

DECISIONS & DEVELOPMENTS

By Joseph S. Iandiorio, Patent Attorney • 260 Bear Hill Road, Waltham, MA 02451 • Rte 128 near Mass. Pike • (781) 890-5678

Patents • Trademarks • Copyrights • Trade Secrets • Antitrust • Government Contracts • Licensing • Litigation

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CRUSADE TO EXTEND COPYRIGHT FAILS

In 1948 Eisenhower completed *Crusade in Europe*, his written account of the allied campaign in Europe during World War II. Doubleday published a book registered with the Copyright Office and granted exclusive television rights to an affiliate of Twentieth Century Fox, SFM Entertainment and New Line Home Video, Inc., (hereinafter simply Fox). Fox in turn arranged for Time, Inc. to produce a television series also called *Crusade in Europe* based on the book, and Time assigned its copyright in the series to Fox. Subsequently, Doubleday renewed the copyright on the book but Fox did not renew the copyright on the *Crusade* television series which expired in 1977, leaving the television series in the public domain free to be copied.

In 1988 Fox reacquired the television rights in the book, including the exclusive right to distribute the *Crusade* television series on video and to sub-license others to do so.

Dastar in 1995 decided to expand its product line from music compact discs to videos. Dastar released a video set entitled *World War II Campaigns in Europe*. To make *Campaigns*, Dastar purchased eight beta cam tapes of the original version of the *Crusade* television series which is in the public domain, copied them, and then edited the series. Dastar manufactured and sold the *Campaigns* video set as its own product. The advertising states that it is produced and distributed by [Fox] and makes no reference to the *Crusade* television series. Similarly, the screen credits state "Dastar Corp. presents" and list as executive producer, producer, and associate producer, employees of Dastar. Fox brought suit charging that without giving proper credit to the two producers of the work Dastar's activity constituted reverse passing off in violation of §43(a) of the Lanham Act. The lower court agreed and granted an award of Dastar's profits to Fox and doubled them. The Court of Appeals for the Ninth Circuit affirmed the judgment.

The United States Supreme Court reversed, exonerating Dastar's conduct.

§43(a) of the Lanham Act forbids false designation of origin, false and misleading description of facts or false and misleading representation of facts which is likely to cause confusion as to the origin of goods. The issue here focuses on the meaning of origin. If origin refers only to the manufacturer or producer of the physical goods that are made available to the public, in this case the video tapes, Dastar was the origin. If, however origin includes the creator of the underlying work that Dastar copied, then someone else, perhaps Fox was the origin of Dastar's product. The court said that it thought the most natural understanding of the origin of goods, the source of the wares, is the producer of the tangible product sold in the marketplace, in this case the physical *Campaigns* videotape sold by Dastar. As used in the Lanham Act, the phrase origin of goods is, in the court's view, incapable of connoting the person or entity that originated the ideas or communications that the goods embody or contain.

The court noted that perhaps the reality of purchaser concern is different from what might be called a communicative product, that is one that is valued not primarily for its physical qualities, such as a hammer, but for the intellectual content that it conveys, such as a book or a video. The purchaser of a novel is interested not merely, if at all, in the identity of the producer of the physical tome, the publisher, but also, and indeed primarily, in the identity of the creator of the story it conveys, the author.

The problem with this argument, however, seeking special treatment for communicative products is that it causes the Lanham Act to conflict with the law of copyright, which addresses the subject specifically, the right to copy. The right to copy without attribution, once a copyright has expired, passes to the public. Assuming for the sake of argument that Dastar's representation of itself as the producer of its videos amounted to representation that it originated the creative work conveyed by the videos, allowing a cause of action under §43(a) for that representation would create a species of mutant copyright law that limits the public's federal right to copy and to use expired copyrights. This cannot be done.

In sum, reading the phrase origin of goods in the Lanham Act in accordance with the Act's common-law foundations which are not designed to protect originality of creativity, and in light of the copyright and patent laws, which were, the court concluded that the phrase refers to the producer of the tangible goods that are offered for sale and not to the author of any idea, concept, or communication embodied in those goods. The judgment of the Court of Appeals to the Ninth Circuit is reversed. Dastar Corp. v. Twentieth Century Fox Film Corp., 66 USPQ2d 1641 (US SupCt).

INTERNET PEER-TO-PEER SHARING STILL ALIVE, MAYBE

MGM and a number of other movie owners and music owners brought suit against Grokster and StreamCast for copyright infringement of music, movies and other digital media being shared over the Internet on peer-to-peer networks. Grokster and StreamCast distributed software that enabled users to exchange digital media by a peer-to-peer transfer network. The software was free and it could be downloaded free.

At the beginning the court noted that it was undisputed that there are substantial noninfringing uses for Grokster and StreamCast's software, e.g., distributing movie trailers, free songs or other non-copyrighted works, using the software in countries where it is legal, or sharing the works of Shakespeare. For example, StreamCast has adduced evidence that its program is regularly used to facilitate and search for public domain materials, government documents, media content for which distribution is authorized, media contents as to which the rights owners do not object to distribution, and computer software for which distribution is permitted.

