Proskauer

New Media, Technology and the Law

April 2009

COPYRIGHT

"Direct Financial Interest" for Vicarious Copyright Infringement Claim Shown by Allegations that Copyrighted Software Drew Visitors to Web Site and Enhanced Web Site Owner's Brand and Image

Allegations that the functionality provided by copyrighted Web site software drew visitors to the defendant's Web site are sufficient at the pleading stage to establish a "direct financial interest" by the Web site owner and support a claim for vicarious infringement, a district court ruled. The court noted that the complaint alleged that the availability of the functionality was designed to draw visitors' attention and prolong their visits to the site, thereby enhancing the owner's brand and image, and that the software functionality directed visitors to Web pages promoting the owner's goods and services. The court dismissed the software owner's state law unjust enrichment and civil conspiracy claims against the Web site owner, however, on the ground that those claims were preempted by the federal copyright claims.

Live Face on Web, LLC v. Howard Stern Productions, Inc., 2009 U.S. Dist. LEXIS 21373 (E.D. Pa. Mar. 17, 2009) Download PDF

Restoration of Public Domain Works to Copyright Protection under Berne Convention Implementing Legislation Violates First Amendment

The Uruguay Round Agreements Act, which implemented the Berne Convention by restoring certain public domain works of foreign authors to copyright status, violates the First Amendment, a district court ruled. The case was on remand from the Tenth Circuit's ruling that recognized that the Act "altered the traditional contours of copyright protection" and directed the district court to consider whether the Act could withstand First Amendment scrutiny. The district court concluded that the Act was not tied to the Government interest in implementing the Berne Convention because Congress had discretion under the Convention's terms to comply in a manner that did not interfere with a substantial amount of protected speech. The district court also concluded that the Government had failed to show that the provisions of the Act were necessary either to protect the copyrights of U.S. authors abroad or to correct historical inequities in the protection of copyrights of foreign authors.

Golan v. Holder, 2009 U.S. Dist. LEXIS 28263 (D. Co. Apr. 3, 2009) Download PDF

TRADEMARKS

Google Sale of Trademark Terms as "AdWords" Is Actionable Use in Commerce under the Lanham Act

The recommendation and sale of trademark terms to generate advertisements on a search engine, and the use of those terms to trigger advertisements and links, constitutes an actionable "use in commerce" under the Lanham Act, the U.S. Court of Appeals for the Second Circuit ruled. The appeals court rejected the lower court's reliance on the Circuit's prior ruling in *1-800 Contacts, Inc. v. WhenU.com, Inc.*, involving the use of keywords to trigger pop-up advertisements, as dispositive. The court in *Rescuecom* pointed out that in contrast to the software distributor in the *1-800-Contacts* case, Google, via its AdWords program and Keyword Suggestion Tool, "is recommending and selling to its advertisers" the Rescuecom trademark. The court also noted that Google "displays, offers and sells Rescuecom's mark to Google's advertising customers when selling its advertising services," and "encourages the purchase of Rescuecom's mark through its Keyword Suggestion Tool."

Rescuecom Corp. v. Google, Inc., 2009 U.S. App. LEXIS 7160 (2d Cir. Apr. 3, 2009) Download PDF

Editor's Note: This opinion is also significant for the Appendix, "On the Meaning of 'Use in Commerce' in Sections 23 and 43 of the Lanham Act," which discusses at length what the court considers to be ambiguity with respect to the statutory language in these provisions, closes with the comment that "It would be helpful for Congress to study and clear up this ambiguity." The case is more fully discussed in this Proskauer Client Clert.

