effectively disabling a security check feature, the defendants not only breached the license agreement but also violated the Digital Millennium Copyright Act, the court holds. *Davidson & Associates, d/b/a Blizzard Entertainment Inc. v. Jung.*

Trademarks

As reported at 70 BNA's PTCJ 262, the U.S. Court of Appeals for the Second Circuit held on June 27, 2005 that including the trademark of a website operator in a non-viewable list of terms that trigger the display of "contextual" popup ads is not a use in commerce for the purposes of determining liability for trademark infringement under the Lanham Act. Reversing an

award of summary judgment in favor of the owner of a website with popup ads triggered by software on Internet users' computers, the court also determines that displaying such popup ads on the website is not a use in commerce. *1 800 Contacts, Inc. v. WhenU.com, Inc.*

As reported at 75 USPQ2d 1062, in an unpublished opinion, the U.S. Court of Appeals for the Eighth Circuit held on April 4, 2005 that the district court did not abuse its discretion in issuing a preliminary injunction prohibiting defendants from using Internet domain names identical to or confusingly similar to plaintiff law firm's marks unless protest or critical commentary nature of website is apparent from the domain name itself, from displaying any site whose appearance is identical or confusingly similar to trade dress of the law firm's site, and from illegally appropriating the firm's names. *Faegre & Benson LLP v. Purdy.*

As reported at 70 BNA's PTCJ 313, the U.S. Court of Appeals for the Federal Circuit held on July 11, 2005 that the term "Steelbuilding.com" is highly descriptive with regard to online services related to the design, pricing, and purchase of steel buildings and is not registrable as a U.S. trademark. Partially affirming the Patent and Trademark Office's denial of an application to register the mark, the court notes that appending a top level domain designator, such as ".com," might convert an otherwise unregistrable mark into one that is distinctive enough for registration purposes. *In re Steelbuilding.com.*

As reported at 70 BNA's PTCJ 416, the U.S. Court of Appeals for the Eighth Circuit held on July 25, 2005 that video game clowns and trucks do not infringe the "Frosty Treats" trademarks and trade dress. *Frosty Treats Inc. v. Sony Computer Entertainment America Inc.*

As reported at 70 BNA's PTCJ 501, the U.S. Court of Appeals for the Fourth Circuit held on August 24, 2005 that a supporter of gay rights who established a website to counter Jerry Falwell's views on homosexuality did not violate federal trademark or anti-cybersquatting laws even though he adopted a slight misspelling of Falwell's name as the site's domain name. The court rules that there was no likelihood of confusion under the Lanham Act between the trademarks of evangelist Jerry Falwell and the website owner's "gripe site"

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because the contents of the two sites were dissimilar.

Lamparello v. Falwell.

As reported at 76 USPQ2d 1161, the U.S. Court of Appeals for the Ninth Circuit held on August 31, 2005 that defendant's "M2 Entertainment" mark for record label venture is not likely to cause confusion with plaintiff's "M2" mark for database software used for record label and music management, since proximity of goods factor favors plaintiff only slightly, evidence does not show actual confusion, and there are significant differences between parties' marketing channels. *M2 Software Inc. v. Madacy Entertainment.*

Trade Secrets

As reported at 75 USPQ2d 1061, in an unpublished opinion, the U.S. Court of Appeals for the Fifth Circuit held on March 17, 2005 that plaintiff failed to allege any set of facts that would support his claim that defendants misappropriated his idea for a television show, since plaintiff sent unsolicited letters to production companies describing his idea and advertised his idea on the Internet, and plaintiff therefore cannot demonstrate that he possessed trade secret unknown outside his business, or that he took measures to guard the secrecy of his idea. *Keane v. Fox Television Stations, Inc.*

As reported at 75 USPQ2d 1584, the U.S. Court of Appeals for the Sixth Circuit held on July 20, 2005 that a jury's award of \$2 million in compensatory damages for misappropriation of trade secrets contained in software used to maintain records for pharmacies was properly based on its calculation of a reasonable royalty for what the defendant would have paid in liquidated damages in exchange for wrongfully accessing the plaintiff's proprietary pharmacy billing software. The source code was stored in escrow. However, the defendant had reconstructed the source code through reverse engineering the object code. Affirming the district court's ruling, the court noted that circuit case law permits such an approach and found that the \$2 million figure was not excessive because the jury adopted it from a liquidated damage provision in the parties' source code escrow agreement stating the defendant would pay \$50,000 for each of the 40 pharmacies running the software. The court found that even though the escrow agreement was not a licensing agreement, it did not

detract from the agreement's value as a benchmark for estimating "what the parties would have agreed to as a fair licensing price." In a concurring opinion, Judge R. Guy Cole Jr. did not agree that the entire source code was misappropriated, and thus said he would have limited the award to only the valuable portions that were misappropriated. *Mid Michigan Computer Systems Inc. v. Marc Glassman Inc.*

