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Current Developments in Cyberspace

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CURRENT DEVELOPMENTS IN CYBERSPACE

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Intellectual Property Law and Practice
University of Baltimore School of Law
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My assignment this afternoon is to offer a survey of intellectual property issues in Cyberspace. We have already had an excellent presentation on business method patents and a spirited discussion of the *Napster* case,¹ so I will not spend much time on those issues, except perhaps where they illuminate other contemporary controversies. Rather, I want to focus today on a handful of patent, trademark and copyright cases that – like *Napster* – will determine much of the legal environment in which the new digital economy must exist. Let me begin with some patent cases.

By far the most dramatic is the patent infringement lawsuit that British Telecom (“BT”) brought against Prodigy last December in the Southern District of New York.² BT claims nothing less than an enforceable patent on the very essence of the World Wide Web – the “hyperlink.” Few commentators take the BT claim seriously;³ but if it should prove its case in court, the British Empire could rise again.

BT is relying on a U.S. patent issued in 1989, the so-called ‘662 patent, entitled “Information Handling System and Terminal Apparatus Therefor.” In its complaint, BT describes the patent’s claims in tactical language as follows:

The ‘662 patent is directed to, for example, an information handling system including, *e.g.*, a digital information storage, retrieval and display system, such as used for the interconnection between the Internet, the World Wide Web and user terminals. The ‘662 patent also relates to a system wherein blocks of information comprise a first portion, for display, and a second portion, not for display, such as seen today with the use of hidden page technology, or “hyperlinks.”⁴

¹ *A&M Records v. Napster*, 239 F.3d 1004 (9th Cir. 2001) (affirming the district court’s preliminary injunction against the defendant, but remanding for modification of its terms).

² Complaint, *British Telecommunications v. Prodigy Communications Corp.* (S.D.N.Y. 2000) (No. 00-CIV-), available at http://www.techlawjournal.com/courts2000/bt_prodigy/2000121300M.asp (last visited July 17, 2001) (challenging United States Letters Patent No. 4,873,662, issued Oct. 10, 1989) [hereinafter *British Telecom Complaint*].

³ See, *e.g.*, Tim Richardson, *BT Invented Hyperlinks Shock*, THE REGISTER, <http://www.theregister.co.uk/content/archive/11476.html> (posted June 20, 2000).

⁴ *British Telecom Complaint*, *supra* note 2, at ¶ 5 (No. 00-CIV-).

In describing the alleged infringement, BT's complaint asserts that Prodigy, the pioneering on-line information service, now primarily Internet service provider,

...has engaged in providing users with various Internet-related services including dial-up access to the World Wide Web. Prodigy's Internet services infringe the technology covered by the '662 patent. Specifically, defendant's Internet services include a web server which stores plural blocks of information, i.e., web pages, at locations of a storage medium, such as a disk. These web pages contain both a displayed portion (what is seen on the screen) and an undisplayed portion with hidden information that is not seen by the user. The hidden information includes, e.g., addresses associated with the displayed portion. Users of Prodigy's Internet services select certain displayed data, e.g., a hyperlink, and the hidden information containing the address corresponding to the selected hyperlink causes the web page indicated by that address to be displayed to the user.⁵

Of course, if Prodigy has infringed this patent, so, indeed, have we all. Dan Iannotti, legal counsel for Prodigy, said at the time of the filing,

This week's lawsuit filed by British Telecommunications against Prodigy Communications threatens how consumers connect to and maneuver on the Internet. This lawsuit is a blatant and shameless attempt by BT to capitalize on the initiative and success of Prodigy and other pioneers of the Internet. BT's groundless claims have the dangerous potential of stifling those who are truly innovative in this field...

Given that Prodigy was the first commercial Internet service provider in the United States, it is no surprise that British Telecommunications would single us out for this lawsuit. Prodigy intends to vigorously defend this lawsuit and protect the Internet experience that consumers enjoy today. We expect our fellow Internet service providers and other companies using the Internet to join us in this challenge.⁶

Anyway, among the cases to watch, this one is certainly the most consequential – even if generally considered least likely to succeed. I would certainly defer to Professor Fryer and the many patent law experts here on that point.

⁵ *Id.* at ¶ 7.

⁶ *Patent Infringement Suits Lay Claims to Hyperlinking Technology*, TECHLAWJOURNAL (Dec. 21, 2000), at <http://www.techlawjournal.com/intelpro/20001221.asp>.

