

Overview of Internet Intellectual Property Issues

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The almost-ubiquitous nature of the Internet has triggered a proliferation of intellectual property legal issues. The ease with which Internet users can publish, copy, adapt, and distribute content worldwide has forced courts, legislators, rights-holders, and consumer advocates to contend with new and often complex issues.

Even as the law adapts to new technologies and user expectations, it is still the case that intellectual property jurisprudence remains driven by the same fundamental values that courts have applied in the offline world for decades. While some call for the “liberation” of copyrighted information for use online,¹ Congress and the judiciary have sent a clear message: intellectual property rights are to be respected with equal force on the Internet, and the core intellectual property concepts still apply.

A survey of the current legal Internet intellectual property landscape follows. Section I addresses the threshold issue of jurisdiction to adjudicate disputes. Section II reviews Internet trademark law, including disputes over domain names, linking, metatags, and framing. Section III explores the state of copyright law in cyberspace, including service provider liability and copy control legislation; disputes over indexing, archiving, and file-sharing; and the licensing and ownership of digital rights in copyrighted works. Finally, Section IV briefly addresses an important emerging patent issue involving the use and enforcement of software patents.

Internet Jurisdiction

The Internet is a global network, and web-related activities often have worldwide consequences. Thus, the question of who has the power to control Internet conduct is an important one, since a “foreign” ruling can affect the Internet around the world. Even before deciding what law applies in Internet disputes, a decision must be made on whether an Internet actor may be brought before a tribunal at all.

In the United States, personal jurisdiction over Internet-based actors is governed by the same basic constitutional principles and jurisprudential precedent as offline conduct.² Thus, in order to bring an action in a particular forum against a nonresident defendant, the defendant must have purposely established “minimum contacts”³ with the forum state, and the exercise of jurisdiction must not offend “traditional notions of fair play and substantial justice.” Note that the overwhelming majority of cases that exercise personal jurisdiction over a defendant based on Internet contacts do so on the basis of “specific jurisdiction” (in which the complained of activity arises out of the defendant’s Internet activities) and not “general jurisdiction” (which exists when a defendant has “continuous and systematic” contacts with a forum even though the subject of the litigation does not arise out of the defendant’s contacts with the forum).⁴

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¹ “A New Direction for Intellectual Property,” *New York Times*, May 13, 2002 (describing creation of “Creative Commons” under leadership of Stanford Professor Lawrence Lessig, which is opposed to expansion of copyright protection).

² See, e.g., *Euromarket Designs, Inc. v. Crate & Barrel, Ltd.*, 5 ILR (P&F) 440, 96 F Supp 2d 824 (ND Ill 2000) (applying a traditional constitutional analysis before invoking additional Internet-related considerations).

³ A defendant has constitutionally-sufficient “minimum contacts” with a state if the defendant has “purposefully avail[ed] [himself] of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws.” *Hanson v. Denckla*, 357 US 235, 253 (1958) (citation omitted).

⁴ *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 US 408, 415, 104 S Ct 1868, 1872, 80 L Ed 2d 404 (1984).

These norms are applied to Internet litigants by way of a sliding-scale inquiry, which examines the defendant site's level of commercial interaction.⁵ At one end of this spectrum are "passive" web sites—content-based sites with no electronic commerce or information-gathering function. Operation of such passive sites does not confer personal jurisdiction upon foreign defendants.⁶ At the other end are cases where the defendant clearly does do business over the Internet—the web site operator knowingly and repeatedly transacts electronic commerce with customers in other states, including plaintiff's chosen forum. In these cases, personal jurisdiction over the web site operator exists.⁷ Occupying the middle ground are cases in which the defendant maintains a web site that is interactive insofar as it permits the exchange of information between users in another state and the defendant. In these cases, personal jurisdiction over the defendant depends on the level and nature of the exchange, including whether the exchange of information is commercial in nature.⁸

⁵ See *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 2 ILR (P&F) 286, 952 F Supp 1119, 1124 (WD Pa 1997); accord *Mattel, Inc. v. Adventure Apparel*, 7 ILR (P&F) 392, 2001 WL 286728, at *3 (SD NY Mar. 22, 2001); *Euromarket Designs, Inc.*, 96 F Supp 2d 824.

⁶ See, e.g., *Soma Medical Int'l v. Standard Chartered Bank*, 4 ILR (P&F) 203, 196 F3d 1292, 1297 (10th Cir 1999) (holding that the establishment of an Internet site by the defendants was *not* sufficient contact with the state of Utah to subject the defendant to personal jurisdiction there because the defendants' [site] was a "passive web site that [did] little more than make information available to those who [were] interested" and one in which [the defendant] "[had] simply posted information on an Internet web site which is accessible to users in foreign jurisdictions." (citing *Zippo Mfg.*)). Similarly decided cases include *Roche v. Worldwide Media, Inc.*, 5 ILR (P&F) 225, 90 F Supp 2d 714, 719 (ED Va 2000), in which the Eastern District of Virginia held that the mere accessibility of the defendant's web site in Virginia was not sufficient to vest the court with jurisdiction and that a policy that allowed for jurisdiction in such cases "could lead, alarmingly, to nationwide jurisdiction over Defendants—or over anyone who posts a web page. . . ."; *Perry v. RightOn.com*, 5 ILR (P&F) 527, 90 F Supp 2d 1138, 1140 (D Ore 2000) (holding no personal jurisdiction could be found without "something more" than a mere posting of a web site); *Neato, Inc. v. Great Gizmos*, 2000 WL 305949 (D Conn Feb. 24, 2000) (holding web site that contains only a product description and an "800" number is passive and therefore not subject to personal jurisdiction); *GTE New Media Servs., Inc. v. BellSouth Corp.*, 4 ILR (P&F) 294, 199 F3d 1343 (D DC 2000) (holding the ability to access an interactive site within the forum where there is no other evidence of contacts within the forum is insufficient to establish jurisdiction); *Rannoch, Inc. v. Rannoch Corp.*, 3 ILR (P&F) 261, 52 F Supp 2d 681 (ED Va 1999) (holding that there was no evidence the site was directed at Virginia residents or that Virginia residents used the site, therefore there was insufficient evidence to extend personal jurisdiction).

⁷ See, e.g., *Mattel, Inc.*, 2001 WL 286728, at *3 SD NY Mar. 22, 2001) ("Here, Falsone ordered allegedly infringing merchandise from Adventure over its web site, using his credit card, and Adventure shipped that merchandise into New York. This activity not only involved the exchange of payment and shipping information but, moreover, was a commercial transaction that was actually consummated on line. These activities were sufficient to bring Adventure into the category of a defendant 'transact[ing] any business,' via the internet, in New York within the meaning of [the State's long-arm statute]."). See, e.g., *System Designs, Inc. v. New CustomWare Co.*, 13 ILR (P&F) 343, 248 F Supp 2d 1093 (D Utah 2003) (California-based "virtual company" that employed trainers to teach classes throughout the country was subject to personal jurisdiction in Utah even though it had never taught any classes in Utah. Defendant's web site enabled its customers to book classes through the web site (even though very few of defendants' customers actually booked classes that way), so defendant intended its site to reach potential clients in Utah. Additionally, defendant listed its large clients on its web site, including several with substantial contacts to Utah, "suggesting to Utah companies the desirability of doing business with it." "The mere fact that the targeting was unsuccessful in the sense that no clients in Utah actually chose to contract over the web site is not determinative").

⁸ See *Citigroup, Inc. v. City Holding Co.*, 5 ILR (P&F) 609, 97 F Supp 2d 549, 565 (SD NY 2000) ("Customers in New York may apply for loans on-line as well as print out an application for submission by facsimile, they may click on a 'hyper link' to 'chat' on-line with a City Lending representative, and they may e-mail City Lending with home loan questions and receive a response from an 'on-line representative . . . in less than an hour.' At the very least, the interactivity of the City Lending site brings this case within the middle category of internet commercial activity."); see also *Zippo Mfg. Co.*, 952 F Supp at 1124. See also *Carefirst of Maryland, Inc. v. Carefirst Pregnancy Centers, Inc.*, 13 ILR (P&F) 815, 334 F3d 390 (4th Cir 2003) (Chicago defendant not subject to Maryland jurisdiction when defendants' web sites are only "semi-interactive"—they allow users to exchange information with the host, and the only way in which defendant reached out to Marylanders was in its generalized request that anyone, anywhere make a donation to support its Chicago-based mission; the only such donation was made at the initiation of plaintiff's counsel); *Virgin Records America, Inc. v. Does 1-35*, 20 ILR (P&F) 100, 2006 WL 1028956, at *4 (D DC, April 18, 2006) ("By installing [peer-to-peer] software and logging onto a [peer-to-peer network, each defendant transformed his or her computer into an interactive Internet site, allowing others to complete transactions by downloading copyrighted works over the Internet." This conduct created the sort of "interactive" and "systematic" electronic transactions sufficient to find jurisdiction); *National Football League v. Miller*, 5 ILR (P&F) 125, 54 USPQ2d 1574, 1575 (SD NY 2000) ("[O]ne does not subject himself to the jurisdiction of the courts in another state simply because he maintains a web site which residents of that state visit.").

The courts have not been uniform in determining the precise actions or events necessary for establishing personal jurisdiction over a web site owner. However, personal jurisdiction generally has been held to vest when the defendant entered into multiple contracts with residents of the forum state via the Internet,⁹ or when the defendant engaged in repeated contacts with residents of the forum state.¹⁰ If conditions are such that it is clear that the operator of a site did not target users in the forum, even if the site is fully interactive, there may be no jurisdiction over the operator in the forum.¹¹

A broadening of the scope of personal jurisdiction over Internet actors occurred in *EnvisioNet Computer Servs. v. MicroPortal.com, Inc.*, in which a federal district court found personal jurisdiction over a defendant who transferred and stored proprietary information used to facilitate the plaintiff's performance of the parties' contract on computers located in the forum state.¹² Some courts also have found specific personal jurisdiction even where jurisdiction was "manufactured" by the plaintiff's making of a one-time purchase from the defendant's site while in the forum state,¹³ although other courts have refused to do so and have required proof of a genuine third-party transaction with a resident of the forum.¹⁴ Many courts simply analyze the issue of whether residents of the forum could have purchased products through the site, but do not get into whether there is any evidence that there were any such purchases by residents of the forum.¹⁵

As courts and legislative bodies continue to define and refine the boundaries of personal jurisdiction arising from Internet-related activities, efforts to clarify these issues and provide certainty to Internet actors have intensified, particularly in the international arena, where there is neither a single forum nor a uniform standard that

⁹ See *Zippo Mfg. Co.; Nissan Motor Co. v. Nissan Computer Corp.*, 5 ILR (P&F) 145, 89 F Supp 2d 1154 (CD Cal 2000) (holding personal jurisdiction existed over the defendant based on numerous contracts for advertising space on his web site with residents in the forum state), *aff'd*, 7 ILR (P&F) 67, 246 F3d 675 (9th Cir 2000); *Gather, Inc. v. Gatheroo, LLC*, 2006 ILRWeb (P&F) 2067, 443 F Supp 2d 108, 117 (D Mass 2006) (finding jurisdiction "[f]or the same reasons that Dot Com was subject to the jurisdiction of the Pennsylvania courts [in *Zippo*]").

¹⁰ *Intercon, Inc. v. Bell Atlantic Internet Solutions, Inc.*, 4 ILR (P&F) 592, 205 F3d 1244 (10th Cir 2000) (holding defendant that knew it was inadvertently routing e-mail through plaintiff's server purposefully availed itself of the forum and therefore jurisdiction was proper); *Cello Holdings, L.L.C. v. Lawrence-Dahl Cos.*, 5 ILR (P&F) 153, 89 F Supp 2d 464 (SD NY 2000) (finding personal jurisdiction over alleged cybersquatter because he contacted the plaintiff with an offer to sell the domain name, thus making contacts within the jurisdiction and purposefully availing himself of the benefits of the jurisdiction); *Resuscitation Techs., Inc. v. Continental Health Care Corp.*, 1 ILR (P&F) 364, 1997 WL 148567 (SD Ind Mar. 24, 1997) (holding that access to the defendant's web site, together with follow-up e-mails, was sufficient basis for personal jurisdiction); *Cody v. Ward*, 1 ILR (P&F) 353, 954 F Supp 43 (D Conn 1997) (finding jurisdiction based on defendant's repeated e-mail messages directed to residents of forum state); *but see Mink v. AAAA Dev. LLC*, 3 ILR (P&F) 515, 190 F3d 333 (5th Cir 1999) (declining to extend jurisdiction over a web site operator even though the site included a printable mail-in order form, a toll-free number, and an e-mail address because no orders could be placed online and no business was actually conducted over the Internet with forum residents); *Mashantucket Pequot Tribe v. Redican*, 15 ILR (P&F) 641, 309 F Supp 2d 309, 318-319 (D Conn 2004) (finding jurisdiction where defendant made a variety of attempts to consummate a sale which either occurred in or were directed at the state of Connecticut, including two visits and multiple e-mails and phone calls to the state; "the nature of the site, combined with defendant's more traditional types of contacts with the state . . . support . . . the exercise of jurisdiction"); *Alpha Int'l, Inc. v. T-Reproductions, Inc.*, 2003 ILRWeb (P&F) 2277, 2003 U.S. Dist. LEXIS 11224, *8 (SD NY 2003) (finding personal jurisdiction where claims arise directly from the continued or alleged unauthorized use of trademark on the interactive website used to offer products to New York residents).

¹¹ See *Toys "R" Us, Inc. v. Step Two SA*, 12 ILR (P&F) 764, 318 F3d 446 (3d Cir 2003) (no personal jurisdiction over Spanish interactive web site through which consumers could purchase products, when web site was entirely in Spanish, prices were to be paid in pesetas and Euros, and the defendant shipped only to addresses within Spain); *Seldon v. Direct Response Techs.*, 2004 U.S. Dist. LEXIS 5344, 2004 WL 691222, *5 (SD NY March 30, 2004) (finding no transaction of business in New York based on out-of-state website with interactive message boards available to New York users; stating that interactive message boards alone do not give rise to long-arm jurisdiction); *ISI Brands, Inc. v. KCC Int'l, Inc.*, 2006 ILRWeb (P&F) 2867, 458 F Supp 2d 81, 87 (ED NY Oct. 19, 2006) (finding no jurisdiction where plaintiff alleges only that defendant sells products nationally through an interactive web site and plaintiff does not allege any other connections to New York).

¹² 8 ILR (P&F) 691, 2001 WL 179882 at *5 (D Maine Feb. 14, 2001).

¹³ See *Mattel, Inc.*, 2001 WL 286728 at *3.

¹⁴ *Millennium Enters., Inc. v. Millennium Music*, 2 ILR (P&F) 410, 33 F Supp 2d 907 (D Ore 1999).

¹⁵ See, e.g., *Obabueki v. International Business Machines Corp.*, 2001 ILRWeb (P&F) 2403, 2001 WL 921172 (SD NY 2001).

determines when and which country or countries have jurisdiction over parties located in different nations who transact business on the borderless Web. Indeed, in a case of recent repute, a French court, in litigation instituted by private citizens in France, found jurisdiction over U.S.-based Internet portal Yahoo! and held the company liable for making Nazi paraphernalia available to French citizens through an auction site in contravention of French criminal law. Consequently, the court imposed sanctions and ordered Yahoo! to make such materials inaccessible to French Internet users.

After the decision was entered, Yahoo! filed an action in the United States District Court for the Northern District of California seeking declaratory relief from the French order. Yahoo! argued that because it lacked the technology to block French citizens from accessing the site to view materials that violated the French Order, in order to comply with the French order it had to ban all Nazi-related material from the site altogether, which Yahoo! claimed impermissibly infringed on its First Amendment rights under the United States Constitution.

The District Court framed the issue as to what extent one country could impose its laws on the citizen of another who enters its borders only by virtue of the Internet. Noting that “there is little doubt that Internet users in the United States routinely engage in speech that violates, for example, China’s laws against religious expression,” the court determined that it must decide the case in accordance with the U.S. Constitution, which clearly did not allow such content and viewpoint-based regulation of the Internet. Thus, the French order would not be recognized.¹⁶ However, the Ninth Circuit then reversed, holding that the French citizens who instituted the French law suit were not subject to personal jurisdiction in California; the French citizens had moved to dismiss the California action for lack of personal jurisdiction, but the District Court had denied the motion, finding that the French claimants’ sending of a cease and desist letter to Yahoo! in California, the use of U.S. Marshals Service to serve process, and requesting a French Court to order Yahoo! to perform certain acts on its servers located in California, subjected them to personal jurisdiction. The Ninth Circuit reversed on this point, noting that “Yahoo! cannot expect both to benefit from the fact that its content may be viewed around the world and to be shielded from the resulting costs—one of which is that, if Yahoo! violates the speech laws of another nation, it must wait for the foreign litigants to come to the United States to enforce the judgment before its First Amendment claim may be heard by a U.S. court.”¹⁷ Jurisdiction could be obtained, and Yahoo!’s First Amendment defense could be heard once the French claimants asked a U.S. district court to enforce the French judgment. They had not done that, but rather, Yahoo! had filed a declaratory judgment action seeking a declaration that enforcement of the French order would be unconstitutional. On March 24, 2005, the Ninth Circuit re-heard the case en banc, reversing the order of the district court and remanding the case with instructions that it be dismissed without prejudice.¹⁸ Despite agreeing that Yahoo! had personal jurisdiction, the Appellate Court held that Yahoo!’s case was not ripe for decision, as it was unclear whether further restrictions on user access would be required to enforce the French court’s orders.¹⁹ Thus, the Appellate Court could not decide whether or to what degree the First Amendment may have been violated by such hypothetical enforcement.²⁰ Further, the Appellate Court declined to evaluate whether or not the French decision chilled Yahoo!’s First Amendment freedom of speech rights, stating that to do so would have the effect of extraterritorially applying the U.S. Constitution.²¹

The European Union has a regulation (the Brussels Regulation, effective March 2002) that provides that a consumer purchasing a product over the Internet can elect to sue in their domicile or where the seller is located. Additionally, the European Commission recently adopted the “Rome II Regulation” (Regulation (EC) No 864/2007), which deals with jurisdiction over non-contractual disputes, including intellectual property disputes. The Rome II Regulation provides that the law of the place where the harm occurred applies in such a dispute (this is consistent with the Berne Convention).

¹⁶ *Yahoo! Inc. v. La Ligue Contre le Racisme et L’Antisemitisme*, 9 ILR (P&F) 171, 169 F Supp 2d 1181 (ND Cal 2001).

¹⁷ *Yahoo! Inc. v. La Ligue Contre le Racisme et L’Antisemitisme*, 16 ILR (P&F) 283, 379 F3d 1120, 1126 (9th Cir 2004).

¹⁸ *Yahoo! Inc. v. La Ligue Contre le Racisme et L’Antisemitisme*, 19 ILR (P&F) 226, 433 F3d 1199 (9th Cir 2006), cert. denied, 126 S Ct 2332 (2006).

¹⁹ 379 F3d at 1211.

²⁰ 379 F3d at 1216.

²¹ 379 F3d at 1221.

Internet Issues of Trademark Law²²

Internet-specific trademark disputes have arisen in five predominant areas: (1) domain name disputes: clashes over the use of Internet addresses for web sites and e-mail providers; (2) linking disputes: clashes over the right to use hypertext linking to provide consumers with a direct connection from one web site to another; (3) metatag disputes: clashes over the use of trademarked words and phrases embedded in the code of a web page intended to direct consumers to the site when those trademarked words or phrases are entered into an Internet search engine; (4) framing disputes: clashes over one web site's unlicensed display of another site's content, framed by the look and feel of the first site and often displaying the first site's banner advertising; and (5) "key word" or "ad word" buys, in which a company purchases a search engine "key word" of a competitor's trademark to trigger an advertisement. Each of these areas is addressed, in turn, below.

Domain Name Disputes

A trademark is not intended to operate as a monopoly over the use of a particular word or phrase—rather, it is intended as a means of protection against consumer confusion as to the source of a particular set of goods and/or services. Traditionally, this has meant that trademarks often are individually registered for use in connection with certain classes of goods. Thus, the same mark can be used by different entities simultaneously in connection with different classes of goods.

The Internet, however, has changed the equation. Opportunistic attempts by third-party non-rights-holders to secure domain names corresponding to or closely resembling a famous mark have fostered a unique form of trademark infringement known as "cybersquatting." Cybersquatting generally refers to the registration of a domain name incorporating a trademark to which the registrant has no genuine relationship. Unlike many other areas of intellectual property law, where existing legal doctrines have been extended to cover Internet-related activities, cybersquatting has engendered significant new remedial laws and administrative procedures.

A substantial amount of litigation also has arisen over competing claims to domain names between registrants who both have a legitimate claim to use of a mark in different commercial sectors. Because only one rights-holder in a mark can possess any particular Internet domain name address, ownership of a domain name can essentially mean ownership of the exclusive Internet rights to a particular mark. For example, Hypothetical Pencil Company, a national company, and Hypothetical Donut Shop, a local bakery in Buffalo, New York, might co-exist in the offline world without consumer confusion, both claiming trademark rights in the Hypothetical name. However, only one such rights-holder can be the owner of the Internet domain name address "hypothetical.com," and, with the increasing importance for all businesses in maintaining an Internet presence, rapidly determining the parties' respective rights in such domain name disputes has become nothing short of essential.

