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Letter from the Editor

One of the challenges of assembling an intellectual property newsletter is that it is all too easy to lose track of local issues when so much of the law is national in nature. The larger journals, reviews, and blogs may provide excellent coverage of the national scene, but the need to focus on a large audience may prevent them from providing state-level coverage. We think OIPN should fill that gap, providing coverage of legal developments relevant to Oregon intellectual property practitioners.

Sometimes we get a little help when national developments show up close to home. For example, this summer yielded a milestone trademark infringement judgment from a Portland jury in *Adidas America, Inc. v. Payless Shoesource, Inc.* Further, the Court of Appeals for the Federal Circuit recently held that the conditions of an open-source license can be enforced under copyright law in a dispute involving Portland-based KAM Industries. We discuss this case, *Jacobsen v. Katzen*, in more detail in this issue. Finally, we are happy to report that Oregon ranked third out the top 25 states based on patents granted per capita according to the Intellectual Property Owners Association.

Exciting times in our community! However, we still need the help of our practitioners in generating content, especially Oregon-focused content. If you would like to contribute or know of someone who is interested in contributing, please contact our submissions editors, Milos Bosanac and Lay-Ping Tran. We look forward to hearing from you.

Enjoy the issue!

– Adrian

Statutory Uncertainty at Both Ends of a Copyright Infringement Case

Dr. Shawn Kolitch
Kolisch Hartwell, P.C.

LC Law '06

I. Introduction

The Copyright Act provides that for a work created after January 1, 1978, the copyright in a work “subsists from its creation.”¹ However, the Act also provides that, with some exceptions, a party cannot instigate an action for copyright infringement before “registration of the copyright claim has been made in accordance with this title.”² In other words, copyright exists upon creation of a work, but cannot be enforced by the copyright owner without registration with the United States Copyright Office. Although seemingly clear at first glance, this statutory language leaves open the important question of what exactly constitutes sufficient “registration of the copyright claim” to confer federal subject matter jurisdiction. Part II of this article addresses this question, and reveals that the federal courts, including district courts within the Ninth Circuit, have provided at least two inconsistent descriptions of the actions necessary before a copyright owner can institute an infringement action.

At the other end of a copyright case, a copyright owner who has prevailed on a claim of infringement is entitled to actual damages, any additional profits of the infringer resulting from infringement, costs, and attorney’s fees.³ As an alternative to actual damages and wrongful profits, the copyright owner may instead elect to receive statutory damages, which the court may increase if the infringement was committed willfully.⁴ However, neither statutory damages nor attorney’s fees are available unless the work was registered in a timely manner.⁵ Part III of this article addresses the question of whether a copyright owner may properly allege willful copyright infringement even when statutory damages are unavailable, and what benefits such an allegation could have. Although the Ninth Circuit does not appear to have addressed this issue, logic suggests that an allegation of willful infringement is both permissible and potentially useful, even when statutory damages are precluded.

II. What Constitutes Sufficient “Registration” to Initiate a Copyright Infringement Claim?

A. *One Registered Work is Probably Sufficient in the Ninth Circuit*

The Copyright Act provides that, for most works, an action for copyright infringement cannot be instituted “until pre-registration or registration of the copyright claim has been made in accordance with this title.”⁶ As a threshold matter, this gives rise to the question of whether all, or merely some, of the copyrighted works at issue must be registered. In *Perfect 10, Inc. v. Amazon.com, Inc.*,⁷ the Ninth Circuit seems to have answered this question by stating that a single registered claim confers federal subject matter jurisdiction over both registered and unregistered claims.

Specifically, the Court in *Perfect 10* found jurisdiction over a preliminary injunction despite the fact that the injunction covered unregistered works, stating that “[o]nce a court has jurisdiction over an action for copyright infringement under section 411, the court may grant injunctive relief to restrain infringement of any copyright, whether registered or unregistered.”⁸ More generally, the Court stated that when “at least some of the [plaintiff’s] images at issue were registered, the district court did not err in determining that it could issue an order that covers unregistered works.”⁹ Accordingly, if a plaintiff has obtained a registration certificate for at least one of their allegedly infringed works, they may file infringement claims for all of their disputed works in the Ninth Circuit, and a district court may properly assert subject matter jurisdiction based on a single registration. Under the holding of *Perfect 10*, the court then may issue orders covering both the registered and the unregistered works.¹⁰

B. *Can an Application for Copyright Registration Confer Jurisdiction?*

The language of the Copyright Act also leaves open the question of whether a court may properly view a work as “registered” for purposes of asserting jurisdiction based on a pending copyright application rather than an issued registration certificate. The federal courts,

including courts within the Ninth Circuit, are split on this question, and the Ninth Circuit itself has yet to reach the issue beyond mere *dicta*.¹¹

On one hand, many courts within and outside this Circuit have held that a pending copyright application is sufficient to confer federal subject matter jurisdiction.¹² On the other hand, many other courts have held that actual issuance of a registration certificate is necessary before jurisdiction attaches.¹³ According to these latter courts, an infringement suit may not be filed until the plaintiff has actually received or been denied a registration certificate.

In light of the split among the federal courts, copyright treatises are similarly split on the issue. As mentioned by the court in *Prunte v. Universal Music Group*,¹⁴ the leading treatise on copyright law recommends that a completed and submitted application be considered sufficient to confer jurisdiction, stating that “it makes sense under the 1976 Act to refer to *application for registration* as a condition to filing an infringement action.”¹⁵ In contrast, another popular treatise states that “[w]here a plaintiff has not obtained a certificate of registration (or a rejection), the court must dismiss the complaint without prejudice, with leave to refile upon receipt of the registration.”¹⁶

Common sense and the plain language of the Copyright Act argue strongly that application for registration should be sufficient to confer subject matter jurisdiction. Section 411 of the Act provides federal subject matter jurisdiction over an infringement action even if the Copyright Office refuses registration of a claim. Because subject matter jurisdiction is conferred whether or not the Copyright Office ultimately issues a certificate, imposing an extra jurisdictional waiting period beyond the date of a completed application serves no apparent purpose. In addition, the Act states that “[t]he effective date of a copyright registration is the day on which an application, deposit, and fee, which are later determined by the Register of Copyrights or by a court of competent jurisdiction to be acceptable for registration, have all been received in the Copyright Office.”¹⁷ Thus, the section 411 jurisdictional requirement that “registration of the copyright claim has been made” would seem to be met as soon as a complete application is received by the Copyright Office. In any case, until the Ninth Circuit addresses the issue, plaintiffs will risk having their claims dismissed unless

they obtain at least one actual registration certificate prior to filing a lawsuit.