Contracts

As reported at 70 BNA's PTCJ 528, the U.S. Court of Appeals for the Ninth Circuit held on August 30, 2005 that a purchaser's act of opening a computer printer cartridge's packaging on which usage restrictions are printed creates a valid contract. *Arizona Cartridge Remanufacturers Association Inc. v. Lexmark International Inc.*

Semiconductor Chip Protection Act

As reported at 70 BNA's PTCJ 565, the U.S. Court of Appeals for the Ninth Circuit held on July 15, 2005 that the placement of groupings of transistors on a microprocessor chip is entitled to protection under the Semiconductor Chip Protection Act of 1984. The court affirms a \$36 million judgment and permanent injunction in favor of a Silicon Valley semiconductor chip designer, ruling that a rival chip maker infringes mask work designs under the 1984 law and tortiously interfered with the chip designer's contracts with its customers. *Altera Corp. v. Clear Logic Inc.*

Taxation

As reported at 76 USPQ2d 1140, the U.S. Court of Appeals for the Sixth Circuit held on August 22, 2005 that an agreement permitting client to use petitioner's product inventory management software constituted an outsourcing agreement and a software license rather than the sale of trade secrets or know-how, and client's payments under the agreement therefore were taxable to the petitioner as ordinary income rather than long term capital gain. Unambiguous language of the agreement revealed the parties' intention to enter into the outsourcing arrangement and the software license.

Nothing in the agreement indicated that the transaction was a sale of trade secrets or know-how relating to a “direct-to-retail” business model. Furthermore, even if the agreement could be read as a sale of trade secrets or know-how, the client’s payments would not be considered a sale of a capital asset pursuant to Internal Revenue Code’s Section 1235, since the purported sale did not cover all fields of use for the invention, and thus was not a sale of “all substantial rights” within the meaning of Section 1235. What is most important in agreements of this type is the intent of the parties expressed or apparent in the writing rather than the real intent of the parties. In other words, it is the objective rather than subjective intent that controls. *Vision Information Services LLC v. Commissioner of Internal Revenue*

U.S. District Courts

Patents

As reported at 70 BNA’s PTCJ 482, the U.S. District Court for the Eastern District of Texas held on August 8, 2005 that websites that incorporate patented software are “tangible items” that must be marked to give constructive notice to potential infringers under the patent marking statute at 35 U.S.C. § 287. Granting Amazon.com’s motion for summary judgment in a patent infringement action filed against it, the court says that websites using the plaintiff’s patented “shopping cart” software should have been marked with notice of the patents. *Soverain Software LLC v. Amazon.com Inc.*

Copyrights

As reported at 76 USPQ2d 1192, the U.S. District Court for the District of Delaware held on September 26, 2005 that defendant is liable for infringement of plaintiff’s Internet “sell page” and “special offer banner,” used in connection with plaintiff’s membership discount programs, since defendant had access to plaintiff’s works, and large sections of defendant’s sell page are identical to plaintiff’s sell page. *Webloyalty.com Inc. v. Consumer Innovations LLC.*

As reported at 76 USPQ2d 1042, the U.S. District Court for the Northern District of California held on

November 9, 2004 that defendant is not likely to prevail on claim alleging that plaintiff’s “Jupiter Hosting” mark for website services infringes defendant’s “Jupiter” marks for information technology and Internet related services, since dozens of companies use marks containing “Jupiter” in connection with Internet and computer-related services, which suggests that defendant’s marks have been weakened by “crowded field.” *Jupiter Hosting Inc. v. Jupitermedia Corp.*

Trademarks

As reported at 70 BNA’s PTCJ 438, the U.S. District Court for the Eastern District of Virginia held on August 8, 2005 that a survey that fails to distinguish between different types of keyword-triggered sponsored links is insufficient to show likelihood of confusion if the links do not display the mark. *Government Employees Insurance Co. v. Google Inc.*

As reported at 70 BNA’s PTCJ 489, the U.S. District Court for the Eastern District of Wisconsin, on August 9, 2005, denied the owner of “American Girl” mark a TRO against registrar of domain name “americangirl.com” and unidentified person responsible for that website, since plaintiff has failed to establish existence of personal jurisdiction over defendants, and since registrar’s acceptance of domain name registration does not confer liability for trademark infringement or dilution. *American Girl LLC v. Nameview Inc.*

