Computers and the Law

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CLASS 13

Final Review
Final Exam

Final Exam Info

• Final Exam format
  – 50 multiple choice questions
  – 2 points per question
  – All answers to be completed in Excel document provided on website
  – Use capital letters for your answer

Final Exam Info

• Grading
  – I will not acknowledge receipt of your graded exam immediately.
  – However, I will respond within 24 hours of receipt of your exam with your final grade
  – I will not advise you of which questions you scored correctly or incorrectly on the final exam, nor do I send an answer key
  – However, if you did not receive the grade you expected to receive, I am willing to go over the questions with you that you missed.

Final Exam Info

• Thus, you have an incentive to turn in the final exam early so that you can get your grade early and address any issues before your final exam grade is entered.
  • I reserve my right to enter final grades for all students at 12:01 p.m. the day the exam is due.
  • DO NOT BE LATE IN TURNING IN THE EXAM OR, AMONG OTHER THINGS, YOUR GRADE IN THE COURSE COULD BE DELAYED
  • Any further questions about the final exam?

Final Review

• What did we learn this semester?
• Let’s review…

Branches of U.S. Government (3)

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Federal Court Structure

- US Supreme Court (1)
- US Court of Appeals (13)
  - 8th Circuit
  - Federal Circuit
- US District Courts (144); at least 1 per state
  - Missouri - 2 Federal District Courts
    • Eastern District - St. Louis
    • Western District - Kansas City
  - + Federal Bankruptcy Court

Types of Intellectual Property

- Unfair Competition
- Right of Publicity
- Trademarks
- Trade Secrets
- Patent
- Copyright

Note: Lay people often erroneously term one type of intellectual property by another name, such as copyrighting a name, patenting a music CD, trademarking an invention, etc.

Establishing Jurisdiction

- Authority of the court to hear the case (e.g., original or appellate jurisdiction)
- Authority of the court over the subject matter (subject matter jurisdiction)
- Jurisdiction over the parties (personal jurisdiction) or property (in rem jurisdiction) of the suit
- Proper notice

Establishing Personal Jurisdiction over the Internet

- Generally, courts view a defendant’s web site to determine whether jurisdiction based on sufficient contacts has been established.
- Courts addressing web site passivity have found that creating a web site without more is not an act “purposefully directed at a forum state” sufficient to warrant the exercise of jurisdiction.
- Courts look to the level of interactivity and commercial nature of the exchange of information that occurs on the website to determine if sufficient contacts exist to warrant the exercise of jurisdiction.

CAN SPAM Act

- Prohibits sending deceptive or misleading information and using deceptive subject headings
- Requires inclusion of return addresses in email messages, and
- Prohibits sending emails to a recipient after that recipient has indicated he or she does not wish to receive email messages from the sender

Commercial Mail Messages

- Is the message a commercial electronic mail message?
  - A “commercial electronic mail message” is any electronic mail message the primary purpose of which is the commercial advertisement or promotion of a commercial product or service (including content on an Internet website operated for a commercial purpose).
  - Does not include transactional or relationship messages
Copyright Requirements
• For an author to have a valid copyright in a particular work, the work must
  (i) be original,
  (ii) remain fixed in a tangible medium of expression, and
  (iii) have involved a minimum degree of creativity.

Protection of Fictional Characters
• “It is clear that when cartoons or movies are copyrighted, a component of that copyright protection extends to the characters themselves, to the extent that such characters are sufficiently distinctive.”
• See Warner Bros. Entertainment, Inc. v. X One X Productions (8th Cir. 2011)

Term
• What is the term of a copyright registration?
  – Life of the Author + 70 years
  – For anonymous works, pseudonymous works, and works made for hire - 95 years from publication or 120 years from creation, whichever expires first

Ownership
• General Rule – Copyright ownership vests with the author(s) of the work
  – Copyright ownership of a work can be assigned to another
  – Important exception – work made for hire

Work Made For Hire
Employees
• **Within the Scope of Employment**
  – the work is deemed authored by the employer and the employer will have all exclusive rights associated with the work.
• **Outside the Scope of Employment**
  – the work is deemed authored by the employee and the employer will simply have a license to use the particular embodiment of the work without the exclusive rights associated with the work

Non-Employees
• The work must be:
  1. specially ordered or commissioned,
  2. for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, and
  3. in a written instrument signed by the parties that states the work shall be considered a work made for hire.
Types of Works

- Derivative Work
- Joint Work
- Composite Work
- Compilation

Compilations

- "A ‘compilation’ is a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term ‘compilation’ includes collective works."

Nonliteral Elements Protectable

- "Most courts confronted with [computer program copyrightability] have determined that copyright protection extends not only to the literal elements of a program, i.e., its source code and object code, [] but also to its ‘nonliteral’ elements, such as the program architecture, ‘structure, sequence and organization’, operational modules, and computer-user interface."
- Engineering Dynamics, Inc. v. Structural Software, Inc., 26 F.3d 1335 (5th Cir. 1994)

Applicable Test

- The abstraction-filtration-comparison test is used in determining whether one program is substantially similar to another program for purposes of copyright infringement.

Abstraction-Filtration-Comparison Test

- **Step 1** - Separate protectable expression from unprotected ideas
- **Step 2** - Filter out elements of the program which are unprotectable
- **Step 3** - Compare the remaining protectable elements of the infringed program to the corresponding elements of the allegedly infringing program to determine whether there was sufficient copying of protected material to constitute infringement.

Lotus Development Corp. v. Borland International

- "We think that ‘method of operation,’ as that term is used in §102(b), refers to the means by which a person operates something, whether it be a car, a food processor, or a computer. Thus a text describing how to operate something would not extend copyright protection to the method of operation itself; other people would be free to employ that method and to describe it in their own words."
Incredible Technologies, Inc. v. Virtual Technologies, Inc.

- **Scenes a faire doctrine**
  - "The doctrine refers to ‘incidents, characters or settings which are as a practical matter indispensable, or at least standard, in the treatment of a given topic.’ These devices are not protectible by copyright. ... For instance, the mazes, tunnels, and scoring tables in Atari’s PAC-MAN were scenes a faire."

Incredible Technologies, Inc. v. Virtual Technologies, Inc.

- **Virtual Identical Copying Only**
  - "In presenting a realistic video golf game, one would, by definition, need golf courses, clubs, a selection menu, a golfer, a wind meter, etc. Sand traps and water hazards are a fact of life for golfers, real and virtual. The menu screens are standard to the video arcade game format, as are prompts showing the distance remaining to the hole. As such, the video display is afforded protection only from virtually identical copying."

