

THE STATE OF COMPUTER AND INTERNET LAW - 2006

BY

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I. INTRODUCTION

In the *eBay* case, a unanimous Supreme Court reshaped the patent litigation landscape by holding on May 15, 2006 that a permanent injunction under the Patent Act, 15 U.S.C. § 283, is to be granted under the “principles of equity” instead of the prior Federal Circuit's presumption that an injunction must issue, absent exceptional circumstances. Two months earlier, Blackberry maker Research In Motion Ltd. agreed to settle its long-running patent litigation with the patent holding company NTP Inc. for \$612.5 million. Patent holding companies are often referred to as “trolls” — patent owners who have no plan to practice the invention but threaten to shut down a defendant's commercial operations via injunction if licensing fees are not paid. In *eBay*, the Supreme Court held:

According to well-established principles of equity, a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

A licensee or a user is sometimes faced with the necessity of modifying software for purposes of maintenance or updating in order to meet changed circumstances. In the *Storage Technology Corp.* case, the Federal Circuit ruled that a safe harbor created by Section 117(c) of the Copyright Act broadly protects an independent service provider who copies proprietary computer software while conducting repair and maintenance. In this case, the court rejected the argument that Section 117(c) did not apply, because the copies were not destroyed immediately. The court said that the statute's explicit inclusion of “maintenance” within the safe harbor indicated that it should apply in situations that are not just responses to isolated malfunctions, but, rather, long-term, ongoing activities. The provision was intended, the court said, to broadly protect companies that fix and maintain computer systems but that have no rights in the underlying intellectual property.

Users' rights were curtailed in the *Davidson & Associates* case, where the Eighth Circuit held that an end-user license agreement may legitimately restrict licensees of software from engaging in reverse engineering. This case concerned several video games that could be played online by multiple users. Video game enthusiasts who had purchased copies of the games disliked

the display of banner advertisements on the copyright owners' Web site and reverse engineered the software so they could play online without having to access the official site.

Fair use — particularly in the context of Internet Web sites — dominated most trademark infringement and dilution litigation and it promises to be a key issue as, for example, the *Lamparello* case addressed the use of trademarks in “gripe sites” and held that a supporter of gay rights who established a Web site to counter a prominent evangelist's views on homosexuality did not violate federal trademark or anticybersquatting laws even though he adopted a slight misspelling of the evangelist's name as the site's domain name.

Meanwhile, courts in a couple cases weighed in on the trademark implications of Internet pop-up ads and sponsored links. In the *1-800 Contacts* case, the Second Circuit held that the use of trademarks to trigger pop-up ads is not actionable. The court also determined that displaying such pop-up ads on the Web site is not a use in commerce.

In the *Government Employees Insurance Co. v. Google, Inc.* case, a federal district court in Virginia held in August that a survey that failed to distinguish between different types of keyword-triggered sponsored links is insufficient to show likelihood of confusion in a trademark infringement case.

II. PATENT

A. CASE LAW

1. U.S. Supreme Court

a. *Research in Motion, Ltd. v. NTP, Inc.* 71 BNA's PTCJ 309

The U.S. Supreme Court on January 23, 2006 denied review in a patent infringement challenge involving the popular BlackBerry e-mail device. With this refusal to hear the BlackBerry manufacturer's appeal, it remains the law that a patent's "system" claims can be infringed where only some components of the accused system are used in the United States, and other components are used outside abroad. Use of a claimed system under 35 U.S.C. § 271(a) "is the place at which the system as a whole is put into service, *i.e.*, the place where control of the system is exercised and beneficial use of the system is obtained," the Federal Circuit previously held. The case remains in the Eastern District of Virginia, where a ruling is expected on an injunction that could shut down BlackBerry sales.

b. *eBay, Inc. v. MercExchange LLC* 78 USPQ2d 1577

The U.S. Supreme Court on May 15, 2006 ruled unanimously that both a federal district court and the Federal Circuit failed to "fairly" apply the traditional four-part equitable test for whether an injunction should issue upon a judgment of patent infringement. Vacating the Federal Circuit's ruling that the district court erred in refusing to impose an injunction against online merchants eBay and Half.com, the high court rejects the appeals court's articulation of a "general rule" that permanent injunctions should issue when a valid patent has been infringed. The high court stated that the four-factor test governing award of injunctive relief, historically employed by courts of equity, applies to disputes arising under the Patent Act, since act expressly states, in 35 U.S.C. § 283, that injunctions "may" issue "in accordance with the principles of equity."

2. U.S. Court of Appeals

a. *SanDisk Corp. v. Memorex Products Inc.* 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.

**b. *Eolas Technology Inc. v. Microsoft. AT&T Corp. v. Microsoft Corp.*
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.

**c. *NTP Inc. v. Research in Motion Ltd.*
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.

**d. *Datamize LLC v. Plumtree Software Inc.*
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 the user interface is "aesthetically pleasing" cannot be evaluated by objective means and is thus indefinite.

**e. *MEMC Electronic Materials Inc. v. Mitsubishi Materials Silicon Corp.*
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 on-site visits.

**f. *Network Commerce Inc. v. Microsoft Corp.*
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."

**g. *IPXL Holdings LLC v. Amazon.com, Inc.*
71 BNA's PTCJ 90**

The U.S. Court of Appeals for the Federal Circuit held on November 21, 2005, in a matter of first impression, that a patent asserted against Amazon.com's "1-Click" system for ordering merchandise is invalid for indefiniteness since the claim recites both the system disclosed in prior claim and method of using that system, and thus is not sufficiently precise to provide competitors with accurate determination of "metes and bounds" of protection claimed.