Another closely watched Internet patent case – *Amazon.com v. barnesandnoble.com*⁷ – moved a step forward just 10 days ago when the Federal Circuit reversed the Western District of Washington and vacated its preliminary injunction against barnesandnoble.com’s (“BN”) use of a merchandise ordering system it calls “Express Lane.”⁸ The District Court had found that Amazon demonstrated a likelihood that BN infringed Amazon’s patent on a single-action ordering system that it calls “One Click.”⁹

Amazon had been roundly excoriated by many (may I say) Netizens for pressing its claim to a technique that struck most of us as morally, if not legally, obvious. But the District Court held that BN’s “Express Lane” probably infringed Amazon’s “One Click” patent and that BN’s prior art references were unlikely to undermine the patent’s validity.¹⁰ The Federal Circuit agreed on infringement, but – by the lesser standard required for a preliminary injunction – held that BN cast enough doubt on the patent’s validity to avoid injunctive relief at this stage.¹¹

Two observations. First, judging from the preliminary decisions, this case will be decided on conventional patent law grounds – having little or nothing to do with the uniqueness of Cyberspace. The importance of the outcome is directly proportional to the growth of electronic retailing (which is somewhat in doubt), but the decision seems unlikely to break any new legal ground.

The second observation is, I think, more important. The public outcry against Amazon for pressing its claim against BN was every bit as vigorous – if not nearly so broadly based – as the public defense of Napster. Many Internet users perceived Amazon as morally wrong, even if legally right, and forced CEO Jeff Bezos to call for reforming the law as to business method patents. “I now believe it’s possible that the current rules governing business method and software patents could end up harming all of us -- including Amazon.com and its many shareholders, the folks to whom I have a strong responsibility, not only ethical, but legal and fiduciary as well.”¹² Amazon may yet win its patent case; the recording industry will certainly win its copyright cases. But the times, they are a changin’. And sooner or later, the law will follow.

A good segue from patent to copyright law is the suit brought by ACTV against Disney in December.¹³ The suit alleges that the Enhanced TV,

⁷ 239 F.3d 1343 (Fed. Cir. 2001).

⁸ *Id.* at 1343.

⁹ *Id.* at 1347.

¹⁰ *Id.*

¹¹ *Id.*

¹² Jeff Bezos, *An Open Letter from Jeff Bezos on the Subject of Patents*, at <http://www.amazon.com/exec/obidos/subst/misc/patents.html/102-777847-1804154> (last visited June 17, 2001).

¹³ Complaint, ACTV, Inc. v. Walt Disney Co. (S.D.N.Y. 2000) (No. 00-CIV-9622), available at http://techlawjournal.com/courts2000/actv_disney/20001220.com.asp (last visited July 11, 2001).

or ETV system, offered by ABC and ESPN in connection with their broadcast of ABC's *Monday Night Football* and *Who Wants to Be a Millionaire* and ESPN's *Sunday Night Football* infringes upon three ACTV patents.¹⁴ The technology in question is designed to enhance television, radio and other audio-visual programming with an array of synchronous and asynchronous Internet-based features, including supplemental information and interactive viewer response devices.¹⁵

It is doubtless that the outcome of this case, filed in Manhattan, will turn on conventional factors; the importance of this case, it seems to me, lies in calling attention to a newly emerging Internet-based industry that will keep our intellectual property students employed well into the unforeseeable future. For the moment, though, the action lies in copyright, not patent law, and enhanced TV services are more often the quarry than the pursuer.

Last June, for example, members of the Motion Picture Association of America filed a complaint against RecordTV.com alleging that the startup was redistributing its members' TV programming on the web.¹⁶ Indeed, RecordTV calls itself a "virtual Internet VCR" which "provides a simple and convenient way of watching a TV show whenever and wherever the viewer wants to watch it."¹⁷ Viewers sign up for the service, enter the programming they wish to record, and then view it later on their PCs.

Sound familiar? While the case is still in its infancy, the company is clearly relying on *Sony v. Universal Studios*' "time-shifting" defense,¹⁸ notwithstanding the failure of that defense to keep My.MP3.com from paying millions in royalties to the recording industry¹⁹ or, possibly, to keep Napster in business.²⁰ Both the legal issues and the underlying technology are somewhat different from either *MP3* or *Napster*, of course, and predicting the outcome today would be foolhardy.