### EXCLUSIVE RIGHTS

§ 106. Exclusive rights in copyrighted works

- Subject to sections 107 through 121, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:
  1. To reproduce the copyrighted work in copies or phonorecords;
  2. To prepare derivative works based upon the copyrighted work;
  3. To distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
  4. In the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
  5. In the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
  6. In the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

### Public Performance

- **Performing a Work Publicly**
  - to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances are gathered, or
  - to transmit or otherwise communicate a performance or display of the work to a place previously specified or to the public, by means of any device or process, regardless of the place and time received by the public.

### Distribution

- **General Rule** - Copyright owners are provided with the exclusive right to distribute copies or phonorecords of their works
- **Exception** - limited to the first transfer of ownership

American Broadcasting Cos. v. Aereo, Inc.

- "We do not see how the fact that Aereo transmits via personal copies of programs could make a difference... So whether Aereo transmits from the same or separate copies, it performs the same work; it shows the same images and makes audible the same sounds. Therefore, when Aereo streams the same television program to multiple subscribers, it ‘transmit[s] . . . a performance’ to all of them."
First Sale Doctrine

• “The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution.”


Kirtsaeng v. John Wiley & Sons

• “We hold that the ‘first sale’ doctrine applies to copies of a copyrighted work lawfully made abroad.”

Test for Infringement

• A plaintiff bringing a claim for copyright infringement must demonstrate
  (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.
• Absent evidence of direct copying, proof of infringement involves fact-based showings that the defendant had access to the plaintiff's work and that the two works are substantially similar.

Damages

• § 504. Remedies for infringement: Damages and profits
  • (a) In General. - Except as otherwise provided by this title, an infringer of copyright is liable for either -
    (1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or
    (2) statutory damages, as provided by subsection (c).

Fair Use

• § 107. Limitations on exclusive rights: Fair use
  • Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include —
    (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
    (2) the nature of the copyrighted work;
    (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
    (4) the effect of the use upon the potential market for or value of the copyrighted work.
  • The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

Campbell v. Acuff-Rose Music

• “The threshold question when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived. Whether, going beyond that, parody is in good taste or bad does not and should not matter to fair use.”
Leibovitz v. Paramount Pictures

• “The focus of this inquiry, the Court explained, should be on whether the copying work “merely ‘supersede[s] the objects’ of the original . . . , or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message, …”

RIAA v. Diamond Multimedia Systems

• “Thus, a device falls within the Act’s provisions if it can indirectly copy a digital music recording by making a copy from a transmission of that recording. Because the Rio cannot make copies from transmissions, but instead, can only make copies from a computer hard drive, it is not a digital audio recording device.”

A&M Records v. Napster

• The district court further determined that plaintiffs’ exclusive rights under § 106 were violated: “Here the evidence establishes that a majority of Napster users use the service to download and upload copyrighted music. And by doing that, it constitutes—the uses constitute direct infringement of plaintiffs’ musical compositions, recordings.” A&M Records, Inc. v. Napster, Inc., No. 99-5183, 00-0074, 2000 WL 1009463, at *1 (N.D. Cal. July 26, 2000) (transcript of proceedings).
• The district court also noted that “It is pretty much acknowledged . . . by Napster that this is infringement.” Id. We agree that plaintiffs have shown that Napster users infringe at least two of the copyright holders’ exclusive rights: the rights of reproduction, § 106(1); and distribution, § 106(3).
• Napster users who upload file names to the search index for others to copy violate plaintiffs’ distribution rights. Napster users who download files containing copyrighted music violate plaintiffs’ reproduction rights.

A&M Records v. Napster

• Contributory copyright infringement – “one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a `contributory' infringer.”

A&M Records v. Napster

• Vicarious Copyright Infringement - is an "outgrowth" of respondeat superior ... [and in] the context of copyright law, vicarious liability extends beyond an employer/employee relationship to cases in which a defendant "has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities."
• Before moving into this discussion, we note that Sony’s "staple article of commerce" analysis has no application to Napster's potential liability for vicarious copyright infringement.
• The "staple article of commerce" doctrine "provides a defense only to contributory infringement, not to vicarious infringement.

MGM v. Grokster

Level of Knowledge Required

• If the product or service is not capable of substantial or commercially significant noninfringing uses
  – D had constructive knowledge of the infringement
• If the product or service is capable of substantial or commercially significant noninfringing uses
  – D had reasonable knowledge of specific infringing files, and
  – D failed to act on that knowledge to prevent infringement
• Why does the court find that in the present case that the software is capable of substantial noninfringing uses?
• Contrast with Napster…
MGM v. Grokster

Vicarious Copyright Infringement
1) direct infringement by a primary party, [not disputed]
2) a direct financial benefit to the defendant, and [not disputed]
3) the right and ability to supervise the infringers.

MGM v. Grokster

ON TO THE SUPREME COURT
Split among circuits
• Substantial noninfringing use standard (see note 9 for 7th Circuit v 9th Circuit)
  • Where do we go from here?

MGM v. Grokster

Holding
• “One who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, going beyond mere distribution with knowledge of third-party action, is liable for the resulting acts of infringement by third parties using the device, regardless of the device's lawful uses.”

Copyright Termination

• Copyright termination makes it possible, in certain instances, for artists to regain the copyright in their works that they assigned (e.g., to record companies)

Marvel Characters, Inc. v. Kirby

• Work made for hire – no termination rights
• Assigned work – termination rights

Compulsory Licensing

Compulsory Licenses:
1) Cable television rebroadcast
2) Public broadcasting system
3) Jukeboxes
4) Digital performance of records
5) Digital distribution of records
6) Mechanical license
**Mechanical License**
- Right to reproduce a song in a record
- Once a song has been recorded and distributed, anyone can make a re-recording of the song so long as a license is obtained.
- Allows for making of an arrangement of the work

**Copyright Act**
- Under Section 115, a compulsory mechanical license is required when:
  1) Primary purpose is to make a record for distribution to the public for private use
  2) The record is of a nondramatic work
  3) The record has been previously recorded and distributed to the public

**Synchronization License**
- A license to use music in timed synchronization with visual images
- Compositions used in movies and television shows
- Licensed by the music publisher

**Master Use**
- The right to reproduce and distribute a song
- Song recordings used in movies and television shows

**Public Performance**
- Public performance by radio, TV, and the internet; in night clubs, amusement parks, and live concerts
- “Whether your music is live, broadcast, transmitted or played via CD’s or videos, your ASCAP license covers your performances.”

**Capitol Records, Inc. v. MP3Tunes, LLC**
- Red Flag Knowledge
- “Service providers can lose the protection of the DMCA safe harbors if they have actual or apparent (also called “red flag”) knowledge of infringing content.”
Capitol Records, Inc. v. MP3Tunes, LLC

- “[T]he actual knowledge provision turns on whether the provider actually or 'subjectively' knew of specific infringement, while the red flag provision turns on whether the provider was subjectively aware of facts that would have made the specific infringement 'objectively' obvious to a reasonable person.”