Cybersquatting

"Cybersquatting" is the registration of Internet domain names that incorporate the trademarks of famous brands, products, and companies by individuals wholly unrelated to those marks, as well as the subsequent sale of those domain names to third parties, including to the trademark owner, at extortionate prices. Initially, trademark holders' remedies were limited to extant federal and state law, which provided remedies in some cases but left owners at the mercy of the cybersquatter in many others. Now, new federal law and a coordinated administrative dispute resolution system provide more effective remedies against such infringement.

Historical Efforts to Combat Cybersquatting

Before 1999, companies that refused to pay the prices demanded by cybersquatters to recover the use of their mark as a domain name were left with limited options. Among them was to appeal the registration to Network Solutions, Inc. ("NSI"), until 1999 the exclusive domain name registrar. Filing of an appeal would result in a disputed name being placed on immediate "hold" until the parties settled the ownership dispute (either privately or in litigation) if, and only if, the domain name was identical to a federally registered trademark. Domain names that were similar but non-identical to well-known marks would not be placed on hold. As a result, to obtain use of the infringing domain name, trademark owners had to resort to litigation. But even litigation provided no protection

²² Although both federal and state law protect the rights of trademark and service mark owners, the preponderance of case law (and the entirety of this article) focuses on the protection offered by federal law under the Lanham Act of 1946, as amended (the "Lanham Act"), 15 USC §1051, et seq.

against cybersquatters where a domain name incorporating their mark was merely registered but never used commercially.²³

Federal Legislation: The Anticybersquatting Consumer Protection Act

Operation of the statute

The Anticybersquatting Consumer Protection Act (the “ACPA”) became law on Nov. 29, 1999, and amended the Lanham Act to create new causes of action against cybersquatters.²⁴ The first of these causes of action enables suits against registrants of domain names that are identical or confusingly similar to distinctive or famous marks and, in the case of famous marks, that dilute the plaintiff’s mark. To prevail, a plaintiff must show the registrant’s “bad faith intent to profit from that mark.”²⁵

In determining bad faith, the statute directs the courts to review a non-exclusive list of factors including: (1) any intellectual property rights the domain name registrant may have in the name; (2) whether the domain name includes the registrant’s own name or nickname; (3) the prior use of the domain name by the registrant in a bona fide offering of goods or services; (4) the registrant’s bona fide non-commercial or fair use of a mark on the site to which the domain name pertains; (5) the registrant’s intent to divert customers away from the mark owner’s site to the registrant’s site that could harm the goodwill of the mark, either for commercial gain or with intent to tarnish or disparage the mark; (6) the registrant’s offer to sell the domain name to the trademark owner or a third party for financial gain without having used or intended to use the domain name in connection with the bona fide sale of goods or services; (7) the registrant’s provision of false or misleading contact information or failure to maintain correct contact information; (8) the registrant’s acquisition of multiple domain names that are confusingly similar to or dilutive of other marks; and (9) the distinctiveness or fame of the mark.²⁶ Bad faith will not be found under the ACPA when a registrant reasonably believed that the use of the domain name was a “fair” use or otherwise lawful.²⁷

A successful ACPA plaintiff is entitled to the same injunctive relief and damages as are ordinarily available under the Lanham Act. In addition, a plaintiff may elect statutory damages, ranging from \$1,000 to \$100,000 per domain name, in lieu of actual damages at any time prior to the entry of final judgment.²⁸

The ACPA also provides a separate cause of action to protect the use of an individual’s personal name as a domain name.²⁹ With limited exceptions, the statute makes the registrant of a domain name consisting of another living person’s name liable in a civil action brought by the individual whose name is so used. The plaintiff need not be famous or have used the name as a trademark to be able to maintain a cause of action.³⁰ Courts may award costs and attorney’s fees to a prevailing party and may order injunctive relief and the transfer of the domain name.

Importantly, the statute also permits trademark owners to bring “in rem” actions when they cannot obtain personal jurisdiction over the alleged cybersquatters, or when the notice of the dispute sent to the e-mail address listed in the registration receives no response. This provision was enacted in response to both a Virginia federal

²³ See, e.g., *Academy of Motion Picture Arts & Sciences v. Network Solutions, Inc.*, 1 ILR (P&F) 708, 989 F Supp 1276, 1279 (CD Cal 1997) (“[t]he mere registration of a domain name does not constitute a commercial use” rising to a level of harm protected by trademark law). Courts also found that NSI was not liable for direct or contributory infringement, dilution, or unfair competition for merely accepting a third party registration of an infringing domain name. See also *Panavision Intl L.P. v. Toepfen*, 1 ILR (P&F) 699, 41 USPQ2d 1310 (CD Cal 1996) (finding NSI had no obligation to determine whether domain name registrants had the right to use protected trademarks or trade names that they were attempting to register and further concluded that NSI did not have an obligation to arbitrate disputes over domain names).

²⁴ Pub. L. 106-113, 113 Stat. 1501 (Nov. 29, 1999), *codified at* 15 USC §1125(d).

²⁵ *Id.* at §1125(d)(1)(A)(i).

²⁶ *Id.* at §1125(d)(1)(B)(i)(I-IX).

²⁷ *Id.* at §1125(d)(1)(B)(ii).

²⁸ *Id.* at §1117(d).

²⁹ *Id.* at §1125(d)(1)(A).

³⁰ *Id.* The limitation on causes of action to living individuals whose names are registered by third parties conflicts with the statutes and common laws of states that recognize and protect “publicity rights” in famous persons’ names and likenesses after their death. No court has yet resolved this conflict.

court's ruling that the Lanham Act did not authorize *in rem* actions,³¹ and also resolves problems created by registrants who could not be located and served with process.³²

Proceedings under the *in rem* provision are brought in the judicial district where the domain name registrar, registry, or authority that registered or assigned the name is located.³³ In 2001, the Eastern District of Virginia exercised jurisdiction over the domain CNNEWS.COM, registered by a Chinese company that had virtually no contact with the United States.³⁴ The site, which delivered news about China (the international country code for China being CN), was in Chinese, and 95% percent of the site's registered users were located in China. Although the registrant had originally registered the site through Network Solutions, it later changed the registry to a Chinese registrar. However, in holding that it had jurisdiction over the domain name in an *in rem* proceeding, the Eastern District of Virginia noted that regardless of what registrar is used, the registry for .com domain names is always Network Solutions, and therefore the situs of the power to transfer a domain name is always with the Eastern District of Virginia.

In suits under the *in rem* provision, recovery is limited to injunctive relief ordering forfeiture, cancellation, or transfer of the domain name. A trademark owner, however, also may file a civil suit against the domain name holder for damages.

The ACPA applies retroactively to all domain names, regardless of when registered, except for the provision applicable to personal names, which applies to domain names registered on or after the date the law was enacted. Where a personal name is protected as a mark, however, the owner may take advantage of the retroactivity provision applicable to marks. Retroactivity does not apply to statutory damages, which are unavailable for "registration, trafficking or use" of a domain name that occurred before the enactment of the statute.

The ACPA additionally codifies limitations on the liability of domain name registrars for refusing to register, removing, disabling, canceling, or transferring a registration of a domain name identical to, confusingly similar to, or dilutive of another's trademark.³⁵ Absent a bad faith intent to profit from a registration, a registrar also cannot be held liable for damages for registering or maintaining an infringing domain name.³⁶

Case law under the ACPA

Case law under the ACPA continues to develop. To date, courts have (1) applied the ACPA to litigation filed prior to the date of the law's enactment in which final judgment remained pending;³⁷ (2) begun to explore the parameters of the "bad faith" elements of the Act; (3) begun to address the availability of damages; (4) upheld the constitutionality of the statutory *in rem* provisions;³⁸ (5) and ruled on the provision immunizing registrars from liability.³⁹

Courts have found that the ACPA "confusing similarity" requirement does not require plaintiff to show actual consumer confusion, but only that a direct comparison of a mark to the domain name evinces similarity with a

³¹ *Porsche Cars N. Am., Inc. v. Porsch.com*, 3 ILR (P&F) 73, 51 F Supp 2d 707 (ED Va 1999).

³² *See, e.g., Columbia Ins. Co. v. Seescandy.com*, 2 ILR (P&F) 631, 185 FRD 573 (ND Cal 1999) (denying a TRO where the actual identities of the defendants had not been identified by the plaintiff).

³³ 15 USC §1125(d)(2)(A).

³⁴ *Cable News Network L.P., L.L.L.P. v. cnnews.com*, 9 ILR (P&F) 706, 177 F Supp 2d 506 (ED Va 2001), *aff'd in part, vacated in part*, 12 ILR (P&F) 657, 66 USPQ2d 1057 (4th Cir 2003) (vacating the portion of the district court's opinion dealing with the defendant's bad faith due to an intervening Fourth Circuit opinion that bad faith is not required in an *in rem* action).

³⁵ 14 USC §1114(2)(D)(i), (ii).

³⁶ 14 USC §1114(2)(D)(iii).

³⁷ *See Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, 4 ILR (P&F) 413, 202 F3d 489, *cert. denied*, 530 US 1262 (2000) (ACPA applies to cases filed prior to the enactment of the statute when final judgment remains pending); *see also Cello Holdings, LLC* (same).

³⁸ *See Caesars World, Inc. v. Caesars-Palace.com*, 4 ILR (P&F) 554, 112 F Supp 2d 505 (ED Va 2000) (finding that *in rem* jurisdiction under the ACPA does not violate constitutional due process); *Heathmount A.E. Corp. v. Technodome.com*, 7 ILR (P&F) 183, 2000 U.S. Dist. LEXIS 20316 (ED Va Dec. 29, 2000).

³⁹ *See also Lockheed Martin Corp. v. Network Solutions, Inc.*, 7 ILR (P&F) 454, 2001 WL 460874 (ND Tex May 1, 2001).

registered mark.⁴⁰ However, courts also have found that a domain name incorporating another's trademark is confusingly similar if consumers would be misled by the domain name alone. For example, one court found the domain name "ernestandjuliohallo.com" to be confusingly similar to the trademark Ernest & Julio Gallo because "an Internet user accessing the domain name . . . would have no way of knowing that the web site is not connected to Gallo until after reaching it."⁴¹ Similarly, a court found liability under the ACPA where a defendant registered and used the domain name "peta.org," purportedly to parody plaintiff, which holds the PETA trademark, finding, in part, that the defendant "clearly intended to confuse and divert internet users into accessing his web site."⁴²

In determining the "bad faith" element of an ACPA claim, courts weigh the nine factors enumerated by the ACPA, as well as other circumstantial or direct evidence, to determine whether the defendant acted in bad faith. Courts have found bad faith where defendants have registered a domain name incorporating a mark and intended to enter into direct competition with the plaintiff (either through use of the mark or by inhibiting the plaintiff's use of the mark), or where defendants knew the strength or value of the plaintiff's trademark and intended to profit by registering that mark.⁴³ Courts have also found bad faith where an information technology company transferred registration of the domain name in order to gain leverage in a fee dispute.⁴⁴ In addition, courts have looked to the

⁴⁰ *Northern Light Tech., Inc. v. Northern Lights Club*, 5 ILR (P&F) 191, 97 F Supp 2d 96, 117 (D Mass 2000), *aff'd*, 7 ILR (P&F) 60, 236 F3d 47 (1st Cir 2001), *cert. denied*, 533 US 911 (2001).

⁴¹ *E. & J. Gallo Winery, Inc. v. Spider Webs, Ltd.*, 7 ILR (P&F) 332, 129 F Supp 2d 1033, 1046 (SD Tex 2001), *aff'd*, 10 ILR (P&F) 285, 286 F3d 270 (5th Cir 2002); *but see Bosley Medical Institute, Inc. v. Kremer*, 17 ILR (P&F) 575, 403 F3d 672 (9th Cir 2005) (holding that the noncommercial use of a trademark as the domain name of a web site ("www.BosleyMedical.com"), offering consumer commentary about the products and services represented by the mark "Bosley Medical", does not constitute infringement under the Lanham Act).

⁴² *People for the Ethical Treatment of Animals, Inc. v. Doughney*, 5 ILR (P&F) 786, 113 F Supp 2d 915, 921 (ED Va 2000), *aff'd*, 8 ILR (P&F) 420, 263 F3d 359 (4th Cir 2001). The court also rejected the First Amendment defense to infringement, finding that the defendant "knew he was causing confusion by use of the Mark and admitted that it was 'possible' that some internet users might be confused." On this issue, the case is similar to an earlier-decided pre-ACPA case, *Jews for Jesus v. Brodsky*, in which a defendant's registration of "jews-for-jesus.org" to criticize the plaintiff organization was found to have a significant potential for causing confusion among the target audience, and thus an infringement and a dilution of the plaintiff's mark. 1 ILR (P&F) 230, 993 F Supp 282, 305 (D NJ), *aff'd without op.*, 159 F3d 1351 (3d Cir 1998). The district court in that case expressly found that the First Amendment was not at issue. 993 F Supp at 287. By contrast, so-called "cybergripping" sites that incorporate a plaintiff's trademark may be non-infringing under the ACPA. *See Lamparello v. Falwell*, 18 ILR (P&F) 481, 420 F3d 309 (4th Cir 2005) (ruling there was no likelihood of confusion between the trademarks of evangelist Jerry Falwell, including his web site, which uses the name falwell.com, and the web site owner's "gripe site," which uses the domain name fallwell.com, because the contents of the two sites were dissimilar); *Lucent Techs., Inc. v. LucentSucks.com.*, 5 ILR (P&F) 425, 95 F Supp 2d 528 (ED Va 2000) (stating in an opinion dismissing the suit on jurisdictional grounds that showing that a site was intended for parody or critical commentary would undermine a cause of action under the ACPA); *see also Bally Total Fitness Holding Corp. v. Faber*, 1 ILR (P&F) 824, 29 F Supp 2d 1161, 1163-64, 1167 (CD Cal 1998) (finding "Bally sucks" web site was unlikely to cause consumer confusion and to constitute noncommercial, protected criticism); *but see Sunlight Saunas, Inc. v. Sundance Sauna, Inc.*, 2006 ILRWeb (P&F) 1633, 427 F Supp 2d 1032 (D Kan 2006) (registrant of "gripe site" about a competitor not entitled to summary judgment on First Amendment grounds, as there were issues of fact as to whether the site and domain name constituted "commercial speech" given that most of the content providers on the site were direct competitors of plaintiff; there was also some evidence that the registrant intended to divert customers from plaintiff, and evidence that registrant used fictitious contact information in registering the name); *see also HER, Inc. v. Re/Max First Choice LLC*, 21 ILR (P&F) 587, 468 F Supp 2d 964 (SD Ohio 2007).

⁴³ *See Sporty's Farm L.L.C.*, 202 F3d at 499 (finding that defendants intended to enter into direct competition with plaintiff and inhibit their use of the mark); *E. & J. Gallo Winery*, 129 F Supp 2d at 1046 (finding that although the domain name at issue had not yet been offered for sale, evidence established that the defendant intended to hold the name for its "real estate" value). With regard to the registry of famous marks, one reviewing court has cautioned that when the only evidence of bad faith is circumstantial, such as the registration of a domain name that bears a resemblance to a famous trademark, registration of the mark alone does not establish bad faith. *Virtual Works, Inc. v. Volkswagen of Am., Inc.*, 6 ILR (P&F) 790, 238 F3d 264, 269 (4th Cir 2001) (upholding finding of ACPA violation on basis of direct and circumstantial evidence and affirming transfer of the mark to plaintiff).

⁴⁴ *The Christensen Firm v. Chameleon Data Corp.*, 2006 ILRWeb (P&F) 3007, 2006 U.S. Dist. LEXIS 79710 (WD Wash 2006); *cf. Eagle Hospital Physicians, LLC v. SRG Consulting Inc.*, 2007 U.S. Dist. LEXIS 17600 (ND Ga 2007).

timing and purpose of the defendant's use of the domain name; where use begins after the litigation is instituted, courts have been reticent to find good faith.⁴⁵

A registrant's use of a domain name also may not be sufficient evidence of a proper motive. For example, one court found that a registrant's initial refusal to sell a contested domain name to the plaintiff and use of the domain name for e-mail purposes was outweighed by evidence of the defendants' registration conduct in general, which included scouring the Internet seeking popular names to register; registration of thousands of domain names "identical or confusingly similar to the marks of others"; creation of fictional entities to register the names; "dubious" explanations for the selection of those names; and use of the name to entice the plaintiff to participate in a business deal.⁴⁶ Likewise, another court found bad faith where a defendant registered a domain name consisting of the plaintiff animal rights organization's registered well-known trademark and used the site purportedly to parody the organization, where the evidence showed that the defendant had no legal rights in the name; had not used the name to offer goods or services prior to registering the domain name; intended to confuse, mislead, and divert users into accessing a site with information antithetical to the organization's purpose; mused on the site about what the organization might offer to him if they disagreed with site postings; made false statements in defendant's registration filing; and had registered other domain names similar to the marks or names of famous people or organizations the defendant opposed.⁴⁷

Because of the requirement of bad faith, it is possible to be found liable for both trademark infringement and trademark dilution, but not be liable under the ACPA.⁴⁸

One court has held that an auction site that auctions off domain names registered to third-party users of the site cannot be held liable under the ACPA.⁴⁹ In that same case, rejecting the reasoning in *Panavision* and other early cases that used the trademark dilution laws as a method for pursuing cybersquatters before enactment of the ACPA, the court held that merely registering and offering to sell a domain name does not constitute "use in commerce" of a trademark such that it would constitute either trademark infringement or dilution. "Such acts must be challenged, if at all, under the ACPA."⁵⁰ Thus, it is necessary to show the extra element of bad faith. In addition, in the absence of any other evidence of bad faith, continuing to use a domain name after learning about the plaintiff's claim does not constitute bad faith.⁵¹

While, to date, most awards rendered on behalf of plaintiffs have been for equitable relief and a judicially forced transfer of the interest in the domain name at issue, a Texas federal court awarded plaintiff E. & J. Gallo Winery \$25,000 under the statutory damages provision of the ACPA in addition to injunctive relief, against defendants found to have improperly registered "ernestandjuliogallo.com."⁵² The court determined that the amount of the award was appropriate in light of its finding that, albeit having registered the domain name in bad faith, the defendants were not engaged in "egregious" behavior, such as selling poor quality wine or marketing "tawdry" items. Rejecting defendants' contention that statutory damages were not available because they registered the domain name prior to the enactment of the ACPA, the court found that because the use of the site began in August 2000, the prohibition on statutory damage awards with respect to the "registration, trafficking, or use of the domain name" occurring before the enactment of the law did not apply. In addition, it found that the statutory damages were available regardless of whether the site was ever used commercially. The Eastern District of Virginia has

⁴⁵ *Sporty's Farm L.L.C.*, 202 F3d at 499 (use of site for commercial purpose did not begin until after litigation was commenced); *E. & J. Gallo Winery*, 129 F Supp 2d at 1045 (finding bad faith where evidence showed, among other things, that plaintiff's use of registered site commenced after litigation was initiated, and that the site was used to publish derogatory information about the litigation and about alcohol).

⁴⁶ *Northern Light Tech., Inc.*, 97 F Supp 2d at 119-20.

⁴⁷ *People for the Ethical Treatment of Animals*, 113 F Supp 2d at 921.

⁴⁸ *See, e.g., Pocono Int'l Raceway, Inc. v. Pocono Mountain Speedway, Inc.*, 171 F Supp 2d 427 (MD Pa 2001).

⁴⁹ *Ford Motor Co. v. GreatDomains.com, Inc.*, 9 ILR (P&F) 612, 177 F Supp 2d 635 (ED Mich 2001).

⁵⁰ *Ultimate Living International Inc. v. Miracle Greens Supplements Inc.*, 2007 ILRWeb (P&F) 1005, 2007 WL 14258 (ND Tex Jan. 3, 2007).

⁵¹ *Id.* at 648.

⁵² *E. & J. Gallo Winery*, 129 F Supp 2d at 1048.

awarded costs and attorney's fees against a defendant in finding that it was an "exceptional" case under the Lanham Act due to the defendant's history of cybersquatting and failure to participate in the case.⁵³

ICANN Uniform Domain Name Dispute Resolution Policy

The Internet Corporation for Assigned Names and Numbers ("ICANN") is a non-profit, private corporation to which the United States has given exclusive responsibility of coordinating the management of the domain name system. Under ICANN rules, domain name registrants of generic top-level domain names (or gTLDs, such as ".com," ".net," and ".org") agree to submit to certain administrative dispute resolution procedures to resolve cybersquatting claims before one of four currently approved "providers."⁵⁴ The proceedings take place online, pursuant to ICANN's Uniform Domain Name Dispute Resolution Policy ("UDRP"), with no personal appearances.

To initiate a proceeding, a party must file a complaint alleging that a registrant's domain name is "identical or confusingly similar" to a mark belonging to the complainant; that the registrant has no legitimate right or interest in the domain name; and that the registrant registered and uses the name in bad faith.