As reported at 76 USPQ2d 1199, the U.S. District Court for the Northern District of California held on August 10, 2004 that infringement plaintiff abandoned its “Halo” trademark for electronic communication, commerce, and Internet search engine services, by granting “naked” license to third party that includes no explicit or definite quality control terms, and no objective, enforceable terms that would guide or limit licensee’s use of mark. *Halo Management LLC v. Interland Inc.*

As reported at 75 USPQ2d 1218, the U.S. District Court for the Eastern District of Louisiana held on April 13, 2005 that action alleging improper transfer of ownership of Internet domain name “1800asSeenonTV.com” to third party will not be dismissed on grounds

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that plaintiff is not real party in interest, since proper party to bring action is registered domain name holder or owner of website, since Florida Unincorporated Association is registered holder of site, and since plaintiff, as member of association, has capacity to sue. *Delor v. Intercosmos Media Group Inc.*

As reported at 75 USPQ2d 1342, the U.S. District Court for the District of Minnesota held on April 27, 2005 that although defendant has violated preliminary injunction order by continuing to control and post web pages at three Internet domain names that are confusingly similar to plaintiff's mark, defendant's use of fourth domain name that is not confusingly similar to plaintiff's marks does not violate injunction, since fourth domain name constitutes statement of defendant's opinion regarding plaintiff and certain federal judges. *Faegre & Benson LLP v. Purdy.*

First Amendment Free Speech

As reported at 70 BNA's PTCJ 662, the U.S. District court for the Southern District of New York held on September 29, 2005 that the enforcement of French court's judgment against an American website that posted pictures of designs featured in a Paris fashion show would be "repugnant" under New York state law because such enforcement would violate the defendant's free speech rights under the U.S. and New York constitutions. Enforcement would allow the designer to control how much information about a public event would be publicized, a degree of control prohibited by the First Amendment, the court says. *Louis Féraud International S.a.r.l. v. Viewfinder Inc. d/b/a Firstview.com*

False Advertising

As reported at 76 USPQ2d 1059, the U.S. District Court for the Eastern District of Pennsylvania held on March 22, 2005 that plaintiff alleging false advertising must prove likelihood of injury resulting from declining sales, loss of goodwill, or similar harm; defendants in present case have submitted sufficient evidence to show that plaintiffs are not likely to be injured by false claims on defendants' computer video game packaging, in-

cluding evidence that parties' competing games are not likely to be sold side by side. *eGames Inc. v. MPS Multimedia Inc.*

U.S. Patent and Trademark Office**Patents**

As reported at 70 BNA's PTCJ 598, on September 27, 2005, the Patent and Trademark Office issued a "notice of intent to issue a reexam certificate" for a University of California patent on Web browser technology. Microsoft successfully turned back a \$520.6 million verdict against it on appeal on some infringement claims, but it is challenging the patent in district court and is seeking Supreme Court review of other unfavorable infringement rulings.

As reported at 70 BNA's PTCJ 682, on September 28, 2005, the Board of Patent Appeals and Interferences held that the test for patentable subject matter under 35 U.S.C. § 101 does not include a separate "technological arts" test. The application claims a method for compensating a manager responsible for reducing the margin of prices over costs, reducing incentives for industry collusion, or reducing incentives for coordinated special interest lobbying. The examiner concluded that the invention is an economic theory expressed as a mathematical algorithm with no disclosure or suggestion of a computer, an automated means, or an apparatus of any kind, placing the invention and its practical application "outside the technological arts." *Ex Parte Lundgren.*

Trademarks

As reported at 74 USPQ2d 1955, the Trademark Trial and Appeal Board on April 27, 2005 held that opposer's dilution claim in its original notice of opposition is legally insufficient, since notice does not allege that opposer's pleaded "Intel Inside" marks became famous before the filing date of applicant's involved intent to use application for registration of the mark "Industrial Quality Inside" and design. *Intel Corp. v. Garaga, Inc.*

ABA TECHSHOW® Takes Place April 20-22 in Chicago

The world's premier legal technology conference and exposition, the ABA TECHSHOW®, takes place April 20-22, 2006, at the Sheraton Chicago Hotel and Towers. More than 1,400 people are expected to attend this event to take advantage of the many technology programs and training sessions that will be offered. What's more, over 100 technology vendors will be on hand to show the latest in legal technology products and services.

This year, State Bar of Michigan members will receive a \$100 association member registration discount. Register early and receive an additional \$200 early bird discount (ends March 10) to save a total of \$300 in registration fees. Act now to receive this incredible benefit!

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Tentative upcoming council meeting dates

Wednesday, March 8, 2006

Wednesday, May 10, 2006