Capitol Records, LLC v. ReDigi Inc.

- “The novel question presented in this action is whether a digital music file, lawfully made and purchased, may be resold by its owner through ReDigi under the first sale doctrine. The Court determines that it cannot.”

Capitol Records, LLC v. ReDigi Inc.

- “[T]he reproduction right is the exclusive right to embody, and to prevent others from embodying, the copyrighted work (or sound recording) in a new material object (or phonorecord).”
- “[W]hen a user downloads a digital music file or 'digital sequence' to his 'hard disk,' the file is 'reproduce[d]' on a new phonorecord within the meaning of the Copyright Act.”
- “[I]t is the creation of a new material object and not an additional material object that defines the reproduction right.”

Universal Studios v. Reimerdes

- The DMCA contains two principal anticircumvention provisions.
- The first, Section 1201(a)(1), governs “[t]he act of circumventing a technological protection measure put in place by a copyright owner to control access to a copyrighted work,” an act described by Congress as "the electronic equivalent of breaking into a locked room in order to obtain a copy of a book.”
- The second, Section 1201(a)(2), which is the focus of this case, "supplements the prohibition against the act of circumvention in paragraph (a)(1) with prohibitions on creating and making available certain technologies developed or advertised to defeat technological protections against unauthorized access to a work.”
- As defendants are accused here only of posting and linking to other sites posting DeCSS, and not of using it themselves to bypass plaintiffs' access controls, it is principally the second of the anticircumvention provisions that is at issue in this case.

Universal Studios v. Reimerdes

- “The Court begins its statutory analysis, as it must, with the language of the statute. Section 107 of the Copyright Act provides in critical part that certain uses of copyrighted works that otherwise would be wrongful are "not ... infringement[s] of copyright." Defendants, however, are not here sued for copyright infringement. They are sued for offering and providing technology designed to circumvent technological measures that control access to copyrighted works and otherwise violating Section 1201(a)(2) of the Act. If Congress had meant the fair use defense to apply to such actions, it would have said so. Indeed, as the legislative history demonstrates, the decision not to make fair use a defense to a claim under Section 1201(a) was quite deliberate.”
Sony v. GameMasters

• At this stage, the Game Enhancer appears to be a device whose primary function is to circumvent “a technological measure (or a protection afforded by a technological measure) that effectively controls access to a system protected by a registered copyright....” 17 U.S.C. § 1201(a)(2)(A).

Lexmark v. Static Control Components

• Legislative History
  • “Nowhere in its deliberations over the DMCA did Congress express an interest in creating liability for the circumvention of technological measures designed to prevent consumers from using consumer goods while leaving the copyrightable content of a work unprotected....”

Prerequisites

Designated Agent
• CS317-ISP must have registered a designated agent with the Copyright Office pursuant to §512(c)(2) to take advantage of the safe harbor for information residing on systems or networks at direction of users (i.e., §512(c)). We have reviewed the Service Provider Agent List at the Copyright Office and CS317-ISP is not listed.
• Without designating an agent, CS317-ISP is unable to receive the exemption for information residing on systems or networks at direction of users with the present matter. However, as will be further explained below, this exemption is immaterial with respect to the present notice received from NetPD as the notice relates to the exemption for transitory digital network communications (i.e., §512(a)).

SAFE HARBOR 512(a): Transitory Digital Network Communications

Background
• As discussed above, CS317-ISP has met the prerequisites to take advantage of the safe harbor for transitory digital network communications. We must consider whether the complained of behavior falls within this particular exemption for transitory digital network communications, and whether CS317-ISP has met the requirements to take advantage of this exemption.

SAFE HARBOR 512(b): System Caching

Background
• The second safe harbor (i.e., 512(b)) is for “system caching” and limits the liability for copyright infringement of a service provider by reason of the immediate and temporary storage of material on a system or network controlled or operated by or for the service provider....”

SAFE HARBOR 512(c): Information Residing on Systems or Networks at Direction of Users

Background
• The third and penultimate safe harbor (i.e., 512(c)) limits the liability for copyright infringement for the storage of infringing material at the direction of a user on a system or network controlled by the service provider.
SAFE HARBOR 512(d): Information Location Tools

Background

- The fourth and final safe harbor (i.e., 512(d)) is for "information location tools" and limits the liability for copyright infringement of a service provider by reason of it "referring or linking users to an online location containing infringing material or infringing activity, by using information location tools, including a directory, index, reference, pointer, or hypertext link."

UMG v. Shelter Capital Partners

- Do the functions of Veoh's software destroy storage at the direction of users?
  - No, because by reason of storage and the infringer does not have to conduct the storage
- "We hold that the language and structure of the statute, as well as the legislative intent that motivated its enactment, clarify that § 512(c) encompasses the access-facilitating processes that automatically occur when a user uploads a video to Veoh."

UMG v. Shelter Capital Partners

- What about actual knowledge?
  - UMG argues that Veoh had knowledge or awareness of other infringing videos that it did not remove
  - UMG failed to rebut Veoh's showing "that when it did acquire knowledge of allegedly infringing material —whether from DMCA notices, informal notices, or other means — it expeditiously removed such material."
  - "We therefore hold that merely hosting a category of copyrightable content, such as music videos, with the general knowledge that one’s services could be used to share infringing material, is insufficient to meet the actual knowledge requirement under § 512(c)(1)(A)(i)."
  - “[W]e hold that Veoh’s general knowledge that it hosted copyrightable material and that its services could be used for infringement is insufficient to constitute a red flag.

List of Protection Schemes

- Architecture
- Hot News
- Rights in Ideas
- DMCA/Access to Works (future class)

National Basketball Assoc. v. Motorola, Inc.

How news elements [from INS]

(i) the plaintiff generates or collects information at some cost or expense
(ii) the value of the information is highly time-sensitive,
(iii) the defendant's use of the information constitutes free-riding on the plaintiff's costly efforts to generate or collect it
(iv) the defendant's use of the information is in direct competition with a product or service offered by the plaintiff
(v) the ability of other parties to free-ride on the efforts of the plaintiff would so reduce the incentive to produce the product or service that its existence or quality would be substantially threatened

Appropriation of Name or Likeness

- One who appropriates to his own use or benefit the name or likeness of another is subject to liability to the other for invasion of his privacy.
Right of Publicity v. Appropriation of Likeness

- **Appropriation** – private people whose interests being protected are in terms of emotional distress
- **Right of Publicity** – protects exclusive right to exploit commercial value that attaches to their identities by virtue of their celebrity

Laws v. Sony Music Ent.