III. Can Willful Copyright Infringement be Alleged Even When Statutory Damages are Precluded?

A plaintiff who has prevailed on a claim of copyright infringement is entitled to damages, including at least their actual damages plus any additional wrongful profits of the infringer.¹⁸ Alternatively, the copyright owner may elect to receive statutory damages of between \$750 and \$30,000 per infringed work, which the court may increase to as much as \$150,000 per work if it finds that the infringement was committed willfully.¹⁹ Attorney’s fees and costs also may be available, subject to the court’s discretion.²⁰ However, neither statutory damages nor attorney’s fees are available for infringement of an unpublished work unless the work was registered before the infringement commenced, nor for infringement of a published work unless the work was registered within three months following its first publication.²¹ This raises the question of whether willful copyright infringement may be alleged even when statutory damages are not available, and whether such an allegation would serve any useful purpose in litigation.

A plaintiff has strong arguments that an allegation of willful infringement is proper even when statutory damages are precluded by statute. In general, a court may not dismiss a claim that has shown “enough facts to state a claim for relief that is plausible on its face.”²² Thus, if enough facts can be averred to plausibly indicate willful copyright infringement that would entitle a plaintiff to some relief, that claim may not properly be dismissed. As described below, although the issue has apparently not been reached in the Ninth Circuit, the language of the Copyright Act indicates that willful copyright infringement can properly form the basis for an award of actual damages and wrongful profits.

The Act states that an infringer is liable for either “the copyright owner’s actual damages and any additional profits of the infringer . . . ; or statutory damages.”²³ However, the copyright owner is never compelled to seek statutory damages when they are available, but merely “may elect . . . an award of statutory damages.”²⁴ If statutory damages are elected and the infringement was also committed willfully, then “the court in its discretion may increase the award of statutory damages.”²⁵ Nothing

in this language precludes alleging willful copyright infringement as the basis for an award of actual damages and wrongful profits. In other words, although a finding of willfulness is necessary to increase an award of statutory damages, not all findings of willfulness must lead to any statutory damages at all, because a plaintiff always may elect an award of actual damages and the infringer's wrongful profits instead. Purely as a matter of logic, this demonstrates that statutory damages need not be available to allege willfulness.²⁶

Furthermore, no apparent authority would preclude a plaintiff from simultaneously pursuing their actual damages and an infringer's wrongful profits under the alternate theories of copyright infringement and willful copyright infringement. A proper pleading "may include relief in the alternative or different types of relief,"²⁷ and plaintiffs generally are permitted to plead in the alternative even if some or all of the alternative claims allow for the same scope of relief.²⁸ Thus, a plaintiff is entitled to seek their actual damages and the infringer's wrongful profits under all available theories. Even when statutory damages are precluded, the available theories include both copyright infringement and willful copyright infringement.

Finally, the relief available to a plaintiff in the Ninth Circuit may not in fact be identical under claims of copyright infringement and willful copyright infringement, because the defense of laches is eliminated by a finding of willful copyright infringement.²⁹ Thus, assuming that a defendant was to assert a laches defense that would be successful but for a finding of willfulness, the plaintiff could theoretically obtain relief only under a claim of willful copyright infringement. Of course, a willfulness finding also would be a strong indicator of the defendant's bad faith, which could affect the outcome of a case in a multitude of more indirect ways.

IV. CONCLUSION

Due to some ambiguity in the language of the Copyright Act, legal uncertainty exists at both ends of a copyright infringement case. At the beginning of a case, the federal courts are split on the question of whether a plaintiff must obtain a federal registration certificate for all—or even any—of their asserted works before filing a lawsuit. As a result, a plaintiff would be safest to obtain registration certificates for all of their works before filing the suit, although the recent *Perfect 10* holding indicates

that this is likely not necessary in the Ninth Circuit. At the end of a case, the Copyright Act precludes statutory damages under certain circumstances, but does not preclude a finding of willful infringement when statutory damages are unavailable. Because a finding of willfulness can serve useful purposes in litigation other than the enhancement of statutory damages, a plaintiff should consider alleging willful infringement when the facts warrant it, regardless of the availability of statutory damages.

Endnotes

- 1 17 U.S.C. § 302(a) (2005).
- 2 *Id.* § 411(a).
- 3 *Id.* §§ 504(b), 505.
- 4 *Id.* § 504(c)(1)-(2).
- 5 *Id.* § 412(1)-(2).
- 6 *Id.* § 411(a).
- 7 *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007).
- 8 *Id.* at 1154, n.1.
- 9 *Id.*
- 10 *Id.*
- 11 The Ninth Circuit has stated in dictum that a court can entertain a copyright case even though no registration or denial has occurred, so long as a properly filed application is pending before the Copyright Office. See *L'Anza Research Int'l, Inc. v. Quality King Distributors, Inc.*, 98 F.3d 1109, 1119 (CA9 1996), vacated on other grounds, 143 F.3d 525 (CA9 1998). Interestingly, Judge Kozinski, when he was sitting on the Court of Claims earlier in his career, came out the other way. See *International Trade Mgmt, Inc. v. United States*, 553 F. Supp. 402, 403 (Cl. Ct. 1982) (J., Kozinski). Other courts within the Ninth Circuit and other federal circuit courts take a variety of approaches to this issue. Further, the Ninth Circuit did address the issue with respect to the Copyright Act of 1909, which used slightly different language to describe the jurisdictional requirement. In *Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106 (9th Cir. 1970), the Ninth Circuit held that subject matter jurisdiction attached "when plaintiff placed the [copyright] applications in the mail." *Id.* at 1108.
- 12 See e.g. *In re Napster, Inc. Copyright Litigation*, 191 F.Supp.2d 1087, 1101 (N.D. Cal. 2002) ("works with pending registrations will be given the benefit of the presumption of ownership."); *Dielsi v. Falk*, 916 F.Supp. 985, 994, n. 6 (C.D. Cal. 1996) ("Plaintiff can satisfy the § 411(a) requirement by merely filing an application for registration with the Copyright Office."); *Gable-Leigh, Inc. v. North American Miss*, 2001 WL 521695, *4 (C.D. Cal. 2001) ("The 'registration requirement' set forth in § 411, however, may be satisfied by adducing evidence that plaintiff has deposited the work in question and paid the registration fee"); *Apple Barrel Productions, Inc. v. Beard*, 730 F.2d 384, 386-87 (5th Cir. 1984) ("In order to bring suit for copyright infringement, it is not necessary to prove possession of a registration certificate. One need only prove payment of the required fee, deposit of the work in question, and receipt by the Copyright Office of a registration application."); *Prunte v. Universal Music Group*, 484 F.Supp.2d 32, 39-40 (D.D.C. 2007) ("This Court joins Judge Kennedy, the leading copyright treatise,