Alleged Improper Trademark-Based Takedown Notice Not Actionable under DMCA 512(f)

An attorney's takedown notice sent to a Web site owner's ISP, containing allegedly baseless claims of trademark infringement, is not actionable as a material misrepresentation of infringement under Section 512(f) of the Digital Millennium Copyright Act, a district court held. While the attorney's letter was executed under penalty of perjury and styled similarly to a DMCA takedown notice, it did not allege an infringement of copyright. The court rejected the Web site owner's argument that Section 512(f) is broad enough to cover misrepresentations of trademark infringement. The court noted that while Section 512(f) itself is not limited to claims of copyright infringement, corresponding sections of the DMCA require a takedown notice to set forth a claim of copyright infringement. Therefore, limiting Section 512(f) to such claims was consistent with the language of the entire DMCA.

Twelve Inches Around Corp. v. Cisco Systems, Inc., No. 08-6896 (S.D.N.Y. Mar. 12, 2009)
Download PDF

Editor's Note: The opinion is also of interest for the court's refusal to dismiss the Web site owner's defamation claim against the attorney, who stated in the letter, executed under penalty of perjury, that the owner was "committing fraud." The court concluded that while a letter from an attorney can be a nonactionable statement of opinion, in this case the allegation of fraud, coupled with the execution of the letter under penalty of perjury, could reasonably be construed as a statement of fact and not opinion.

Competitor's Redirect of Multiple Infringing Domain Names to Its Web Site Supports "Exceptional Case" Finding under ACPA

A competitor's registration of multiple domain names containing the plaintiff's trade names, and the use of those domain names to redirect traffic to the competitor's own Web site, support a jury finding that the case was "exceptional" within the meaning of the Anticybersquatting Protection Act, the Court of Appeals for the Fifth Circuit ruled. The appeals court upheld both the jury finding that the case was exceptional and its award of compensatory damages, as well as the district court's award of enhanced damages and attorney fees. The court noted that the statutory damages provisions in the ACPA are designed not only to achieve restitution and reparation for injury, but also to discourage wrongful conduct.

Kiva Kitchen & Bath, Inc. v. Capital Distributing, Inc., 2009 WL 890591 (5th Cir. Apr. 2, 2009) (unpublished) Download PDF

DOMAIN NAMES

Cybersquatting Claim Rejected for Union Use of Employer Trademark in Domain Name on Web Sites Dedicated to Labor Dispute

A labor union's use of an employer's trademark in the domain name of Web sites dedicated to disseminating information about a contentious labor dispute does not constitute trademark infringement, trademark dilution or cybersquatting because the likelihood of consumer confusion resulting from the use is "implausible," a district court ruled. The court noted among other things that the labor union Web site contained a disclaimer stating the purpose of the Web site and advising that it contained information critical of the employer. The court also concluded that the union was not using the employer's trademark as a source identifier, but solely to criticize the employer's corporate practices.

Cintas Corp. v. Unite Here, 2009 U.S. Dist. LEXIS 21839 (S.D.N.Y. Mar. 9, 2009), notice of appeal filed (2d Cir. Mar. 27, 2009) Download PDF

Potential Damage from Former Co-Owner's Control of Corporate Domain Names Justifies TRO without Notice

The potential for irreparable harm resulting from the control maintained by a former co-owner over corporate domain names justifies the issuance of a temporary restraining order without notice, a district court ruled. In concluding that there was good cause for issuing an order ex parte, the court noted that the former co-owner had agreed to transfer the domain names in a written agreement but had failed to do so, and instead transferred certain of those domains to a third party or from one registrar to another. The court declined to grant a restraining order against the registrars and hosts of the corporation's Web sites and domain names, finding that no legal claims had been made against them, nor had any legal basis been advanced to support such relief.

Vogster Entertainment, L.L.C. v. Mostovoy, 2009 U.S. Dist. LEXIS 20936 (E.D. N.Y. Mar. 16, 2009) Download PDF

ONLINE CONTENT

TV News Hosts Not Liable for Defamation for Relying on Internet Parody

Television news hosts who repeated defamatory statements that were contained in an Internet parody of a news story are not liable for defamation because their repetitions of statements concerning a school principal who was a public official were not made with actual malice, a district court ruled. The court concluded that the facts surrounding the hosts' discovery and use of the Internet parody failed to demonstrate that they knew or reasonably should have know that the statements were false, even though they expressed skepticism about the truth of the statements in the parody.