As with the "bad faith" element of the ACPA, the administrative hearing panel will consider a non-exclusive list of suggested factors. These include: (1) whether the registrant registered the domain name for the primary purpose of selling, renting, or otherwise transferring the name at a profit; (2) whether the registrant registered the domain name to prevent the owner of the mark from using it in a corresponding domain name, provided that the registrant has engaged in a "pattern" of such conduct; (3) whether the registrant has registered the name primarily for the purpose of disrupting a competitor's business; and (4) whether the registrant has used the domain name to attract Internet users by creating a likelihood of confusion with the owner's mark.

Bad faith will not be found when a registrant has a "right or legitimate interest in the domain name." Such right or interest is established by showing that (1) the registrant used the domain name in connection with a bona fide offering of goods and services before receiving notice of the dispute; (2) the registrant has been commonly known by the domain name, even absent trademark or service mark rights (known as the "nickname" exception); or (3) the registrant is making a "legitimate noncommercial fair use" of the name with no intent of commercial gain, misleading or diverting customers, or tarnishing the name.

An unsuccessful registrant can challenge the cancellation or transfer of a domain name by filing suit against the complainant. For the purpose of such challenges, UDRP complainants are required to agree to submit to the jurisdiction of either the location of the principal office of the domain name registrar or the location of the registrant's address in the registrar's WHOIS database. However, if a lawsuit has been filed and adjudicated against the plaintiff, the plaintiff cannot then initiate a UDRP proceeding. *Res judicata* would bar what is in effect a re-litigation of the issue.⁵⁵

Hearing panel decisions are collected online by one of the ICANN-approved dispute resolution service providers, which serve as administrators of the URDP.⁵⁶ Typically, panels review and make findings with respect to the above-listed factors. As the body of decisions grows, certain standards appear to be developing with regard to (1) determining whether certain conduct constitutes "bad faith"; (2) assessing infringement in cases involving domain names incorporating others' trademarks that are established for the purpose of criticizing the mark holder; and (3) the registration of domain names that incorporate celebrity names by unlicensed third parties.

For example, panels have found that the very fact of registering a famous mark for use in the same business as a complainant "reeks of bad faith."⁵⁷ Panels also have found that a registrant who "knew or should have known" of the registration and use of an established mark prior to registering the domain name acted in bad faith.⁵⁸ As well,

⁵³ *Agri-Supply Company, Inc. v. Agrisupply.com*, 2006 ILRWeb (P&F) 2655, 457 F Supp 2d 660 (ED Va 2006).

⁵⁴ A copy of the Uniform Domain Name Dispute Resolution Policy is available at <http://www.icann.org/udrp/udrp-policy-24oct99.htm>, and a list of ICANN-approved providers may be found at <http://www.icann.org/udrp/approved-providers.htm>.

⁵⁵ *Storey v. Cello Holdings, L.L.C.*, 10 ILR (P&F) 8, 182 F Supp 2d 355 (SD NY 2002).

⁵⁶ Currently, the World Intellectual Property Organization (WIPO), the National Arbitration Forum (NAF), the CPR Institute for Dispute Resolution, and the Asian Domain Name Dispute Resolution Centre. Searching tools for reviewing UDRP decisions can be found through ICANN's site at www.icann.org.

⁵⁷ *Christie's, Inc. v. Tiffany's Jewelry Auction, Inc.*, D-2001-0075 (WIPO Mar. 6, 2001) (citing *Veuve Cliquot Ponsardin, Maison Fondee en 1772 v. The Polygenix Group Co.*, D2000-0163 (WIPO July 19, 2000)).

⁵⁸ See, e.g., *America Online, Inc. v. Anson Chan*, D2001-0004 (WIPO Feb. 22, 2001) (collecting cases).

decisions have held that registration of a domain name, together with “inaction” or non-use, also indicates bad faith.⁵⁹

A body of conflicting jurisprudence has developed with regard to sites established for criticism—so-called “sucks” sites. While several decisions have determined that sites incorporating a trademark and the word “sucks” evidence the requisite level of bad faith and potential for consumer confusion to warrant transfer of the domain name to the criticized trademark holder, some decisions have found that such sites are not confusingly similar to the trademark and that their establishment does not constitute bad faith.⁶⁰

Moreover, while a number of well-known companies and famous individuals have successfully recaptured domain names registered by cybersquatters, two notable decisions diverge. In its decision to deny the complainant’s request to have the web site “sting.com” transferred to him, the panel concluded that although “Sting” is the popular name of the musician Gordon Sumner, it also was a common word in the English language with sufficient, multiple other meanings such that the performer could not claim it exclusively.⁶¹ A split panel also denied Bruce Springsteen’s request for transfer of the domain name “brucepringsteen.com,” registered by an individual purportedly in the name of the “Bruce Springsteen Club.” The panel assumed without deciding that the name was protected under the UDRP, but found that the registration was not made with the intent for commercial gain by misleadingly diverting consumers or to tarnish the performer’s reputation, and hence that the respondent had some rights or legitimate interests in the domain name. The panel also concluded that the respondent did not act in bad faith, indicated by the fact that the registration did not prevent the performer from registering a site in his name with a different top-level domain address, which was done at “brucepringsteen.net.”⁶² The panel decision also listed three cases it believed were wrongly decided in favor of celebrities, and cautioned against the development of a rule restricting the registration of domain names that incorporate the names of famous individuals as unauthorized per se, warning that this might constitute an inhibition of the Internet medium to “purve[y] information, comment and opinion on a wide range of issues and topics.”⁶³

Shortly thereafter, another panel issued a decision sharply disagreeing with Springsteen. In *Julie Brown v. Julie Brown Fan Club*, the panel found that bad faith under the UDRP was demonstrated by the registration of a top-level domain name in a celebrity’s name, regardless of whether the celebrity could register her name using other top-level domain suffixes. Otherwise, the panel found, the definition of bad faith would be unduly narrowed and could be found only when a respondent registered a domain name using every top-level domain suffix. The panel further found that evidence of non-use of the site (except as a “pointer” to another general celebrity site) and the respondent’s “stockpiling” of celebrity domain names demonstrated that respondent had no right or legitimate interest in the domain name, which could not be overcome by later changing the use of the site. Accordingly, the panel ordered transfer of the domain name.⁶⁴ The recent trend has been to reject the approach taken in the Bruce Springsteen decision, and decide these types of disputes in favor of the celebrity.⁶⁵ Political and business figures, however, are in a more difficult position, in that they are not typically able to demonstrate that they have made a trademark use of their names. Kathleen Kennedy Townsend was unable to recover various domain names incorporating her name, as the panel found that she did not have “trademark rights” in her name because she had not commercially exploited it. The panel suggested that her fundraising committee, which had exploited her name for

⁵⁹ See *Bill Withers v. Robert Dominico*, D2000-1621 (WIPO Jan. 28, 2001), citing *Telstra Corp. v. Nuclear Marshmallows*, D2000-0003, 10 ILR (P&F) 837, and subsequent decisions.

⁶⁰ See *Lockheed Martin Corp. v. Dan Parisi*, D2000-1015, 8 ILR (P&F) 142 (WIPO, Jan. 26, 2001); *Wal-Mart Stores, Inc. v. walmartcanadasucks.com*, D2000-1104, 6 ILR (P&F) 669 (WIPO, Nov. 23, 2000); *FMR Corp. v. Native American Warrior Society, Lamar Sneed, Lamar Sneed*, D2004-0978, 2005 ILRWeb (P&F) 1089 (WIPO Jan. 20, 2005).

⁶¹ *Gordon Sumner a/k/a Sting v. Michael Urvan*, D2000-0596 (WIPO Jul. 20, 2000).

⁶² *Bruce Springsteen v. Jeff Burgar*, D2000-1532, 7 ILR (P&F) 579 (WIPO Jan. 25, 2001).

⁶³ *Id.*

⁶⁴ See *Julie Brown v. Julie Brown Club*, D2000-1628 (WIPO Feb. 13, 2001).

⁶⁵ See, e.g., *Kevin Spacey v. Alberta Hot Rods*, FA114437, 2002 ILRWeb (P&F) 2407 (NAF Aug. 1, 2002); *Jeffrey Archer v. Alberta Hotrods da CELEBRITY 1000*, D2006-0431 (WIPO June 1, 2006); and *Tom Cruise v. Network Operations Center/Alberta Hot Rods*, WIPO D2006-0560 (WIPO July 5, 2006).

fundraising purposes, might be the proper complainant.⁶⁶ Yet when her fundraising committee brought a complaint, it too was denied.⁶⁷ C. Virginia Fields, a New York politician, met a similar fate.⁶⁸

If a respondent loses a UDRP proceeding and is ordered to transfer the domain name to the complainant, he or she may stay the transfer order by filing a lawsuit within ten days of the decision. However, a losing domain name owner is likely precluded from alleging abuse of process or similar claims arising out of a UDRP proceeding believed to be instigated in bad faith. Two courts have held that the *Noerr-Pennington* doctrine, which precludes liability arising out of seeking redress of grievances before courts or administrative agencies, applies to UDRP proceedings.⁶⁹ Interestingly, despite the fact that the first case to apply the doctrine to a UDRP proceeding dealt with a proceeding that was conducted before WIPO, and in holding that the *Noerr-Pennington* doctrine extended to the proceeding, the court relied heavily on the fact that WIPO is a “quasi-public organization that is an integral part of the United Nations system of organizations, the second case to apply the doctrine did so in the context of a National Arbitration Forum (NAF) proceeding.”⁷⁰ As federal courts have extended the *Noerr-Pennington* doctrine to proceedings before two of the four ICANN providers, it is likely safe to presume that the other ICANN providers would be entitled to the same protection.

Other Domain Name Registration Issues

Domain name disputes also can arise between parties with competing legitimate claims to the use of a trademark. As discussed above, under traditional principles of trademark law, several entities are entitled to use the same trademark or trade name for differing “classes” of products or services, or in different geographic locations. Even the expanding number of TLDs does not solve the problem, as companies with legitimate claims to a mark may register multiple top-level domain names, and because some consumer confusion (and frustration) likely would result from the registration by several different companies of the “same” domain name that distinguished companies only by domain name “suffix.” Moreover, multiple TLDs does not cure the problem faced by trademark owners, who often seek a web address “intuitive” to Internet users, who may search for a company by hazarding guesses at the site addresses by combining the company’s known trademark with the “.com suffix.”⁷¹ Litigation outcomes in competing domain name ownership cases typically turn on the specific facts.⁷²

⁶⁶ *Kathleen Kennedy Townsend v. B.G. Birt*, D2002-0030, 11 ILR (P&F) 442 (WIPO Apr. 11, 2002).

⁶⁷ *Friends of Kathleen Kennedy Townsend v. B.G. Birt*, D2002-0451, 11 ILR (P&F) 542 (WIPO July 31, 2002).

⁶⁸ *Fields for Senate v. Toddles, Inc.*, D2006-1510 (WIPO Mar. 14, 2007).

⁶⁹ *Oneida Tribe of Indians v. Harms*, 2005 U.S. Dist. LEXIS 27558 (ED Wis 2005) (proceeding before the NAF); *Eurotech, Inc. v. Cosmos European Travels Aktiengesellschaft*, 11 ILR (P&F) 40, 189 F Supp 2d 385 (ED Va 2002) (proceeding before WIPO).

⁷⁰ *Eurotech*, 189 F Supp 2d 385 at 392.

⁷¹ See, e.g., *Brookfield Comms., Inc., v. West Coast Entertainment Corp.*, 2 ILR (P&F) 492, 174 F3d 1036, 1044-45 (9th Cir 1999) (discussing this practice for locating web sites).

⁷² See generally *Simon Prop. Group, L.P. v. mySimon, Inc.*, 2001 U.S. Dist. LEXIS 852 (SD Ind Jan. 24, 2001) (upholding a jury verdict on federal trademark infringement and state unfair competition claims); *Lucent Info. Mgmt., Inc. v. Lucent Techs., Inc.*, 186 F3d 311 (3d Cir 1999) (upholding summary judgment in favor of defendant on trademark infringement claims), *cert. denied*, 528 US 1106 (2000); *Interstellar Starship Servs., Ltd v. Epix, Inc.*, 3 ILR (P&F) 265, 184 F3d 1107, 1111 (9th Cir 1999) (reversing the lower court’s finding of summary judgment [1 ILR (P&F) 325] for the domain name user on the grounds that a rational factfinder could find a likelihood of confusion in part under the doctrine of “initial interest confusion”), *cert. denied*, 528 US 1155 (2000); *Hasbro, Inc. v. Clue Computing, Inc.*, 3 ILR (P&F) 232, 66 F Supp 2d 117 (D Mass 1999) (holding that Hasbro’s mark for the name CLUE was not infringed by Clue Computing’s use of the domain name clue.com because merely having a trademark does not provide the owner with a monopoly over that mark where a legitimate competing use of a domain name exists), *aff’d*, 6 ILR (P&F) 432, 232 F3d 1 (1st Cir 2000); *Avery Dennison Corp. v. Sumpton*, 3 ILR (P&F) 325, 189 F3d 868 (9th Cir 1999) (holding that plaintiff’s mark was not established as famous and that fact issue existed as to whether the defendant’s domain names diluted the plaintiff’s mark where the uses were non-competing); *CD Solutions, Inc. v. Tooker*, 1 ILR (P&F) 433, 15 F Supp 2d 986 (D Ore 1998) (granting plaintiff declaratory judgment ruling that the use of “cds” in its domain name did not infringe upon defendant’s trademark, where the trademark “CDS” was not entitled to protection as a strong mark, parties’ marks are pronounced differently, and there was no likelihood of confusion).

The doctrine of trademark misuse (an extension of established law governing copyright and patent misuse) also has been used in domain name disputes to challenge trademark owners' attempts to have domain names canceled.⁷³ Parties asserting the defense in the context of Internet domain name registration assert that the trademark owner is seeking to prevent them from using the domain name solely because the domain name contains the trademark and not because the plaintiffs' use of the domain name actually dilutes the value of the trademark or creates a likelihood of confusion.

Trademark infringement cases also may extend the liability of Internet service providers ("ISPs"). ISPs generally are shielded under the Communications Decency Act ("CDA") from liability for defamation and other non-intellectual property claims arising out of content posted by users.⁷⁴

Provided they comply with certain "safe harbor" requirements, ISPs also are immune from liability for copyright infringement under the Digital Millennium Copyright Act.⁷⁵ However, an ISP that fails to respond to proper notice of an infringing mark on its site may be held liable both for direct and contributory trademark infringement. Federal courts have held that the CDA does not extend statutory immunity to ISPs for trademark infringement, which "neither limit[s] nor expand[s] any law pertaining to intellectual property."⁷⁶

Linking Disputes

Trademark issues on the Internet extend beyond those related to the ownership and/or use of a particular domain name. The common World Wide Web practice of "linking" has been the subject of an increasing amount of litigation in recent years.⁷⁷ "Linking" refers to the practice where one web site provides a hypertext link which, when "clicked on" by a user, transfers that user to another web site—typically one not owned by the owner of the originating site. For example, a web site discussing New Jersey real estate may contain links to the web sites of individual New Jersey realtors, or links to web sites discussing real estate offerings in certain New Jersey counties.

The linking process is extraordinarily simple in practice: by clicking on the appropriate link, a user is transferred directly to the desired site. Trademark holders have sometimes alleged that the mere provision of that link, which usually consists of highlighted or underlined text (a "hyperlink") indicating the site to which the user will be transferred, constitutes trademark infringement and/or dilution.

At the outset, it is useful to distinguish between two types of linking: the generally non-objectionable "surface" or "plain vanilla" linking (providing a link to the home page of the linked site); and the oftentimes more troubling practice of "deep" linking to content that the user would not ordinarily encounter without traversing through additional, introductory pages of the linked-to site.

⁷³ See, e.g., *Giacalone v. Network Solutions, Inc.*, 1996 WL 887734 (ND Cal June 14, 1996) (granting preliminary injunction enjoining cancellation of plaintiff's domain name "ty.com" on grounds of trademark dilution); *People for the Ethical Treatment of Animals*, 113 F Supp 2d at 921 (rejecting defendants' assertion of trademark misuse).

⁷⁴ 47 USC §230 (1996).

⁷⁵ 17 USC §512 (1998). See Section III(A)(1) herein.

⁷⁶ *Gucci Am. v. Hall & Assocs.*, 7 ILR (P&F) 441, 2001 U.S. Dist. LEXIS 2627 at *9 (SD NY Mar. 14, 2001) (denying defendants' motion to dismiss); see *Ford Motor Co. v. GreatDomains.com, Inc.*, 9 ILR (P&F) 318, 2001 U.S. Dist. LEXIS 24780 at *1 (ED Mich Sept. 25, 2001) (denying defendant's supplemental motion to dismiss); see also *Parker v. Google, Inc.*, 19 ILR (P&F) 554, 422 F Supp 2d 492, 503 (ED Pa 2006) (Section 230 does not immunize ISPs from trademark infringement claims as they fall into §230(c)(2)'s exception for laws pertaining to intellectual property); *Perfect 10, Inc. v. CCBill, LLC*, 16 ILR (P&F) 127, 340 F Supp 2d 1077, 1108 (CD Cal 2004) (same, affirmed in part, reversed in part). However, one court that has addressed the issue under the ACPA has held that a domain name registrar is not subject to liability under that statute for accepting registration of infringing domain names. See *Lockheed Martin Corp.*, 2001 WL 460874.

⁷⁷ See *Bernstein v. JC Penney, Inc.*, No. 98-2958, 6 ILR (P&F) 505, 1998 WL 906644 (CD Cal Sept. 29, 1998) (granting motion to dismiss in a case based on alleged copyright infringement due to multiple linking). Of course, economic realities of the Internet, specifically the decreasing importance of banner advertising revenue and its inverse correlation with the increased emphasis Internet companies have placed on revenue derived from bottom-line consumer transactions, has caused commentators to question the practical import of whether linking can constitute a Lanham Act violation. See, e.g., *Expert Says Economic Reality has Cooled Formerly Hot Issues of Meta-Tagging, Linking*, Pike & Fischer Internet Law Reports, May 4, 2001.

Surface Linking

Surface linking is one of the central features of the Internet and is why the term “Web” (as in World Wide Web) is used to describe this network of interconnected sites. Surface linking is often tacitly accepted because of the increased amount of traffic it generates for the linked site. Legally, it also may be justified under the legal principle of “implied license” because the operator of the linked site wants the site to be seen by as many users as possible and has posted it for that very purpose. Thus, legal challenges to the practice of surface linking (other than trademark dilution claims) are almost nonexistent, and any future regulation likely would be narrowly drawn to preserve this sine qua non aspect of Internet culture.⁷⁸

Deep Linking

“Deep” links are those that transfer the user to pages lying beyond the home page of the linked-to site. Deep links have been challenged more often than surface links because they often bypass advertising, instructions, and customer agreements that are important to the site’s operation and marketing. To avoid litigation, site operators increasingly have turned towards linking agreements to govern the relationships between the linked sites. The complexity of such agreements vary with the nature of the relationship between the sites and the purpose of the link.

For example, in one early deep linking dispute, the owners of the Ticketmaster mark (used in connection with a company, web site, and service that fulfilled online ticket orders for live events) alleged trademark infringement stemming from the placement of deep links to Ticketmaster.com events on Microsoft’s Sidewalk.com site, notwithstanding Ticketmaster’s profit from the increased traffic and sales. At first blush, challenging the Sidewalk.com deep link may seem illogical, but Ticketmaster’s objection was grounded on the premise that the deep links interrupted the order in which the linked-to site intends a visitor to see it, thus affecting the attractiveness of the linked-to site to advertisers whose ads may be skipped because of the way the link works. Ticketmaster additionally alleged that the unauthorized deep links impaired its control over the Ticketmaster brand and allowed Microsoft to use its name and trademark to attract paying customers for other items advertised on Microsoft’s Sidewalk.com site. The parties eventually settled the dispute, and no judicial determination was required.

In a 1998 decision, the United States District Court for the Eastern District of Pennsylvania held that a defendant had committed both trademark infringement and dilution when he provided a link from his web site to the web site owned by Playboy Enterprises, Inc., and used the Playboy trade name and bunny trademark on his web site. The plaintiff was able to prove the key element of likelihood of confusion and dilution primarily because the defendant’s web site—a hardcore pornographic page—used Playboy’s trade name and trademark not merely to provide a link to Playboy’s site but to identify defendant’s product with Playboy’s. The court held that the references to Playboy and the provision of the link were both likely to confuse the user into thinking that he was viewing a Playboy site (when he was in fact viewing the defendant’s site), and to dilute the Playboy name and marks, which would come to be identified with a hardcore pornography product rather than solely with the different image that Playboy had actively cultivated for several decades.⁷⁹

Recent decisions have further refined the deep-linking analysis, in some circumstances moving the relevant issue away from trademark law and into the area of trespass to chattels. For example, in *eBay, Inc. v. Bidder’s Edge, Inc.*,⁸⁰ the Northern District of California held that eBay (a consumer auction site) was entitled to a preliminary injunction prohibiting Bidder’s Edge (a site that aggregated consumer auction offerings from around the Web) from searching out auction items using unauthorized search “robots”⁸¹ (automatic querying software) and providing deep links to the individual eBay auction pages. The court, however, declined to address eBay’s Lanham Act claims

⁷⁸ Cf. *Universal City Studios v. Reimerdes*, 6 ILR (P&F) 1, 111 F Supp 2d 294, 339-43 (SD NY 2000), *aff’d* 9 ILR (P&F) 330, 273 F3d 429 (2d Cir 2001) (enjoining defendants’ linking to materials in violation of anti-circumvention provisions of federal copyright law). See discussion generally *infra*.