- and those courts that have held that an infringement suit may be brought when a copyright application is completed and submitted to the United States Copyright Office.”).
- 13 See e.g. *Just Water Heaters, Inc. v. Affordable Water Heaters & Plumbing, Inc.*, 2006 WL 449136, at *2 (N.D. Cal. Feb. 23, 2006) (“A Court does not have jurisdiction over a copyright claim until the copyright has been registered”); *Haan Crafts Corp. v. Craft Masters, Inc.*, 683 F.Supp. 1234, 1242 (N.D. Ind. 1988) (“[A] lawsuit for copyright infringement cannot be filed unless plaintiff has a registered copyright”); *Demetriades v. Kaufmann*, 680 F.Supp. 658, 661 (S.D.N.Y. 1988) (“Receipt of an actual certificate of registration or denial of same is a jurisdictional requirement, and this court cannot prejudice the determination to be made by the Copyright Office.”); *Quincy Cablesystems, Inc. v. Sully’s Bar, Inc.*, 650 F.Supp. 838, 850 (D. Mass. 1986) (“Copyright registration under § 411(a) is a condition precedent to filing an infringement action.”); *Wales Industrial, Inc. v. Hasbro Bradley, Inc.*, 612 F.Supp. 510, 515 (S.D.N.Y. 1985) (“Registration of a copyright claim is a jurisdictional prerequisite to a suit for infringement.”); *Int’l Trade Mgmt., Inc. v. United States*, 553 F.Supp. 402, 403 (Ct. Cl. 1982) (“A suit for copyright infringement is conditioned on obtaining (or being denied) a certificate of registration.”).
- 14 *Supra* n. 12.
- 15 *2 Nimmer on Copyright* § 7.16[B][1][a][i] (2008) (emphasis in original).
- 16 *5 Patry on Copyright* § 17:84 (2008).
- 17 17 U.S.C. § 410.
- 18 *Id.* § 504(b).
- 19 *Id.* § 504(c)(1)-(2).
- 20 *Id.* § 505.
- 21 *Id.* § 412(1)-(2).
- 22 *Johnson v. Riverside Healthcare System, LP*, 534 F.3d 1116, 1122 (9th Cir. 2008) (quoting *Bell Atl. Corp. v. Twombly*, 127 S.Ct. 1955, 1974 (2007)).
- 23 17 U.S.C. § 504(a)-(c).
- 24 *Id.* § 504(c)(1).
- 25 *Id.* § 504(c)(2).
- 26 The argument to the contrary would be an example of the well-known logical fallacy of “denying the antecedent,” in which a statement of the form “if P, then Q” is used to reach the false conclusion that “if not P, then not Q.” See e.g. Malcolm Murray & Nebojsa Kujundzic, *Critical Reflection: A Textbook for Critical Thinking* 294 (McGill-Queen’s Univ. Press, 2005). The Copyright Act indicates that “if enhanced statutory damages can be awarded, there must be a finding of willful infringement.” This does *not* imply that “if enhanced statutory damages cannot be awarded, there must not be a finding of willful infringement.” This erroneous conclusion would be analogous to claiming that the statement “if a person is pregnant, she must be a woman” implies that “if a person is not pregnant, she must not be a woman.”
- 27 Fed. R. Civ. P. 8(a)(3).
- 28 See e.g. *Dretke v. Haley*, 124 S. Ct. 1847, 1849 (2004) (remanding for consideration of alternative grounds for habeas

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Editor-in-Chief

Adrian Sherrill sherrill@lclark.edu

Submissions Editors

Milos Bosanac mbosanac@lclark.edu
Lay-Ping Tan ltan@lclark.edu

Form & Style Editors

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Ryan Lu rlyu@lclark.edu
Evalani Pandaraoan epandaraoan@lclark.edu

Notes & Comment Editors

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Developments in the Extra-Territorial Enforcement of U.S. Patents

By **Jim Lund**¹

Stolowitz Ford Cowger LLP

I. Background

In general, U.S. Patents are enforceable only within the United States.² The basic rule is that if one wants patent protection in other countries, a patent must be secured in those other countries.³ Several recent decisions from the Federal Circuit and Supreme Court consider whether activities outside the United States fall within the scope of infringing activities defined in 35 U.S.C. § 271(a), (f) and (g).⁴ 35 U.S.C. § 271(a) proscribes direct infringement, i.e., making, using, selling or offering for sale an invention in the United States or importing an invention into the United States. 35 U.S.C. § 271(f) proscribes the supply from the United States to an overseas market of: (1) all or substantially all of the components of a patented invention or (2) a component specially adapted for use in a patented invention, with the intent or knowledge that the component(s) should be combined in a manner that would infringe the patent if the combination occurred in the United States.⁵ 35 U.S.C. § 271(g) proscribes importing into the United States a product produced overseas by a process that would infringe a U.S. patent if it were practiced in the United States.

Three recent cases provide insight into the extra-territorial enforcement of U.S. patents within the context of software, trans-border systems, and chemical processes.

II. *Microsoft Corp. v. AT&T Corp.*⁶

This case involved Microsoft's practice of shipping golden master disks containing Windows™ operating system software abroad for copying onto CDs by licensed replicators, and subsequently installing it onto computers to be sold outside the United States.⁷ The Windows™ software included certain speech codecs (speech compression software) that allegedly infringed an AT&T reissue patent ('580 patent), with method claims as well as means plus functions claims to a processor or computer with such software installed.⁸ The parties did not dispute the issue of whether the speech codecs fell within the scope of the claims of the

AT&T patent. Instead, the parties disputed the issue of potential liability under 35 U.S.C. § 271(f).⁹

Microsoft argued there was no liability under 35 U.S.C. § 271(f) because unincorporated software, being intangible information, cannot be a component of an invention, for the purposes of 35 U.S.C. § 271(f). However, in *Eolas Technologies Inc. v. Microsoft Corp.*, which was decided while the *Microsoft* appeal was pending, the Federal Circuit held that software can qualify as a component of an invention under 35 U.S.C. § 271(f) for infringement of a claim to an article of manufacture.¹⁰ The *Eolas* court reasoned that because software code alone can qualify as a patent-eligible invention, at least in the context of processes, and because 35 U.S.C. § 271(f) was not limited to patented machines or physical structures, the software code embodied in master disks qualified as a "component" of a software invention for the purposes of 35 U.S.C. § 271(f).¹¹ Therefore, the Federal Circuit dismissed Microsoft's argument.¹²