Grokster and StreamCast correctly pointed out that in order to be liable for the actions of the people using and sharing copyrighted works under a theory of contributory infringement, Grokster and StreamCast must have actual knowledge of infringement at a time when they can use that knowledge to stop the particular infringement. In other words, MGM's notices of infringing conduct are irrelevant if they arrive when Grokster and StreamCast can do nothing to facilitate, and cannot do anything to stop, the alleged infringement. The court opined that MGM appeared reluctant to acknowledge a seminal distinction between Grokster/StreamCast and Napster: neither Grokster nor StreamCast provides the "site and facilities" for direct infringement. Neither StreamCast nor Grokster facilitates the exchange of files between users in the way Napster did. Users connect to the respective networks, select which files to share, send and receive searches, and download files, all with no material involvement of Grokster or StreamCast. If either one of them closed their doors and deactivated all computers within their control,

users of their products could continue sharing files with little or no interruption.

No doubt Grokster and StreamCast derive a financial benefit from the infringing conduct. The ability to trade copyrighted songs and other copyrighted works certainly is a "draw" for many users of the software. While those who use Grokster and StreamCast's software do not pay for the product, Grokster and StreamCast do derive substantial revenue from advertising.

While Grokster and StreamCast argue that they do not have the ability to control the infringement and they cannot police what is being traded as Napster could, MGM contends that the software itself could be altered to prevent users from sharing copyrighted files. MGM noted a number of ways that this could be done. But the court pointed out that the installation of these safeguards is not obligatory. The obligation to police arises only where one has the right and ability to supervise the infringing conduct. MGM's argument that Grokster and StreamCast could do more to limit the use of their software with respect to copyrighted works forgets the critical distinction between the Napster "system" and the software distributed by StreamCast and Grokster.

Grokster and StreamCast provide software that communicates across the networks that are entirely outside of their control. Grokster uses a network which is the FastTrack network, which is clearly not controlled by Grokster. StreamCast uses the Gnutella, the open-source nature of which apparently places it outside the control of any single entity. The court granted summary judgment in favor of Grokster and StreamCast and against MGM. Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd., 66 USPQ2d 1579 (DC Calif).

MOUTHWASH

It is a well recited rule that anyone who contributes any element to any claim of a patent should be considered a co-inventor, but apparently this is not always true.

Dr. Levin, a retired dentist thought of an idea for a mouth rinse while attending a dental show where he learned of a product called Ulcerease, a numbing cream that is used to reduce the pain caused by mouth ulcers. He sought help with his idea from Dr. Kilday, the developer of Ulcerease. Dr. Kilday considered possible formulations for the product and ultimately settled on using phenol, a key ingredient in Ulcerease as an antiseptic, and benzocaine as an anesthetic.

Early formulations of the product used alcohol as a solvent but this proved unsatisfactory because it produced a burning sensation in the mouth. Dr. Kilday recognized that this problem could be solved by suspending the benzocaine in phenol, a non-alcoholic solvent, but he didn't know how to do that. He finally engaged Eastman Chemical Company who, after several months of research discovered that they could suspend phenol and benzocaine

in a solution of polyethylene glycol and propylene glycol, thereby producing a mouth rinse that didn't cause the burning sensation.

The Eastman scientists believed that this new, non-alcoholic mouth rinse was patentable and Levin and Eastman agreed that Eastman would handle the patent application process and would be the assignee, or record owner of the patent. Levin would receive an exclusive license to use the patent with an option to have the patent assigned to him free of charge at any time.

Levin struck a licensing deal with Septodont, but when Septodont found fault with the patented formulation they refused to go forward and Levin brought suit for breach of contract. Septodont counterclaimed that the patent was invalid because Dr. Kilday had not been listed as an inventor.

To invent something, in patent law means to conceive it. Conception is the formation in the mind of the inventor of a definite and permanent idea of the complete and operative invention, as it is to be applied in practice. An idea is definite and permanent when only ordinary skill in the art will be necessary to reduce the invention to practice without extensive research or experimentation.

Septodont argued that Dr. Kilday must be an inventor because the patent claims his proposed active ingredients, benzocaine and phenol, as essential components of the mouth rinse.

Levin argued that Dr. Kilday's suggestion of benzocaine and phenol as active ingredients was insignificant when measured against the full dimension of the patented oral rinse because it was not what made the invention non-obvious and thus subject to patent. The court agreed with Levin that the significance of the joint inventors alleged contribution should be assessed by asking whether the contribution helped to make the invention patentable.

A person doesn't qualify as an inventor simply because his contributions to an invention appear in the claims of the patent. A patentable invention need not be novel and non-obvious in every respect – it is enough if the claimed subject matter is an improvement over the prior art in one limited respect.

