

New Developments in Intellectual Property Law Issues Relating to Cyberspace

Nitin DATAR

Kyushu Women's University, Division of General Education

1-1 Jiyugaoka, Yahatanishi-ku, Kitakyushu-shi, 807-8586, Japan

(Received : November 1, 2013 ; Accepted : December 19, 2013)

Abstract

As the realm of cyberspace continues to expand with growing rapidity, it is becoming the site of choice for an increasing number of business and personal interactions around the world. Consequently, answers to legal issues relating to cyberspace are continually being refined as lawsuits relating to these issues proliferate in courts of law in the United States. Among the areas of law that are being reconfigured to accord with the contours of the new territory is the area of intellectual property law. All the subcategories of intellectual property law—that is, patent, copyright, trademark, and trade secrets law—are being reshaped as the realm of cyberspace expands. As technology and cyberspace continue their stride throughout the marketplace and in the personal lives of individuals, the province of intellectual property rights and the specifics of what is protected continues to be shaped by the needs, contingencies, and laws of the times. This paper provides an overview of some of the cases arising out of intellectual property issues related to cyberspace as decided by Courts of Appeals in the United States during the first ten months of 2013. The cases are illustrative of the diverse range of intellectual property law issues that are being spawned by the widening realm of cyberspace.

I. Introduction:

As the realm of cyberspace continues to expand with growing rapidity, it is becoming the site of choice for an increasing number of business and personal interactions around the world. Consequently, answers to legal issues relating to cyberspace are continually being fine-tuned, as lawsuits relating to these issues proliferate in courts of law in the United States. Prominent cases in point are the smartphone patent wars being fought between the giant companies of the Information Age. These include Apple, Nokia, Microsoft, Google, and others. These lawsuits continue to make headlines and involve stakes extending into the billions of dollars. Among the areas of law that are being reconfigured to accord with the contours of the new territory is the area of intellectual property law. All the subcategories of intellectual property law—that is, patent, copyright, trademark, and trade secrets law—are being reshaped as the realm of cyberspace expands.

As technology and cyberspace continue their stride throughout the marketplace and in the personal lives of individuals, the province of intellectual property rights and the specifics of what is protected continues to be shaped by the needs, contingencies, and laws of the times.

This paper provides an overview of some of the cases arising out of intellectual property issues related to cyberspace as decided by Courts of Appeals in the United States during the first ten months of 2013. The cases deal with diverse issues. These include: the patentability of a method for distribution of products over the internet, patents relating to the computer based pricing of products, copyright protection relating to an online database, due process for copyright infringement caused through the use of peer-to-peer networks, fair use and class actions arising from allegations of copyright infringement over the internet, contributory infringement relating to the use of peer-to-peer networks, and the scope of the Digital Millennium Copyright Act, and trademark infringement relating to the use of keyword searches. The cases are illustrative of the diverse range of intellectual property law issues that are being spawned by the widening realm of cyberspace.

II . Intellectual Property law Cases Relating to Cyberspace:

What follows in this section is a brief description of some cases that have been decided by Courts of Appeals in the United States during the period from January to October, 2013.

1. *UMG Recordings v. Shelter Capital Partners* (United States Court of Appeals for the Ninth Circuit, March 1 , 2013):¹

At issue in this case was the applicability of 17 U.S.C. Section 512 (c), the safe harbor provision of the Digital Millennium Copyright Act.² Defendant Veoh Networks operates a website that enables the sharing of videos over the internet. Veoh used several technologies to prevent copyright infringement through the use of its website. Despite its efforts, some users downloaded unauthorized music videos in respect of which UMG held the copyright. UMG sued Veoh for direct, vicarious and contributory infringement, and for inducement of infringement. The district court granted summary judgment in favor of Veoh on the ground that it was covered by the safe harbor provision of 17 U.S.C. Section 512 (c), but did not grant costs and fees. UMG appealed

¹ *UMG Recordings v. Shelter Capital Partners* (2013). Available at: <http://cdn.ca9.uscourts.gov/datastore/opinions/2013/03/14/09-55902.pdf>.