Microsoft further argued that the copying of the software abroad for installation on products sold outside the U.S. did not qualify as "supply" of a component from the U.S. as required by 35 U.S.C. § 271(f).¹³ The Federal Circuit construed § 271(f) within the context of software distribution, and found that the act of supplying software ordinarily involves generating copies; hence copying should be considered an integral part of software distribution.¹⁴ Any foreign copies generated from the master version shipped outside the U.S. by Microsoft thus were "supplied" from the U.S. because the subsequent copying was a continuous part of the original shipment of the master versions. Therefore, the Court held that the foreign copies of Microsoft's software were infringements under 35 U.S.C. § 271(f). Judge Rader, the author of *Eolas*, dissented vigorously, arguing that any liability under 35 U.S.C. § 271(f) is limited to the master disks alone, which were the only products supplied from the U.S., and the liability for the production of copies should be addressed under the laws of the countries where the copies were made.¹⁵

The Supreme Court granted certiorari, addressing

two primary issues: “First, when or in what form does software qualify as a ‘component’ under § 271(f); Second, were ‘components’ of the foreign-made computers involved in this case ‘supplie[d]’ by Microsoft ‘from the United States?’”¹⁶

In answering the first question, the Court held that software is a component only after it is “expressed as a computer-readable ‘copy’ e.g., on a CD-ROM,” and that “software detached from an activating medium remains uncombinable.”¹⁷

In answering the second question, the Court adopted Judge Rader’s dissenting opinion that “copying and supplying are separate acts with different consequences.”¹⁸

The Court reaffirmed the notion that the export of design tools, such as blueprints, schematics, templates, and prototypes—all of which may provide the information required to construct and combine overseas the components of inventions patented under U.S. law—does not apply to section 271(f)(1).¹⁹

The Court then went on to stress a “presumption against extraterritoriality,” stating “[w]hile the majority’s concern is understandable, we are not persuaded that dynamic judicial interpretation of § 271(f) is in order. The ‘loophole [for software makers],’ in our judgment, is properly left for Congress to consider, and to close if it finds such action warranted.”²⁰ Consequently, “[b]ecause Microsoft does not export from the United States the copies actually installed, it does not ‘suppl[y] . . . from the United States’ ‘components’ of the relevant computers, and therefore is not liable under § 271(f) as currently written.”²¹

III. *NTP, Inc. v. Research in Motion, Ltd.*²² – The BlackBerry® Case

This decision involved the famous “BlackBerry” e-mail forwarding system of Research In Motion (RIM) and patents owned by NTP. The patents at issue included claims both to systems and methods.^w RIM argued that because the relay server of the BlackBerry system was located in Canada, and the server and its use were relevant to the claims in the NTP patents, RIM did not “use” the invention of the NTP claims in the U.S. as required for direct infringement under 35 U.S.C. § 271(a).²⁴

The Federal Circuit held that the use of a claimed

system under 35 U.S.C. § 271(a) is located where the system as a whole is put into service, i.e., the place where control of the system is exercised and beneficial use of the system is obtained.²⁵ U.S. purchasers of the BlackBerry devices activated the devices and received e-mails within the U.S. Therefore, 35 U.S.C. § 271(a) applied because the invention described in the system claims was used within the U.S.²⁶

In contrast, the Federal Circuit held that a process cannot be considered to be used in the U.S. unless all of the steps of the claimed method are carried out within the U.S. Since RIM was carrying out part of the process in Canada, the claimed method was not being used in the U.S. under 35 U.S.C. § 271(a).²⁷ Similarly, because the method was not being used in the U.S., the sale or offer of the devices for sale in the U.S. was not sufficient to trigger liability for the method claims under the “sell,” “offer to sell,” or “imports” provisions of 35 U.S.C. § 271(a).²⁸

The Federal Circuit decided that RIM’s supply of products to customers in the U.S. could not support 35 U.S.C. § 271(f) liability for the method claims, as 35 U.S.C. § 271(f) requires the shipment of components of an invention outside the U.S.²⁹ The Federal Circuit suggested further that it may be difficult to conceive how one could “supply” the component steps of a patented invention under 35 U.S.C. § 271(f) for purposes of method claims.³⁰

The Federal Circuit considered the possibility of 35 U.S.C. § 271(g) infringement by the BlackBerry’s transmission into the U.S. of information produced outside the U.S. by a method covered by NTP method claims.³¹ The Federal Circuit looked to the earlier Federal Circuit decision of *Bayer v. Housey Pharmaceuticals*,³² which held that the shipment into the U.S. of research data obtained from experiments conducted outside the U.S. was not covered by 35 U.S.C. § 271(g), even though processes embodied in the experiments would qualify as patentable subject matter under 35 U.S.C. § 101.³³ The Federal Circuit pointed out that the BlackBerry’s transmission of information into the U.S. was not the manufacture of a physical product and not a basis for liability under 35 U.S.C. § 271(g). The NTP court recognized their holding in *AT&T Corp. v. Excel Commun.*³⁴ that intangible products could qualify for protection under 35 U.S.C. § 271(f), but found the standard for 35 U.S.C. § 271(g) to be different, as shown by *Bayer*.³⁵ The RIM

petitions for rehearing and for rehearing en banc were denied by the Federal Circuit on October 7, 2005.³⁶

IV. *Union Carbide v. Shell Oil*³⁷

This case involved Union Carbide's claims to a method for the production of ethylene oxide using particular silver-based catalysts to which additions of both cesium and an alkali metal yielded unexpected conversion efficiencies. One issue involved the extent of Shell's liability for exportation of catalyst. In an opinion authored by Judge Rader, the dissenter in *AT&T Corp. v. Microsoft*³⁸ the Federal Circuit applied reasoning from *Eolas*³⁹ and found no basis in the statute for any general exclusion of method claims from protection under 35 U.S.C. § 271(f).⁴⁰ The catalyst supplied from the U.S. by Shell was an integral part of the claimed method for producing ethylene oxide and therefore was a component of the method for purposes of 35 U.S.C. § 271(f)(2).⁴¹ Petitions for rehearing and for rehearing en banc were denied by the Federal Circuit in January, 2006.⁴²

V. Recommendations

The tension between *Microsoft*, *NTP*, and *Union Carbide* suggests that the issue of the extent of liability under 35 U.S.C. § 271(a), (f), and (g) for activities outside the U.S. will be quite active for the foreseeable future.

The outcome of *Microsoft* suggests that even though infringement was not an issue, Beauregard-type software claims to computer-readable media may be preferable to means plus function processor claims or method claims, although drafting multiple claim types provides insurance against future change. *Microsoft* suggests that transporting software for subsequent copying/installation abroad should be done electronically rather than exporting tangible media, such as CDs or DVDs, to evade the reach of § 271(f); consequently, seeking patent protection in clients' primary foreign markets remains a good strategy, since software copying/installation operations are highly portable and require little capital.

The outcome of *NTP* suggests that one should claim component segments of an invention that would be practiced in single locations, as well as claims to the overall invention. For example, an internet business method patent involving a consumer at one location, a server having proprietary software at a second location, and a distributor at a third location, should ideally have claims drafted from the perspective of each location.