⁷⁹ *Playboy Enters., Inc. v. Universal Tel-A-Talk, Inc.*, No. Civ. A. 96-6961, 3 ILR (P&F) 239, 1998 WL 767440 (ED Pa Nov. 3, 1998).

⁸⁰ 5 ILR (P&F) 276, 100 F Supp 2d 1058 (ND Cal 2000).

⁸¹ Note that the use of “robots” can raise other Lanham Act issues as well. In *Register.com, Inc. v. Verio, Inc.*, 6 ILR (P&F) 743, 126 F Supp 2d 238, 254 (SD NY 2000), the district court held that Register.com was likely to succeed on, *inter alia*, its Lanham Act claims arising from defendant’s employment of unauthorized automated robot searches of Register.com’s WHOIS database to seek out new domain name registrars and to market services to them in a manner that the court found could confuse consumers as to defendant’s affiliation with Register.com.

because it found that Bidder's Edge's unauthorized use of the robot searches caused harm and necessitated greater maintenance to eBay's servers, and thus constituted an actionable claim for trespass to chattels upon which eBay was likely to succeed.

However, in *Ticketmaster Corp. v. Tickets.com, Inc.*,⁸² where the defendant provided unauthorized deep links to Ticketmaster events from its own ticketing site, the Southern District of New York distinguished eBay by finding no similar harm to Ticketmaster equipment and its function. Thus, the court rejected Ticketmaster's trespass to chattels claim, expressly minimizing the degree of "detriment" it found the practice to have caused Ticketmaster in light of the increased number of consummated Ticketmaster sales transactions resulting from Tickets.com referrals, before denying injunctive relief because of the "lack of irreparable injury."⁸³ In also rejecting Ticketmaster's Lanham Act allegations, the court noted that Ticketmaster.com did not pass itself off as Ticketmaster—rather, "it carefully says that it cannot sell the tickets but will refer the buyer to another broker . . . who can. The customer ends up on the [Ticketmaster] home web page filled with [Ticketmaster] logos. The customer is unlikely to be misled."⁸⁴

As a practical rule, linking web sites should post a disclaimer stating that the web site and its owner are not affiliated with, or sponsored by, the owners of the specific trademarks used on the web site they link to. This disclaimer also should specifically disclaim any relationship with sites that are hyperlinked, where indeed no such relationship exists. Linked sites might also explore using certain software advances to prevent trademark dilution, such as designing a web page to only accept URL requests from specific addresses, using dynamic web pages that periodically change URLs to control what pages can be linked to, and requiring usernames and passwords to control access.⁸⁵

Metatag Disputes

The use of metatags—invisible text viewable only by search engines—provides another opportunity for potential trademark infringement. Operators may embed in their web sites a metatag containing a third-party trademark, without the knowledge or consent of the mark's owner, to cause search engines to identify the site when that mark is entered as part of a search query. Simply put, the web site operator employing the trademark as a metatag hopes that Internet users searching for items relating to the trademark will be directed by search engines to their sites, rather than the site operated by the mark's actual owner.

Trademark and service mark owners have challenged "metatagging" with some success, alleging violations of both trademark and unfair competition laws.⁸⁶ In *Playboy Enters., Inc. v. Calvin Designer Label*,⁸⁷ Playboy sued two adult entertainment companies who had embedded the Playboy trade name and the famous Playboy "bunny" mark in their web sites, resulting in those sites being selected by search engines whenever users performed searches for Playboy. In holding for the plaintiff, the court explained that the embedding did create a likelihood of confusion because users visiting the defendant's sites would believe them to be affiliated with Playboy, even though the metatags themselves were invisible.⁸⁸ The court also held that the defendant's use of the Playboy name and marks

⁸² No. CV99-7654, 5 ILR (P&F) 702, 2000 WL 1887522 (CD Cal Aug. 10, 2000), *aff'd*, 2001 WL 51509 (9th Cir Jan. 22, 2001).

⁸³ *Ticketmaster*, 2000 WL 1887522, at *4.

⁸⁴ *Id.* at *5.

⁸⁵ See generally, Jeffrey R. Kuester & Peter A. Nieves, *Hyperlinks, Frames and Meta-Tags: An Intellectual Property Analysis*, 38 IDEA 243, 278 (1998) (discussing technical options).

⁸⁶ See *Insituform Techs., Inc. v. National Environtech Group, L.L.C.*, No. 97-2064 (ED La filed July 1, 1997) (Insituform Technologies, Inc. ("ITI") sued competitor Environtech for imbedding ITI's trademarks into its web site, causing search engines to list Environtech's site whenever potential consumers performed a search for ITI; case settled when Environtech agreed to remove the tags and resubmit the web site); *Oppedahl & Larson v. Advanced Concepts*, No. 97-CV-01592 (D Colo 1997) (in an interim order, the court ordered defendant to remove metatags from its web site; only remaining issue in case is one of damages for past infringement).

⁸⁷ 2 ILR (P&F) 31, 985 F Supp 1220 (ND Cal 1997).

⁸⁸ Proponents of metatagging often take the position that the tags do not confuse consumers, only search engines. This argument should not be ignored. Often companies using metatags do not place any visible trademarks or service marks of the tagged company on their web sites, specifically to avoid allegations of infringement. However, this rationale would not necessarily impact a claim of trademark dilution under Section 1125(c) of the Lanham Act, which offers protection to owners of famous marks and does not require a showing of likelihood of confusion. See Robert Baron, *Metatags Raise Serious Legal*

constituted trademark dilution within the meaning of Section 1125(c) of the Lanham Act. Accordingly, the infringers were ordered to stop all uses of the Playboy name and marks.

Several courts have adopted the doctrine of “initial interest confusion” to prevent a domain name registrant from profiting from the trademark owners’ mark and good will by misdirecting users to his or her site using metatagging. This doctrine states that even where only initial confusion occurs as a result of being misdirected to the non-trademark owner’s site, such confusion may result in originally unintended sales to the infringing site due to customer frustration, and thus might result in actual harm to the trademark owner. For example, the court in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*⁸⁹ likened the use of trademark metatags to misleading advertising. The court utilized the following analogy: Blockbuster, a video rental chain, places a billboard for West Coast Video, a competitive video rental chain, at exit 7 when West Coast Video is really located off exit 6.⁹⁰ The unsuspecting customer gets off at exit 7, expecting to find a West Coast Video. When the customer does not find one, but instead sees a Blockbuster, the customer will do his business with Blockbuster rather than continue to try to find the West Coast Video. At no time does the customer believe he is purchasing a video from West Coast Video; however, Blockbuster will have profited from West Coast Video’s trademark and good will. Accordingly, in this case, the Ninth Circuit found in favor of the trademark owner, as have most courts that have found initial interest confusion.⁹¹

However, courts also have limited trademark owners’ ability to prevent the use of metatags. For example, the Southern District of California refused to enjoin a former Playmate of the Year’s embedded use of the Playboy and Playmate marks in her web site (and the use of similar terms in the visible content of the web site), holding that the use of these marks was appropriate and constituted fair use because they were descriptive of the former Playmate’s past actions and life story.⁹² Later, the Ninth Circuit suggested that the use of the Playboy mark in the former model’s metatags was in fact not a classic fair use, but nonetheless was a “nominative use” in that there was no descriptive substitute for the use of the mark, only as much of the mark as was necessary was used, and there was no suggestion of sponsorship. The court did suggest that had the former Playmate made repeated uses of the mark in metatags, the outcome might have been different.⁹³ In *Bihari v. Gross*, the Southern District of New York refused to enjoin defendants’ use of plaintiff’s service mark as a metatag in the defendant’s web site, which was dedicated to a criticism of plaintiff’s services.⁹⁴ The *Bihari* court reasoned that “[b]ecause the purpose of the web site is to injure [plaintiff] commercially, no reasonable viewer would believe that the disparaging comments regarding [plaintiff’s] business ethics—comments which appear on the first page of the web sites—are endorsed by [plaintiff].”⁹⁵ In fact, contrary to many other Circuits, the Second Circuit has generally taken the position that use of

Issues, NEW YORK LAW JOURNAL, September 14, 1998, p. 4. See generally *Elvis Presley Enters., Inc. v. Capece*, 141 F3d 188 (5th Cir 1998); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F2d 254 (2d Cir 1987).

⁸⁹ 2 ILR (P&F) 492, 174 F3d 1036 (9th Cir 1999).

⁹⁰ *Id.* at 1064.

⁹¹ See *Roberts-Gordon LLC v. Superior Radiant Prods. Ltd.*, 5 ILR (P&F) 160, 85 F Supp 2d 202 (WD NY 2000) (holding that showing of initial interest confusion was sufficient to extend personal jurisdiction under New York state law where the defendant profited from the plaintiff’s trademark); *Interstellar Starship Services, Ltd v. Epix, Inc.*, 3 ILR (P&F) 265, 184 F3d 1107, 1111 (9th Cir 1999) (reversing summary judgment because issue of genuine fact existed as to whether “initial interest confusion” was created by defendant’s use of metatags); *New York State Soc’y of CPAs v. Eric Louis Assocs., Inc.*, 4 ILR (P&F) 207, 79 F Supp 2d 331 (SD NY 1999) (holding that metatags created a likelihood of confusion and therefore were infringing and diluting the plaintiff’s trademark); but see *Eli Lilly & Co. v. Natural Answers, Inc.*, 6 ILR (P&F) 684, 233 F3d 456, 465 (7th Cir 2000) (rejecting the district court’s application of the initial interest confusion doctrine based in part on defendant’s use of plaintiff’s mark as a metatag because plaintiff had shown no evidence of actual confusion or likelihood of confusion stemming from such use).

⁹² *Playboy Enters., Inc. v. Welles*, 2 ILR (P&F) 39, 7 F Supp 2d 1098 (SD Cal 1998), *aff’d without op.*, 162 F3d 1169 (9th Cir 1998). It may be important to note that the defendant did not use any of Playboy’s logos or stylized type in her web site and included a disclaimer stating that the web site was not sponsored by, under the direction of, or related to, any Playboy entity.

⁹³ *Playboy Enters., Inc. v. Welles*, 9 ILR (P&F) 790, 279 F3d 796 (9th Cir 2002).

⁹⁴ 6 ILR (P&F) 199, 119 F Supp 2d 309 (SD NY 2000).

⁹⁵ *Id.* at 319.

a trademarked term in metatags does not constitute a “use in commerce” under the Lanham Act, particularly if the purpose of the use is to sell legitimate product (as opposed to competing products).⁹⁶

Finally, another established defense to the unauthorized use of a mark as a metatag is the doctrine of trademark “fair use,” which allows the good faith use of marks to literally describe—in a communicative sense—the corresponding goods and/or services.⁹⁷ In one decision involving a defendant who had previously been enjoined from using plaintiff’s trademark as a result of the defendant’s defamatory Internet content relating to plaintiff’s stance on abortion, the plaintiff moved for contempt in part due to defendant’s use of plaintiff’s trademark in metatags. Because defendant did have a web site that offered criticism of the plaintiff, he was allowed to continue using plaintiff’s trademark in metatags in order to publicize his web site. However, he was not allowed to do so to divert Internet users from plaintiff’s web site, and could not engage in wholesale copying of plaintiff’s description tags.⁹⁸ Where a trademark is used as a metatag for the purpose of diverting customers to a competing web site, an injunction may lie.⁹⁹ However, using a competitor’s trademark in a metatag for purposes of legitimate comparative advertising is permissible. In 2004, the U.S. District Court for the District of New Jersey granted a defendant’s motion for summary judgment in a trademark infringement suit over defendant’s use of plaintiff’s trademark in metatags. Plaintiff manufactured lubricating systems and replacement parts for those systems; defendants sold replacement parts that were substitutes for plaintiff’s parts and compatible with plaintiff’s systems. Plaintiff’s argument of initial interest confusion a la Brookstone was rejected—“just as the Lanham Act permits [defendant] to inform customers through its website that it sells replacement parts for [plaintiff’s] parts, it allows [defendant] to provide that same information in its metatags.”¹⁰⁰

Framing Disputes

Framing disputes present mixed issues of trademark and copyright law, but after an initial start appear to have become a rarely litigated issue. “Framing” refers to the process by which a web site transfers the user to a new third-party web site when the user clicks on a linking button, but maintains its own “frame,” i.e., its identifying marks and references, around the text contained in the third-party site. Frames often give the false impression that the framed text is part of the transferring or framing party’s site, and not the intellectual property of other third parties.

The most well-known early framing dispute occurred in *Washington Post v. Total News, Inc.*,¹⁰¹ which squarely presented framing issues but settled out of court before an opinion could issue (2 ILR (P&F) 2130). Nevertheless, the facts underlying the dispute are illustrative.¹⁰² *The Washington Post*, together with other news organizations, sued Total News for copyright and trademark infringement stemming from Total News’s framing of entries from the electronic versions of their papers within the look and feel of the Total News web site without permission. Specifically, Total News provided links from its web site to the sites of the plaintiff organizations. However, when the user was transferred to the linked site, the Total News “frame” remained, and the identifying properties of the plaintiffs’ web sites, including their advertising, trademarks, and trade names, were obscured by the frame. The

⁹⁶ *S&L Vitamins, Inc. v. Australian Gold, Inc.*, 23 ILR (P&F) 724, 2007 WL 2932778 (ED NY Sept. 30, 2007).

⁹⁷ See, e.g., *Trans Union LLC v. Credit Research, Inc.*, 9 ILR (P&F) 226, 2001 WL 303688 (ND Ill Mar. 26, 2001) (holding defendants’ use of plaintiff’s mark as a metatag to be a fair use where defendants merely sought to describe their affiliation with plaintiff through an agreement with plaintiff’s predecessor-in-interest that was silent on issues regarding the use of plaintiff’s intellectual property including the contested mark); *Bernina of America, Inc. v. Fashion Fabrics Int’l*, 12 ILR (P&F) 237, 2001 WL 128164 (ND Ill Feb. 9, 2001) (enjoining use of metatags, but only because web site was found to be infringing, and noting that if it weren’t confusing, the use of the metatags would not be improper because it would simply direct customers to a location where they could purchase genuine merchandise).

⁹⁸ *Faegre & Benson, LLP v. Purdy*, 2005 ILRWeb (P&F) 1673, 2005 WL 1006093 (D Minn April 27, 2005).

⁹⁹ *Movado Group, Inc. v. Matagorda Ventures, Inc.*, 2000 WL 1855120, at *4-5 (SD NY Dec. 19, 2000) (denying summary judgment on Lanham Act metatag claim because plaintiff presented no evidence that plaintiff’s mark was actually used as a metatag, yet suggesting that—had the evidence been properly presented—injunctive relief might have been available).

¹⁰⁰ *Bijur Lubricating Corp. v. Devco Corp.*, 16 ILR (P&F) 643, 332 F Supp 2d 722, 731 (D NJ 2004); see also *Gregerson v. Vilana Financial Inc.*, 2006 ILRWeb (P&F) 3039, 84 USPQ2d 1219 (D Minn 2006).

¹⁰¹ 1 ILR (P&F) 2035, 97 Civ. 1190 (SD NY filed Feb. 20, 1997) (complaint filed by the plaintiff).

¹⁰² Note that, like issues involving linking and the use of metatags, the economic realities of the Internet may have rendered these once “hot-button” issues academic. See n. 67 *supra*.

trademark infringement and dilution claims brought by the plaintiffs were based both upon Total News's use of the plaintiffs' trademarks in providing the links, which plaintiffs alleged diluted the value of the marks, and upon the failure of the defendant to properly identify the linked site once the user was transferred, actions which could cause a user to become unable to distinguish the defendant's site from the plaintiffs'. Further, by effectively placing its name on the plaintiffs' works, the plaintiffs alleged defendant also was committing copyright infringement by creating unauthorized derivative works.¹⁰³

Because the Total News case was settled rather than tried, those issues remain unresolved.¹⁰⁴ And few reported court decisions have addressed copyright infringement allegations stemming from framing. In one such action, *Futuredontics v. Applied Anagramics, Inc.*, the defendant was accused of copying essential parts of the plaintiff's web site and unlawfully importing it into its own site through the framed link.¹⁰⁵ In that case, the Ninth Circuit affirmed the district court's denial of a preliminary injunction on the grounds that plaintiff had failed to establish that framing constitutes the creation of an unauthorized derivative work.¹⁰⁶

While the intellectual property issues raised by framing for the most part remain unresolved, certain precautions have been suggested to safeguard framing sites against trademark infringement, trademark dilution, and copyright infringement claims, including: (1) avoiding advertising that directly competes with the advertising or content of the framed site; (2) taking care not to obscure or delete advertising contained on the framed site; (3) limiting the size of the frame to a thin strip of navigational tools; and (4) using a clear disclaimer that unequivocally states that the information being framed is not associated with, or under the control of, the framing site, to eliminate or curtail user confusion.¹⁰⁷

Key Word or Ad Word Buys

When a consumer types in a particular word into an online search engine, in addition to search results, often banner advertisements or sidebar advertisements will appear that relate to the consumer's search. For example, several years ago, when one would type in "Amazon" into a particular search engine, although Amazon.com would be the first search result, there would also be a banner advertisement for Barnes and Noble's web site. Today, this result can be seen when any number of popular trademark terms are typed into a search engine query, resulting in a presentation of search results that lists not only the website and/or information of the trademark owner, but in many cases its competitors or unrelated entities. Trademark owners have gone to the courts to resolve whether a search engine's sale and use of another's trademark as an advertisement keyword can evince liability under the Lanham Act.

Several recent lawsuits against various search engines have resulted in conflicting rulings, with alternate victories for both defendants and plaintiffs. For example, in earlier precedent of 2004, the Ninth Circuit reversed a

¹⁰³ Similarly, in the Scottish case of *Shetland Times v. Jonathan Wills & Zetnews*, 1996 WL 1093516 (Oct. 24, 1996), the Times sued Zetnews for copyright infringement after Zetnews placed headlines of articles written by Times correspondents on the Zetnews web site. When users clicked on the headline, they were sent to the Times web site where they could read the full article. The article was never expressly identified, however, as being the work of a Times correspondent. After obtaining a preliminary injunction against Zetnews, the Times settled the suit when Zetnews agreed (i) to provide a legend below each link to an individual story stating that the article is a "Shetland Times Story"; (ii) to add the Times logo next to each headline; and (iii) to make the legend and each logo hypertext links to the Times homepage.

In *Hard Rock Cafe Int'l (USA), Inc. v. Morton*, 3 ILR (P&F) 114, No. 97 Civ. 9483, 1999 WL 717995 (SD NY Sept. 9, 1999), the court held that a licensing agreement was infringed by the use of frames. The defendant had a licensing agreement that limited sales to a specific geographic area, but allowed for advertising globally by means of the World Wide Web. Defendant's site did not offer goods for sale, but provided a link to the Tunes web site, which sold CDs. However, the defendant framed the Tunes site with his own Hard Rock Hotel logo. As a result, the court found that the framed site used the Hard Rock Hotel logo to promote the sale of the CDs and therefore was in violation of the licensing agreement.

¹⁰⁴ Total News agreed to most of the plaintiffs' demands in the settlement of this action, including (i) to cease framing any of the plaintiffs' content; (ii) to cease use of the plaintiffs' trademarks, logos, and trade names; and (iii) not to intentionally link users to any web site that frames plaintiffs' content or uses their trademarks, logos, or trade names. See David J. Wittenstein, *Settlement Doesn't Answer Framing Questions*, MIN'S NEW MEDIA REPORT, May 26, 1997.

¹⁰⁵ See 1998 WL 417413 (9th Cir. Jul. 23, 1998) (affirming the denial of the preliminary injunction sought by Applied Anagramics in the lower court because likelihood of success on the merits had not been shown).

¹⁰⁶ *Id.*

¹⁰⁷ *See id.*

grant of summary judgment in favor of Netscape and other search engines in a suit brought by Playboy.¹⁰⁸ Netscape had a set of keywords it required adult-site advertisers to link to, one of which was Playboy and another of which was Playmate—both registered trademarks of Playboy. On appeal of a grant of summary judgment in favor of Netscape, the Ninth Circuit held that (a) Netscape was potentially liable either as a direct infringer or as a contributory infringer (although it did not decide which); and (b) there was an issue of fact as to whether consumers were likely to be confused regarding the sponsorship of the banner advertisements. In 2005, however, the U.S. District Court for the Eastern District of Virginia granted in part and denied in part search engine Google's motion for Judgment as a Matter of Law to deny infringement claims arising from the use of Geico Insurance's trademark in the text of web link advertisements sold to Geico's competitors.¹⁰⁹ The court found that while Google's use of the Geico marks was considered "use in commerce," Geico had failed to establish that such use as a keyword or search term violated either the Lanham Act or Virginia common law. The court did hold, though, that Geico presented sufficient evidence to withstand the motion on the narrow issue of whether advertisements that appear when a user searches Geico's trademarks actually reference those marks in their headings or text violate the Lanham Act. The court took care to point out that its decision applied only to the specific facts of this case was not intended to address whether Google would be liable for Lanham Act violations resulting from advertisers' use of Geico's trademarks in the headings and text of their Sponsored Links.¹¹⁰

It is becoming clear that use of a rival's mark as a keyword term in conjunction with its use in the text of a sponsored link can give rise to an infringement claim. However, courts continue to be divided on whether ads triggered to appear by use of a rival's trademark in a search engine can alone be infringing, depending on if the court finds that the search engine's use of a trademark as a keyword is a "use" under the Lanham Act. While several other courts have agreed with the Eastern District of Virginia that the sale of trademarked terms in internet search engine programs is a use in commerce under the Lanham Act,¹¹¹ there remain an emerging number of courts from the Second Circuit that have held the opposite.¹¹² Today, cases continue to be brought against search engines on these issues, including most recently, *American Airlines, Inc. v. Google, Inc.*,¹¹³ where the court denied Google's motion to dismiss, and Google subsequently filed an Answer with the court. As evident from the cases cited, a circuit split may be developing and a close eye should be kept on any emerging jurisprudence in this area.