- Case Analysis
- Present case involves use of copyrighted material with permission, and not vocal imitation.
- “Although California law recognizes an assertable interest in the publicity associated with one’s voice, we think it is clear that federal copyright law preempts a claim alleging misappropriation of one’s voice when the entirety of the allegedly misappropriated vocal performance is contained within a copyrighted medium.”

Jordan v. Jewel Food Stores, Inc.

- 7th Circuit reverses
  - Logo
  - Marketing slogan
- “[T]he ad is properly classified as a form of **image advertising** aimed at promoting the Jewel-Osco brand. The ad is commercial speech and thus is subject to the laws Jordan invokes here.”

What is a Trademark?

- A trademark is any word, name, symbol, or device, or any combination thereof used to identify and distinguish his or her goods from those manufactured or sold by others and to indicate the source of the goods.
- See 15 U.S.C. §1127

Devices for Trademarks

- **Words** – MICROSOFT for computer software
- **Symbol** – Nike SWOOSH
- **Device** – McDonalds GOLDEN ARCHES, Levis Pocket
- **Sound** – Michael Buffer LET’S GET READY TO RUMBLE, NBC THREE CHIMES

Use Required

To qualify for trademark rights, the person must:
1. be using the trademark in commerce, or
2. have a bona fide intention to use the trademark in commerce and apply to register on the principal register established by this Act.

“The term ‘use in commerce’ means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.”
Distinctiveness

- Classifications of trademarks are based upon the inherent distinctiveness of the mark
- Classifications include
  1) generic;
  2) descriptive;
  3) suggestive; and
  4) arbitrary or fanciful.
- Fanciful or arbitrary marks are eligible for protection without proof of secondary meaning and with ease of establishing infringement.

Infringement under the Lanham Act

- To show infringement, Plaintiffs must show that they (1) registered a trademark; (2) which Defendants used in commerce without Plaintiffs' consent; and (3) which created a likelihood of confusion as a result.

What are the Factors for Trademark Infringement?

- In analyzing whether Defendants have infringed a trademark such as "Blockbuster Video," the Sixth Circuit looks to eight factors under the Lanham Act:
  1) the strength of the plaintiffs’ mark;
  2) the relatedness of the goods;
  3) the similarity of the marks;
  4) evidence of actual confusion;
  5) marketing channels used;
  6) the likely degree of purchaser care;
  7) the defendants’ intent on selecting the its mark; and

Sight, Sound and Meaning

- "The court examines the degree of similarity between the marks on three levels: sight, sound, and meaning. King of the Mountain Sports, 185 F.3d at 1090. These factors must be evaluated "in the context of the marks as a whole as they are encountered by consumers in the marketplace." Id. at 1090 (quotation omitted). The court does not engage in a side-by-side comparison of the two marks, but rather must determine whether the allegedly infringing mark is confusing to the public when singly presented. Id. Similarities of the marks are given more weight than differences. Id."

How May Third Parties Use Trademarks?

- Proper identification of goods or services to which mark is associated
- Comparison advertisements allowed, or
- Noncommercial parody or satire is allowed
  - Absent disparagement of product or service quality, and
  - Absent likelihood of confusion
- Repair, reconstruction, repackaging, secondhand sales allowed
  - Provided there is no change in product or service quality

Tiffany v. eBay

- Nominative Fair Use
- To fall within the protection, . . . : "First, the product or service in question must be one not readily identifiable without use of the trademark; second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder."

Tiffany v. eBay

- What is the generalized knowledge of infringement and how does it apply to the test?
- “For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.”

Naked Licensing

- Trademark owners must maintain adequate quality control over the use of its trademarks or all trademark rights can be lost

Introduction to Metatags

- **Metatags** – text used in the header of an html web page used by search engines to determine or describe the content of the particular webpage
- **Content** – a list of words that indicates the type of content on a particular web page
- **Description** – a human readable sentence intended to be displayed by a search engine when a particular page of a web site is presented in search engine results

Playboy Enterprises v. Terri Welles

Nominative Use Test:

- “First, the product or service in question must be one not readily identifiable without use of the trademark;
- second, only so much of the mark or marks may be used as is reasonably necessary to identify the product or service; and
- third, the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.
- We noted in New Kids that a nominative use may also be a commercial one. ”

Playboy Enterprises v. Terri Welles

Conclusions:

- Headlines and banner advertisements ➔ nominative
- Use of the terms in the metatags for Welles’ website ➔ nominative
- Use in the wallpaper of the website. not nominative (and remand for a determination of whether it infringes on a PEI trademark).

Let’s look at the decision to determine how the court came to this decision.

Promatek Industries, Ltd. v. Equitrac Corp.

- “The Ninth Circuit has dealt with initial interest confusion for websites and metatags and held that placing a competitor’s trademark in a metatag creates a likelihood of confusion. … Equitrac's placing the term Copitrack in its metatag, consumers are diverted to its website and Equitrac reaps the goodwill Promatek developed in the Copitrak mark. Id. That consumers who are misled to Equitrac's website are only briefly confused is of little or no consequence. In fact, “that confusion as to the source of a product or service is eventually dispelled does not eliminate the trademark infringement which has already occurred.” Forum Corp. of N. Am. v. Forum, Ltd., 903 F.2d 434, 442 n.2 (7th Cir. 1990).”

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Playboy v. Netscape

- Initial Interest Confusion theory
- “Because banner advertisements appear immediately after users type in PEI’s marks, PEI asserts that users are likely to be confused regarding the sponsorship of unlabeled banner advertisements. In addition, many of the advertisements instruct users to ‘click here.’ Because of their confusion, users may follow the instruction, believing they will be connected to a PEI site. Even if they realize ‘immediately upon accessing’ the competitor’s site that they have reached a site ‘wholly unrelated to’ PEI’s, the damage has been done. Through initial consumer confusion, the competitor ‘will still have gained a customer by appropriating the goodwill that PEI has developed in its mark.’”

1-800 Contacts v. Lens.com

- “[T]he Ninth Circuit considered ‘the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page’ to be a critical factor in finding no likelihood of confusion in a case in which the alleged infringer used a competitor’s mark as a keyword.”

Trade Dress

- “The total appearance and image of a product, including features such as size, texture, shape, color or color combinations, graphics, and even particular advertising and marketing techniques used to promote its sales … Duplication of the trade dress of another’s goods is actionable as passing off at common law and under the Trademark Act. 15 U.S.C. §1125(a). Commercial prints and labels constituting key elements of trade dress may be protectible under the copyright laws as well.”
- Levin, Trade Dress Protection §2:1 citing Black’s Law Dictionary

Ingrid & Isabel v. Baby Be Mine

- “The Court finds that the ‘look and feel’ of a web site can constitute a trade dress protected by the Lanham Act. Accordingly, to succeed in its claim Plaintiff must thus show '(1) that its trade dress is inherently distinctive or has acquired secondary meaning; (2) that its trade dress is nonfunctional; and (3) that defendant's product creates a likelihood of consumer confusion.’”