That way, if a competitor overseas sets up a similar server overseas, there are options for bringing him within U.S. jurisdiction under § 271(b) or (c) for indirect infringement as an inducer or contributor as long as it may be shown under § 271(a) that there is a direct infringer within the U.S.⁴³ Also, consideration should be given to claiming certain aspects of a method invention in an inferential manner, e.g., a process step that acts on a particular component that is recited to have certain attributes rather than first requiring the production of the particular component as part of the claimed method. Presenting claims to component segments of an invention also will improve the chances of having a single party practice the claimed invention.⁴⁴

Both the *Microsoft* and *NTP* decisions show that "system" claims might be infringed in instances where "method" claims are not. Therefore, the system claim format is valuable for information handling technologies in addition to method claims. However, be aware that "means plus function" claims still receive relatively narrow and disclosure-focused interpretations from the Federal Circuit, and this claim format should be used with caution in preparing "system" claims.⁴⁵ Providing for broad specification disclosure will be helpful in this respect, and will provide support for subsequent applications filed in peripheral claiming countries.

Lastly, although *Union Carbide* is currently "good law," caution should be used in claiming physical components used in a process. Alternate claiming strategies comprising composition of matter claims that infer the process, or perhaps "kit" claims,^{at} may provide protection for method components into the future.

Endnotes

- 1 The author would like to thank Micah Stolzowicz of StoFoCo and Doug Mueller of HSML for their valuable insights into the subject matter.
- 2 35 U.S.C. § 100(c) ("The terms 'United States' and 'this country' mean the United States of America, its territories and possessions.").
- 3 The PCT application process is an efficient means to do so. The GATT-TRIPS agreement of 1995 helped establish minimum standards in patent systems of all member countries, and established the World Trade Organization (WTO), which administers the agreement and provides a dispute resolution forum between member countries. In addition, the 1988 Omnibus Trade and Competitiveness Act, 19 U.S.C.A. §§ 2411-2420 (2007), which spawned 35 U.S.C. § 271(g) (2007), established the USTR to enforce mechanisms provided under "special § 301 of the Trade Act of 1974, to help the U.S. see that its IP interests are enforceable abroad. See Congressional Research Service: Report for

- Congress, 95-360 E (March 9, 1995) (available at <http://digital.library.unt.edu/govdocs/crs/permalink/meta-crs-263:1>), for further information on how § 301 works.
- 4 35 U.S.C. § 271 (2007).
- 5 Section 271(f)(2) does not incorporate the doctrine of contributory infringement, nor require the actual combination of components, presumably due to issues presented in conducting foreign discovery. *Waymark Corp. v. Porta Systems Corp.*, 245 F.3d 1364, 1369 (Fed. Cir. 2001).
- 6 *Microsoft Corp. v. AT&T Corp.*, 127 S. Ct. 1746 (2007).
- 7 *Id.* at 1750-51.
- 8 *Id.* at 1753.
- 9 *Id.* (Microsoft stipulated at the District Court level to direct infringement for the copies of Windows™ installed on U.S. computers.).
- 10 *Eolas Technologies Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1338-41 (Fed. Cir. 2005), cert. denied, 546 U.S. 998 (2005).
- 11 *Id.*
- 12 *AT&T Corp. v. Microsoft Corp.*, 414 F.3d 1366, 1369 (Fed. Cir. 2005).
- 13 *Id.* at 1370 (Interestingly, the WARF and RCTech joint brief in support of AT&T points out that Microsoft, in *Microsoft Corp. v. Comm'r of Internal Revenue*, argued that it was entitled to tax deductions for all foreign sales of software replicated from Microsoft's golden masters abroad, claiming that such copies were "export property" under the I.R.C. § 927(a)(2)(B). The Ninth Circuit agreed, thus providing Microsoft with an additional \$31 million in claimed deductions for 1990 and 1991. *Microsoft Corp. v. Comm'r of Internal Revenue*, 311 F.3d 1178, 1182, 1189 (9th Cir. 2002). (Tax Court No. 16878-96) (2002) slip opinion at p.15.).
- 14 *Id.*
- 15 *Id.* at 1374. (Rader argues that "supplies" should be construed identically across all patentable subject matter, citing the TRIPS Agreement "Patents shall be available and patent rights enjoyable without discrimination as to the place of invention [and] the field of technology." *Id.* The facts of *Eolas* do not indicate whether software was loaded into computers directly from the golden masters, as opposed to being copied to transfer CDs as a preliminary step. *Eolas*, 399 F.3d at 1331).
- 16 *Microsoft*, 127 S.Ct. at 1753-1754.
- 17 *Id.* at 1755. While seemingly at odds with the *Eolis* holding on software in the context of method claims, this comports with current patent practice for software claims to an article of manufacture where the code must be tangibly encoded on a computer-readable medium to be patentable subject matter. See *In re Nuijten*, 500 F.3d 1346 (Fed. Cir. 2007), *In re Beauregard*, 53 F.3d 1583 (Fed. Cir. 1995). See also USPTO, Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility (available at <http://www.bitlaw.com/source/uspto/StatutoryGuidelines.pdf>).
- 18 *Microsoft*, 127 S.Ct. at 1756 (citing 414 F. 3d, at 1373).
- 19 *Id.* at 1755.
- 20 *Id.* at 1758-59.
- 21 *Id.* at 1751.
- 22 *NTP, Inc. v. Research in Motion, Ltd.*, 418 F. 3d 1282 (Fed. Cir. 2005).
- 23 U.S. Patent No. 5,436,960 (filed May 20, 1991); U.S. Patent No. 5,625,670 (filed May 18, 1995); U.S. Patent No. 5,819,172 (filed Apr. 23, 1997); U.S. Patent No. 6,067,451 (filed Sept. 28, 1999); U.S. Patent No. 6,317,592 (filed Dec. 6, 1999).
- 24 *NTP*, 418 F.3d at 1313.
- 25 *Id.* at 1317 (citing *Decca Ltd. v. U.S.*, 544 F.2d 1070 (Ct. Cl. 1976)).
- 26 *Id.*
- 27 *Id.* at 1318.
- 28 *Id.* at 1320-21.
- 29 *Id.* at 1322.
- 30 *Id.*
- 31 *Id.* at 1323.
- 32 *Bayer v. Housey Pharms.*, 340 F.3d 1367 (Fed. Cir. 2003).
- 33 *NTP*, 418 F.3d at 1324.
- 34 *AT&T Corp. v. Excel Commun.* 172 F.3d 1352 (Fed. Cir. 1999).
- 35 *NTP*, 418 F.3d at 1324.
- 36 *Id.*
- 37 *Union Carbide Chem. & Plastic Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366 (Fed. Cir. 2005).
- 38 414 F.3d 1366..
- 39 *Supra* n. 9.
- 40 *Id.* at 1378-79.
- 41 *Id.* at 1369.
- 42 *Id.* at 1358.
- 43 See *Honeywell, Inc. v. Metz Apparatewerke*, 509 F.2d 1137 (7th Cir. 1975).
- 44 In general, direct infringement requires a single party practice the claimed invention. See *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565 (Fed. Cir. 1983); *Penwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931 (Fed. Cir. 1987) (en banc); *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 29 (1997)
- 45 See *WMS Gaming, Inc. v. International Game Technology*, 184 F.3d 1339 (Fed.Cir.1999); *Harris Corp. v. Ericsson Inc.*, 417 F.3d 1241, 1253 (Fed. Cir. 2005); *Cytologix Corp. v. Ventana Medical Systems, Inc.*, 424 F.3d 1168 (Fed.Cir. 2005).
- 46 See *In re Venezia*, 530 F.2d 956 (CCPA 1976) (the leading kit claim case).