**h. *nCube Corp. v. SeaChange International, Inc.*
71 BNA's PTCJ 266**

The U.S. Court of Appeals for the Federal Circuit held on January 9, 2006 that a patent on a method and apparatus for multimedia data networking is not limited to the specification's mention of routing data messages using logical addresses because the claims intend a broader scope. Affirming a judgment that the patent is willfully infringed through literal and induced infringement, the court agrees with the finding below that the term "upstream manager" can also encompass physical routing.

**i. *Xerox Corp. v. 3Com Corp.*
72 BNA's PTCJ 184**

The U.S. Court of Appeals for the Federal Circuit held on June 8, 2006 that a genuine issue of material fact exists as to whether prior art anticipates a "stroke direction" limitation in a Xerox handwriting recognition patent asserted against the makers of Palm handheld computers. Reversing in part a federal district court's conclusion that the patent is invalid, the court remands the matter for further proceedings on the stroke direction issue. However, the court affirms several other findings that elements of the Xerox patent were anticipated.

**j. *Inpro II Licensing S.A.R.L. v. T-Mobile USA Inc.*
78 USPQ2d 1786**

The U.S. Court of Appeals for the Federal Circuit held on May 11, 2006 that the term "host" interface," in claim for personal digital assistant module requiring use of "host interface adapted so as to provide communications" between PDA and host computer, is properly limited to direct parallel bus interface, since such interface is only host interface described in specification of patent.

**k. *Lava Trading Inc. v. Sonic Trading Management LLC*
71 BNA's PTCJ 720**

As reported at, on April 19, 2006, the U.S. Court of Appeals for the Federal Circuit held that a district court misconstrued a claim in a securities trading patent to require the distribution or display of all of the securities in a combined book order. “Distributing” and “displaying” limitations, in a patent claim for software that manages information for buying and selling securities, are not properly construed to require distribution and display of entire “order book,” since specification of the patent discloses embodiments of the invention that distribute and display information for only subset of combined order book.

**l. *On Demand Machine Corp. v. Ingram Industries, Inc.*
78 USPQ2d 1428**

The U.S. Court of Appeals for the Federal Circuit held on March 31, 2006 that a patent for system and method of manufacturing a single book in response to a customer's request, in which fundamental precept is that customer uses on-site computer to view promotional information and initial rapid single-copy printing, is not infringed by defendants' large-scale production of books for publishers and retailers from remote locations.

3. U.S. District Courts

**a. *Soverain Software LLC v. Amazon.com Inc.*
70 BNA's PTCJ 482**

The U.S. District Court for the Eastern District of Texas held on August 8, 2005 that Web sites 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 Web sites using the plaintiff's patented “shopping cart” software should have been marked with notice of the patents.

**b. *IMX, Inc. v. LendingTree LLC*
71 BNA's PTCJ 228**

The U.S. District Court for the District of Delaware ruled on December 14, 2005 that web sites 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 the defendant's summary judgment motion to limit its damages under the patent marking statute, the court rejected the patentee's claim that its web site was not a “patented article” under the statute and thus obviated its duty to mark.

**c. *eSpeed, Inc. v. Brokertec USA L.L.C.*
71 BNA's PTCJ 186**

The U.S. District Court for the District of Delaware ruled on December 5, 2005 that a jury verdict that a business method patent for trading U.S. Treasury securities failed the written description requirement of 35 U.S.C. § 112 was supported by substantial evidence. Denying the plaintiff's motion for a judgment as a matter of law, the court agrees that there is clear and convincing evidence that the patent is invalid for lack of sufficient written description.

**d. *NTP, Inc. v. Research in Motion, Ltd.*
71 BNA's PTCJ 124**

The U.S. District Court for the Eastern District of Virginia on November 30, 2005 refused to enforce a settlement between the parties in a patent infringement against the manufacturer of the BlackBerry wireless e-mail system. The court also refused to stay the proceedings pending reexamination of a number of patents in the U.S. Patent and Trademark Office since it is unlikely that the U.S. Patent and Trademark Office will issue final actions in the near future, and appellate court's mandate directs trial court to proceed on remand so that litigation may be quickly resolved. This clears the way for the potential reconfirmation of an injunction.

**e. *z4 Technologies Inc. v. Microsoft Corp.*
72 BNA's PTCJ 210**

The U.S. District Court for the Eastern District of Texas held on June 14, 2006 that applying the standards set forth in the *eBay* case, the principles of equity as set forth in a four-part test does not call for an injunction against Microsoft Corp., which has been found to have infringed on a plaintiff's product activation patent.

**f. *eSpeed Inc. v. Brokertec USA LLC*
71 BNA's PTCJ 463**

The U.S. District Court for the District of Delaware ruled on February 22, 2006 that a business method patent for trading U.S. Treasury securities was "infected" and rendered unenforceable by inequitable conduct that occurred in the prosecution of a patent application from which it claimed priority.

**g. *NTP Inc. v. Research in Motion Ltd.*
71 BNA's PTCJ 489**

The U.S. District Court for the Eastern District of Virginia on March 3, 2006 dismissed the case between NTP and RIM and released \$612.5 million from an escrow account immediately after the Ontario-based BlackBerry manufacturer Research in Motion Ltd. agreed to pay

NTP Inc. \$612.5 million to settle NTP's patent infringement claims and for a license on the infringed patents.