Why Own a Patent?

- Ownership of a patent gives the patent owner the right to exclude others from making, using, offering for sale, selling, or importing into the United States the invention claimed in the patent.
- 35 U.S.C. 154(a)(1), MPEP 301

How Long Does a Patent Last?

General Rule
- 20 years from filing (starting from the date of issuance) 37 U.S.C. 154(a)

Exceptions
- If filed before June 8, 1995, 20 years from date of filing or 17 years from issue, whichever is longest
- Time with a Provisional Application does not count against the term
- Patent Term Adjustment for delays during patent prosecution 37 U.S.C. 154(b), MPEP 2730
Patent Eligibility

- Is a particular invention of a kind that the patent laws intended to protect?
- Subject matter open to patenting
  - Are there subject matters that are not open to patenting?
    - Natural Laws
    - Phenomena of Nature
    - Abstract Principles
- Technology = useful arts

Lowell v. Lewis

- “All that the law requires is, that the invention should not be frivolous or injurious to the well-being, good policy, or sound morals of society.”
- The patent system is not looking for something better, but rather is just looking for something different.

Anticipation

- “If the claimed invention can be found within the ambit of a single prior art reference, then the invention has been anticipated. References may not be combined during this inquiry, nor may elements that are analogous to the disclosure of a reference be considered.”

Statutory Bars

- Encourages timely filing and disclosure of inventive activity.
- An inventor must file within a year of any public use or offer to sell the invention.
- Anyone, including individuals unknown to the inventor, can defeat the patent by placing the invention in public use or sale.
- The 1-year grace period permits the inventor to weigh the advantages of patent protection, to perfect the invention, and to draft a patent application.

Experimental Use

- As a general rule, an experimental use only negates a statutory bar when the inventor was testing claimed features of the invention.
- Courts view the totality of the circumstances when determining whether an invention was on sale or in public use.
- The experimental use exception does not include market testing.
On Sale Test

- "On Sale" Test
  1) The product must be the subject of a commercial offer for sale
  2) The invention must be ready for patenting
     • Proof of reduction to practice before the critical date; or
     • Proof that prior to the critical date the inventor had prepared drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention

In re Hall

- "[P]ublic accessibility” has been called the touchstone in determining whether a reference constitutes a “printed publication” bar under 35 U.S.C. §102(b) … The proponent of the publication bar must show that prior to the critical date the reference was sufficiently accessible … so that such a one by examining the reference could make the claimed invention without further research or experimentation.”

Nonobviousness

"[A]n invention must also sufficiently advance the useful arts in order to warrant the award of an exclusive right. … In terms of obviousness, the new combination does not warrant a patent if, from the vantage point of one of ordinary skill in the art at the time of the invention, this new combination would have been obvious.”

KSR v. Teleflex – Supreme Court

- Supreme Ct
  - Rejects rigid approach; expansive and flexible approach
  - “[T]he Court has held that a ‘patent for a combination which only unites old elements with no change in their respective functions … obviously withdraws what is already known into the field of its monopoly and diminishes the resources available to skilful men.’ …
  - “The combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.”

Patent Specification Requirements

35 U.S.C. §112 requires that the Specification of a patent application must contain:
(A) A written description of the invention;
(B) The manner and process of making and using the invention (the enablement requirement); and
(C) The best mode contemplated by the inventor of carrying out the invention.
M.P.E.P. 2161

Enablement Requirement

- The specification must teach someone of skill in the art (1) how to make and (2) how to use the invention without undue experimentation.
- MPEP 2164
Written Description Violations

• Broad Claims
  • Claims cannot cover inventions never contemplated or disclosed by the inventor

• Narrow Claims
  • Each limitation must be supported by written description

• Addition of New Matter
  • To obtain benefit of earlier-filed application, claims of a continuation (or CIP) must be supported by original specification

Claims

• Claims define “the invention” described in a patent or patent application

• Example:
  A method of electronically distributing a class via distance education comprising:
  initiating a class session for a plurality of students on a server;
  receiving a plurality of signin requests for the class session, a particular signing request of the plurality of signing requests associated with a particular student of the plurality of students and received from a particular computing device associated with the particular user; and
  broadcasting video for the class session from the server to a plurality of computing devices, the plurality of computing devices including the particular computing device.

Elemental Claim Structure

Three basic parts of a claim:
1) A preamble
2) A transition phrase
3) A body

The Preamble

• “Immediately stated at the beginning of the claim is the object of the sentence, e.g., ‘A method of making coffee …’ The introduction (‘preamble’) may or may not constitute a limitation to the scope of the claim.”
  “… a preamble is a limitation if it gives ‘meaning to the claim’ …”

The Open Transition

“The Open Transition (‘comprising’): The use of the term ‘comprising’ captures technologies with all the elements described in the body of the claim; whether the technology has additional elements is irrelevant. Thus, if a claim recites elements ‘A’ and ‘B’, a device with ‘A’, ‘B’ and others is an infringement.”

The Body

Relation of Elements

• “The body of the claim provides the elements of the invention, as well as how these elements cooperate either structurally or functionally.”
  • “The drafter should also indicate how [each] element interacts with the [other elements] to form an operative technology …”
The Body
Element Introduction
• "Elements of an invention are ordinarily introduced with indefinite article, such as 'a' or 'an,' as well as terms such as 'one,' 'several,' or 'a plurality of.' When that element is noted later in the claim, claims drafters ordinarily employ the definite article 'the' or the term 'said.'"
• "If an element appearing for the first time is accompanied by 'the' or 'said,' then it will ordinarily be rejected by an examiner as lacking so-called 'antecedent basis.'"

Dependent Claims
• "Section 112, paragraphs 3-5 allow the use of so-called 'dependent' patent claims. The statute mandates that dependent claims recite an earlier claim and provide additional limitations."
• "a patentee is free to be his or her own lexicographer…"

Statutory Basis for Design Patents
• “Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.
• “The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.”
35 U.S.C. 171

Types of Design Patent Protection Available
1) Configuration of an article of manufacturer
   – Design of a scissors, a computer speaker, a bottle
2) Surface ornamentation for an article of manufacturer
   – Design included on surface of bottle
3) Configuration and surface ornamentation

Lines
• Limiting elements are shown in solid lines
• Non-limiting elements that are used to provide context for the design are shown in broken lines
• You can specific the effect of the broken lines in the description

Obviousness for Design Patents
• Analysis begins with a primary reference that is "basically the same as" the claimed design
• Secondary references are combined if obvious to a designer of ordinary skill
• The resulting combination is compared against the claims from the perspective of an ordinary observer
Ordinary Observer Infringement Test

• "[I]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other."
  Gorham Co. v. White, 81 U.S. 511 (1871).