Honorable Pierre Leval as Distinguished IP Visitor



Hon. Pierre Leval

The Honorable Pierre Leval, United States Circuit Judge of the U.S. Court of Appeals for the Second Circuit will visit Lewis & Clark Law School as the 2009 Distinguished Intellectual Property Visitor, the week of February 9, 2009. His public lecture on Tuesday, February 10 at 6:00 p.m. at Lewis and Clark Law School, is free and open to the public. Oregon CLE credit approval will be sought.

The author of the influential article *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105 (1990), Judge Leval has presided over many important lawsuits involving fundamental intellectual property issues and has authored many significant opinions in the field, including: *American Geophysical Union v. Texaco Inc.*;

CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.; *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*; and *Register.com v. Verio*. At the time of his appointment to the Court of Appeals in 1993, Judge Leval was a United States District Court Judge in the Southern District of New York. Judge Leval assumed Senior Judge status in 2002. During Judge Leval's week-long visit, he will engage with students by lecturing and participating in classes as well as joining students for an informal lunch.

The Distinguished Intellectual Property Visitor program is now celebrating its tenth year. This visitor program is funded by a generous grant from the Mentor Graphics Foundation. Each year the visitor enriches the intellectual life of our campus and the local bar. Judge Leval's visit promises to be no exception.

*Cartoon Network LP v. CSC Holdings, Inc.*¹

By Ryan Lu
Lewis & Clark Law School
J.D. expected 2010
rlu@lclark.edu

Cartoon Network et al. sued Cablevision Systems Corporation (Cablevision), seeking declaratory judgment as to whether Cablevision's proposed "remote storage digital video recording system" (RS-DVR) would allow customers to unlawfully reproduce and playback their copyrighted programs. The district court granted summary judgment in favor of plaintiffs and enjoined Cablevision from operating RS-DVRs without licensing from Cartoon Network or other content providers.² On appeal, the Second Circuit reversed and held Cablevision would not infringe plaintiffs' rights under the Copyright Act by offering its RS-DVRs to consumers.

Cablevision aggregates television programming from content providers—cable channels that produce individual programs—and transmits those programs into the homes of subscribers via coaxial cable. When

using Cablevision's RS-DVR, the data stream received from a content provider is split into two streams. The first stream is routed immediately to customers. The second stream is temporarily buffered by Cablevision so that a customer may record it. Like standard set-top digital video recorders (DVRs), such as TiVo, RS-DVRs allow subscribers to record programs for later playback. The principal difference is that instead of recording program data onto an internal hard disk located in a subscriber's home, RS-DVRs record data onto hard disks housed and maintained by Cablevision.

Plaintiffs asserted that Cablevision's RS-DVR would directly infringe their copyrights in three ways. First, Cablevision's temporary storage of data in the RS-DVR buffer, even when subscribers do not elect to record a program, copies the protected works and thereby directly infringes plaintiffs' exclusive right of reproduction under the Copyright Act.³ The Second Circuit rejected this argument, holding that the act of buffering in the operation of RS-DVR does not create "copies," as defined under the Copyright Act.⁴ "Copies" means "material objects ...

in which a work is fixed by any method ... and from which the work can be ... reproduced.”⁵ The statutory language imposes both “embodiment” and “duration” requirements for an object to be “fixed.” Therefore, the court concluded that the act of buffering does not create copies because the copyrighted works are buffered for only a “transitory” period, which fails the duration requirement. Important to the court’s analysis was the fact that no more than 1.2 seconds of program data are stored in the buffer before being automatically overwritten.

Second, plaintiffs asserted that Cablevision, by copying data onto its hard disks, would directly infringe their reproduction rights under the Copyright Act. Concluding that the copies stored in the remote hard disks are “made” by RS-DVR customers, and not Cablevision, the Second Circuit rejected plaintiffs’ argument. The court began by explaining that plaintiffs’ use of a direct infringement theory, and their disavowal of a secondary liability theory, meant that the infringement claim could succeed only if Cablevision actually made the copies. The court concluded that the customer who presses the button to make the recording, not the person who manufactures or maintains the recording device, supplies the necessary element of volition and is consequently the one who makes the copies.

Finally, Plaintiffs asserted that Cablevision, through playback of RS-DVR copies, would violate the Copyright Act by engaging in unauthorized public performance of copyrighted works. The Second Circuit rejected this argument because it concluded RS-DVR playbacks are not transmissions “to the public.” The Copyright Act grants a copyright owner the exclusive right, in the case of audiovisual works, to perform the work publicly.⁶ The Act also provides that to perform or display a work “publicly” means to “transmit ... a performance ... of the work ... to the public[.]”⁷ The transmit clause requires an examination of who is “capable of receiving” a particular transmission of a performance to determine whether the transmission is made to the public. Because the only person capable of receiving an RS-DVR transmission is the subscriber who makes the copy, the court held the transmission would not be made “to the public.” Consequently, Cablevision’s operation of RS-DVR would not infringe plaintiffs’ exclusive right of public performance.

The court left open the possibility of finding direct liability in cases where a party greatly contributed to

the creation of an infringing copy, even though another party actually made the copy. Although the Second Circuit ultimately rejected the district court’s finding of direct infringement in this case, a direct infringement challenge may be possible under a different set of facts.⁷ Even so, Cablevision’s biggest threat is under a contributory infringement theory; due to Cablevision’s control and maintenance of the remote RS-DVR hard disks, it may have enough of an “ongoing relationship” with customers who make copies to support a finding of contributory infringement.⁸ In any case, Cablevision and other potential operators of remote storage DVR systems likely remain vulnerable to copyright infringement challenges from content providers.