**h. *Bea Systems Inc. v. Web Balance Inc.*
71 BNA's PTCJ 668**

The U.S. District Court for the District of Massachusetts held on March 31, 2006 that a patented method for allocating Web server resources based upon the particular location a user seeks was not infringed by software that allocates resources based upon the particular user making the request.

B. U.S. PATENT AND TRADEMARK OFFICE

**a. *Ex Parte Lundgren*
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.”

III. COPYRIGHT

A. CASE LAW

1. U.S. Court of Appeals

a. *Bridgeport Music, Inc. v. Dimension Films* 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.

b. *Island Software and Computer Service Inc. v. Microsoft Corp.* 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.

c. *Storage Technology Corp. v. Custom Hardware Engineering & Consulting Inc.* 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.

**d. *Davidson & Associates, d/b/a Blizzard Entertainment Inc. v. Jung*
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.

**e. *Storage Technology Corp. v. Custom Hardware Engineering
& Consulting, Inc.*
71 BNA's PTCJ 182**

As reported at, the U.S. Court of Appeals for the Federal Circuit decided on December 9, 2005 that a rehearing of its ruling that the Section 117(c) safe harbor broadly protects an independent service organization in the copying of proprietary computer software for both repair and maintenance activities. Dissenting Judge Randall R. Rader previously warned that the Section 117(c) safe harbor is “not a carte blanche license to use any program loaded into a computer's RAM when a machine is turned on.”

**f. *BMG Music v. Gonzalez*
71 BNA's PTCJ 183**

The U.S. Court of Appeals for the Seventh Circuit held on December 9, 2005 that the downloading of copyrighted music through a P2P file-sharing network is direct infringement and is not fair use. Affirming a lower court's injunction, the court rejects the infringer's contention that she was merely sampling music on a try-before-you-buy basis or that the downloads are merely a form of time-shifting permitted under a 1984 Supreme Court ruling.

**g. *Wall Data, Inc. v. Los Angeles County Sheriff's Department*
72 BNA's PTCJ 82**

The U.S. Court of Appeals for the Ninth Circuit held on May 17, 2006 that making copies of software in excess of the number permitted by the licensing agreement constitutes copyright infringement even though the licensee claimed that the number of people using the computer program in question at any one time could not exceed the number of licenses purchased.

2. U.S. District Courts

**a. *Webloyalty.com Inc. v. Consumer Innovations LLC*
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.

**b. *Jupiter Hosting Inc. v. Jupitermedia Corp.*
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 Web site 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."

**c. *Elektra Entertainment Group, Inc. v. Santangelo*
71 BNA's PTCJ 232**

The U.S. District Court for the Southern District of New York ruled on November 28, 2005 that a claim of continuous downloading suffices for a file-sharing infringement complaint.

**d. *Monotype Imaging, Inc. v. Bitstream, Inc.*
77 USPQ2d 1424**

The U.S. District Court for the Northern District of Illinois held on July 12, 2005 that defendant, which distributes software that permits typeface designs to be displayed and printed on a computer that does not have those typefaces installed, is not liable for infringement of plaintiffs' copyrighted computer code "fonts" for typeface designs under theory of "intentional inducement," since the record is devoid of evidence of "purposeful, culpable expression and conduct" required for finding of intentional inducement.

**e. *Aharonian v. Gonzales*
71 BNA's PTCJ 247**

The U.S. District Court for the Northern District of California held on January 3, 2006 that copyright protection may properly be applied to computer source code. Dismissing an action for declaratory judgment by a computer programmer seeking to incorporate copyrighted software

into his patent search database, the court rejects the assertion that such statutory terms as “idea,” “expression,” and “computer program” are unconstitutionally vague.

**f. *Field v. Google, Inc.*
71 BNA's PTCJ 350**

The U.S. District Court for the District of Nevada ruled on January 19, 2006 that Google, Inc. had an implied license to temporarily copy web pages where the web site operator is aware of and chooses not to use tagging that would have stopped the archiving. The court also holds that Google's web page caching is a fair use and would qualify as “intermediate and temporary storage” of material under the Digital Millennium Copyright Act.

**g. *Newborn v. Yahoo! Inc.*
76 USPQ2d 1848**

The U.S. District Court for the District of Columbia held on September 27, 2005 that a complaint alleging that defendants made copyrighted materials on plaintiff's web site available to users of defendants' search engines fails to state claim for contributory infringement, since such claim requires identification of allegedly infringed materials, whereas plaintiff's complaint contains only vague references to “copyrighted material,” which is insufficient to put defendants on notice of claims.

**h. *eScholar LLC v. Otis Educational Systems, Inc.*
76 USPQ2d 1880**

The U.S. District Court for the Southern District of New York held on November 3, 2005 that infringement defendant is not entitled to summary judgment that lack of originality precludes protection for elements of plaintiff's “data model” for database, since plaintiff arguably ordered and processed preexisting data in a novel manner, and used selection criteria that were not so “firmly rooted in tradition” as to be unoriginal as a matter of law.

**i. *Perfect 10 Inc. v. Google Inc.*
71 BNA's PTCJ 425**

The U.S. District Court for the Central District of California held on February 17, 2006 that Google Inc.'s use of its Image Search feature to display thumbnail versions of photographs found on an adult-oriented Web site likely infringes the Web site's copyrights. Rejecting Google's fair use defense, and partially granting the Web site's motion for a preliminary injunction, the court stresses that Google's use is primarily commercial and that its display of thumbnails harms the Web site's own market for the downloading of reduced-sized images on cell phones. However, the court holds that Google's “framing” of the images does not directly infringe.