Protection of GUI

• GUIs may be protected as design patents so long as properly presented and claimed.
• Icons must be shown as part of a three-dimensional article of manufacture (e.g., a computer display)
• The structure of form of the article of manufacturer (i.e., a computer) does not have to be claimed, but must be disclosed
• Thus, the claim should be directed to a computer screen, monitor, display plan, or a portion thereof to comply with 35 U.S.C. 171

Transitional Computer Generated Icons

• Design patent protection is not limited to protecting an icon in a static state
• Images that change in appearance during viewing may be the subject of a design claim

What is Prosecution?

• Negotiation by inventors or their representatives as by patent counsel or patent agent with a patent examiner & other PTO officials administratively in procedures involving the patent application, examination, amendment, continuing procedures and patent grant.

Examiner considers whether claims of application--

• Define patentable inventions (35 USC 101)
• Define inventions that are novel (35 USC 102) over prior art (P/A)
• Define inventions that are unobvious (35 USC 103) over P/A
• Examiner then writes a summary of the examination called an "Official Action" or "Office action" (OA)
• Provides OA to applicant or representative.

Office Action date & response

Has a date of mailing and from that date sets a date for response by applicant:
• Typically 3 mo. for substantive rejections or
• Shorter (e.g., 1 mo.) for informal requirements such as requiring applicant to elect between different species of claimed inventions regarded by examiner as independent (e.g., method and apparatus)
### Provisional versus Nonprovisional

<table>
<thead>
<tr>
<th>Provisional</th>
<th>Nonprovisional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smaller Filing fee</td>
<td>Larger Filing fee</td>
</tr>
<tr>
<td>Less preparation time</td>
<td>More preparation time</td>
</tr>
<tr>
<td>Can not amend</td>
<td>Amendments are possible</td>
</tr>
<tr>
<td>No claims required</td>
<td>Must have at least 1 claim</td>
</tr>
<tr>
<td>Not examined</td>
<td>Examined</td>
</tr>
<tr>
<td>Informal</td>
<td>More formal</td>
</tr>
<tr>
<td>Valid for only 1 year;</td>
<td>Application valid until</td>
</tr>
<tr>
<td>must timely file</td>
<td>abandoned or patent issued</td>
</tr>
</tbody>
</table>

### Term of patent

- Patent will issue to be in effect 20 years from:
  - Date of first filing of this or parent application
  - Or as limited by delays of applicant during prosecution
  - E.g., extensions of time required by applicant
  - Or as limited by the lapse of a parent application
  - Or where terminal disclaimer was submitted to overcome a double patenting rejection
- Patent is subject to maintenance fees payable 3.5, 7.5 & 11.5 years after issuance

### Continuation Possibilities

- **Continuation** – might claim other aspects disclosed but not claimed, or claimed in the same way as rejected claims
- **Request for Continuing Examination** (RCE) – removes finality of the office action (e.g., pay to play)

### Publication of patent applications

- **18 months** after filing unless applicant requests otherwise upon filing & certifies has not & won’t be subject of an application filed in a foreign country
- Provisional rights available to patentees to obtain reasonable royalties if others make, use, sell, or import inv. In the period betw. publication and grant
- Applicant can consider if foreign counterparts will be sought after all, after non-publ.request (NPR).
- If applicant then files for foreign patent, must notify PTO in US application within 60 days & withdraw NPR. Application then is published ASAP
- PRIOR ART effect for published appls – Sec.102(e)

### Inventorship

- Applications must be filed in the name of the true inventors
- Inventors must sign a declaration or an oath stating that they believe they are the first inventors.
- Joint inventorship of an invention is possible.

### Current Method of Disclosure

- Applicants submit one or more information disclosure statements (IDS) during prosecution to make the USPTO aware of any prior art
Therasense, Inc. v. Becton, Dickinson & Co.

- "To prevail on a claim of inequitable conduct, the accused infringer must prove that the patentee acted with the specific intent to deceive the PTO. A finding that the misrepresentation or omission amounts to gross negligence or negligence under a ‘should have known’ standard does not satisfy this intent requirement."

Infringement Inquiries

- First Inquiry - Does a device or method literally infringe one or more claims of a patent?
- Second Inquiry - Does a device or method infringe one or more claims of a patent under the doctrine of equivalents (DOE)?

Markman v. Westview Instruments, Inc.

- "An infringement analysis entails two steps. The first step is determining the meaning and scope of the patent claims asserted to be infringed. The second step is comparing the properly constructed claims to the device accused of infringing."
- "...[I]n a case tried to a jury, the court has the power and obligation to construe as a matter of law the meaning of language used in the patent claim."

Teva Pharmaceuticals USA v. Sandoz

- Claim construction with intrinsic evidence only – de novo review on appeal
- Claim construction with evidentiary underpinnings - subsidiary fact-finding must be reviewed for clear error on appeal

Prioritized Examination

- Track 1
  - $4,800 Examination fee (50% reduction for small entity)
  - Final disposition on average within 12 months from examination request grant
  - Must be filed by EFS-WEB
  - Max of 4 indep. and 30 total claims
- What if you want to expedite an already filed patent application?

Post-Grant Review

- 9-month window for reviewing patentability
- Threshold – “more likely than not” that at least one of the challenged claims is unpatentable
- Generally limited to first-to-file patents
First-to-File

• Focus is on a patent applicant’s “effective filing date” and whether prior art existed before that date
• Eliminates current Section 102(g), interferences, and questions of conception, diligence, reduction to practice, abandonment, suppression, and concealment.

Trade Secrets

• What is a Trade Secret?
  – Generally speaking, a trade secret is any information that has not been published and that could give a company a competitive advantage
• Is Trade Secret Law Protected by State or Federal Law?
  – Trade Secret law is protected by state law and varies from state to state
• How about some good news?!
  – Trade secrets are cheap (sort of); no filing fee but…
  – Duration – perpetual unless it is no longer a trade secret...

Protection of Trade Secrets

• Enter into non-disclosure agreements with third parties before disclosing confidential information
• Cover at least key employees with non-compete, confidentiality, and intellectual property agreements
• Secure access to physical files containing confidential information
• Implement network and other electronic security measures to limit internal and external access to files
• Monitor employee communications


• Was the customer list a trade secret?
• “Customer lists are protectable as trade secrets only when they represent ‘a selective accumulation of information based on past selling experience, or when considerable time and effort have gone into compiling it.’ […] However, “[t]o be protected, a customer list must be more than a listing of firms or individuals which could be compiled from directories or other generally available sources.”