Endnotes

- 1 536 F.3d 121 (2nd Cir. 2008).
- 2 *Twentieth Century Fox Film Corp. v. Cablevision Sys. Corp.*, 478 F. Supp. 2d 607 (S.D.N.Y. 2007).
- 3 17 U.S.C. § 106(1) (2000).
- 4 *Id.* at § 101.
- 5 *Id.*
- 6 *Id.* at § 106(4).
- 7 *Id.* at § 101.
- 8 *Cartoon Network*, 536 F.3d at 133.
- 9 See generally *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) (holding that the lack of “ongoing relationship” between Sony and its VCR customers supported the conclusion that contributory liability should not be imposed on Sony for any infringing copying done by Sony VCR customers).

IP Blogs recommended by our staff:

Trademark Blogs:

<http://tushnet.blogspot.com/>

<http://www.schwimmerlegal.com/>

<http://seattletrademarklawyer.com/>

International IP Blog:

<http://ipkitten.blogspot.com/>

Patent Blog:

<http://www.patentlyo.com/>

Copyright Blog:

<http://copyrightlitigation.blogspot.com/>

General IP Blog:

<http://blog.ericgoldman.org/>

United States v. Whitehead¹

By Andrew D. Ginis
Lewis & Clark Law School
J.D. expected 2010
aginis@lclark.edu

On July 14, 2008, the Ninth Circuit affirmed the conviction of Thomas M. Whitehead by the United States District Court for the Central District of California for violation of the Digital Millennium Copyright Act (DMCA). On cross-appeals, the court held that: (1) defendant-appellee Whitehead's sentence of probation, community service, and restitution was not an abuse of discretion, and (2) the indictment was adequate and any effect on the verdict was, at worst, a harmless error.

Whitehead was engaged in a scheme to sell counterfeit DirecTV access cards online that allowed its purchasers to receive satellite television services from DirecTV without paying the required subscription fee. The district court estimated DirecTV's lost profits as a direct result of Whitehead's actions in excess of \$1 million. The jury convicted Whitehead of violating the DMCA prohibition against selling devices that are designed to "circumvent a technological measure" that protects copyrighted works.² The district court reduced the Guidelines' sentence from 41-51 months incarceration to a term of probation, community service, and restitution. Whitehead's sentence was reduced because of mitigating circumstances, which included a young daughter, repentance, a newfound dedication to an honest living, and the nature of the offense since it did not "pose the same danger to the community as many other crimes."³

On appeal, the government argued that it was unreasonable for the district court to reduce the sentence below what was recommended by the Guidelines. The majority forcefully rejected this argument, noting, "we review sentences for abuse of discretion, and without presuming that outside-Guidelines sentences are unreasonable."⁴ Concerning the more lenient sentence itself, the court found "no abuse of discretion in the district court's conclusion that a substantial amount of community service (1000 hours), a hefty restitution order (\$50,000), and five years of supervised release were more appropriate than prison."⁵ With regard to the rationale

for the more lenient sentence, which was largely based on the testimony of Whitehead's family members, the court concluded, "in short the district court was 'in a superior position' to find the relevant facts and to 'judge their import'."⁶ In conclusion, the court noted that their deference to the district court judge was appropriate in light of the *Booker* case,⁷ which "empowered...district court judges to engage in individualized sentencing."⁸

Thus, on appeal the court was unwilling to reexamine the credibility or weight given to the various mitigating circumstances by the district court in determining an individualized sentence for Whitehead. The adequacy of the indictment was found to be irrelevant since any error was harmless.

In a lengthy dissent, Justice Bybee argues that the district court abused its discretionary sentencing powers "when, after calculating a Guidelines-recommended sentence of 33 months . . . that was already adjusted to take into account the mitigating circumstances . . . it sentenced Whitehead to a mere term of probation . . . and \$50,000 in restitution."⁹

He also argues that prior to *Booker*, a "downward departure for 'extraordinary circumstances' required that the defendant be the 'irreplaceable' caretaker of a child or parent"¹⁰ Finding that Whitehead's circumstances are unexceptional, Justice Bybee concludes that the sentence recommended by the guidelines is appropriate. Justice Bybee ends by warning that "Whitehead's non-sentence surely becomes an important starting point for defendants in this circuit willing to claim close family ties and post-conviction remorse to avoid prison."¹¹

Endnotes

- 1 532 F.3d. 991 (9th Cir. 2008).
- 2 17 U.S.C.A. §1201(a)(2)(A) (2007).
- 3 *Whitehead*, 532 F.3d at 993.
- 4 *Id.* (quoting *U.S. v. Carty*, 520 F.3d 984, 993 (9th Cir. 2008)).
- 5 *Id.* at 993.
- 6 *Id.* (quoting *Gall v. U.S.*, 128 S. Ct. 586, 597 (2007)).
- 7 *U.S. v. Booker*, 543 U.S. 220 (2005).
- 8 *Whitehead*, 532 F.3d at 993 (quoting *U.S. v. Vonner*, 516 F.3d 382, 392 (6th Cir. 2008)) (citation omitted).
- 9 *Id.* at 997 (Bybee, J., dissenting).
- 10 *Id.* at 997-98 (Bybee, J., dissenting).
- 11 *Id.* at 999 (Bybee, J., dissenting).

Board of Regents, U. of Texas ex. rel. U. of Texas at Austin v. KST Electric, LTD¹

By Charan Saini
Lewis & Clark Law School
J.D. expected 2010
csaini@lclark.edu

University of Texas (UT) brought suit against KST Electric (KST) claiming infringement under the Trademark Dilution Revision Act (TDRA) for diluting the UT longhorn mascot, the University's registered trademark. The District Court for the Western District of Texas granted summary judgment to KST because UT's evidence failed to demonstrate the extremely high level of recognition necessary to show "fame" under the TDRA. In reaching its conclusion, the court focused on whether UT's longhorn logo was sufficiently famous for anti-dilution protection.

Under the TDRA, four non-exclusive factors are relevant when determining whether a mark is sufficiently famous for anti-dilution protection:

- (1) the duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties;
- (2) the amount, volume, and geographic extent of sales of goods or services offered under the mark;
- (3) the extent of actual recognition of the mark; and
- (4) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.²

KST's primary defense focused on the third factor, the extent of actual recognition of the mark. KST contended that UT's mark lacked sufficient recognition on a national level to be famous. In response, UT provided evidence of regular, nationally televised broadcasts of UT football games that prominently featured UT's logo. Additionally, UT showed evidence that UT men's basketball games were televised nationally 97 times in the past five seasons. Further, UT pointed to the Bowl Championship Series (BCS) Rose Bowl national championship game in which UT beat the University of Southern California. At the time, the game was

the highest rated game in the eight year history of the BCS and the highest rated college football game since 1987. Moreover, Forbes magazine recently valued UT's football program as the second most valuable program in the country. UT also provided evidence that retail sales of UT products in stores such as Wal-Mart and Target totaled nearly \$400 million in 2005-06.³ UT contended that the foregoing was enough to at least create an issue of fact as to whether UT's longhorn logo was famous.