Internet Issues of Copyright Law

The advent of the Internet also has forced an examination of many fundamental principles of copyright law as applied to Internet conduct. The very notion of copyright protection on the Internet has faced serious challenges in the court of public opinion over the last several years. Yet, as the new wave of established online copyright

¹⁰⁸ *Playboy Enters., Inc. v. Netscape Comms. Corp.*, 15 ILR (P&F) 52, 354 F3d 1020 (9th Cir 2004).

¹⁰⁹ *Government Employees Insurance Company v. Google, Inc.*, 18 ILR (P&F) 635, 2005 U.S. Dist. LEXIS 19642, *3 (ED Va Aug. 8, 2005).

¹¹⁰ *Id.* at *3, *27. A "Sponsored Link" is a hyperlinked paid advertisement that appears on the top, side and/or bottom of a search result page, often including key words and advertising phrases related to the search terms previously entered into the search engine by the user.

¹¹¹ *Google, Inc. v. American Blind & Wallpaper Factory, Inc. et al.*, 22 ILR (P&F) 577, 2007 U.S. Dist. LEXIS 32450 (ND Cal Apr. 18, 2007) (granting in part and denying in part Google's motion for summary judgment on trademark infringement and dilution claims asserted against Google based on sale of trademarks as key words); *800-JR-Cigar, Inc. v. GoTo.com, Inc.*, 20 ILR (P&F) 573, 437 F Supp 2d 273 (D NJ 2006); *Buying for the Home, LLC v. Humble Abode, LLC*, 21 ILR (P&F) 175, 459 F Supp 2d 310 (D NJ 2006); *Edina Realty, Inc. v. TheMLSonline.com*, 19 ILR (P&F) 696, 2006 WL 737064 (D Minn Mar. 20, 2006) (finding use by a real estate broker of a rival's trademark as a keyword term, as well as in the text of sponsored links, as not being a nominative fair use of the mark); *J.G. Wentworth, S.S.C v. Settlement Funding LLC*, 21 ILR (P&F) 548, 2007 U.S. Dist. LEXIS 288 (ED Pa Jan. 4, 2007).

¹¹² *Merck & Co. v. Mediplan Health Consulting, Inc.*, 19 ILR (P&F) 702, 425 F Supp 2d 402, 408 (SD NY 2006); *Rescuecom Corp. v. Google, Inc.*, 21 ILR (P&F) 1, 456 F Supp 2d 393 (ND NY 2006) (granting Google's motion to dismiss for failure to state a claim and holding that since the mark is not placed on any good or advertising, use as a keyword did not constitute "use" under the Lanham Act). The Second Circuit cases rely on precedent from previous case law finding that pop-up ads triggered by the use of a trademarked keyword did not amount to a "use" under the Lanham Act. *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 18 ILR (P&F) 123, 414 F3d 400 (2d Cir 2005), *cert. denied*, 126 S Ct 749 (2005).

¹¹³ 2007 ILRWeb (P&F) 2857, 4:07-cv-00487 (ND Tex 2007).

precedent begins to take hold, the core concepts and traditional analyses used in the “offline” copyright arena have maintained their relevance and continue to apply with equal force to Internet-related activities.

Internet-related copyright issues have focused in three main areas: (1) those arising under the Digital Millennium Copyright Act (including online service provider liability and the circumvention of anti-copying measures); (2) those arising from the indexing, linking, or referral to and archiving of unauthorized copies of copyrighted materials; and (3) those relating to the ownership and licensing of digital rights in copyrighted works.

The Digital Millennium Copyright Act

In 1998, Congress engaged in a significant revision of the Copyright Act with the enactment of the Digital Millennium Copyright Act (“DMCA”).¹¹⁴ While heralded by some as the single most important piece of legislation in the history of the Internet,¹¹⁵ the DMCA is more accurately described as an amalgamation of specific legislative objectives bound together by a common theme. The DMCA carries forth several distinct legislative objectives, including: (1) the implementation of certain U.S. World Intellectual Property Organization (“WIPO”) treaty obligations by, most notably, creating new liabilities concerning the circumvention of access or copying restrictions and the integrity of authorship information embedded in a copyrighted work; (2) the further refinement of performance rights in sound recordings first enacted into law for online media in 1995;¹¹⁶ (3) the provision of a highly detailed set of guidelines for the infringement liability of ISPs; (4) conforming the pre-existing ephemeral recording provisions to the realities of the Internet; and (5) changing the permitted library and archival copying practices to accommodate and account for digital delivery systems.

The two most important areas of the DMCA to Internet-related copyright law are online service provider liability and the anti-circumvention protections.

Online Service Provider Liability

The DMCA grants online service providers several “safe harbors,” which will, in certain circumstances, afford the compliant service provider immunity from liability for damages flowing from the infringing activities of its end-users. Preliminarily, this immunity is predicated upon the provider’s adoption and implementation of reasonable policies providing for the termination of users who repeatedly infringe upon the rights of others; and accommodating and not interfering with standard technical measures used by copyright owners to protect and manage rights in electronic versions of their copyrighted works. The provider is not required, under the DMCA, to monitor its service or seek information regarding potential infringement to qualify for the safe harbors, nor does the provider have to access, remove, or block material in order to qualify. However, providers must comply with the DMCA “notice and takedown” procedures which require service providers to adopt and reasonably implement a policy of removing or disabling access to alleged infringing material upon notice from the aggrieved party until the dispute is resolved.¹¹⁷ Qualified service providers¹¹⁸ operating in compliance with this system are entitled to a complete bar to liability for copyright damages. Among the protections granted are safe harbors for:

¹¹⁴ Pub. L. 105-304, 112 Stat. 2860 (Oct. 28, 1998). Note that the Constitutional validity of the DMCA itself has been adjudicated. The court in *Universal City Studios, Inc. v. Reimerdes*, 6 ILR (P&F) 1, 111 F Supp 2d 294 (SD NY 2000), judgment entered, 6 ILR (P&F) 794, 111 F Supp 2d 346 (SD NY 2000), rejected the defendants’ argument that the DMCA violated the First Amendment, holding that (1) the value of the free expression of decryption ideas was outweighed by the government’s interest in preventing infringement and promoting the availability of content in a digital form; (2) an imminent threat of danger flowing from the dissemination of the software existed that far outweighed the need for the unfettered communication of that software; (3) the DMCA was not unconstitutionally vague; and (4) the DMCA did not constitute an unlawful prior restraint.

¹¹⁵ Joel Deane, *New Law Limits ISPs’ Copyright Infringement Liability*, ZDNet News from ZDWire, 1998 WL 28813487 (Nov. 4, 1998) (quoting Association of Online Professionals Executive Director David McClure, who refers to the DMCA as “probably the single most important piece of legislation in the history of the internet”).

¹¹⁶ See Digital Performance Right in Sound Recordings Act of 1995, Pub. L. 104-39, 109 Stat. 336, 17 USC §115(c)(2), (3), (d) (Nov. 1, 1995). The DMCA creates a statutory licensing scheme for qualifying “webcasters” (essentially, Internet radio stations). A Copyright Royalty Arbitration Panel has been convened to determine the statutory rate. See, e.g., <http://www.loc.gov/copyright/carp/114schedule.html>. Both the webcasting community and the record companies have submitted competing proposals for the panel’s consideration. Webcasters have proposed a rate of \$0.0015 cents per music webcast listener hour. See <http://www.digmedia.org/webcasting/CARP.html>. The record companies have proposed a rate of \$0.004 per streamed performance. *Id.*

¹¹⁷ 17 USC §512(c).

System Storage and Information Location Tools. These safe harbors apply to storing of material (such as bulletin boards or web pages) on the service providers' servers at the request of a user, and the referring of users to material at other online sites by means of a search engine or hypertext link. So long as the provider has no actual knowledge of any incidences of infringement, no reason to know of any infringement, does not receive a direct financial benefit from the infringement, and complies with the notice and takedown procedures established by the DMCA to resolve any dispute regarding infringement, the provider will be entitled to the protection of these safe harbors.¹¹⁹

System Caching. Service providers are granted an additional safe harbor with respect to temporary copies of infringing material residing on their servers, but only to the extent that such material (1) was originally placed online by someone other than the provider; (2) is transmitted by the provider to a third party at the request of the originating party; (3) is not modified in any way by the provider; and (4) the cached copy is made by automatic process in compliance with the originator's guidelines. Service providers seeking the protection of this safe harbor also must comply with the DMCA notice and takedown provisions.¹²⁰

Transmission and Routing. A further safe harbor is granted to service providers to shield them from liability stemming from the transient storage of information routed through the service provider system at the request of another party. To qualify for protection, the information must be transferred without modification and the provider can make no copies of the information.

The courts have had occasion to interpret the scope of both the §512(a) (transmission and routing) and §512(d) (information location tools) safe harbor provisions in *A&M Records, Inc. v. Napster*, a case involving Internet users' transfer of digitally compressed "MP3" music files¹²¹ over the defendant's file-sharing service. First, the Northern District of California held that, although Napster's indexing system provided the addresses which made the transfer of MP3 files between end-users possible, the files themselves did not pass through the Napster system. However, because Napster was not a mere passive conduit for the transmission of communications by end-users, but an active participant, the court held that the safe-harbor provision of §512(a) did not apply.¹²²

On appeal, the Ninth Circuit rejected Napster's §512(d) defense, as well. In affirming the district court's finding that Napster likely did not qualify for the Information Locator Tool safe harbor, the Ninth Circuit found that "[p]laintiffs have raised and continue to raise significant questions under this statute, including: (1) whether Napster is an Internet service provider as defined by 17 USC §512(d); (2) whether copyright owners must give a service provider "official" notice of infringing activity in order for it to have knowledge or awareness of infringing activity on its system; and (3) whether Napster complies with §512(i), which requires a service provider to timely establish a detailed copyright compliance policy."¹²³

Moreover, recent cases have shown the courts' reluctance to allow sites like Napster to avoid infringement claims by giving members an opportunity to hide the content that is swapped on their networks. *In re Aimster Copyright Litig.*¹²⁴ is a case involving a similar peer-to-peer software provider, where the Seventh Circuit upheld a preliminary injunction shutting Aimster down. The court considered Aimster's software, which provided ways to share music files, and Aimster's on-site tutorial, which provided detailed instructions on how to share files, an invitation to infringe. Further, the court found that though Aimster argued it didn't have knowledge of the infringing uses due to encrypted files, Aimster could have limited infringement by eliminating its program's

¹¹⁸ *Id.* at §512(k)(1)(A), (B). The DMCA additionally requires ISPs to designate an agent to receive notice of any claimed infringements. The Copyright Office web site has a suggested form, available at <http://www.loc.gov/copyright/onlinesp/>. A list of designated agents is available at <http://www.loc.gov/copyright/onlinesp/list/>.

¹¹⁹ 17 USC §512(c), (d).

¹²⁰ *Id.* at §512(b).

¹²¹ 5 ILR (P&F) 418, 54 USPQ2d 1746; 2000 WL 573136 (ND Cal May 12, 2000), *aff'd*, 7 ILR (P&F) 1, 239 F3d 1004 (9th Cir 2001); MP3 is a compression technology that "permits rapid and efficient conversion of compact disc recordings ("CDs") to computer files easily accessed over the Internet." See *UMG Recordings, Inc. v. MP3.com*, 5 ILR (P&F) 415, 92 F Supp 2d 349 (SD NY 2000).

¹²² *Napster, Inc., id.*

¹²³ *Napster, Inc.*, 239 F3d 1004, 1025 (9th Cir 2001).

¹²⁴ 13 ILR (P&F) 851, 2003 U.S. App. LEXIS 13229 (7th Cir 2003).

encryption feature. This particular finding completely dismantled Aimster's argument that because it was an ISP, the safe harbor provisions protected it from liability for contributory infringement. This is because DMCA safe harbor provisions necessitate that an ISP exercise reasonable care to prevent the use of its service by "repeat offenders." Thus, since the court found that Aimster did nothing to prevent infringement, this defense was unavailable to them. The Seventh Circuit granted the injunction because it thought that since Aimster couldn't provide evidence that its system was utilized for substantial non-infringing uses, then the RIAA had demonstrated a likelihood of prevailing on its vicarious and contributory infringement claims. However, the Aimster case also managed to reaffirm the viability of Sony Betamax in peer-to-peer cases through the comparison of file-swapping software and personal home-video recording. Through analogizing Aimster and Sony's Betamax video recorder, the Seventh Circuit showed it disagreed with the RIAA's argument that Aimster should be considered a contributory infringer because it was able to block infringing uses.

Many believed the viability of Sony Betamax would ultimately be addressed by the Supreme Court in its landmark decision, *MGM v. Grokster*.¹²⁵ Motion picture studios and record companies claimed that Grokster, a peer-to-peer media transfer software provider intentionally and materially contributed to their subscribers' infringement and that Grokster's software system is similar to software previously found to be copyright violation in the Napster and Aimster cases.¹²⁶ Grokster claimed that they had no control over their users and that they merely provided software to users (Grokster does not provide any indexing, as Napster and Aimster did). Many thought this case would go the way of Napster and Aimster, but the District Court and Ninth Circuit shocked the copyright community with their decisions to grant Grokster's summary judgment motions and to uphold the right of developers to create and distribute file-sharing software without being held to answer for their users' acts, provided no central index is provided.¹²⁷ Relying on Sony Betamax as interpreted by Napster, the Ninth Circuit affirmed the District Court's ruling that because Grokster was capable of "substantial or significant noninfringing uses," plaintiffs were required to demonstrate that defendants had knowledge of specific infringing files and had failed to act on that knowledge to prevent infringement.¹²⁸

However, on a grant of certiorari the Supreme Court unanimously found Grokster liable for inducing copyright infringement, but without overturning or affirming the 1984 *Sony Betamax* decision.¹²⁹ Because evidence, including Grokster's marketing toward users, demonstrated an intent to induce infringement, the Court found it unnecessary to invoke Sony. Instead, the Court held "that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties."¹³⁰ The articulation of an "active inducement test" means that intent may play a decisive role in whether technology companies are found liable for infringement. Evidence, such as marketing department plans, executive e-mails, and engineering decisions will become crucial in determining intent.

Another recent case involved the obligation of an ISP to comply with a DMCA subpoena and reveal the identity of an otherwise anonymous user who downloaded music files through a peer-to-peer system, but who only used the ISP for transmission, not storage of the music files.¹³¹ In that case, a district court judge ordered Verizon Internet Services to divulge the name of a Verizon subscriber to the Recording Industry Association of America (RIAA) because the subscriber allegedly used KaZaA peer-to-peer software to download and share music online.

The RIAA sought the information from Verizon using the subpoena provision provided in Section 512(h) of the DMCA. The DMCA subpoena provision mandates that ISPs provide copyright owners with information about alleged infringers. Verizon refused to divulge the subscriber's identity, claiming that the provision didn't cover alleged copyright-infringing material that resides on individuals' own computers. Verizon argued that the subpoena provision only covers material that resides on an ISP's own servers. The RIAA subsequently sued Verizon over its

¹²⁵ *MGM Studios, Inc. v. Grokster, Ltd.*, 18 ILR (P&F) 79, 125 S Ct 2764 (2005).

¹²⁶ *MGM Studios, Inc. v. Grokster, Ltd.*, 12 ILR (P&F) 556, 243 F Supp 2d 1073 (CD Cal 2003).

¹²⁷ 13 ILR (P&F) 357, 259 F Supp 2d 1029 (CD Cal 2003), *aff'd*, 16 ILR (P&F) 361, 380 F3d 1154 (9th Cir 2004).

¹²⁸ *Id.*

¹²⁹ 18 ILR (P&F) 79, 545 US 913, 125 S Ct 2764 (2005).

¹³⁰ *Id.* at 2770.

¹³¹ *In re Verizon Internet Services, Inc. Subpoena Enforcement Matter*, 258 F Supp 2d 6 (D DC 2003).

unwillingness to adhere to the subpoena.¹³² The district court ruled in favor of the RIAA and said the process it used was correct. Verizon then appealed the decision and said that it was an unconstitutional violation of the subscriber's privacy rights to force the ISP to reveal the identity of a user based solely on a copyright infringement allegation.¹³³ The appeals court decided not to stay the district court's order because the court found that Verizon had not shown a likelihood of success on the merits.¹³⁴ Verizon eventually gave the requested names to the recording industry, but decided to continue arguing the merits of the case in the appeal. On a consolidated appeal of both the decision granting the RIAA's motion to compel in the action brought by the RIAA against Verizon for failure to comply with the subpoena and of Verizon's motion to quash a different, similar subpoena, the D.C. Circuit Court of Appeals reversed the District Court, holding that subpoenas issued under the DMCA may be issued only to an ISP engaged in storing infringing material on its servers, not to an ISP acting only as a conduit for data transferred between two Internet users. Thus the Court of Appeals remanded to the District Court with instructions to vacate its order compelling Verizon to comply with the subpoena and grant Verizon's motion to quash.¹³⁵

The Fourth Circuit interpreted the §512(c) safe harbor (system storage) in *ALS Scan, Inc. v. RemarQ Communities, Inc.*¹³⁶ The court held that the holder of a copyright in adult photographs substantially complied with the infringement notice requirement of the Act such that the defendant online service provider was not afforded the protection of the Act's safe harbor provision simply because the plaintiff's notice of infringing activities was allegedly imperfect. The court found that once a service provider has substantial notice that identifies infringing material, it must comply with the DMCA notice and takedown provisions to maintain immunity under the statute. On the other hand, a claimant must include all the DMCA-required information in a single notice; a service provider is not required to comb through thousands of pages of material sent by the copyright holder in order to piece together all the information required for a notice under the DMCA.¹³⁷ Note that a claimant must have a subjective "good faith belief" that a web site operator is infringing upon the claimant's copyrightable materials before putting the operator on notice under the DMCA.¹³⁸

Anti-Circumvention Provisions

The DMCA also added a new chapter to federal copyright law, creating civil and criminal liabilities for (1) the importation, making, or selling of devices designed to be used to circumvent technical measures preventing the unauthorized access to or copying of a copyrighted work,¹³⁹ (2) the actual circumvention of technical access restrictions;¹⁴⁰ and (3) the knowing alteration, removal, or provision of false copyright management information.¹⁴¹

The first wave of decisions interpreting these provisions has happened. The leading case in this area is *Universal City Studios, Inc. v. Corley*.¹⁴² Plaintiff motion picture studios filed claims under the anti-circumvention provisions of the DMCA to enjoin certain Internet web site owners from disseminating a computer software

¹³² See *RIAA v. Verizon*, 12 ILR (P&F) 640, 240 F Supp 2d 24 (D DC 2003), *rev'd and remanded*, 15 ILR (P&F) 1, 351 F3d 1229 (DC Cir 2003), *cert. denied*, 125 S Ct 347 (2004).

¹³³ http://www.epic.org/privacy/copyright/verizon/Appeal_2_verizon_open.pdf.

¹³⁴ *Recording Industry Association of America, Inc. v. Verizon Internet Services, Inc.*, 2003 ILRWeb (P&F) 2009, 2003 WL 21384617 (DC Cir 2003).

¹³⁵ *Recording Industry Association of America, Inc. v. Verizon Internet Services, Inc.*, 15 ILR (P&F) 1, 351 F3d 1229 (DC Cir 2003).

¹³⁶ 7 ILR (P&F) 69, 239 F3d 619, 625-26 (4th Cir 2001).

¹³⁷ *Perfect 10 Inc. v. CCBill LLC*, 22 ILR (P&F) 720, 488 F3d 1102 (9th Cir); *cert. denied* 2007 WL 2455134 (2007).

¹³⁸ 17 USC §1201(a)(2).

¹³⁹ See, e.g., *Rossi v. Motion Picture Association of America, Inc.*, 16 ILR (P&F) 709, 391 F3d 1000 (9th Cir 2004), *cert. denied*, 125 S Ct 1977 (2005); *Online Policy Group v. Diebold, Inc.*, 16 ILR (P&F) 636, 337 F Supp2d 1195 (ND Cal 2004) (finding that Diebold had sent bad faith DMCA notices regarding posting of company e-mail archive regarding technical problems with voting machines); see also *Marvel Enter. Inc. v. NCSoft Corp.*, 2005 ILRWeb (P&F) 1413, 74 USPQ 2d 1303 (CD Cal 2005).

¹⁴⁰ *Id.* at §1201(a). Significantly, these new provisions do not prohibit the actual circumvention of copying control measures, such as the unauthorized duplication, distribution, and performance of a copyrighted work.