**j. *Peri Hall & Associates Inc. v. Elliot Institute for Social Sciences Research*
71 BNA's PTCJ 562**

The U.S. District Court for the Western District of Wisconsin held on March 20, 2006 that a stem cell advocacy organization alleging that an anti-abortion group had copied its Web site to confuse voters about competing stem-cell ballot initiatives is entitled to a preliminary injunction barring use of the organization's trademarks, designs, and source code.

**k. *Parker v. Google Inc.*
71 BNA's PTCJ 564**

The U.S. District Court for the Eastern District of Pennsylvania held on March 10, 2006 that the Google search engine's automatic archiving of Web sites and Usenet newsgroup posts, and its excerpting of such posts in response to users' search queries lack the "volitional" element necessary for a claim of direct copyright infringement.

**l. *Interscope Records v. Duty*
71 BNA's PTCJ 721**

On April 14, 2006, the U.S. District Court for the District of Arizona held, in an unpublished opinion, that the mere presence of sound recording files in a computer user's Kazaa share folder can constitute copyright infringement.

**m. *Virgin Records America Inc. v. Does 1-35*
71 BNA's PTCJ 721**

On April 18, 2006, the U.S. District Court for the District of Columbia ruled that infringement defendant's motion to quash, for lack of personal jurisdiction, subpoena issued to defendant's Internet service provider seeking defendant's identity is denied, since parties cannot formally litigate any aspect of personal jurisdiction until defendant has actually been identified, and it is therefore premature to consider issue of personal jurisdiction in context of subpoena directed at determining identity of defendant.

**n. *In re Napster Inc. Copyright Litigation*
77 USPQ2d 1833**

The U.S. District Court for the Northern District of California held on June 1, 2005 that the operator of peer-to-peer Internet file-sharing network did not directly infringe right to distribute musical compositions and recordings by maintaining centralized indexing system listing file names of all "MP-3"-formatted music files available on network, since infringing works never resided on operator's system, and mere fact that names of plaintiffs' works appeared in operator's index is not conclusive proof that works were actually uploaded onto network. As further reported at 72 BNA's PTCJ 123, the same court ruled on May 17, 2006 that record company plaintiffs that

seek to hold investors in the old Napster service secondarily liable for copyright infringement are not limited to the actual knowledge standard articulated by the Ninth Circuit in *Napster*.

**o. *Static Control Components Inc. v. Lexmark International Inc.*
77 USPQ2d 2020**

The U.S. District Court for the Eastern District of Kentucky held on August 10, 2005 that an action for declaratory judgment that plaintiff's microchips do not infringe defendant's copyrights or violate Digital Millennium Copyright Act is consolidated with defendant's earlier-filed action, in which it asserts claims for infringement and violation of DMCA, since claims overlap, and separate trials would place undue burden on parties, witnesses, and judicial resources.

**p. *Federal Trade Commission v. Myricks*
78 USPQ2d 1466**

On September 27, 2005, the U.S. District Court for the Central District of California temporarily enjoined a defendant seller of peer-to-peer file-sharing tutorial program, in action alleging violation of Federal Trade Commission Act's Section 5(a) from misrepresenting or assisting others to misrepresent facts material to consumer's decision to purchase product or service, including legality of peer-to-peer file-sharing software program or service, and legality of downloading current-release movies, computer games or music files.

**q. *Motown Record Co. v. Armendariz*
78 USPQ2d 1471**

On September 22, 2005, the U.S. District Court for the Western District of Texas held that plaintiff recording companies, moving for default judgment in an action alleging that defendant downloaded and distributed copyrighted sound recordings without authorization, are entitled to permanent injunction and order directing defendant to destroy all copies of plaintiff's recordings that defendant has downloaded, since finding of default establishes defendant's liability for infringement, and since there is no adequate remedy at law, in that plaintiffs' injury cannot be fully compensated or measured in money damages.

**r. *NCR Corp. v. ATM Exchange, Inc.*
72 BNA's PTCJ 123**

On May 17, 2006, the U.S. District Court for the Southern District of Ohio held that a seller of refurbished automatic teller machines cannot defeat a claim of copyright infringement of the ATM's underlying software by asserting the first sale doctrine. That doctrine does not apply where the original purchaser obtained the copyrighted work (software) subject to a license and thus never has ownership, the court said, citing 17 U.S.C. § 109(d). Nor did the seller prevail on its argument based upon the Copyright Act's maintenance and repair exception, 17 U.S.C. § 117(c). That section permits copies to be made that are for the "maintenance or repair" of the machine on

which the software resides. The copyright owner, NCR Corp., alleged that The ATM Exchange Inc. infringed its code by copying the software into the RAM of a personal computer connected to the ATM. The court declined to dismiss the claim based on Exchange's assertion of the maintenance/repair exception. First, NCR alleged that Exchange used the RAM copies in connection with testing an unlicensed upgrade to the software which incorporated new encryption standards. The court interpreted this allegation as going beyond the scope of the maintenance/repair exception. Second, NCR alleged that the copies of its software which Exchange possessed were not "authorized copies" and thus disqualified Exchange from relying upon the exception. The court also addressed NCR's assertions under the "intermediate copying" doctrine. NCR alleged that Exchange distributed one of the NCR ATMs, with an unlicensed copy of the software, to a software developer. That developer then used that software to develop an upgrade that incorporated new encryption standards. However, the upgrade did not contain any of the underlying NCR code within it. NCR argued, and the court agreed, that intermediate copying may constitute infringement even if the end result does not contain copyrighted material.

s. *AMC Technology LLC v. SAP AG*
78 USPQ2d 1834

The U.S. District Court for the Eastern District of Pennsylvania held on November 3, 2005 that plaintiff licensor of computer software has reasonable likelihood of success on merits of claim that defendant licensees are liable for contributory infringement of plaintiff's copyrighted code following termination of parties' licensing agreement, since defendants created guide that instructs users to transfer plaintiff's embedded code into upgraded version of defendants' software, and since parties' licensing agreement did not authorize defendants to grant their sublicensees right to copy plaintiff's code from earlier version of defendants' software to later, upgraded version.