Like both Napster and MP3.com, however, RecordTV sees the real answer in a new business model. Last August, the company issued a call for

¹⁴ *Id.* at ¶ 13 (U.S. Patent No. 5,778,181), ¶ 20 (U.S. Patent No. 5,774,664), ¶ 26 (U.S. Patent No. 6,018,768).

¹⁵ *Id.* at ¶ 6.

¹⁶ Complaint, *Metro-Goldwyn-Mayer Studios, Inc. v. RecordTV.com* (C.D. Cal. 2000), available at <http://www.mpa.org/press> (last visited July 11, 2001).

¹⁷ Press Release, *RecordTV.com Speaks out at "Herring on Hollywood," Court TV* (Aug. 5, 2000), at <http://www.recordtv.com/pressrelease1.htm> [hereinafter RecordTV Press Release].

¹⁸ *Id.* (referring to *Sony Corp. of Am. v. Universal Studios, Inc.*, 464 U.S. 417 (1984)).

¹⁹ See, e.g., *MP3.com, Universal in \$53.4M Settlement*, USA TODAY, Nov. 14, 2000, available at <http://www.usatoday.com/life/cyber/tech/review/crh705.htm>.

²⁰ *A&M Records*, 239 F.3d at 1019.

We conclude that the district court did not err when it refused to apply the "shifting" analyses of *Sony* and *Diamond*. Both *Diamond* and *Sony* are inapposite because the methods of shifting in these cases did not also simultaneously involve distribution of the copyrighted material to the general public; the time or space-shifting of copyrighted material exposed the material only to the original user.

Id.

the TV industry to “sit down with us and find a common solution,” declaring, “We are NOT the enemy!”²¹

This may be the first of these digital television cases, but the threat goes back to 1999, when Time Warner, Walt Disney Co., News Corp., Discovery Communications and CBS formed the Advanced Television Copyright Coalition (ATCC) to protect content owners and broadcasters from the makers of so-called personal television services like TiVo and Replay.²² Of course, you will not be the least surprised to learn that these very same media giants have financed both digital VCR manufacturers.²³ Stay tuned.

Not all the new Internet-related copyright cases involve cutting edge technology. The Supreme Court is about to hear oral arguments in *Tasini v. New York Times*, a case from the Second Circuit which – reversing the District Court²⁴ – held that publishers may not put the work of freelance contributors into electronic databases without explicit permission.²⁵ In a rare, if Pyrrhic victory, for individual authors, the Second Circuit held that the privileges granted to the creators of collective works – particularly the privilege to revise the work – do not extend to breaking up the collective work and separately distributing its component articles.²⁶

Even if the freelancers win, the victory will have little future significance. As a former publisher myself, I can tell you that this is a buyer’s market, and no freelance contract written today omits the acquisition of electronic rights. Retroactively, however, a freelance victory has the potential for a lot of mischief. Just imagine *The New York Times* trying to identify all of the freelancers whose articles remain in dusty old databases and calculate how much each is owed.

To deal with that problem, the National Writers Union has founded the Publication Rights Clearinghouse (PRC), a transaction-based licensing system for freelance writers.²⁷ Similar to BMI and ASCAP that facilitate royalty payments to song writers and musicians, the PRC would ensure that companies have the legal right to use a writer's work and that the writer is fairly compensated for this use.²⁸

²¹ RecordTV Press Release, *supra* note 16.

²² Leander Kahney, *TV Execs Protect Their Turf*, WIRED NEWS, Aug. 12, 1999, at <http://www.wired.com/news/print/0,1294,21247,00.html>. See also <http://www.tivo.com> and <http://www.replay.com>.

²³ See, e.g., Press Release, *Time Warner Cable Chooses ReplayTV, Inc. for First Personal TV Trial* (July 18, 2000), at <http://www.replay.com/company/pressreleases/pressr071800.htm>; Press Release, *TiVo Expands Strategic Relationship with AOL Time Warner* (Jan. 31, 2001), at http://www.tivo.com/flash.asp?page=tivoinc_business.

²⁴ 972 F. Supp. 804 (S.D.N.Y. 1997).

²⁵ 206 F.3d 161 (2d Cir. 1999), *cert. granted*, 121 S. Ct. 425 (2000), *aff'd* 2001 U.S. LEXIS 4667 (U.S. June 25, 2001).

²⁶ *Id.* at 167-69.

²⁷ See *About the Publication Rights Clearinghouse*, at <http://www.nwu.org/prc/prcabout.htm> (last modified Feb. 24, 2001).