¹⁴¹ *Id.* at §1202.

¹⁴² 6 ILR (P&F) 1, 111 F Supp 2d 294 (SD NY 2000), *aff'd*, 9 ILR (P&F) 330, 273 F3d 429 (2d Cir 2001).

program known as “DeCSS” that decrypted digitally encrypted movies on digital versatile disks (DVDs) (via a program known as “CSS”), and from including hyperlinks to other web sites that similarly made DeCSS available. In entering the injunction in favor of the plaintiffs, the lower court rejected each defense proffered by defendants.

Defendants argued that the DMCA should not be construed to reach their conduct because, as applied, the law could prevent those who sought access to encrypted or scrambled digital copyrighted works in order to make fair—that is, non-infringing—uses of them from doing so.¹⁴³ In rejecting that defense, the district court took a practical view toward protection. It found restrictions on circumvention of access control measures essential to incentivize copyright holders to make their works available in digital form, in light of the fact that digital works otherwise could be pirated too easily.¹⁴⁴ The court held that defendants’ derivative argument under the “substantial noninfringing use” doctrine, set forth in *Sony Corp. v. Universal City Studios, Inc.*, has no application to an anti-circumvention violation. In *Sony*, the Supreme Court refused to enjoin the manufacture and distribution of the VCR, even though it could be used to make infringing, archival copies of copyrighted movies and television programs, because it had a “substantial non-infringing use,” i.e., it could be used to “time shift” programs offered on free television for later viewing (which, presumably, would subsequently be taped over and not “archived” or “librariated”). The court in *Universal City Studios* found the *Sony* doctrine overridden by the DMCA: “[a] given device or piece of technology might have ‘a substantial noninfringing use, and hence be immune from attack under Sony’s construction of the Copyright Act—but nonetheless still be subject to suppression under Section 1201.’”¹⁴⁵

The court also dismissed defendants’ several arguments that their conduct fell under the DMCA’s statutory defenses.¹⁴⁶ For example, the court noted that even if, as defendants claimed, DeCSS was created for the purpose of enabling the development of a DVD player that would run under a non-Windows operating system, the motivation of the creators of DeCSS was immaterial to whether the defendants violated the DMCA’s anti-trafficking provisions by creating a program that decrypted the plaintiff studios’ DVD encoding generally.

Discrediting defendants’ argument that an injunction would be “futile” and “comparable to locking the barn door after the horse is gone,” since DeCSS already was widely available on the Internet, the court concluded that allowing defendants to continue violating the DMCA simply because others, many at defendants’ urging, were also doing so would “create all the wrong incentives,” and would encourage other defendants to ensure that others engage in the same unlawful conduct so as to set up the defense.¹⁴⁷

Finally, the district court found the defendants’ constitutional arguments—that computer source code is “speech,” and thus exempt from regulation by government—baseless. The court reasoned that, because source code causes computers to perform desired functions, its expressive elements could not immunize its functional aspects from regulation, and that Congress must be able to regulate the use and dissemination of computer code in

¹⁴³ The Supreme Court has described fair use as a way to “permit[] courts to avoid rigid application of the [copyright statute] when, on occasion, [it] would stifle the very creativity which that law is designed to foster.” *Campbell v. Acuff-Rose Music, Inc.*, 510 US 569 (1994) (citing *Stewart v. Abend*, 495 US 207 (1990)). Fair use began as a judicially-created doctrine more than a century and a half ago, in *Folsom v. Marsh*, 9 F Cas 342, 348 (No. 4,901) (CCD Mass 1841). The doctrine was codified in the 1976 Copyright Act at 17 USC §107. It provides that, notwithstanding general protection granted to rightsholders, copying and reproduction of protected material is permissible in various media if used for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research. In determining whether the use made of a work in any particular case is “fair,” and thus non-infringing, courts consider: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work.

¹⁴⁴ 111 F Supp 2d at 321-23.

¹⁴⁵ *Id.* at 323, citing *Sony Corp.*, 464 US 417 (1984) (and noting that, to the extent there were inconsistencies between *Sony* and the DMCA, the statute effectively overruled the case).

¹⁴⁶ See 17 USC §1201(f)-(h); *Universal City Studios*, 111 F Supp 2d at 319-322. The court earlier rejected defendants’ argument that DeCSS was not covered by the DMCA because its 40-bit encryption key is a weak cipher that does not “effectively control” access to plaintiffs’ works, noting that such a construction of the statute would provide protection when none is needed, (i.e., when an access control measure successfully thwarts circumvention), while withholding protection when it is most essential, (i.e., where the measure can be circumvented), *id.* at 317.

¹⁴⁷ *Universal City Studios*, 111 F Supp 2d at 344.

appropriate circumstances.¹⁴⁸ The constitutional argument was a major premise of the appeal in this case, which the Second Circuit similarly rejected.¹⁴⁹

Likewise, in *Sony Computer Entertainment America, Inc. v. Gamemasters*,¹⁵⁰ the Southern District of New York granted a preliminary injunction under the anti-circumvention provisions of the DMCA where the plaintiff claimed that defendant's game enhancer product circumvented the mechanism on the plaintiff's game console that ensured that the console operated only when encrypted data was read from an authorized CD-ROM. And in *RealNetworks, Inc. v. Streambox, Inc.*,¹⁵¹ the Western District of Washington held that the DMCA prohibits developers from distributing products that circumvent technological measures employed to prevent consumers from obtaining unauthorized access to or making copies of copyrighted works. Nevertheless, the court denied plaintiff's motion enjoining the defendant's sale or dissemination of software that allowed conversion of files from the plaintiff's format to other formats because the product had legitimate and commercially significant uses other than the circumvention of access and copying control technologies.¹⁵² However, the court entered injunctive relief as to part of a second device, finding that the device's ability to enable users to modify the plaintiff's product jeopardized the plaintiff's exclusive relationship with a third party, tipping the balance of hardships in plaintiff's favor.¹⁵³

However, Title 12 DMCA actions are not always successful. In *Kelly v. Arriba Soft Corp.*, the Central District of California granted defendant's motion for summary judgment over plaintiff's allegation that the defendant had violated the DMCA by indexing copyrighted "thumbnail" pictures without displaying the corresponding copyright management information.¹⁵⁴ In so doing, the court held that the DMCA only prohibits the removal of copyright management information from a plaintiff's work as a whole.¹⁵⁵ The defendant therefore did not violate the DMCA because the copyright notices and other "management information" associated with the pictures were not originally overwritten on the pictures themselves, but rather were presented in the surrounding text on the pages they were posted. By simply copying the photos without the surrounding text, defendant did not remove the copyright management information and thus did not violate the DMCA.¹⁵⁶

Kelly appealed the District Court's verdict to the Ninth Circuit Court of Appeals,¹⁵⁷ which affirmed the court's decision about the "thumbnail" pictures but reversed and remanded the decision about the full-size photographs found on the web site. However, the Ninth Circuit used different reasoning for its decision and said that Arriba wasn't guilty of copyright infringement because it was protected by fair use. The appellate court held that the purpose and character of the "thumbnail" pictures were not "highly exploitative" and that the pictures didn't harm the potential market value of Kelly's photographs, but instead might actually guide users to Kelly's web site. Thus, two of the four factors under the 17 USC §107 test for fair use weighed in favor of Arriba. Moreover, since the court found that the "amount and substantiality of portion used" factor was neutral in this case, and that the last factor, the photographic nature of the copyrighted work, only weighed slightly in Kelly's favor, Arriba's use of Kelly's pictures as thumbnails qualified for the fair use exception.¹⁵⁸ The court reversed and remanded the claim of

¹⁴⁸ *Id.* at 325-342.

¹⁴⁹ *Universal City Studios, Inc. v. Corley*, 9 ILR (P&F) 330, 273 F3d 429 (2d Cir 2001).

¹⁵⁰ 1999 ILRWeb (P&F) 3001, 87 F Supp 2d 976 (ND Cal 1999).

¹⁵¹ 5 ILR (P&F) 251, 2000 WL 127311 (WD Wash Jan. 18, 2000).

¹⁵² *But see Sony Computer Entertainment America Inc. v. Divineo Inc.*, 2006 ILRWeb (P&F) 2681, 457 F Supp 2d 957 (ND Cal 2006) (non-infringing uses of an anti-circumvention device have no bearing on defendant's liability if the device is primarily designed to circumvent anti-piracy technology).

¹⁵³ *Id.*

¹⁵⁴ 4 ILR (P&F) 306, 77 F Supp 2d 1116, 1121-22 (CD Cal 1999).

¹⁵⁵ *Id.*

¹⁵⁶ *Id.* See also *IQ Group v. Wiesner Publishing LLC*, 19 ILR (P&F) 379, 409 F Supp 2d 587 (D NJ 2006) (ruling that a copyright owner's graphic logo in an e-mail containing a hyperlink to its online copyright notice was not "copyright management information" as that term is used in the DMCA).

¹⁵⁷ *Kelly v. Arriba Soft Corp.*, 9 ILR (P&F) 675, 280 F3d 934 (9th Cir 2002), *withdrawn with re-filed opinion*, 13 ILR (P&F) 743, 67 USPQ2d 1297 (9th Cir 2003).

¹⁵⁸ *But see Perfect 10, Inc. v. Google, Inc.*, 19 ILR (P&F) 483, 2006 WL 454354 (CD Cal Feb. 17, 2006) (finding against fair use because Google's Image Search feature displaying thumbnail versions of adult photographs found on Perfect 10's web

copyright infringement as to the full-size images found on the web site because a district court may not grant summary judgment on a claim when the party hasn't requested it.

An additional case testing the anti-circumvention provisions is *United States v. Elcom Ltd.*,¹⁵⁹ where a software company was charged with violating the DMCA by developing and commercially distributing a program that allowed users to copy protected text files.¹⁶⁰ This case was especially notable as it was the first criminal case brought under the DMCA. Elcom defended this case by attacking the DMCA on its face and claimed that the DMCA was unconstitutionally vague, exceeded congressional power, and violated the First Amendment. The Northern District of California disagreed with Elcom's claims and held that the Act wasn't unconstitutionally vague because it allowed a person to conform her conduct to a comprehensible standard. The court further decided that the DMCA didn't burden substantially more speech than necessary to achieve legitimate governmental interests. Finally, the court held that the Act didn't exceed congressional power "because it [was] not irreconcilably inconsistent with any provision of the Intellectual Property Clause."¹⁶¹ In December 2002, Elcom did manage to escape liability for the alleged infringement, however, as the judge instructed the jury that since both sides agreed that Elcom's product was invented to circumvent a protection mechanism, the jury would need a finding of willfulness to convict Elcom.¹⁶² Willfulness is required in criminal, but not civil violations of the DMCA. Since the jury found that Elcom didn't develop or sell its product with the knowledge and intent of violating the DMCA, they dismissed the charges against the company.¹⁶³

Critics of the DMCA, and cases under it, have complained that it chills free speech, jeopardizes fair use, and impedes competition and innovation. *See, e.g., Electronic Frontier Foundation, Unintended Consequences: Three Years Under the DMCA* (2002).¹⁶⁴ In March 2005, legislation was proposed by Congress seeking to reaffirm the fair use doctrine in the context of digital works, faulting court interpretations of the law for prohibiting all users—even lawful ones—from circumventing technological restrictions for any reason.¹⁶⁵ However, proponents of the DMCA say the Act has worked exactly as Congress intended, and that the law and case decisions have created a legal framework that will help spur creativity by content providers without stifling the growth of new technology. The debate is far from over, as new technologies bump up against the barriers of the DMCA and as online theft of intellectual property proliferates. There will be many caselaw refinements of the Act in the months and years ahead.

Indexing, Linking to, and Archiving of Unauthorized Copyrighted Materials

Other recent, high-profile litigation has involved the use of copyright law to prevent Internet operations from indexing, linking to, and archiving unauthorized copyrighted materials in the name of consumer convenience. While the issues and media attention generated by these cases produced some of the most significant public renouncements of the traditional notions of copyright law seen in some time, almost invariably, the rights of copyright holders were upheld, reaffirming the power and applicability of intellectual property law in cyberspace.¹⁶⁶

site was primarily commercial and its display harmed Perfect 10's own market for the downloading of reduced-size images on cell phones).

¹⁵⁹ 10 ILR (P&F) 611, 203 F Supp 2d 1111 (ND Cal 2002).

¹⁶⁰ *Id.*

¹⁶¹ *Id.*

¹⁶² http://www.cla.org/a_tale_of_two_cases_dmca.htm.

¹⁶³ *Id.*

¹⁶⁴ http://www.eff.org/IP/DMCA/20020503_dmca_consequences.pdf.

¹⁶⁵ Digital Media Consumers' Rights Act of 2005 (H.R. 1201). The bill never emerged beyond subcommittee and as of January 2008 has not been re-introduced.

¹⁶⁶ However, search engines, such as Google, that automatically link and archive web pages with copyrighted material are generally found to be free from liability. *See Field v. Google, Inc.*, 19 ILR (P&F) 355, 2006 WL 242465 (D Nev Jan. 19, 2006) (finding Google to have implied license to temporarily copy web pages where a website operator is aware of and chooses not to use conventional tagging that would stop a third party's system from archiving its pages); *Parker v. Google, Inc.*, 19 ILR (P&F) 554, 422 F Supp 2d 492 (ED Pa Mar. 10, 2006), *aff'd* 23 ILR (P&F) 200, 242 Fed Appx 833 (3d Cir 2007) (finding search engine's automatic archiving of web sites and newsgroup posts, and its excerpting of such posts in response to search queries, lacks the "volitional" element for direct infringement). Courts have also been willing to find a search engine's practice of temporarily copying or "caching" web pages as a fair use because it serves a transformative purpose in providing users with valuable information that may not be readily available on a site's current page. *See Field v. Google, id.*

Indexing

In an era of high-profile Internet litigation, perhaps no recent intellectual property case to date has received as much media attention as *A&M Records, Inc. v. Napster, Inc.*¹⁶⁷ While other cases involving Internet operators' indexing of unauthorized copyrighted materials to third parties do exist,¹⁶⁸ Napster is by far the most developed precedent to date on the issue, and equally the most instructive.

Napster, Inc. built, maintained, operated, and promoted an electronic "file sharing" directory consisting of millions of unauthorized MP3 file copies of popular commercial sound recordings. It achieved this critical mass by distributing its "proprietary" file-sharing software free of charge via its Internet web site. Once a potential Napster user downloads Napster software, the user can "log-on" to the Napster system and share MP3 music files with others who are also logged-on to the system at the same time. Thus, plaintiffs, the holders of copyrights in hundreds of thousands of sound recordings and musical compositions, did not sue Napster for *direct* but for contributory copyright infringement. "A contributory infringer is 'one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.'" Actual knowledge is not required; constructive knowledge will suffice.¹⁶⁹

Napster argued that the titles it indexed in the Napster directory were created by Napster users and were not verified by Napster. Thus, Napster argued that it was unable to distinguish between infringing and non-infringing files, and therefore could not be held to have had knowledge of any particular infringement, notwithstanding its knowledge that some people used the service to download copyrighted music. Moreover, Napster had deliberately designed its service so that it would not be able to determine whether users were engaging in specific acts of infringement. Finding that the law "does not require actual knowledge of specific acts of infringement," and that "convincing evidence that Napster executives actually knew about and sought to protect use of the service to transfer illegal MP3 files," the court found Napster liable as a contributory infringer.¹⁷⁰ The court found that Napster materially contributed to that infringing activity by supplying the "software, search engine, servers, and means of establishing a connection between users' computers."¹⁷¹

The court also found Napster liable for vicarious copyright infringement; that is that the defendant "has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities."¹⁷² Napster's "pains to inform the court of its improved methods of blocking users about whom rights holders complain," in the court's opinion, was "tantamount to an admission that [Napster] can, and sometimes does, police its service."¹⁷³ Napster also satisfied the second prong since its own internal documents stated that it would derive revenues directly from increases in its user base.¹⁷⁴

Finally, the court rejected Napster's affirmative defenses, the most significant of which was the argument that the defendant service had a "substantial non-infringing use," derived from *Sony v. Universal City Studios, Inc.*¹⁷⁵ Napster argued that its service had several non-infringing uses: users can download music by "new artists" who

¹⁶⁷ 7 ILR (P&F) 1, 239 F3d 1004 (9th Cir 2001).

¹⁶⁸ See, e.g., *MP3Board v. RIAA*, 2001 WL 804502 (ND Cal Feb. 27, 2001), in which after the RIAA initiated a notice and takedown procedure pursuant to the DMCA, resulting in a ten-day blackout of MP3Board, MP3Board counterclaimed for damages, and the RIAA's motion to dismiss was denied. See <http://news.cnet.com/news/0-1005-200-5184296.html>.

¹⁶⁹ Under a theory of direct infringement, the direct infringer must be shown to have, themselves, copied all or a substantial portion of the protected work. To establish liability for contributory copyright infringement, the copyright owner must show that the defendant knew or should have known that she was contributing to, assisting, or facilitating the infringement of the owner's copyright. Finally, vicarious liability will attach to anyone who has the authority and ability to control another person who infringes any of the exclusive rights reserved for copyright owners and who derives a financial benefit therefrom. See, e.g., Steven W. Kopp and Tracey A. Suter, *Developments in Copyright Policy and Network Technologies: The First Generation*, 17 J. of PUB POL'Y & MARKETING 303.

¹⁷⁰ 5 ILR (P&F) 745, 114 F Supp 2d 896.

¹⁷¹ *Id.* at 920.

¹⁷² *Id.* (quoting *Fonovisa, Inc. v. Cherry Auction, Inc.*).

¹⁷³ *Id.* at 920-21.

¹⁷⁴ *Id.* at 921.

¹⁷⁵ *Id.* at 912, citing *Sony Corp.*, 464 US 417 (1984). For a discussion of this principle in *Sony*, see Section III A.2., *supra*.

have authorized Napster to distribute their music; talk about music in “chat rooms”; or engage in purported “fair uses,” such as “space-shifting” music the user already owned on CD into the digital realm, or “sampling” music to decide whether or not to buy a CD. The court found that several of these uses (such as the “chat rooms” and Napster’s “New Artist Program”) were severable and pretextual, and that all of them were non-substantial. As the court noted, “[t]he ability to download myriad popular music files without payment seems to constitute the glittering object that attracts Napster’s financially-valuable user base.”¹⁷⁶

The district court, therefore, enjoined Napster from facilitating further infringements of plaintiffs’ copyrights. On appeal, the Ninth Circuit opinion began by agreeing with the district court’s conclusion that a majority of Napster users use the service to download and upload copyrighted music in direct violation of the plaintiffs’ exclusive rights to reproduce and distribute that music. It then ruled that the plaintiffs were likely to prevail on their claims that Napster is liable for contributory and vicarious copyright infringement, and that preliminary injunctive relief was merited and necessary. It concluded, however, that the scope of the trial court’s injunction was overbroad, and remanded to the district court to modify the preliminary injunction.¹⁷⁷

The court affirmed the untenability of Napster’s users’ “fair use” defense. First, it rejected Napster’s argument that “sampling” the music in order to decide whether or not to buy it is a fair use: “Sampling remains a commercial use even if some users eventually purchase the music,” and the district court “did not abuse its discretion when it found that, overall, Napster has an adverse impact on the audio CD and digital download [the online sale of digital music files] markets.”¹⁷⁸ Indeed, the court ruled that even if Napster’s existence was helping CD sales, that was no reason to deprive plaintiffs of an opportunity to license the works.¹⁷⁹ Second, it dismissed Napster’s argument that a Napster user is making a “fair use” whenever they download an MP3 file they already own on CD in order to listen to it through a computer in a different location (so-called “space-shifting”). This argument was rejected because, unlike the VCR user in *Sony*, a Napster user who is “shifting” is simultaneously distributing the copyrighted material to millions of other individuals.¹⁸⁰ Third, the court noted that while the downloading of music that independent or established artists permitted to be distributed for downloading on Napster could be a “fair use,” plaintiffs were not seeking to enjoin this or any other non-infringing use of the Napster system.¹⁸¹

The appellate court also agreed with the district court’s finding that Napster was liable for contributory copyright infringement: “Napster, by its conduct, knowingly encourages and assists in the infringement of plaintiffs’ copyrights.”¹⁸² The Ninth Circuit also rejected the notion that Napster could take advantage of *Sony*’s “staple article of commerce defenses”¹⁸³ since Napster had actual and specific knowledge of direct infringement. The court upheld the finding that plaintiffs likely could establish Napster’s vicarious liability for the infringements of its users: “Napster’s failure to police the system’s ‘premises,’ combined with a showing that Napster financially benefits from the continuing availability of infringing files on its system, leads to the imposition of vicarious liability.”¹⁸⁴

¹⁷⁶ *Id.* at 922.

¹⁷⁷ *A&M Records, Inc. v. Napster, Inc.* (9th Cir 2001), 239 F3d 1004, at 1027.

¹⁷⁸ *Id.* at 1018-19.

¹⁷⁹ *Id.*

¹⁸⁰ *Id.* at 1019.

¹⁸¹ *Id.*

¹⁸² *Id.* at 1020.