IV. COPYRIGHT/DMCA

A. CASE LAW

1. U.S. District Courts

**a. *Egilman v. Keller & Heckman LLP*
71 BNA's PTCJ 129**

The U.S. District Court for the District of Columbia held on November 10, 2005 that the unauthorized use of a username/password combination to gain access to a personal web site is not "circumvention" prohibited by the Digital Millennium Copyright Act since username and password were validly created by plaintiff, and provisions do not target unauthorized use of password intentionally issued by plaintiff to another entity.

**b. *Corbis Corp. v. Amazon.com, Inc.*
77 USPQ2d 1182**

The U.S. District Court for the Western District of Washington held on December 21, 2005 that plaintiff has failed to demonstrate that defendant Internet service provider has knowledge that material on its network is infringing, since plaintiff did not inform defendant of alleged infringement by its vendors pursuant to notice provisions of the Digital Millennium Copyright Act, since third-party notices of infringement are not sufficient to raise "red flag" of blatant infringement, and since plaintiff has failed to show that vendor sites themselves contained type of blatant infringement that would have raised "red flag" for defendant.

**c. *IQ Group Ltd. d/b/a Insurance IQ v. Wiesner Publishing LLC*
71 BNA's PTCJ 266**

The U.S. District Court for the District of New Jersey held on January 10, 2006 that a copyright owner's graphic logo containing a hyperlink to its online copyright notice is not "copyright management information" as that term is used in the DMCA. The decision appears to be the first judicial interpretation of the key statutory term "copyright management information."

**d. *Agfa Monotype Corp. v. Adobe Systems, Inc.*
76 USPQ2d 1924**

The U.S. District Court for the Northern District of Illinois held on January 13, 2006 that "embedding bits" associated with plaintiffs' copyrighted fonts for electronic documents do not "effectively control access" to copyrighted work within the meaning of the Digital Millennium Copyright Act, since embedding bits are not encrypted, scrambled, or authenticated, and software applications need not enter password or authorization sequence in order to obtain access to bits or fonts.

e. ***DirecTV, Inc. v. Borow***
 77 USPQ2d 1147

The U.S. District Court for the Northern District of Illinois held on January 3, 2006 that plaintiff digital satellite television broadcaster is entitled to summary judgment on claim that defendant violated the “anticircumvention” provision of the Digital Millennium Copyright Act, since defendant has purchased devices used to emulate plaintiff’s satellite signals, and defendant’s computer contained software commonly used to “pirate” satellite television, and since defendant has openly admitted, on Internet forum sites, to pirating transmissions from plaintiff.

f. ***IQ Group Ltd. v. Wiesner Publishing LLC***
 78 USPQ2d 1755

The U.S. District Court for the District of New Jersey held on January 10, 2006 that plaintiff’s graphic logo containing hyperlink to its online copyright notice does not constitute “copyright management information” as defined in Digital Millennium Copyright Act, since trademark law protections for logo functioning as service mark should not be augmented with copyright law protections.

V. COPYRIGHTS/LICENSING

A. CASE LAW

1. U.S. District Courts

- a. *Meridian Project Systems Inc. v. Hardin Construction Co.*
71 BNA's PTCJ 694

On April 6, 2006, the U.S. District Court for the Eastern District of California held that a shrinkwrap agreement in which software licensing terms are disclosed within the box containing the software media is enforceable under California law. The court also holds that a state-law claim for breach of the agreement was not preempted, and that the plaintiff's copyright was infringed.

VI. COPYRIGHTS/SPOLIATION OF EVIDENCE

A. CASE LAW

1. U.S. District Courts

- a. *Paramount Pictures Corp. v. Davis*
77 USPQ2d 1933**

The U.S. District Court for the Eastern District of Pennsylvania held on December 2, 2005 that defendant's conduct in "wiping" all data from hard drive of his computer, after receiving notice of infringement suit, warrants inference of spoliation of evidence in action in which defendant is accused of obtaining illegal digital copy of motion picture and making it available for distribution via Internet distribution system; however, spoliation inference does not warrant conclusion that movie and network software were in fact stored on defendant's computer.

VII. TRADEMARKS

A. CASE LAW

1. U.S. Court of Appeals

- a. *1-800 Contacts, Inc. v. WhenU.com, Inc.*
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 Web site operator in a non-viewable list of terms that trigger the display of “contextual” pop-up 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 Web site with pop-up ads triggered by software on Internet users' computers, the court also determines that displaying such pop-up ads on the Web site is not a use in commerce.

- b. *Faegre & Benson LLP v. Purdy*
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 Web site 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.

- c. *In re Steelbuilding.com*
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.