²⁸ *Id.*

The *Tasini* outcome may well determine the results of lawsuits brought by freelance photographers against *National Geographic*, which reproduced their work on a CD-ROM.²⁹ Following the District Court in *Tasini*, the Greenberg court granted summary judgment to the defendants. Even if the Supreme Court sides with the freelancers, however, one difference could be dispositive. The *National Geographic* CD-ROM preserves the visual appearance of the magazine.³⁰

Also awaiting Supreme Court action is another putative class-action version of *Tasini* itself, now pending in the Southern District of New York.³¹

A similar case brought by musicians against Time Warner and other record companies for putting their performances on a web site was dismissed by the Southern District of New York last December on the ground that, unlike *Tasini*, the musicians had assigned their copyrights in digital recordings to the record companies.³²

Of course, we can't fully cover pending copyright cases without looking at litigation brought under the Digital Millennium Copyright Act.³³ Of local interest is this month's Fourth Circuit decision in *ALS Scan v. RemarQ Communities*,³⁴ partly overturning the district court's interpretation of the law's "safe harbor" provisions for Internet service providers.³⁵ The issue was the degree of specificity required to trigger the act's "notice and takedown" requirements. The Fourth Circuit held that it was sufficient to specify a newsgroup dedicated to carrying bootleg photographs owned by ALS, rather than each infringing file.³⁶ Without the safe harbor, the case could now go to trial on a contributory infringement theory.³⁷

Even more controversial than the safe harbor are the anti-circumvention provisions of the DMCA.³⁸ These provisions, of course, criminalize the trafficking in software designed to defeat technical measures that copyright owners use to control access or copying of their intellectual property.³⁹ Last fall, the Southern District of New York upheld those provisions against a First Amendment assault in a case involving decryption

²⁹ Greenberg v. Nat'l Geographic Soc'y, 1998 U.S. Dist. LEXIS 18060 (S.D. Fla. May 14, 1998), *rev'd* 244 F.3d 1267 (11th Cir. 2001).

³⁰ *Id.* at *9.

³¹ In re Literary Works in Electronic Databases Copyright Litigation, 2001 U.S. Dist. LEXIS 2047 (S.D.N.Y. Feb. 27, 2001) (staying further action in three consolidated class action cases pending Supreme Court review in *Tasini*). See also Charles S. Sims and Matthew J. Morris, *Tasini and Archival Electronic Publication Rights of Newspapers and Magazines*, COMMUNICATIONS LAWYER, Winter 2001, at 9.

³² Chambers v. Time Warner, Inc., 123 F. Supp. 2d 198, 202 (S.D.N.Y. 2000).

³³ Digital Millennium Copyright Act (DMCA), Pub. L. No. 105-304, 112 Stat. 2860 (codified as amended in scattered sections of 17 U.S.C.).

³⁴ 239 F.3d 619 (4th Cir. 2001).

³⁵ DMCA, *supra* note 32, at § 202(a), 112 Stat. at 2877 (codified at 17 U.S.C. § 512).

³⁶ *ALS Scan*, 239 F.3d at 625.

³⁷ *Id.* at 626.

³⁸ DMCA, *supra* note 32, at § 103, 112 Stat. at 2863-76 (codified at 17 U.S.C. §§ 1201-05).

³⁹ *Id.*

software for DVDs.⁴⁰ Since this DeCSS software was widely available on the Internet, the court enjoined defendants, not only from posting it, but also from linking to any other site containing the software.⁴¹

The issue is now before the Second Circuit as *Universal City Studios v. Corley*, and again the First Amendment will be the battle ground. The argument goes like this:

The DMCA's anti-device provisions are not a valid exercise of any of Congress' enumerated powers. They prohibit devices without regard for originality, duration of copyright, or infringement of copyright in the underlying, technologically-protected work; therefore, they are not a valid exercise of the intellectual property power. Nor are they a lawful exercise of the necessary and proper power or the commerce power, because they contravene specific limits on Congress' power under the Intellectual Property Clause. As a separate ground for invalidity, the anti-device provisions also violate limits on the scope of copyright protection required by the First Amendment, said to include fair use, fact/expression dichotomy, and first-sale doctrine.⁴² Oral arguments are expected in April.

So far, the First Amendment arguments have consistently failed, and they may fail again in the Second Circuit. But one of these days the industry and their lobbyists will over-reach, and the pendulum will swing back the other way. One of these days, some court will recognize that intellectual property protection is a privilege, a *quid pro quo* for the public benefit, and when Congress passes a copyright law that restricts freedom of speech, the public interest must be substantial.