¹⁸³ The “staple article of commerce” doctrine is derived from patent law. *See Sony*, 464 US 417, 440 (quoting 35 USC §271). “‘Selling a staple article of commerce e.g., a typewriter, a recorder, a camera, a photocopying machine technically contributes to any infringing use subsequently made thereof, but this kind of ‘contribution’, if deemed sufficient as a basis for liability, would expand the theory beyond precedent and arguably beyond judicial management. ‘Commerce would indeed be hampered if manufacturers of staple items were held liable as contributory infringers whenever they ‘constructively’ knew that some purchasers on some occasions would use their product for a purpose which a court later deemed, as a matter of first impression, to be an infringement.’ [*Id.* at 426]” (quoting from district court opinion).

¹⁸⁴ 239 F3d at 1024.

Turning to Napster's other defenses, the court held that Napster could not insulate its conduct under the statutory provision that protects users for making non-commercial use of a "digital audio recording device,"¹⁸⁵ since computers and their hard drives are not digital audio recording devices within the meaning of the statute ("because their 'primary purpose' is not to make digital audio copied recordings").¹⁸⁶ It then found that plaintiffs had "raised serious questions" as to whether Napster was entitled to assert the safe harbor provisions for Internet service providers set forth in Section 512 of the DMCA, including whether Napster is, in fact, an "Internet Service Provider."¹⁸⁷ Finally, the court put to rest Napster's First Amendment defenses, finding that free speech concerns are accounted for and balanced under the fair use doctrine, such that uses that are not fair are properly enjoined.¹⁸⁸

On Feb. 23, 2001, Napster filed a petition with the Ninth Circuit seeking rehearing en banc, which was denied on June 25, 2001. In the interim, the district court modified its injunction and ordered Napster to remove all copyrighted music identified by the plaintiff music labels as infringing.¹⁸⁹ That order, which essentially shut down the Napster service, was upheld by the Ninth Circuit.¹⁹⁰

Other aggrieved plaintiffs subsequently filed actions against Napster, including artists Metallica and Dr. Dre, and, most recently, MP3 site eMusic and the National Academy of Recording Arts and Sciences. The Metallica and Dr. Dre cases have settled.¹⁹¹

Linking to Infringing Materials

Another source of potential Internet-related copyright liability arises when a web site is purposely linked to directly infringing material. For example, in *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.*, the plaintiff, on behalf of the Church of Jesus Christ of Latter-Day Saints, brought a copyright infringement action against two longtime Church critics seeking to enjoin them from posting links to particular Internet addresses on their site that provided access to allegedly pirated copies of the Church Handbook of Instructions. The District of Utah granted the injunction, citing the public interest inherent in protecting "the copyright laws and the interest of copyright holders."¹⁹² While the scope of the holding of Utah Lighthouse ultimately may be limited due to the fact that the defendants were seemingly using the links to circumvent a prior TRO, the case is significant "because it explicitly held that actively encouraging others to seek out infringing material on the Web (and providing the means to access it) will not be tolerated."¹⁹³

¹⁸⁵ See Audio Home Recording Act of 1992, 17 USC §1008 (prohibiting infringement actions against consumers for making certain non-commercial recordings).

¹⁸⁶ 239 F3d at 1024-25.

¹⁸⁷ *Id* at 1025.

¹⁸⁸ *Id* at 1028.

¹⁸⁹ 7 ILR (P&F) 244, 2001 WL 227083 (ND Cal Mar. 5, 2001), *aff'd*, 10 ILR (P&F) 1, 284 F3d 1091 (9th Cir 2002).

¹⁹⁰ 10 ILR (P&F) 1, 284 F3d 1091 (9th Cir 2002).

¹⁹¹ See <http://speakout.com/activism/apstories/9942-I.html>.

¹⁹² 4 ILR (P&F) 303, 75 F Supp 2d 1290, 1295 (D Utah 1999); see also *Universal Studios, Inc.*, 111 F Supp 2d at 339-41 (enjoining defendants' intentional distribution of illegal DVD decryption code through linked sites in violation of DMCA).

¹⁹³ Mary Anne Bendotoff, *Intellectual Reserve, Inc. v. Utah Lighthouse Ministry, Inc.: Fair Use, the First Amendment, and the Freedom to Link*, 35 U.S.F.L. Rev. 83 (2000). See also *Universal City Studios v. Reimerdes*, 111 F Supp 2d at 325 (holding that DMCA reaches deliberately created links for the purpose of disseminating circumvention technology); *Playboy Enters., Inc. v. Hardenburgh*, 2 ILR (P&F) 13, 982 F Supp 503 (ND Ohio 1997) (holding a bulletin board owner liable for contributory infringement where he provided incentives for subscribers to upload images for distribution by bulletin board of other subscribers seeking to download the images); *Adobe Sys. v. Doe*, No. 97-1831 (WD Pa 1997) (Software Publishers Association brought an action against owners of web sites that offered infringing software as well as bootleg serial numbers for installing software products, case settled); *Washington Post v. Total News, Inc.*, 1 ILR (P&F) 2035, No. 97 Civ. 1190 (SD NY 1997) (the plaintiff newspapers alleged that the framing of their articles by the defendant web sites encouraged readers not to purchase their newspapers or view their web sites, thereby depriving them of revenues and affecting their ability to attract advertising dollars). See also *Sega Enters. Ltd. v. MAPHIA*, 2 ILR (P&F) 168, 948 F Supp 923 (ND Cal 1996) (finding a bulletin board owner liable for contributory infringement on the grounds that defendant's knowledge and encouragement of the infringement constituted sufficient evidence to establish contributory infringement).

Electronic Database Creation and the Fair Use Defense

A number of issues also arise from companies leveraging Internet technology to assemble electronic databases of copyrighted material. However, wholesale loading of copyrighted material into a database or archive without the rights-holder's permission constitutes a clear case of copyright infringement¹⁹⁴ and may result in a crippling damage award.

In *UMG Recordings, Inc. v. MP3.com, Inc.*,¹⁹⁵ the defendant operated a web site (MP3.com) which made free "MP3" music files available to the public for downloading. Prior to the facts giving rise to this litigation, the MP3 files available on defendant's site were, in the main, recordings by relatively unknown artists who had authorized the defendant to distribute their music on MP3.com. However, in January 2000, defendant launched its "My.MP3.com" service, which it advertised as allowing subscribers to store, customize, and listen to their CDs from any place where they have an Internet connection. Defendant sought to accomplish this feat by purchasing tens of thousands of popular CDs in which plaintiffs held the copyrights and copying those recordings onto its computer servers so they could be "streamed" and/or downloaded by defendant's subscribers. Theoretically, a subscriber had to "prove" she already owned a commercial CD version of the copyrighted recording she sought to stream and/or download, either by inserting her copy of the commercial CD into her CD-ROM drive for a few seconds (the "Beam-it Service"), or by purchasing the CD from one of defendant's cooperating online retailers (the "Instant Listening Service"). Of course, MP3.com did nothing to prevent a user of the My.MP3.com service from taking a CD she does not own (e.g., one borrowed from another person), and using the "Beam-It" technology to access the corresponding MP3 file stored on MP3.com. Plaintiffs sued for direct copyright infringement. It was not disputed that defendant had copied plaintiffs' CDs. The question was whether that copying was justified, as defendant argued it was, under the doctrine of "fair use."¹⁹⁶

MP3.com's fair use argument did not hold sway. The court considered defendant's use commercial—even though My.MP3.com users were not charged a fee—because defendant sought to attract a sufficiently large subscription base to draw advertising and otherwise make a profit. This precedent is particularly important because most web sites do not charge their users, but instead earn profit from advertising or other non-traditional means. The court also dismissed the contention that defendant's use was "transformative," i.e., that it infused the copyrighted works with new meaning, new understandings, or the like. The court found no transformative "space shift" by which subscribers can enjoy the sound recordings contained on their CDs without lugging around the physical discs themselves, stating that "this is simply another way of saying that the unauthorized copies are being retransmitted in another medium—an insufficient basis for any legitimate claim of transformation."¹⁹⁷

The second and third fair use factors—the nature of the works and the amount copied—merited little discussion: musical recordings are undoubtedly creative, and they were taken by the defendant in their entirety.

The court thus turned to the last fair use factor—the effect of defendant's use on the potential market for or value of plaintiffs' works. It held that "defendant's activities on their face invade plaintiffs' statutory right to license their copyrighted sound recordings to others for reproduction."¹⁹⁸ The court rejected defendant's arguments that plaintiffs had not shown that they planned on or were likely to engage in such licensing, and that its activities can only enhance plaintiffs' sales since subscribers cannot gain access to a recording unless they have already purchased a commercial CD containing that recording. On the first score, the court held that plaintiffs did adduce substantial evidence that they had taken steps to license their works for Internet reproduction and distribution. On the second, the court applied well-settled law holding that any allegedly positive impact of defendant's activities on plaintiffs' prior market "in no way frees a defendant to usurp a further market that directly derives from

¹⁹⁴ Of course, factual, non-copyrightable material stolen from one Internet database and posted on another site is not subject to copyright protection. Instead, those cases turn on issues of misappropriation of "hot news" or contractual enforceability of "terms of use" disclaimers posted at the originating sites. See, e.g., *Pollstar v. Gigmania, Ltd.*, 13 ILR (P&F) 731, 170 F Supp 2d 974 (ED Cal 2000) (denying defendant's motion to dismiss claims alleging it misappropriated concert tour date information from plaintiff's web site, and, in violation of plaintiff's posted "terms of use," displayed the information on its own web site, including fictional entries).

¹⁹⁵ 5 ILR (P&F) 415, 92 F Supp 2d 349 (SD NY 2000).

¹⁹⁶ See Section III.A2. *supra* (discussing fair use).

¹⁹⁷ 92 F Supp 2d at 351.

¹⁹⁸ *Id.* at 352.

reproduction of the plaintiffs' copyrighted works," even if the copyright holder had not yet entered the market in issue.¹⁹⁹

Defendant's actions also were found to be willful, i.e., committed with knowledge that its copying of plaintiffs' CDs was unlawful and that its fair use justifications rested on a doubtful factual storage premise since users of My.MP3.com "did not, in fact, store their own CDs or the sounds transmitted from their own CDs with My.MP3.com."²⁰⁰ In rendering the award, the court opined that the potential for great profits on the Internet was the lure that tempted MP3.com, as it would other actors if "too low a level is set for statutory damages in this area." Accordingly, the court cautioned against the development of a "misconception that, because their technology is somewhat novel, they are somehow immune from the ordinary application of . . . copyright law" as "the law's domain knows no such limits."²⁰¹ The court ultimately entered an award for statutory damages, costs, and attorneys' fees in the amount of \$53,400,000.²⁰²

Other record companies have subsequently come on board with virtually identical lawsuits against MP3.com seeking similar damages. In *TeeVee Toons, Inc. v. MP3.com*,²⁰³ the Southern District of New York held that MP3.com was collaterally estopped from denying that its practice willfully infringed plaintiff's copyrights. The case resulted in a jury verdict against MP3.com, although there was some confusion over the proper amount of damages the jury awarded. MP3.com has also been sued by Zomba Records and Zomba Music Publishing in the Southern District of New York, a case that has been settled. In 2001, another suit against MP3.com was filed by songwriters Randy Newman, Tom Waits, and former members of the rock group Heart in the Central District of California, which was eventually settled. Additionally, in *Copyright.net Music Publishing LLC v. MP3.com*,²⁰⁴ a Nashville copyright firm requested that the company pay it \$25 million for "viral copyright infringement."²⁰⁵ Copyright.net represented about 750 songwriters and publishers and claimed that MP3.com had made unauthorized compressed copies of almost 1,000,000 songs, which were subsequently downloaded by subscribers and copied and

¹⁹⁹ *Id.*

²⁰⁰ *UMG Recordings, Inc. v. MP3.com, Inc.*, 6 ILR (P&F) 191, 2000 U.S. Dist. LEXIS 13293 (SD NY Sept. 6, 2000).

²⁰¹ *Id.* at *17-18.

²⁰² *UMG Recordings, Inc. v. MP3.com, Inc.*, 2000 U.S. LEXIS 17907 (SD NY Nov. 14, 2000). While MP3.com may constitute the most dramatic example of liability for the massive uploading of unauthorized copyrighted works, early cases indicated the courts' willingness to hold Internet operations liable for direct infringement even in the absence of evidence that the owner actually participated in the uploading or downloading. *Playboy Enters., Inc. v. Frena*, 1 ILR (P&F) 770, 839 F Supp 1552 (MD Fla 1993) (finding bulletin board operator liable for direct infringement on a theory of strict liability where users uploaded and downloaded infringing materials on the site he provided); *Sega Enters. Ltd v. MAPHIA*, 857 F Supp 679 (ND Cal 1994) (finding a bulletin board owner liable for direct infringement on the grounds that no showing of knowledge or volition was necessary to prove direct infringement). However, courts have required some showing of volition or participation in the infringement in more recent cases. See *Religious Tech. Ctr. v. Netcom On-Line Communs. Servs., Inc.*, 1 ILR (P&F) 778, 907 F Supp 1361 (ND Cal 1995) (holding that the liability of a bulletin board owner should be analyzed under the same rubric as that of an owner of a copy machine, the theory of contributory infringement); *Sega Enters. Ltd v. MAPHIA*, 2 ILR (P&F) 168, 948 F Supp 923 (ND Cal 1996) (holding that a bulletin board owner cannot be held liable for direct infringement based upon the mere creation of a space where the infringing activity occurred and applying a contributory infringement analysis). What constitutes knowledge or volition for purposes of establishing a direct infringement case against a bulletin board or web site owner, however, has also been liberally construed in recent decisions. See *Playboy Enters., Inc. v. Francesco Sanfilippo & Five Senses Prods.*, 1 ILR (P&F) 445, No. 97-0670, (SD Cal 1998) (holding that the operation of a web site through which defendant provided and sold access to thousands of unauthorized copies of plaintiff's copyrighted images constituted direct copyright infringement, since although the site owner did not make the original unlawful copies, he copied those unlawful copies and then distributed them on his web site); *Playboy Enters., Inc. v. Webbworld, Inc.*, 2 ILR (P&F) 58, 991 F Supp 543 (ND Tex 1997) (holding a web site owner liable for direct copyright infringement where the site obtained infringing images through uploading from news groups and made the images available to customers for a subscription fee), *aff'd without op.*, 168 F3d 486 (5th Cir 1999). The first case addressing the liability of Internet service providers for the posting of infringing information to the Internet for downloading, rather than to a bulletin board, was *Cinco Network v. Butler*, 2 ILR (P&F) 2171, C96-1146 (WD Wash filed July 23, 1996) (judgment entered on consent where defendant uploaded plaintiff's software to the Internet for general distribution).

²⁰³ 9 ILR (P&F) 763, 134 F Supp 2d 537 (SD NY 2001).

²⁰⁴ 2003 ILRWeb (P&F) 1689, 256 F Supp 2d 214 (SD NY 2003).

²⁰⁵ See http://seattletimes.nwsourc.com/html/business/technology/134332142_mp3suit22.html.

passed around. Copyright.net sought to hold MP3 liable for not only the copied songs, but also for each bootleg file traded through file swapping services. The court again held that MP3.com was collaterally estopped from using the affirmative defenses of fair use and innocent intent.²⁰⁶ In short, the message is clear, be it the variation heard in Reimerdes, Napster, or MP3.com. Amassing an unauthorized database of copyrighted works, the legality of which is predicated upon a fair use argument asserting consumer convenience and lack of market harm, is a risky business at best and is unlikely to withstand judicial scrutiny.

Yet the issue is again being challenged, this time by the proposed Google Books Library Project. The plan involves scanning the collections of five prominent libraries to create an enhanced online card catalog that could be used to search for key terms within books.²⁰⁷ According to Google, the company must scan entire texts so that it may provide users with the ability to search—although not necessarily read—the full text of a work. The company has taken the position that any intermediate copying is a fair use because the creation of the index would be a transformative use and its search results would display only a very small amount of copyrighted text. Many in the publishing industry remain unconvinced, and as of January 2008 the project has generated two law suits alleging massive copyright infringement, both of which are currently pending.²⁰⁸ The debate over the Google Library Project continues and promises to be one of copyright’s most high profile issues. Its outcome will have a profound effect on the future of digital archiving over the Internet.

Digital Rights in Copyrighted Works

A third major area of Internet-related copyright law involves disputes over the ownership of digital and electronic rights in pre-existing copyrighted works. Precisely who owns the right to exploit a work’s copyright on the Internet has become a major issue of economic import throughout all aspects of the entertainment industries. The new market for digital exploitation of copyrighted works represents a potential commercial windfall for someone—the only question is who. As the three cases below illustrate, questions involving the ownership of digital rights in copyrighted works primarily turn on matters of contract interpretation; resolution of these issues nevertheless will have a profound impact on the exploitation of copyrighted materials in the digital realm.

In *Chambers v. Time Warner, Inc.*, plaintiff “members of musical groups that, pursuant to contract, made recordings, mostly in the 50’s and 60’s, for defendant [record] companies” brought an action against four major label record companies and the Internet site MP3.com, seeking monetary relief, damages, and a declaration of their rights with respect to the defendants’ exploitation of their music in digital form over the Internet.²⁰⁹ The plaintiffs each had assigned the rights in the recordings to one of the record company defendants long prior to the advent of the Internet or any kind of digital rights. Each of the contracts at issue contained a clause substantially similar to the following language:

All recordings, phonograph masters and reproductions made therefrom, together with the performances embodied therein, shall be entirely [the Record Company’s] property. [The Record Company] shall have the unrestricted right to manufacture, use, distribute and sell sound productions of the performances recorded hereunder made by any method now known, or hereafter to become known.²¹⁰

The court held that the meaning of the language was clear: “[w]ithout limitation it conveys all of plaintiffs’ rights in these recordings to the Record Companies, including the right to exploit the recordings by any medium whatsoever, ‘whether known at the time or later developed.’²¹¹ As such, the court concluded that the plaintiff

²⁰⁶ 256 F Supp 2d 214 (SD NY 2003). Although the case settled before the court could actually embody its opinion in writing, subsequent lawsuits against MP3 demonstrated the need to have this done, and thus the court did so.

²⁰⁷ See Google.com, Google Library Project—An Enhanced Card Catalog of the World’s Books, <http://books.google.com/googleprint/library.html> (last visited June 30, 2006).

²⁰⁸ *McGraw-Hill Companies, Inc. v. Google, Inc.*, 18 ILR (P&F) 2155, No. 05 CV 8881 (SD NY filed 10/19/05); *Authors Guild v. Google, Inc.*, 18 ILR (P&F) 2128, No. 05 CV 8136, (SD NY filed 9/20/05).

²⁰⁹ 6 ILR (P&F) 770, 123 F Supp 2d 198, 199 (SD NY 2000) (defendants were Time Warner, Sony Music, BMG Entertainment, and Universal Music Group).

²¹⁰ *Id* at 200.

²¹¹ *Id*. Similar contract language has been found to support the reservation of the licensor’s rights in new technology markets. See, e.g., *Rooney v. Columbia Pictures Indus., Inc.*, 538 F Supp 211, 223 (SD NY 1982) (finding contract conveying license to exhibit by “present or future methods or means” of by “any other means now known or unknown” granted license in new technology markets), *aff’d without op.*, 714 F2d 117 (2d Cir 1982), *cert. denied*, 460 US 1084 (1983). *And see generally*,

musicians had “contractually assigned to the Record Companies all of plaintiffs’ rights in the digital reproductions of the recordings here in issue (as well as the right to use plaintiffs’ names and likenesses in connection herewith.)”²¹²

However, the Court of Appeals decided to vacate and remand the District Court’s decision because they said it had:

wrongly considered certain codes of fair practice on the copyright claims practice on the copyright claims without converting the motion to dismiss into a motion for summary judgment, and erred when it dismissed the federal trademark claim by focusing on the lone example of allegedly deceptive conduct set forth in the complaint without considering other conduct raised by plaintiffs’ allegations.²¹³

On remand, Chambers subsequently decided to drop his claims against the record companies, but retained those against MP3.com for alleged violations of §§32(1) and 43(a) of the Lanham Act and a state law claim on unauthorized use of name or likeness.²¹⁴ MP3 moved to dismiss these claims, but the court denied the web site’s motion to dismiss. In making its decision on the Lanham Act false endorsement claims, the court decided that, though MP3 claimed otherwise, the web site didn’t make an allowable nominative use of Chambers’s name as a means of identifying the music accessible on the Web.²¹⁵ The court held that use of an artist’s name or likeness is only nominative when it doesn’t suggest endorsement by the holder of the trademark and moreover, even truthful use of an artist’s name or likeness doesn’t necessarily make the use permissible.²¹⁶ MP3 claimed to have put a disclaimer on their web site, which they thought should excuse them from the false endorsement claim asserted by Chambers.²¹⁷ However, the court disagreed and claimed that even if the disclaimer could defeat Chambers’s false endorsement claim, the disclaimer wasn’t sufficient to release MP3.com from liability arising from allegedly infringing activity that had taken place prior to the posting of the notice.²¹⁸

A related issue also has been litigated involving ownership of the right to electronically reproduce freelance contributions to traditional, offline newspapers. In *Tasini v. New York Times*,²¹⁹ six freelance writers sued the newspaper publisher defendants to whom they sold articles for publication in a variety of popular newspapers and magazines. Almost all of the works at issue were licensed absent any written agreement between the parties, and the works were not “works for hire” under the Copyright Act. Plaintiffs alleged that the defendants’ licensing of the works for republication in an electronic format as part of blanket licenses granted to electronic database proprietors such as LEXIS constituted contributory copyright infringement. Defendants countered that §201(c) of the Copyright Act²²⁰ created a presumption that the use of the works was authorized by license given from the authors

Boosey & Hawkes Music Publ’rs, Ltd. v. Walt Disney Co., 145 F3d 481, 485-87 (2d Cir 1998) (discussing jurisprudence in scope of license cases involving new technologies).