- d. *Frosty Treats Inc. v. Sony Computer Entertainment America Inc.*
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.

e. ***Lamparello v. Falwell***
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 Web site 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 Web site owner's "gripe site" because the contents of the two sites were dissimilar.

f. ***M2 Software Inc. v. Madacy Entertainment***
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.

g. ***Australian Gold, Inc. v. Hatfield***
71 BNA's PTCJ 408

The U.S. Court of Appeals for the Tenth Circuit held on February 7, 2006 that the use of a trademark in the text of web sites that offer competing goods, in the metatags of those sites, and to purchase a listing position in a search engine, constitutes sufficient evidence on which to base a finding of initial interest confusion for the purposes of establishing trademark infringement.

h. ***Board of Directors of Sapphire Bay Condominiums West v. Simpson***
77 USPQ2d 1629

In an unpublished opinion, the U.S. Court of Appeals for the Third Circuit on May 2, 2005 affirmed issuance of a preliminary injunction in an action in which plaintiff condominium board brought claims for infringement and dilution against defendant condominium unit owner, who registered Internet domain name "sapphirebaycondos.com" and operated Web sit at that address, since district court did not abuse its discretion in concluding that defendant's use of plaintiff's trade name and service mark "Sapphire Bay Condominiums" caused irreparable harm.

i. ***Convey Compliance Systems Inc. v. 1099 Pro Inc.***
78 USPQ2d 1400

On March 30, 2006, the U.S. Court of Appeals for the Fourth Circuit held that by initiating action seeking transfer of Internet domain name, defendant breached settlement agreement

containing broad release and covenant not to sue that covered all claims, whether known or unknown at time of settlement.

**j. *M2 Software Inc. v. M2 Communications Inc.*
72 BNA's PTCJ 190**

The U.S. Court of Appeals for the Federal Circuit held on June 7, 2006 that “M2 Communications” for CD-ROMs in the field of pharmacy and medicine is not likely to be confused with the federally registered “M2” mark on computer software for multimedia in the film and music industries.

2. U.S. District Courts

**a. *Government Employees Insurance Co. v. Google Inc.*
70 BNA's PTCJ 438**

The U.S. District Court for the Eastern District of Virginia held on August 8, 2005 that a survey 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.

**b. *American Girl LLC v. Nameview Inc.*
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 Web site, 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.

**c. *Halo Management LLC v. Interland Inc.*
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.

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

**e. *Faegre & Benson LLP v. Purdy*
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.

**f. *Whitney Information Network, Inc. v. Verio, Inc.*
71 BNA's PTCJ 319**

The U.S. District Court for the Middle District of Florida held on January 11, 2006 that a web hosting service provider is immune from a trademark infringement action and defamation under a safe harbor created by the Communications Decency Act of 1996.

**g. *Venetian Casino Resort LLC v. VenetianGold.com*
76 USPQ2d 1609**

The U.S. District Court for the Eastern District of Virginia held on July 28, 2005 that owners of the Internet domain name “VenetianGold.com.” and six other domain names containing terms “venetian,” “venecian,” and “venice,” violated the Anticybersquatting Consumer Protection Act by registering domain names with bad faith intent to profit from plaintiff's various “Venetian” marks for casino and hotel services, since evidence shows that registrants intended to divert consumers from plaintiff's online location to defendant domain names, which are linked to web site offering casino-type gaming services.

**h. *Curcio Webb LLC v. National Benefit Programs Agency, Inc.*
71 BNA's PTCJ 318**

The U.S. District Court for the Southern District of Ohio ruled on January 9, 2006 that an employee benefits services company's adaptation of a competitor's 28-page Request for Proposal document, which mistakenly caused bids to be sent to the e-mail address of the competitor, was not likely to confuse purchasers of those services. Any person reading an electronic version of defendant's document would see a reference to plaintiff. When a computer user viewing the electronic version points the cursor at the e-mail address provided for defendant's President, Joseph Concheck, the user will see a highlighted box providing the e-mail address of a plaintiff principal

instead. Furthermore, clicking on Joseph Concheck's e-mail address will prompt an e-mail message to be sent to plaintiff. Plaintiff contended that this may lead to “a false suggestion of affiliation, connection, or association” between defendant and plaintiff. The court granted summary judgment in the defendant's favor in a claim under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). The court said that companies seeking such services would be sufficiently sophisticated to apply a standard of care that would not result in their believing that the services were being offered by the competitor merely on the basis of one erroneous embedded e-mail link. However, the court did grant summary judgment in the plaintiff's favor on its claim for copyright infringement based on a finding that the defendant copied the plaintiff's Request for Proposal document.

**i. *Current Communications Group LLC v. Current Media LLC*
76 USPQ2d 1686**

On August 2, 2005, the U.S. District Court for the Southern District of Ohio ruled that plaintiffs are not likely to succeed on merits of claim that defendants' use of “CurrentTV” mark for cable television network infringes plaintiffs' various “Current” marks for broadband Internet and voice over Internet protocol services, since parties do not offer related goods and services, and are not likely to offer same products or services in the future.

**j. *InterState Net Bank v. NetB@nk, Inc.*
77 USPQ2d 1015**

The U.S. District Court for the District of New Jersey held on December 14, 2005 that declaratory judgment plaintiff is entitled to summary judgement that defendants acquired “NetBank” trademark through invalid assignment in gross, since record suggests that defendants' only interest in assignor's business was in purchasing its domain name, and it is unclear that domain name constitutes “tangible asset” representing transfer of goodwill associated with assignor's business.