Levesque v. Doocy, 2009 U.S. App. LEXIS 5758 (1st Cir. Mar. 19, 2009) Download PDF

Editor's Note: The ruling in *Levesque v. Doocy* is discussed more fully in this post on the PBS Media Shift blog.

Union Immune under CDA Section 230 for Postings by Union Members to Union Bulletin Board

A labor union is immune from liability under Section 230 of the Communications Decency Act for postings by union members to a union bulletin board, where there was no showing that the members were acting on behalf of the union, a district court ruled. The court reiterated its prior ruling granting summary judgment in favor of the union on the plaintiff's defamation claims arising from the postings, noting that no principal-agent relationship existed between the union and the members who posted the content. The court found that the union "played no role in the creation" of the allegedly defamatory content.

Raggi v. Las Vegas Metropolitan Police Department, 2009 U.S. Dist. LEXIS 19984 (D. Nev. Mar. 10, 2009) Download PDF

Allegations That Consumer Critic Web Site Operator Actively Solicited and Encouraged Defamatory Content May Not Be Immunized under CDA Section 230

Allegations in a company's defamation complaint against a consumer complaint Web site are sufficient to survive scrutiny at the pleading stage, where the company alleged that the operator actively solicited defamatory content from third parties and directly encouraged the use of hyperbole and exaggeration to maximize the impact and marketability of user postings to its site, a district court ruled. The court concluded that the complaint alleged sufficient facts "to make it plausible" that operator and the other defendants were not completely immunized under Section 230 of the Communications Decency Act from liability for defamatory postings by third parties.

Certain Approval Programs, L.L.C. v. Xcentric Ventures L.L.C., 2009 U.S. Dist. LEXIS 22318 (D. Ariz. Mar. 9, 2009) Download PDF

Editor's Note: Xcentric Communications, operator of the Ripoff Report Web site, has been the subject of numerous rulings construing the CDA, most of them favorable to Xcentric. In another recent ruling involving Xcentric, a different judge in the District of Arizona ruled that Xcentric was required to disclose information on the identity of anonymous posters to its site. That ruling is more fully discussed in this post on the Proskauer New Media and Technology Law blog.

SPAM

U.S. Supreme Court Lets Stand Virginia Supreme Court Ruling Striking Down Anti-Spam Statute

In *Jaynes v. Commonwealth*, the Virginia Supreme Court ruled that the Virginia anti-spam statute, § 18.2-152.3:1 of the Virginia Computer Crimes Act, is unenforceable because it is unconstitutionally overbroad. The Virginia court reversed a conviction and nine-year sentence imposed under the statute. The U.S. Supreme Court denied the Commonwealth's petition for a writ of certiorari on March 30.

Jaynes v. Commonwealth, 666 S.E.2d 303 (Va. Sept. 12, 2008), cert. denied __ U.S. __ (Mar. 30, 2009) Download PDF

PRIVACY AND DATA SECURITY

Dismissal of Answer and Counterclaims Warranted Where Defendant Secretly Accessed Plaintiff's Attorney-Client E-Mail Communications

The extreme sanction of dismissal is warranted where a defendant accessed numerous attorney-client privileged e-mails of the plaintiff, submitted copies of those e-mails in court filings, and then refused to reveal the circumstances under which the e-mails had been obtained, the Court of Appeals for the Eleventh Circuit ruled. The litigation involved a dispute over the control of a Web site created by the defendant for the plaintiff, and the defendant's registration and retention of numerous domain names containing combinations of the plaintiff's name and trademarks. The appeals court concluded that the dismissal of the defendant's answer and counterclaims and the entry of a default judgment in favor of the plaintiff were warranted, because the defendant had been privy to confidential information that he could not unlearn and because his silence prevented an assessment of the extent of his unauthorized access to privileged communications. The court also deemed the sanctions to be warranted by the need to punish the defendant and the need to deter others.