AvidAir Helicopter Supply v. Rolls-Royce Corp.

• “Reasonable efforts to maintain secrecy need not be overly extravagant, and absolute secrecy is not required.”
• “The use of proprietary legends on documents or the existence of confidentiality agreements are frequently-considered factors in establishing or denying a trade secret claim.”

eBay v. Bidder’s Edge

• Trespass to chattels “lies where an intentional interference with the possession of personal property has proximately cause injury.” … In order to prevail on a claim for trespass based on accessing a computer system, the plaintiff must establish:
  1. defendant intentionally and without authorization interfered with plaintiff’s possessory interest in the computer system; and
  2. defendant’s unauthorized use proximately resulted in damage to plaintiff. …
• Here, eBay has presented evidence sufficient to establish a strong likelihood of proving both prongs and ultimately prevailing on the merits of its trespass claim.
DOMAIN NAMES

• A domain name is a string of characters acting as an Internet identifier that simplifies the Internet location of an entity’s web site, such as MyWebsite.com.
• http://www.yahoo.com is a uniform resource locator (URL) that includes a domain name, a server accessed at the domain name, and the protocol being used to access the domain name.

ESSENTIAL DEFINITIONS

• Registrar – a company that sells available domain names to end consumers pursuant to its relationship with one or more domain name registries
• Registry – an entity responsible for allocating unique domain names within a particular country code or top level domain
• WHOIS record – a record that provides detailed information for a particular domain name, which typically includes a registrant and an administrative contact

OBTAINING A WHOIS RECORD

• The WHOIS records for some domain name extensions (e.g., .com and .net) are decentralized.
• To obtain the WHOIS records for decentralized extensions, you may need to visit the registry to first identify the registrar associated with the domain name and then visit the registrar to obtain the WHOIS record.
• To obtain the WHOIS records for centralized extensions (.us, .info, and .biz), visit the registry.
• Several sites such as the WHOIS available at Network Solutions and ALLWhois.com contain a number of WHOIS records from a variety of registries and registrars.

REVERSE WHOIS SEARCH

• A reverse WHOIS search on a term of interest (e.g., a trademark) may identify entities that have adopted the term as part of their entity name. Typically, a reverse WHOIS search is used to identify the domain names associated with a particular registrant.
• However, there are some limitations on the ability to conduct reverse WHOIS searches. First, there are no free tools to perform reverse WHOIS searches. In addition, the searches may be performed on some out-of-date and incomplete records.

DOMAIN NAME INVESTIGATIONS

• Determine ownership of the domain name
• Retain copies of the WHOIS record and content
• Determine whether the entity is associated with additional domain names
• View prior versions of the domain name content
• Check metatags and keywords
• Perform a trademark search
• Check for prior UDRP and court decisions

The Anticybersquatting Consumer Protection Act

• The ACPA provides a civil action in the U.S. court system against anyone who, with bad faith intent to profit, registers, traffics in or uses a domain name that is:
  - identical or confusingly similar to a mark that was distinctive when the domain name was registered;
  - identical, confusingly similar or dilutive of a mark that was famous when the domain name was registered; or
  - infringes marks and names protected by statute.
• Results from Successful Action: Entities proceeding under the ACPA can gain ownership or force deletion of the disputed domain name, costs (attorney’s fees, filing fees, etc.), damages and injunction.
Ford Motor Co. v. Catalanotte

• "Registration, trafficking, and use of a domain name are separate acts upon which liability may be based. Although damages may not be awarded for pre-enactment registration, trafficking, or use, the fact that a domain name was registered before the Act's passage does not absolve the registrant from liability for post-enactment trafficking or use."

The Uniform Domain Name Dispute Resolution Policy

• The UDRP provides a mandatory administrative proceeding against a domain name registrant where the domain name is:
  - identical or confusingly similar to a mark in which the complainant has rights;
  - domain name registrant has no rights or legitimate interests in respect of domain name; and
  - the domain name has been registered and is being used in bad faith.

• Results from Successful Action: Entities proceeding under the UDRP can only gain ownership or force deletion of the domain name.

New Extensions

• New Extensions are coming
• Must meet certain requirements
• Companies paid 185K to evaluate per extension
• List of applied for domain names to date is available online

Trademark Clearinghouse

• Register trademarks with clearing house
• Allow for sunrise registration into new extensions
• Warnings about nearly exact domain name registrations in all of new extensions for limited period

Donuts Blocking

• Availability for extensions associated with Donuts
• Must have a registered trademark
• Blocks exact domain name registrations
• Allows company to later register associated domain names as desired

Brooktree Corp. v. AMD

What is a mask work?

• A series of related images, however fixed and encoded
  a) having or representing the predetermined, three dimensional pattern of metallic, insulating, or semiconductor material present or removed from the layers of a semiconductor chip product; and
  b) in which series the relation of the images to one another is that each image has the pattern of the surface of one form of a semiconductor chip product.
Brooktree Corp. v. AMD

What defense is available to a violation of the SCPA?
• Reverse Engineering:
• It is not an infringement of a registered mask work for:
  1) a person to reproduce the mask work solely for the purpose of teaching, analyzing, or evaluating the concepts or techniques embodied in the mask work or the circuitry, logic flow, or organization of the components used in the mask works; or
  2) a person who performs the analysis or evaluation described in paragraph (1) to incorporate the results of such conduct in an original mask work which is made to be distributed.

Altera Corp. v. Clear Logic, Inc.
• “The second mask work must not be ‘substantially identical to the original’ and as long as there is evidence of ‘substantial toil and investment’ in creating the second mask work, rather than ‘mere plagiarism’ the second chip will not ‘infringe the original chip, even if the layout of the two chips is, in substantial part, similar’”.
• What did the jury find?

Feist Publications, Inc. v. Rural Telephone Service Co.
• “[T]he copyright in a factual compilation is thin. Notwithstanding a valid copyright, a subsequent compiler remains free to use the facts contained in another's publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement.”

ProCD v. Zeidenberg
• “Shrinkwrap licenses are enforceable unless their terms are objectionable on grounds applicable to contracts in general (for example, if they violate a rule of positive law, or if they are unconscionable). Because no one argues that the terms of the license at issue here are troublesome, we remand with instructions to enter judgment for the plaintiff.”

Specht v. Netscape Communications Corp
• “[W]e conclude that the district court properly decided the question of reasonable notice and objective manifestation of assent as a matter of law on the record before it, and we decline defendants’ request to remand for a full trial on that question.”