²¹² *Chambers*, 123 F Supp 2d at 202. Notably, even if a record company or, by license, a web site proprietor does have the right to exploit sound recordings in digital form, a license from the owner of the copyright in the underlying musical composition (the music publishing rights) is also required. See, e.g., <http://news.cnet.com/news/0-1005-200-5112971.html> (describing a recent lawsuit filed by the estate of Frank Zappa against eMusic.com, an online distributor of MP3 files who had obtained a license to distribute the sound recordings from Zappa’s former record company but apparently did not secure a license to exploit the underlying musical compositions). See *Chambers v. Time Warner, Inc.*, 10 ILR (P&F) 32, 282 F3d 147, 154-56 (2d Cir 2002).

²¹³ See *Chambers v. Time Warner, Inc.*, 10 ILR (P&F) 32, 283 F3d 147, 154-56 (2d Cir 2002).

²¹⁴ *Chambers v. Time Warner, Inc.*, 13 ILR (P&F) 217, 2003 U.S. Dist. LEXIS 3065 (SD NY 2003).

²¹⁵ *Id.*

²¹⁶ *Id.*

²¹⁷ *Id.*

²¹⁸ 2003 U.S. Dist. LEXIS 3065 (SD NY 2003) (court says “the only evidence of this disclaimer is a single screen shot of a web page printed on June 30, 2000, two and a half months after the commencement of this action, and several months after defendant allegedly began its infringing activity”).

²¹⁹ 1 ILR (P&F) 495, 972 F Supp 804 (SD NY 1997).

²²⁰ Section 201(c) provides that “[i]n the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that collective work, any revision of that collective work, and any later collective work in the same series.” 17 USC §201(c).

to the defendant publishers because the conversion of the works into electronic format constituted a mere “revision.” The Second Circuit reversed the district court’s ruling in favor of the defendant publishers, instead ruling that the republication in electronic format was not a revision, and thus the defendant publishers did not have the right to license the works as part of a republication of the newspapers in electronic form.²²¹ The United States Supreme Court affirmed.²²²

After this decision, the newspaper decided that it wouldn’t use or publish any work of a freelance writer without first obtaining an agreement releasing the writers’ claims for compensation.²²³ *Tasini* then brought another action against the New York Times claiming that their new policy was unconscionable and interfered with the ability of freelance writers to obtain relief from the infringement of their copyrights.²²⁴ The newspaper moved to dismiss the complaint for lack of standing and the plaintiff’s failure to allege personal injury, and the district court granted the motion without prejudice.²²⁵

Relying on the Second Circuit’s opinion in *Tasini*, in 2001 the Eleventh Circuit held that National Geographic had infringed the copyright of a photographer who had contributed four photographs to the magazine over the course of 30 years when National Geographic created a 30 CD-ROM Library that collected every issue of the magazine in its entirety, including plaintiff’s photographs.²²⁶ But in *Greenberg*, the photographs could not be separated from the accompanying text, whereas in *Tasini*, crucially, they could. In *Tasini*, the Court had noted the publisher’s analogy to microfilm (which has always been covered under the revision right of the Copyright Act), but rejected the analogy because microfilms “typically contain continuous photographic reproductions of a periodical in the medium of miniaturized film . . . in precisely the position in which the articles appeared in the newspaper . . . unlike [microfilm], the Databases do not perceptibly reproduce articles as part of the collective work to which the author contributed or as part of any ‘revision’ thereof.”²²⁷ The microfilm analogy was arguably much more apt in *Greenberg*, but the Eleventh Circuit distinguished it on an entirely different basis—microfilm only requires the aid of a machine to view the material, whereas the CD-ROM “requires the interaction of a computer program in order to accomplish the useful reproduction involved with the new medium. These computer programs are themselves the subject matter of copyright, and . . . thus present an additional dimension in the copyright analysis.”²²⁸

But then in 2007, the Eleventh Circuit reversed itself and held that the Supreme Court’s 2001 decision in *Tasini* effectively overruled its earlier decision. In *Tasini*, the Supreme Court set forth a test for determining whether a publication constitutes a privileged revision under Section 201(c), and that the court must now determine whether the original context of the collective work was preserved, or whether it was so altered that the collection as a whole is no longer a privileged revision. In making this ruling, the Eleventh Circuit as agreeing with an intervening decision by the Second Circuit in a case brought by similarly situated photographer against Mindscape.²²⁹

However, a couple months after the Eleventh Circuit reversed itself in *Greenberg*, as a result of a poll requested by a member of the Court, a majority of the judges voted in favor of granting a rehearing en banc. Thus the June 2007 Eleventh Circuit decision in *Greenberg* was vacated.²³⁰

In the book publishing industry, litigants seek resolution of who owns the right to make and distribute “e-books” (electronic files containing a traditional book’s printed text). In 2001, Random House sued Rosetta Books, an e-book publisher that sold computerized versions of eight Random House texts, including works by William Styron, Kurt Vonnegut, and Robert B. Parker, without the permission of Random House, who intended to sell its own e-

²²¹ 3 ILR (P&F) 542, 206 F3d 161 (2d Cir), *cert. granted*, 531 US 978 (2000), *aff’d*, 8 ILR (P&F) 1, 533 US 483 (2001).

²²² *New York Times Co. v. Tasini*, 8 ILR (P&F) 1, 533 US 483 (2001).

²²³ *Tasini v. New York Times Co.*, 184 F Supp 2d 350 (SD NY 2002).

²²⁴ *See* 184 F Supp 2d 350 (SD NY 2002).

²²⁵ *Id.*

²²⁶ *Greenberg v. National Geographic Society*, 8 ILR (P&F) 182, 244 F3d 1267 (11th Cir), *cert. denied*, 122 S Ct 347 (2001).

²²⁷ 121 S Ct at 2391-2392.

²²⁸ *Greenberg* at 1273 n.12.

²²⁹ *Faulkner v. Mindscape Inc.*, 17 ILR (P&F) 505, 409 F3d 26 (2d Cir 2005).

²³⁰ *Greenberg v. National Geographic Society*, 23 ILR (P&F) 659, 497 F3d 1213 (11th Cir 2007).

books involving some of the same titles.²³¹ Rosetta Books claimed its versions were authorized by the authors, raising the issue of the scope of the grant from the authors to Random House in their original publishing contracts under the following language: “for the term of the copyright, the exclusive right to publish and sell the works contracted for in book form.”²³²

Rosetta was able to convince the district court to deny Random House’s preliminary injunction motion, because the court decided that the agreement made with the plaintiffs didn’t contain electronic publishing rights, and that Rosetta thus hadn’t infringed the publishing company’s copyrights.²³³ Random House appealed the decision to the Second Circuit, but the appellate court affirmed the district court decision.²³⁴ In December 2002, however, the companies settled out of court under an agreement that allowed Rosetta to continue publishing some of the e-books and required them to collaborate with Random House on future additional releases.²³⁵ However, since the case settled, the main issue of whether e-books fall within the scope of “in book form” language still remains to be determined.

Software Patents

Courts also have been called upon to determine whether software patents can be used to protect Internet applications. Copyright protection for software is limited and primarily protects against copying of source code, while patents protect the basic concept of the software, the functionality that copyright cannot protect. Moreover, while copyright infringement could be avoided if there were no actual copying (e.g., clean room development with no knowledge of the infringed work), patent infringement is based on strict liability and an infringer is liable regardless of their knowledge of the existence of the patent or its contents. In *Stac Electronics v. Microsoft Corp.*, the court first recognized the use of patent law to protect against the pirating of software.²³⁶ For example, in December 1999, the Western District of Washington ruled in favor of Amazon.com’s ability to protect its “one-click” shopping method through patenting the underlying software, and issued a preliminary injunction preventing Barnesandnoble.com’s further use of its very similar “Express Lane” shopping mechanism.²³⁷ However, in January 2001, the Federal Circuit vacated the preliminary injunction and remanded the matter back to the district court, because Barnesandnoble.com “mounted a serious challenge, based on obviousness in light of prior art, to the validity of the patent.”²³⁸ Subsequently, in March 2002, Amazon.com and Barnesandnoble.com stipulated to a Final Judgment, under seal.²³⁹ Yet Amazon.com’s “one-click” shopping method has again come under fire, this time by critics who oppose the Patent and Trademark Office’s policy of allowing patents for business-method-related software. These critics have presented evidence of prior art affecting the validity of the Amazon.com patent leading the PTO to order a reexamination of the controversial patent in May 2006.²⁴⁰ While the PTO has rejected some of the originally issued claims in the reexamination, the PTO has found that some of the claims are allowable and thus it seems unlikely that this patent will be removed from existence, even if the scope of the claims and of the patent are somewhat modified.²⁴¹

Currently, the courts are dealing with issues of whether older patents, which were filed before the advent of the Internet as it is known today, can apply to devices using the Internet.²⁴² In *British Telecommunications, Inc. v.*

²³¹ *Random House, Inc. v. Rosetta Books*, 8 ILR (P&F) 191, 150 F Supp 2d 613 (SD NY 2001).

²³² *Id.*

²³³ *Id.*

²³⁴ *Random House, Inc. v. Rosetta Books*, 10 ILR (P&F) 4, 283 F3d 490 (2d Cir 2002).

²³⁵ <http://www.siliconvalley.com/mld/siliconvalley/news/5595494.htm>.

²³⁶ 38 F3d 1222, *full text available at* No. 94-1349, 1994 WL 467221 (Fed Cir Jul. 5, 1994).

²³⁷ *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 4 ILR (P&F) 182, 73 F Supp 2d 1228 (WD Wash 1999), *vacated and remanded*, 7 ILR (P&F) 74, 239 F3d 1343 (Fed Cir 2001).

²³⁸ *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 7 ILR (P&F) 74, 239 F3d 1343, 1360 (Fed Cir 2001).

²³⁹ *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, No. 99 Civ. 1695, docket no. 269 (WD Wash Mar. 5, 2002).

²⁴⁰ See <http://pub.bna.com/ptcj/PTOreexam.pdf>.

²⁴¹ See Reexam Non-Final Action dated Oct 9, 2007 for reexamination serial number 90/007,946 on the public PAIR web site at the PTO, at <http://portal.uspto.gov/external/portal/pair>

²⁴² See *British Telecommunications, Inc. v. Prodigy Communications Corp.*, No. 00 Civ. 9451 (SD NY Dec. 13, 2000), and *Interactive Gift Express, Inc. v. CompuServe, Inc.*, 95 Civ. 6871 (SD NY Aug. 23, 1995).

Prodigy Communications Corp., known as the “Hyperlink” Case, British Telecommunications, Inc. (“BT”) alleges that its U.S. Patent 4,873,662 (the “hidden page” patent) covers Internet “hyperlinks,” which connect text, images, and other data on the Internet in such a way as to allow a user to click on a highlighted object on a web page in order to bring up an associated item contained elsewhere on the Web. Specifically, in early 2000, BT notified 17 of the largest U.S. ISPs, including Prodigy Communications Corp. (“Prodigy”), asserting that each ISP may need to obtain a license from BT to cover its past and future use of the ubiquitous hyperlink technology. When no ISP agreed to a license, BT singled out Prodigy as a “test case” and sued them for patent infringement in December 2000.²⁴³

It is interesting to note that the “hidden page” patent was filed before the Internet emerged. That is, BT is attempting to have its patent cover a technology (the Internet) that was likely not contemplated or in existence in today’s form at the time that BT’s invention was made. Thus, this litigation will likely help establish whether computer technology patents filed prior to the emergence of the Internet can be broadly interpreted to cover Internet-related technology. In particular, BT admits that when the patent was filed 25 years ago, it was intended for information distributed to subscribers over telephones or televisions connected to a central computer, rather than over the decentralized system of interconnected computers that came to be known as the Internet.²⁴⁴ That admission notwithstanding, BT alleges that the term “complete address,” described in its patent, is the same as the URL, or Uniform Resource Locator, used today.²⁴⁵

In March 2002, however, the district court judged an initial ruling, interpreting the patent claim language that may severely undermine BT’s patent suit.²⁴⁶ Specifically, Judge McMahon stated, “In this patent, the computer is a single device, in one location. It is referred to as ‘central’ because it is connected to numerous physically separate stations, called ‘remote terminals,’ by the telephone lines of a telephone network.”²⁴⁷ This interpretation by Judge McMahon may indicate that BT’s patent does not cover the Internet, since the Internet does not have a single central computer. Instead, the Internet has hundreds of millions of computers. This indication is fostered by Judge McMahon’s later statement that “[t]he language of this patent is archaic, and it appears that this technology was already outmoded by the time it was patented.”²⁴⁸

As expected, in April 2002, Prodigy filed a Motion for Summary Judgment that Prodigy cannot infringe the claims of the BT patent, based on the claim interpretation of the district court judge.²⁴⁹ On August 23, 2002, the court granted Prodigy’s Motion for Summary Judgment, finding that no jury could find that Prodigy infringed the BT Patent.²⁵⁰

In *Interactive Gift Express, Inc. v. CompuServe, Inc.*, Interactive Gift Express, Inc. (now known as “E-Data Corporation”) filed suit in New York against a group of ten defendants: CompuServe, Intuit, Internet Shopping Network, Waldenbooks, Broderbund Software, Soft & Net Distribution, Softlock Services, Telebase Systems, The Library Corporation, and Ziff-Davis.²⁵¹ Specifically, E-Data alleged that the defendants’ e-commerce activities, which include the sale of software and books over the Internet, infringed U.S. Patent No. 4,528,643.²⁵²

The patent describes a system that reproduces and disseminates stored electronic information in response to specific consumer demands.²⁵³ It was designed to allow retailers to reduce costs by decreasing inventories in

²⁴³ *British Telecommunications, Inc. v. Prodigy Communications Corp.*, No. 00 Civ. 9451 (SD NY Dec. 13, 2000).

²⁴⁴ *British Telecommunications, Inc. v. Prodigy Communications Corp.*, No. 00 Civ. 9451 (SD NY Dec. 13, 2000).

²⁴⁵ *Id.*

²⁴⁶ *British Telecommunications, Inc. v. Prodigy Communications Corp.*, 10 ILR (P&F) 365, No. 00 Civ. 9451, docket no. 35 (SD NY Mar. 14, 2002).

²⁴⁷ *Id.*

²⁴⁸ *Id.*

²⁴⁹ *Id.*, docket no. 98.

²⁵⁰ *British Telecommunications, Inc. v. Prodigy Communications Corp.*, No. 00 Civ. 9451, docket no. 38 (SD NY Apr. 12, 2002).

²⁵¹ *Interactive Gift Express, Inc. v. CompuServe, Inc.*, 95 Civ. 6871 (SD NY Aug. 23, 1995).

²⁵² *Id.*

²⁵³ See U.S. Patent No. 4,528,643.

accordance with consumer demands. E-Data alleged that their patent claims cover, among other things, the download delivery of music and text to consumers at various locations, in response to the consumer's request.²⁵⁴

In March 1999, the district court in New York construed the claims narrowly, holding that the patent did not cover Internet usages (similar to the Hyperlink Case, *infra*), and that the defendant companies had not infringed the patent.²⁵⁵ In particular, the lower court ruled that the patent did not cover the downloading of information from a web site directly to the hard drive of a consumer's PC.²⁵⁶

However, in November 2000, the Federal Circuit reversed this decision and broadened the reading of the claims, such that the claims might include Internet usages.²⁵⁷ The Federal Circuit ordered the lower court to re-analyze whether infringement occurred under its broader interpretation.²⁵⁸ Before the lower court could re-analyze infringement under the patent as construed by the Federal Circuit, the parties settled.

As with the Hyperlink Case, the patent-at-issue was granted on July 9, 1985, before the advent of the Internet. Thus, this case also involves expanding a pre-e-commerce patent to cover e-commerce activities. However, with these specific facts, it appears that the Federal Circuit may have interpreted the claims of a pre-Internet business method patent to cover Internet activities.

While patent holders may be able to read their pre-Internet patents broadly to cover Internet e-commerce, the U.S. Supreme Court has made it more difficult for inventors to obtain patents that bring traditional commerce models to Internet-based models. In *KSR Int'l v. Teleflex, Inc.*,²⁵⁹ the U.S. Supreme Court held that the motivation test²⁶⁰ previously required by the Federal Circuit to find a patent or claims obvious was too stringent and not in line with Supreme Court precedent. This holding is seen by all practitioners as making it easier to find a patent or claims invalid as obvious. Thus, bringing together two known things, such as a previously known commerce model with another known thing, such as known Internet infrastructure, to be used as intended, seems to be an obvious use and most likely unpatentable.²⁶¹ To obtain a patent, such a combination needs to be more than a predictable use of prior-art elements.²⁶²

Along with patentability, software and Internet patents raise issues as to extraterritorial applicability, since Internet services and software are portable and may be provided over a wire or wirelessly from anywhere in the world. In the *NTP v. RIM* case,²⁶³ the Federal Circuit ruled on whether parts of a system being located in Canada avoided U.S. infringement. In that case, the Federal Circuit differentiated between "use" for method claims and apparatus claims. For the method claims, the Court held that infringement required that each method step be performed within the U.S.²⁶⁴ For the apparatus claims, the Court held that the place of infringement was not necessarily where each component of the system was located, but "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 obtained."²⁶⁵ The Court concluded that even though the defendant RIM had a part of the system, a relay, in Canada, this did not

²⁵⁴ See *Interactive Gift Express, Inc. v. CompuServe, Inc.*, 95 Civ. 6871 (SD NY Aug. 23, 1995).

²⁵⁵ See *Interactive Gift Express, Inc. v. CompuServe, Inc.*, 95 Civ. 6871, docket no. 151 (SD NY Mar. 12, 1999).

²⁵⁶ *Id.*

²⁵⁷ *Interactive Gift Express, Inc. v. CompuServe, Inc.*, 8 ILR (P&F) 730, 59 USPQ2d 1401 (Fed Cir 2001).

²⁵⁸ *Id.*

²⁵⁹ *KSR Int'l v. Teleflex, Inc.*, 22 ILR (P&F) 394, 550 US ___, 127 S Ct 1727 (2007).

²⁶⁰ The motivation test, referred to in *KSR* as the TSM (teaching-suggestion-motivation) test, generally referred to the requirement that to be obvious, at least one of the prior art references that were being combined also needed to provide a teaching, suggestion, or motivation that such a combination should be made.

²⁶¹ See e.g., *KSR Int'l v. Teleflex, Inc.*, 550 US ___ at ___, page 4 of Bench Opinion ("Such a combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results. . . . If a person of ordinary skill in the art can implement a predictable variation, and would see the benefit of doing so, §103 likely bars its patentability.").

²⁶² *Id.*

²⁶³ *NTP, Inc. v. Research in Motion*, 19 ILR (P&F) 97, 418 F3d 1282 (Fed Cir 2005).

²⁶⁴ *Id.* at 1318, page 57-58 of Bench Opinion.

²⁶⁵ *Id.* at 1317, page 56 of Bench Opinion.

preclude infringement because “RIM’s customers located within the United States controlled the transmission of the originated information and also benefited from such an exchange of information.”²⁶⁶

The U.S. Supreme Court also ruled on the extraterritorial applicability of infringement related to software patents, deciding a case in which a master disk was being sent outside the U.S. for copying. In *Microsoft Corp. v. AT&T Corp.*,²⁶⁷ the U.S. Supreme Court held that, inter alia, sending a master copy abroad to make copies that would be loaded into a computer to make an infringing device was not a “component” under 35 USC 271(f). 35 USC 271(f) was created by Congress to capture an entity that is building parts of an infringing device in the U.S., where the parts themselves do not infringe, but then shipping the parts abroad to build an infringing device outside of the U.S. to avoid infringement. AT&T had a patent with claims that covered a computer that was loaded with a Microsoft operating system. In addition to all U.S. activity, AT&T also was seeking damages from Microsoft for all of the computers made outside of the U.S. that were loaded with the Microsoft operating system copied from a master copy sent outside the U.S. by Microsoft. The Supreme Court found that to be a component, the software that was being sent (e.g., the disk itself) had to be installed into the computer. The Court was not persuaded that the ease in which the master disk could be copied should be taken into account for software cases. The Court instead decided that because 35 USC 271(f) was silent as to when “duplication is easy and cheap enough to deem a copy in fact made abroad” a component supplied from the U.S. and therefore refused to hold that master copy was a component supplied from the U.S. within 35 USC 271(f).²⁶⁸

Despite the above cases, the use of patents to protect Internet applications is still being pursued and will continue to be in a state of flux as the software community continues to be very opinionated about software and Internet patents and continues to publish those opinions on the Internet and lobby the PTO and the legislature.

²⁶⁶ *Id.*

²⁶⁷ *Microsoft Corp. v. AT&T Corp.*, 22 ILR (P&F) 435, 127 S Ct 1746, 82 USPQ2d 1400 (2007).

²⁶⁸ *Id.* at 1409.