I want to conclude with a few remarks on trademark litigation in Cyberspace. As you probably know, the trademark issue arises primarily with respect to domain names and, to a lesser degree, metatags and other navigational aids. The 1999 Anticybersquatting Consumer Protection Act⁴³ has spawned an explosion of litigation, and the *National Law Journal* reported this month that some 700 cases have been filed in federal courts in the past six months.⁴⁴ What makes this all the more remarkable is the fact that alternative dispute resolution mechanisms are readily available, and are being used, through several ADR service providers.⁴⁵

⁴⁰ *Universal City Studios v. Reimerdes*, 111 F. Supp. 2d 294 (S.D.N.Y. 2000).

⁴¹ *Id.* at 346-47.

⁴² See generally Brief Amicus Curiae of Intellectual Property Law Professors In Support of Defendants-Appellants, Supporting Reversal, *Universal City Studios v. Corley* (2d Cir. 2001) (No. 00-9185), available at <http://www.law.georgetown.edu/faculty/jec/2600ipprofsamicus.htm> (last visited April 2, 2001).

⁴³ Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, §§ 3001-10, 113 Stat. 1501A-545, 545-52 (1999) (codified at 15 U.S.C. 1125(d)).

⁴⁴ Darryl Van Duch, *Cybersquatter Litigation Boom*, NAT'L L.J., Feb. 26, 2001 at B1 (Col. 4), also available at <http://www.law.com/cgi-bin/gx.cgi/AppLog>.

⁴⁵ See ICANN Uniform Domain-Name Dispute-Resolution Policy, at <http://www.icann.org/udrp/udrp.htm> (last visited June 17, 2001).

With all of that litigation, the law in this area is rapidly becoming settled. The cases break down into roughly three categories:

(1) Disputes over which of two commercial parties, both acting in good faith, is entitled to the domain name. If the case goes to court, infringement claims seem to be turning on the issue of “confusion”⁴⁶ and dilution claims on “famousness” and/or “commercial use.”⁴⁷ Sometimes the parties compromise on a web page that directs consumers to both of their sites.⁴⁸

(2) Disputes involving a trademark holder’s claim to a domain name held by someone without a colorable right to use it. Where “bad faith” can be shown, the trademark holder can win statutory damages under ACPA.⁴⁹ If personal jurisdiction is not available, the holder can bring an action *in rem*, but will only receive injunctive relief.⁵⁰ There is some lingering doubt as to whether bad faith is even required in *in rem* actions – the result of poor drafting. Last year the Eastern District of Virginia said in *Harrods Ltd. v. Sixty Internet Domain Names*⁵¹ that it was and the issue is now before the Fourth Circuit.

(3) Finally, there are disputes involving a trademark holder and a party looking to criticize or parody the holder. The various “companysucks.com” sites fall into this category, and most such uses have been held protected by the First Amendment.⁵² A parody defense seems to work where the site at once conveys the contradictory messages that it is and is not what it purports to be.⁵³ The trickiest cases are those which set out to mislead consumers, like the anti-abortion *plannedparenthood.com* site.⁵⁴ In that case, the court held that the First Amendment will protect a communicative message, but not mere identification of origin in violation of trademark rights.⁵⁵

⁴⁶ See, e.g., *Brookfield Communications, Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036 (9th Cir. 1999).

⁴⁷ See, e.g., *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868 (9th Cir. 1999).

⁴⁸ See, e.g., <http://www.scrabble.com> (last visited April 2, 2001).

⁴⁹ 15 U.S.C.A. §§ 1117(d), 1125(d)(1)(A)(i) (2001).

⁵⁰ 15 U.S.C.A. § 1125(d)(2)(D)(i) (2001).

⁵¹ 110 F. Supp. 2d 420, 427 (2000).

⁵² See, e.g., *Bally Total Fitness Holding Corp. v. Faber*, 29 F. Supp. 2d 1161 (C.D. Cal. 1998).

⁵³ See, e.g., *Hormel Food Corp. v. Jim Henson Productions*, 73 F.3d 497, 503 (2d Cir. 1996).

⁵⁴ *Planned Parenthood Fed’n of Am. v. Bucci*, 1997 U.S. Dist. LEXIS 3338 (S.D.N.Y. March 24, 1997).

⁵⁵ *Id.* at *35.

While one can occasionally find cases that were, arguably, wrongly decided, the law here seems to be evolving rather well. I do not expect any major surprises from any pending cases in this area.

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