**k. *Professional Sound Services, Inc. v. Guzzi*
77 USPQ2d 1375**

The U.S. District Court for the Southern District of New York held on December 28, 2005 that plaintiff has failed to show that its use of plain, unadorned letter “S” is distinctive of its sound recording equipment business, since plaintiff has made no effort to use letter in distinctive manner such that the customer would notice it and associate it with plaintiff, and since plaintiff does not use the letter in any advertising or promotional materials, or on its web site.

**l. *Tdata, Inc. v. Aircraft Technical Publishers*
71 BNA's PTCJ 401**

The U.S. District Court for the Southern District of Ohio held on January 23, 2006 that drawing customers to a web site through metatags based upon another's trademark is initial interest confusion. The decision extrapolates the Sixth Circuit's application of the initial interest

confusion doctrine from domain names, such as in *PACCAR, Inc. v. Telescan Technologies LLC*, to metatags, citing with favor *Brookfield Communications*, a Ninth Circuit case. Aircraft Technical Publishers alleged that Tdata, Inc., a developer of software for managing aircraft maintenance and repair, infringed its trademarks by using its “ATP” mark in metatags on Tdata's web sites. While finding that this metatag use did constitute initial interest confusion, the court went on to consider the traditional likelihood of confusion factors. The role of initial interest confusion is to act as a substitute for the actual confusion factor, the court said. The most pertinent factor, beyond initial interest confusion, turned out to be Tdata's intent in selecting the mark. This factor is “notable,” the court concluded, because circumstantial evidence shows that Tdata had knowledge of the infringed-upon mark when it used it in metatags to attract Internet search engines. Tdata asserted its use was a nominative fair use of the mark. But the court rejected this argument, observing that “Tdata's use of ATP's mark in metatags is not in a good faith, descriptive sense, but is in a bad faith, bait-and-switch, create-initial-interest-confusion sense.”

**m. *Seattle Laptop Inc. v. A-1 Best Computer Inc.*
71 BNA's PTCJ 593**

The U.S. District Court for the Western District of Washington held on March 6, 2006 that a defendant's response to a charge of cybersquatting by a competing local business was sufficient to avoid summary judgment.

**n. *Personeta Inc. v. Persona Software Inc.*
78 USPQ2d 1142**

The U.S. District Court for the Northern District of Illinois held on December 21, 2005 that plaintiff is likely to prevail on claim that defendant's “Persona” trade name infringes plaintiff's “Personeta” trade name, since both parties sell telecommunications software, since parties' names are similar in appearance and sound, and since emerging telecom providers may be especially prone to believing that parties' products come from single source.

**o. *Lewis v. Microsoft Corp.*
78 USPQ2d 1060**

The U.S. District Court for the Eastern District of North Carolina held on January 23, 2006 that infringement defendant is entitled to judgment on pleadings as to plaintiffs' claims premised on assertion that their use of “WindowPad” mark was prior to defendant's use of registered “Windows” mark, since res judicata precludes relitigation of priority issue, in that Trademark Trial and Appeal Board previously found that plaintiffs' use of “WindowPad” was junior to defendant's use of “Windows”.

- p. *Merck & Co. v. Mediplan Health Consulting Inc. d/b/a RXNorth.com*
71 BNA's PTCJ 622

The U.S. District Court for the Southern District of New York held on March 30, 2006 that purchase of trademarked term as search engine keyword is not an actionable “use in commerce” of the mark.

- q. *Shainin II LLC v. Allen*
72 BNA's PTCJ 159

The U.S. District Court for the Western District of Washington held on May 15, 2006 that web site metatags that are similar to a competitors' marks raise “serious questions” of infringement that merit a preliminary injunction.

- r. *Stenzel v. Pifer*
72 BNA's PTCJ 190

The U.S. District Court for the Western District of Washington held on May 22, 2006 that Uniform Domain-Name Dispute Resolution Policy rulings are non-binding.

B. U.S. PATENT AND TRADEMARK OFFICE

- a. *Intel Corp. v. Garaga, Inc.*
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.

- b. *In re Reed Elsevier Properties, Inc.*
71 BNA's PTCJ 254

The Trademark Trial and Appeal Board on December 15, 2005 denied “Lawyers.com” registration for genericness.

- c. *DC Comics v. Onetech Computer Consulting, Inc.*
76 USPQ2d 1472

The Trademark Trial and Appeal Board found on August 5, 2005 that placement of opposers' and applicants' respective goods and services in different classes by U.S. Patent and Trademark Office does not support finding that applicant's “Computer Superheroes” mark is not

likely to be confused with opposers' various "Super Heroes" marks, since classification of goods and services is merely an administrative tool having no bearing on confusion issue.

**d. *In re DNI Holdings, Ltd.*
77 USPQ2d 1435**

The Trademark Trial and Appeal Board ruled on December 6, 2005 that trademark applicant, in listing services offered under proposed mark, cannot carve out what are arguably its core services in order to avoid finding of genericness; relevant genus of services for determining whether proposed "Sportsbetting.com" mark is generic includes wagering on sporting events, even though recitation of services excludes wagering.

**e. *In re America Online, Inc.*
71 BNA's PTCJ 409**

The Trademark Trial and Appeal Board ruled on January 18, 2006 that the term "Instant Messenger" as used by AOL's real-time online messaging service is not a generic term.

**f. *In re Genitope Corp.*
78 USPQ2d 1819**

The Trademark Trial and Appeal Board held on March 31, 2006 that a specimen consisting of single Web page that includes applicant's design mark and product overview for applicant's pharmaceutical preparations is not acceptable to show use of applicant's mark, since Web page, which does not explain how to order goods by mail or telephone or provide link for ordering, may be viewed as promotional material, but advertising is not acceptable to show trademark use on goods.