Specht v. Netscape Communications Corp
• “Plaintiffs were responding to an offer that did not carry an immediately visible notice of the existence of license terms or require unambiguous manifestation of assent to those terms.”
• “We conclude that in circumstances such as these, where consumers are urged to download free software at the immediate click of a button, a reference to the existence of license terms on a submerged screen is not sufficient to place consumers on inquiry or constructive notice of those terms.”
Nguyen v. Barnes & Noble Inc.

• “Because no affirmative action is required by the website user to agree to the terms of a contract other than his or her use of the website, the determination of the validity of the browsewrap contract depends on whether the user has actual or constructive knowledge of a website’s terms and conditions.”

Recitals

• The “whereas” is typically set apart in capital letters and/or bold text;
• Defines the nature of the parties businesses;
• Defines the background of the parties agreement;
• Links the nature and background to the culmination of the agreement

Delivery, Inspection, and Acceptance

• The agreement should address how and when project deliverables are to be provided to the client, how the deliverables may be inspected, the procedures that are to be followed for the client to accept the deliverables, and what the developer’s obligations will be if a deliverable is rejected.

Time is of the Essence

• Seller recognizes that time is of the essence in this Agreement and that the failure to develop, test and deliver the deliverables hereunder in accordance with the Delivery Schedule shall result in expense and irreparable damage to Buyer.

States/Federal Government Data Breach Laws

• 47 States and D.C. with breach notification laws
  – Need to understand the differences so that the business can comply with the notification requirements

Breach Law Variations

1) the definition of covered information;
2) the trigger for notification;
3) any exceptions to the law’s notification requirement;
4) a requirement of notification to a state agency or attorney general;
5) the presence or absence of a substantive requirement for data security; and
6) the presence or absence of a private right of action.
Notification to State Agency or Attorney General

- “All the breach notification statutes require notification to the affected party. …States that require notice to a state agency or attorney general include Alaska, California, Connecticut, Florida, Hawaii, Illinois, Indiana, Iowa, Maryland, Massachusetts, New York, North Carolina, South Carolina, Vermont, and Virginia.”

Future Risk of Harm=Standing?

- “[A] number of courts have had occasion to decide whether the “risk of future harm” posed by data security breaches confers standing on persons whose information may have been accessed. Most courts have held that such plaintiffs lack standing because the harm is too speculative. … Here, no evidence suggests that the data has been—or will ever be—misused. The present test is actuality, not hypothetical speculations concerning the possibility of future injury. Appellants’ allegations of an increased risk of identity theft resulting from a security breach are therefore insufficient to secure standing.”
  - Reilly v. Ceridian Corp. (3rd Cir. 2011)

Enforcement Actions

- “The FTC’s initial enforcement actions for data security involved companies that failed to live up to promises made about data security in their privacy policies. The FTC has deemed the failure to follow statements made in a privacy policy to be a deceptive act or practice. A deceptive act or practice is a material ‘representation, omission or practice that is likely to mislead the consumer acting reasonably in the circumstances, to the consumer’s detriment.’

Unfair Data Security Practices

- “Under the FTC Act, a practice is unfair if it ‘causes or is likely to cause substantial injury to consumers which is not reasonably avoidable by consumers themselves and is not outweighed by countervailing benefits to consumers or competition.’ 15 U.S.C. §45(n).”

Section 5

- Violation of a consent decree results in fines
- Can issue fines under other sections
- FTC can obtain injunctive relief
- No private right of action

FTC v. Wyndham Worldwide Corp.

- Three Governing factors
  1) Offends public policy
  2) Immoral, unethical, oppressive, or unscrupulous,
  3) Causes substantial injury to consumers, competitors, and/or other businessmen
Privacy Policies

• Part of self-regulation
• “[Privacy] policies describe the information that is collected, how it will be used and shared, and how it will be safeguarded. Consumers are sometimes offered a choice to opt-out of some uses of their data.”

FTC’s View

• “Since the late 1990s, the Federal Trade Commission (FTC) has deemed violations of privacy policies to be an ‘unfair or deceptive’ practice under the FTC Act. The FTC has the power to enforce the FTC Act. The result of the FTC’s involvement has been to create a system of quasi-self-regulation, where companies define the substantive terms of how they will collect, use, and disclose personal data, but they are then held accountable to these terms by the FTC. Over time, however, the FTC has interpreted the FTC Act as requiring more of companies than merely following promises.”

FTC Section 5 Enforcement

• “Since the mid-1990s, the Federal Trade Commission (FTC) has used Section 5 of the FTC Act to regulate consumer privacy. Section 5 prohibits ‘unfair or deceptive acts or practices in or affecting commerce.’ 15 U.S.C. §45. The FTC views violations of privacy policies as a ‘deceptive’ practice.”

FTC Consent Decrees

• Elements include “(1) prohibition on the activities in violation of the FTC Act; (2) steps to remediate the problematic activities, such as software patches or notice to consumers; (3) deletion of wrongfully-obtained consumer data; (4) modifications to privacy policies; (5) establishment of a comprehensive privacy program, including risk assessment, appointment of a person to coordinate the program, and employee training, among other things; (6) biennial assessment reports by independent auditors; (7) recordkeeping to facilitate FTC enforcement of the order; (8) obligation to alert the FTC of any material changes in the company that might affect compliance obligations (such as mergers or bankruptcy filings).”

Types of Section 5 Privacy and Security Violations

• “Deception” prong
  – “FTC brings cases for broken promises of privacy, general deception, insufficient notice, and unreasonable data security practices.”

Types of Section 5 Privacy and Security Violations

• “Unfairness” prong
  – “[T]he FTC brings cases for retroactive changes to privacy policies, deceitful data collection, improper use of data, unfair design or unfair default settings, and unfair data security practices.”
COPPA Violations

• §6502(a) Acts prohibited (1) In general
• It is unlawful for an operator of a website or online service directed to children, or any operator that has actual knowledge that it is collecting personal information from a child, to collect personal information from a child in a manner that violates the regulations prescribed under subsection (b) of this section.

Children under COPPA

• A child under COPPA is a person under the age of 13
  – COPPA is not applicable to children over the age of 13

Must Post a COPPA compliant Privacy Policy

• Link privacy policy on homepage
• Include
  – List of all operators collecting PI
  – Description of the PI collected and how its used
  – Description of parental rights

Parental Involvement

• Notify parents directly before collecting PI from their kids
• Obtain parental verifiable consent before collecting PI from their kids
• Honor parents ongoing rights by
  – Allow parents to review collected PI
  – Provide a manner to revoke consent
  – Allow for a requested deletion of child’s PI

Any Questions?

• The final exam is coming soon…