Eagle Hospital Physicians, LLC v. SRG Consulting, Inc., 2009 U.S. App. LEXIS 5383 (11th Cir. Mar. 12, 2009)

Failure To Show Actual Damages Limits Award under Stored Communication Act for Employer Access to Employee Personal E-Mail

Statutory damages under the Stored Communications Act are not available unless the plaintiff makes a showing of actual damages flowing from the unlawful access, the Fourth Circuit ruled. The court vacated a jury award of $150,000 in statutory damages under the SCA, which was based upon an employer's repeated, unauthorized access to an employee's personal e-mail account. Relying on a "straightforward textual analysis," the court rejected the plaintiff's argument that the legislative history of the statute supported the conclusion that Congress intended to allow recovery for statutory damages in the absence of actual damages. The court upheld the award of punitive damages and attorney fees, however, concluding that the SCA does not require a showing of actual damages to support such an award.

Van Alstyne v. Electronic Scriptorium, Ltd, 2009 U.S. App. LEXIS 5548 (4th Cir. Mar. 18, 2009) Download PDF

Law Enforcement Access to Web Site via Informant with Administrator Access Did Not Constitute "Interception" under ECPA

The government's access to private sections of a Web site containing child pornography, via an informant with administrator access to the site, did not constitute an "interception" requiring a warrant under the Electronic Communications Privacy Act, the district court ruled. The court found that the administrator access enabled the government to see the public posts of members of various message boards on the site and record their IP addresses, and that the government did not obtain any private communications via the administrator access. Accordingly, the court rejected the defendant's argument that the government "takeover" of the Web site and the harvesting of information from it constituted "outrageous conduct," justifying the dismissal of the indictment charging the defendant with violations of child pornography laws.

U.S. v. Christie, 2009 U.S. Dist. LEXIS 21747 (Mar. 17, 2009) (unpublished) Download PDF

Disclosure of E-Mail Address in Violation of Privacy Policy Not Actionable under New York Law absent Actual Damages

Allegations that a customer's e-mail address was disclosed to third parties in violation of a bank's privacy policy do not state a cause of action under New York law where there was no allegation that the disclosure resulted in actual injury or damages, a district court ruled. The court found that the release of confidential information, specifically, an e-mail address, does not by itself constitute an injury sufficient to state a claim under New York law for breach of contract, breach of fiduciary duty, or violation of New York consumer law. The court also found that the customer's alleged concern that his confidential information might be misused at some future point was not an actionable injury. The court further rejected the argument that the alleged receipt of spam by the consumer as a result of the disclosure constituted sufficient injury to be actionable.

Cherny v. Emigrant Bank, 2009 U.S. Dist. Lexis 2486 (S.D.N.Y. Mar. 12, 2009) Download PDF

CONTRACTS

Forum Selection Provision in Online Clickwrap Agreement Enforced, Despite User's Inability To Recall Presentation of Agreement

A bare allegation that the user of a Web site never saw the site's terms and conditions is insufficient to overcome evidence that the site was designed to present the terms and conditions, and require a "click" on a button, before a user was permitted to proceed with a transaction, a district court ruled. In ruling that the site's forum selection provision was enforceable against the plaintiff user, the court rejected the user's suggestion that the terms and conditions were not presented to him at the time of his transaction and that some unknown party may have accessed the site on a shared computer and clicked past the terms and conditions before he used it to complete his transaction. The court also noted that even if the transaction had taken place as the user suggested, he would still be bound by the terms and conditions to which the unknown prior party assented, because the user's own evidence showed that the Web site pages contained a hyperlink leading to the terms and conditions, and stated that they were enforceable upon access to and use of the site. Therefore, the court found that the terms and conditions were enforceable as a "browsewrap" agreement.