VIII. TRADE SECRETS

A. CASE LAW

1. U.S. Court of Appeals

- a. *Keane v. Fox Television Stations, Inc.*
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.

- b. *Mid-Michigan Computer Systems Inc. v. Marc Glassman Inc.*
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.

2. U.S. District Courts

- a. *Digital Envoy, Inc. v. Google Inc.*
71 BNA's PTCJ 351

The U.S. District Court for the Northern District of California ruled on January 24, 2006 that Google Inc. is not liable to a licensor of geolocation technology for damages flowing from alleged trade secret misappropriation of trade secrets.

IX. CONTRACTS

A. CASE LAW

1. U.S. Court of Appeals

- a. *Arizona Cartridge Remanufacturers Association Inc. v. Lexmark International Inc.*
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.

X. SEMICONDUCTOR CHIP PROTECTION ACT

A. CASE LAW

1. U.S. Court of Appeals

- a. *Altera Corp. v. Clear Logic Inc.*
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.

XI. TAXATION

A. CASE LAW

1. U.S. Court of Appeals

a. *Vision Information Services LLC v. Commissioner of Internal Revenue* 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.

XII. FIRST AMENDMENT - FREE SPEECH

A. CASE LAW

1. U.S. District Courts

- a. *Louis Féraud International S.a.r.l. v. Viewfinder Inc. d/b/a Firstview.com*
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 Web site 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.

XIII. FALSE ADVERTISING

A. CASE LAW

1. U.S. District Courts

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

XIV. PATENTS - ANTITRUST/LICENSING

A. CASE LAW

1. U.S. Supreme Court

a. *Illinois Tool Works v. Independent Ink* 71 BNA's PTCJ 457

The U.S. Supreme Court on March 1, 2006 ruled unanimously that courts should no longer presume that a patent confers market power for purposes of a tying claim under Section 1 of the Sherman Act, and that in all tying cases the plaintiff must prove that the defendant has market power in the tying product. The court says that after considering the congressional judgment reflected in the 1988 amendments to the Patent Act, which eliminated the market power presumption in patent misuse cases, there is no longer any reason to retain the presumption in the antitrust context.

2. U.S. Court of Appeals

a. *Kloth v. Microsoft Corp.* 72 BNA's PTCJ 15

On April 18, 2006, the U.S. Court of Appeals for the Fourth Circuit held that consumers who acquired Microsoft Corp. software pre-installed on their computers are barred from seeking recovery for allegedly unlawful pass-through overcharges under the U.S. Supreme Court *Illinois Brick* case.

XV. FEDERAL COURTS/RULES

A. CASE LAW

1. U.S. Supreme Court

a. 71 BNA's PTCJ 692

On April 12, 2006, the Supreme Court approved a package of new and amended federal court rules, including new civil rules governing the treatment of electronically stored information (*i.e.*, e-discovery). The new rules will take effect in December unless Congress takes steps to block their implementation. The proposed electronic discovery rules cover the treatment of electronic information during the early stages of litigation and discovery. The proposed rule amendments would require parties to discuss electronically stored information before discovery begins, provides parties a “safe harbor” from sanctions for destruction of electronic data through routine operations, and preserve a privilege claim for electronic information that is inadvertently disclosed during litigation.

XVI. STATE COURTS

A. CASE LAW

Illinois

Liebert Corp. v. Mazur
77 USPQ2d 1346

The Illinois Appeals Court held on April 5, 2005 that plaintiffs' customer contact lists for their computer network protection equipment business are not protectable as trade secrets under Illinois Trade Secrets Act, even though plaintiffs restricted access to lists by assigning passwords, since plaintiffs did not inform employees that lists were confidential, or require employees to sign confidentiality agreements.

California

Jones Day v. MediaNews Group
78 USPQ2d 1130

On August 30, 2005, the California Court of Appeals held that an action for misappropriation of trade secrets and other state-law torts, brought against reporter and news media group based on a Web site publication of confidential documents relating to litigation about electronic voting software, falls within scope of California's "anti-SLAPP" statute, which protects statements made in public forum, and conduct in furtherance of right of free speech, in connection with issue of public interest.

K.C. Multimedia v. Bank of America
72 BNA's PTCJ 18

On April 27, 2006, a California Superior Court jury cleared Bank of America of charges that the institution stole software code from a software developer. K.C. Multimedia accused a former employee of stealing source code it developed 25 years before. Those secrets, used for wireless and online customer transactions, allegedly were then given to Bank of America.

Florida

State v. Bjorkland
78 USPQ2d 1793

A Florida circuit court held on November 2, 2005 that pursuant to a motion to compel filed by defendants accused of driving while under influence of alcohol, State of Florida is ordered to produce software source code for breath analyzers, despite state's contention that source code

constitutes trade secret, since Fla. Stat. § 316.1932 expressly provides that defendants are entitled to “full information” concerning instrument used to establish their guilt.

XVII. NATIONAL ARBITRATION FORUM

A. CASE LAW

Morris v. Unofficial Fan Club

78 USPQ2d 1360

On June 22, 2005, the National Arbitration Forum ruled that complainant music entertainer, who has been world-famous performer known as “Stevie Wonder” for more than 40 years, and who owns U.S. and foreign trademark registrations for “Stevie Wonder” and common-law rights in name, is entitled to have “steviewonder.com” Internet domain name transferred from respondent fan club to complainant.