The court held that the significance of the alleged joint inventor's contribution depends on whether the contribution helped to make the invention patentable. And here, Dr. Kilday's undisputed contributions were identifying the need to develop a non-alcoholic solvent and selecting benzocaine and phenol to be the active ingredients in the mouth rinse. Neither is sufficient to make him a joint inventor. The patent is not invalid or unenforceable because of the lack of Dr. Kilday's listing as an inventor as he was not truly an inventor. Levin v. Septodont Inc., 63 USPQ2d 1395 (CA 4).

NEW OFFERINGS

E-Copyright Law Handbook is a work that is up to date on the fast changing area of copyright protection in the electronic media world. From Internet and electronic publishing issues to the Digital Millennium Copyright Act, from sound recordings and performing rights to motion pictures, television, and audiovisual work on the Internet are all covered as well as conventional copyright issues along with expert analyses of the copyright law and its application to digital media. An excellent reference for general practitioners and intellectual property lawyers alike. Laura Lee Stapleton, Aspen Publishers, New York, NY, \$180.00.

AMBIGUOUS LICENSE TERMS RESULT IN \$2†MILLION PLUS AWARD

MSI developed a computer software program for character generation called "Comet/CG." Character generation is a process of placing text over video and audio as when words appear over images in a television ad or credits scroll at the end of a movie. Prior to MSI software character generation required specialized hardware which costs up to a \$100,000. The new software cost only \$1,300.

When Media 100, the manufacturer of that expensive hardware decided to enter the personal computing market it turned to MSI to supply its Comet/CG software for use with its new "Media 100" line of personal video editor hardware. Comet/CG worked only on Macintosh computers. Macintosh and PCs are not compatible and so Comet/CG worked only on Macintosh and not PCs. MSI and Media 100 worked out a licensing agreement, but while they were doing that it became clear that the personal computing market was going the way of Windows and both companies sensed that a profitable future had something to do with producing Windows-compatible products. Nevertheless, the licensee agreement simply gave rights to Media 100 to distribute executable code based on the Comet/CG software when integrated with the Media 100 hardware used for digital editing.

When Media 100 paid a third party \$3.2 million to translate the code from Macintosh to Windows and put it into its new Windows editing system MSI brought suit for copyright infringement because it said the license only pertained to Macintosh products not PCs.

Media 100 argues that since MSI knew that Windows was the coming market when the term Media 100 hardware was used in the license it was meant to include both existing Macintosh hardware and the not-yet-developed Windows hardware. MSI argues that neither MSI nor Media 100 had any Windows-compatible products in existence at the time, so it was unnecessary to affir-

matively include or exclude them from the license language.

The jury agreed with MSI and awarded damages of \$1.2 million for copyright infringement, \$900,000 for lost profits, \$300,000 for trade secret misappropriation, and \$85,000 for breach of contract. The court vacated the jury's \$300,000 damage award for trade secret misappropriation but granted attorney's fees of \$192,283 with pre-judgment interest of \$313,061. McRoberts Software Inc. v. Media 100 Inc., 66 USPQ2d 1648 (CA 7).

USE OF TRADEMARK IN POST-DOMAIN URL PATH NOT TRADEMARK VIOLATION

Because of the importance of a domain name in identifying the source of the web site courts have held that use of another's trademark within the domain name of a web site can constitute a trademark violation. Each web page within a web site has a corresponding uniform resource locator (URL), e.g., a2zsolutions.com/desk/floor/laptraveler/dkfl-lt.htm which consists of the domain name a2zsolutions.com and the post domain path e.g., /desk/floor/laptraveler/dkfl-lt.htm. IPC sells a portable computer stand called the Lap Traveler which is federally registered as a trademark. a2z sells mobile computer accessories through its Internet web site including the Lap Traveler. On its web site at the URL a2z solutions.com/desk/floor/laptraveler/dkfl-lt.htm when IPC and a2z had a falling out a2z ceased selling Lap Traveler at that site and began selling its own newly designed replacement called Mobile Desk but it advertised the new design at the same URL address which still contained in the post domain path the phrase Lap

Traveler. IPC brought suit asserting violations of the federal trademark law among other things because of a2z's continued use of the term Lap Traveler in the post domain path of the URL which advertised the Mobile Desk and no longer advertised the Lap Traveler.

The court held for a2z. When a domain name is used only to indicate an address on the Internet and not to identify the source of the specific goods or services the name does not function as a trademark. And the post domain path of a URL does not typically signify source. Typically web pages containing post domain paths are not reached by entering the full URL into a browser; instead, these secondary pages are usually reached by a link from the web site's home page which does not contain a post domain path.

Because post domain paths do not typically signify source: it's unlikely that the presence of another's trademark in a post domain path of the URL would ever violate trademark law. More particularly IPC has not presented any evidence that the presence of "Lap Traveler" in the post domain path of a2z's portable computer stand web page is likely to cause consumer confusion regarding the source of the web page or the source of the Mobile Desk product. Interactive Products Corp. v. a2z Mobile Office Solutions Inc., 66 USPQ2d 1321 (CA 6).



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