Burcham v. Expedia, Inc., 209 U.S. Dist. LEXIS 17104 (E.D. Mo. Mar. 6, 2009) Download PDF

Editor's Note: This ruling is more fully discussed in this post on the New Media and Technology Law blog.

E-Mail Negotiations Failed To Establish IP License, Where No Royalty Rate Was Agreed

No enforceable contract to license patented technology was formed by an exchange of e-mails and other communications, where the parties never agreed upon a royalty rate for an exclusive license, a district court ruled. The court examined the e-mail exchanges and deposition testimony and concluded that the royalty rate was "an area of concern" between the parties upon which they had not agreed. The court also concluded that because the patented technology was "a unique product," the court could not supply a term based upon a market price. Similarly, the court rejected the plaintiff's promissory estoppel claim, because the e-mail relied upon by the plaintiff did not constitute "a clear and definite promise," as it did not establish the royalty rate for the license.

Tiger Team Technologies, Inc. v. Synesi Group, Inc., 2009 U.S. Dist. LEXIS 22224 (D. Minn. Mar. 18, 2009) Download PDF

JURISDICTION

Online Auction Listing Requiring Pickup of Vehicle in Forum State Justifies Exercise of Specific Jurisdiction

By submitting a bid in an online auction for an automobile required to be picked up in the forum state, and, in fact, taking delivery of the automobile there, the winning bidders availed themselves of the privilege of conducting activities within the forum state, a district court ruled. The court concluded that in a lawsuit brought by the sellers over the bidders' rescission of the purchase, specific jurisdiction properly could be exercised over the bidders. The court commented that in an online auto auction, a bidder presumably would note the vehicle's location, particular where the terms of the auction expressly stated that the winning bidder would be responsible for arranging and paying for delivery.

Attaway v. Omega, 2009 Ind. App. LEXIS 515 (Ind. Ct. App. Mar. 13, 2009) Download PDF

DEVELOPMENTS OF NOTE

Ninth Circuit Affirms Summary Judgment in Favor of FTC against "Get Rich Quick" Telemarketing Claims by Program Provider and Marketing Company

FTC v. Stefanchik (9th Cir. Mar. 13, 2009) Download PDF

EPIC Privacy Group Calls for FTC Investigation into Google Cloud Computing Privacy and Data Security Practices

This development is more fully discussed in this post on the Proskauer Privacy Law blog.

Facebook Communications with Witness Did Not Violate Federal Witness Tampering Statute, Where No Intent to Intimidate Was Shown

Maldonado v. Municipality of Barceloneta, 2009 U.S. Dist. 19842 (D. P.R. Mar. 11, 2009) Download PDF

District Court Finds "Vitriolic Comments" on Blogs Insufficient Basis for Change of Venue in Criminal Case

U.S. v. Agriprocessors, Inc., 2009 U.S. Dist. LEXIS 22297 (N.D. Iowa Mar. 18, 2009) Download PDF

Sixth Circuit Certifies Issue of Internet Applicability of Ohio "Harmful to Juveniles" Standard for Content to Ohio Supreme Court

American Booksellers Foundation for Free Expression v. Strickland, 2009 U.S. App. LEXIS 5750 (6th Cir. Mar. 19, 2009) Download PDF

Washington Law Prohibiting Electronic Communications with Minors for "Immoral Purposes" Not Unconstitutionally Overbroad

State of Washington v. Aljutily, 2009 Wash. Appl LEXIS 601 (Wash. Ct. App., Div. 3 Mar. 12, 2009) Download PDF

Application for Discovery of Alcohol Level Testing Device Source Code Denied Where State Official Lacked Possession, Custody or Control of Source Code

Patterson v. Commission of Public Safety, 2009 Minn. App. Unpub. LEXIS 263 (Minn. Ct. App. Mar. 17, 2009)

???Jeffrey D. Neuburger
Partner

???Robert E. Freeman
Partner

???Daryn A. Grossman
Partner