The court found that just because UT athletics "achieved a level of national prominence does not necessarily mean that the longhorn logo is so ubiquitous and well-known to stand toe-to-toe with Buick or KODAK."⁴ The central problem for UT was that its circumstantial evidence was largely evidence of niche market fame, and not category fame that is explicitly covered under the TDRA.⁵

"One of the major purposes of the TDRA was to restrict dilution causes of action to those few truly famous marks like Budweiser beer, Camel cigarettes, [and] Barbie Dolls."⁶ The "TDRA is simply not intended to protect trademarks whose fame is at all in doubt."⁷ The court held that UT's evidence failed to demonstrate the extremely high level of recognition necessary to show "fame" under the TDRA. In reaching this holding, the court set a higher bar for dilution of sports team mascots by considering sports mascots as a niche market.

Endnotes

- 1 550 F. Supp. 2d 657 (W.D. Tex. 2008).
- 2 *d.* at 674 (citing 15 U.S.C. § 1125(c)(2)).
- 3 *Id.* at 677-78. UT also pointed to a few other pieces of evidence (for example, a *Texas Monthly* cover story with the logo on it). However, the court rejected them, saying "they have little to no relevance to determining the knowledge of the general consuming public." *Id.* at 678 n. 18.
- 4 *Id.* at 678 (citing *Moseley v. V. Secret Catalogue, Inc.*, 537 U.S. 418, 431 (2003)).
- 5 *Id.*
- 6 *Board of Regents*, 550 F. Supp. 2d at 679 (citations omitted).
- 7 Barton Beebe, *A Defense of the New Federal Trademark Antidilution Law*, 16 Fordham Intell. Prop. Media & Ent. L.J. 1143, 1158 n. 86 (2006).

Jacobsen v. Katzer¹

By Evalani Pandaraoan
Lewis & Clark Law School
J.D. expected 2010
evalanip@lclark.edu

Robert Jacobsen appealed from a district court order denying a motion for preliminary injunction to enjoin Matthew Katzer and Kamind Associates, Inc. (Katzer/Kamind) from distributing Decoder Commander, a model train computer programming software.² Jacobsen holds the copyright to a similar programming application, DecoderPro, and alleged that Katzer/Kamind exceeded the scope of the Artistic License, thereby infringing on his copyright and thus moved for a preliminary injunction. In denying his motion, the district court held that the terms of the Artistic License gave the public an “intentionally broad,” “nonexclusive license” with an unlimited scope, and a violation of this license may constitute a breach of contract, but not liability for copyright infringement.³ Following *Wright v. Rushen*⁴ and *Sports Form, Inc. v. United Press Int’l, Inc.*,⁵ the court of appeals vacated the judgment and remanded the case for further proceedings.⁶

Jacobsen manages Java Model Railroad Interface (JMRI), an open source software group that created DecoderPro, which can be downloaded free of charge from an open source website. Upon downloading, the user received copyright notifications and an Artistic License granting the users the right to copy, modify, and distribute the software provided that they agree to the terms of the license.⁷ The terms required that a reference to the original source be made if the application is modified, that the modified application be used only within the user’s organization, or that an arrangement be made with JMRI for an alternate use.⁸ Katzer/Kamind admitted that they copied portions of the DecoderPro application, then modified and distributed it as part of the Decoder Commander software without a reference to the original source or an arrangement with JMRI.⁹

Jacobsen asserted that the terms of the Artistic License limited the scope of the license and any use beyond the scope is copyright infringement.¹⁰ Katzer/Kamind argued that the terms did not limit the scope of the license but acted as covenants governed by contract,

not copyright, law.¹¹ The court of appeals examined the text of the Artistic License and determined that the terms were “enforceable copyright conditions”¹² because it used the word “condition” to preface a limitation, and the phrase “provided that,” which typically denotes a condition.¹³ Because conditions to an open source Artistic License are governed by copyright law, a violation of a condition may constitute an infringement on a copyright.

Katzer/Kamind also argued that Jacobsen had waived his economic rights in DecoderPro when he made the application available for download free of charge, and because “American copyright law...seeks to vindicate the economic rather than [the] personal, rights of authors[,]”¹⁴ violating an open source license “is neither compensable in damages nor subject to injunctive relief.”¹⁵ The court of appeals rejected this argument, stating that “the lack of money changing hands in open source licensing should not be presumed to mean that there is no economic consideration.”¹⁶ Jacobsen considered economic gain when he added limitations to the Artistic License, asking that an arrangement be made with JMRI if the application is used outside of the terms of the license. Economic benefits still existed in this open source licensing arrangement because it provided Jacobsen with a quick, free, and direct way to improve JMRI’s products by accepting feedback from downstream users. Additionally, Jacobsen reserved the right to decrease or increase the scope of the license and therefore, charge for certain components and provide other components free of charge.¹⁷

In reversing the district court’s order, the court of appeals extended copyright infringement claims to include noncompliance to open source licenses. This would allow copyright holders to control the reproduction, distribution, and modification of copyrighted material while defining the terms for infringement. Additionally, those who engage in open source licensing may obtain both compensatory and injunctive relief for noncompliance with the terms of the license.

Endnotes

- 1 535 F.3d 1373 (N.D.Cal. 2008).
- 2 *Id.* at 1376.
- 3 *Id.*

- 4 *Wright v. Rushen*, 642 F.2d 1129, 1132 (9th Cir. 1981) (An order granting or denying a preliminary injunction will be reversed if the order was made on erroneous legal premise or an abuse of discretion).
- 5 *Sports Form, Inc. v. United Press Intl., Inc.*, 686 F.2d 750, 753 (9th Cir. 1982) (An order denying a preliminary injunction will be reversed if the order was made on erroneous findings of fact).
- 6 *Jacobsen*, 535 F.3d at 1383.
- 7 *Id.* at 1376-77.
- 8 *Id.* at 1380.
- 9 *Id.* at 1379.
- 10 *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir. 1989) (If a licensee exceeds the scope of a limited license, the licensor can bring a claim for copyright infringement).
- 11 *Jacobsen*, 535 F.3d at 1380, quoting *Sun Microsystem, Inc. v. Microsoft Corp.*, 188 F.3d 1115, 1121 (9th Cir. 1999) (“[A] copyright owner who grants a nonexclusive license to use his copyrighted material waives his right to sue the licensee for copyright infringement.”)
- 12 *Id.* at 1383.
- 13 *Id.* at 1381.
- 14 *Gilliam v. ABC*, 538 F.2d 14, 24 (2d Cir. 1976).
- 15 *Jacobsen*, 535 F.3d at 1380.
- 16 *Id.* at 1379.
- 17 *Id.*

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Intellectual Property Section
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