² The relevant portion of 17 U.S.C. Section 512 (c) reads as follows:

Information Residing on Systems or Networks At Direction of Users. –

(1) In general. – A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider –

- (A) (i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;
- (B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and
- (C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of the infringing activity.

the summary judgment, while Veoh appealed the denial of costs and fees. The court of appeals affirmed the judgment of the district court, but remanded the case in respect of a part of Veoh's claim for costs.

2. *Columbia Pictures Industries v. Fung* (United States Court of Appeals for the Ninth Circuit, March 21, 2013):³

This case involved the application of the inducement theory of contributory copyright infringement enunciated by the U.S. Supreme Court in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.* (2005) (*Grokster III*).⁴ The court also considered the scope of the safe harbor provisions of the Digital Millennium Copyright Act.⁵

Columbia Pictures Industries and a group of film studios sued Fung alleging that he and his company isoHunt Web Technologies, Inc. had committed breach of copyright as they had "induced third parties to download infringing copies of the studios' copyrighted works."⁶ A critical element of the case were the implications of the use of the peer-to-peer (P2P) file sharing protocol, BitTorrent.

The district court ruled in favor of the plaintiffs and held that Fung had induced third parties to infringe plaintiffs' copyright and thereby had committed contributory infringement. Pursuant to the ruling, the district court also enjoined Fung from engaging in certain activities. The court rejected Fung's plea for protection under the safe harbor provisions of the Digital Millennium Copyright Act. Fung appealed.

Before its description of the procedural history, the U.S. Court of Appeals set out a detailed explanation of P2p protocols relating to "pure," "centralized," and hybrid networks and the features of the BitTorrent protocol vis-à-vis supernode systems. The court began its discussion of the merits of the appeal by recapitulating the contours of the inducement theory of contributory infringement as had been adumbrated by the U.S. Supreme Court in the specific context of internet technology in *Grokster III*. In *Grokster III*, the Supreme Court had distinguished its earlier judgment in *Sony Corp. of America v. Universal Studios, Inc.*⁷ to hold that though merely knowing that one's products could be misused for infringing purposes did not render a provider culpable,

³ *Columbia Pictures Industries v. Fung*. Available at: <http://cdn.ca9.uscourts.gov/datastore/opinions/2013/03/21/10-55946.pdf>.

⁴ *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 545 U.S.913 (2005).

⁵ 17 U.S.C. Section 512 – Limitations on liability relating to material online.

⁶ *Supra* note 3, internal page 4 of the opinion.

⁷ *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

the actual promoting of infringing uses would render the provider culpable. In the court's reading, the elements of the inducement theory as postulated by *Grokster III* are: "(1) the distribution of a device or product, (2) acts of infringement, (3) an object of promoting its use to infringe copyright, and (4) causation."⁸

Although *Grokster III* involved the use of a device, the court held that the rationale of the ruling applied equally to a service provided over the internet as had happened in the present case. There was also abundant evidence of actual infringement in the present case. The court further held that there was sufficient evidence to indicate a clear object on the part of Fung to actively promote infringing uses. Regarding the final element of causation, the court accepted Columbia's argument that if a service capable of being used for infringing purposes is provided with the clear intent that it be so used, and it is in fact so used as to result in infringement, then the causation element is satisfied. The court, however, noted:

Copyright law attempts to strike a balance amongst three competing interests; those of the copyright holder in benefitting from their labor; those of entrepreneurs in having the latitude to invent new technologies without fear of being held liable if their innovations are used by others in unintended infringing ways; and those of the public in having access both to entertainment options protected by copyright and to new technologies that enhance productivity and quality of life.⁹

While expressing caution about extending copyright protection beyond its proper bounds, and noting the difficulty of ascertaining the degree to which Fung's actions caused infringement in the facts of the present case, the court declined to rule on the issue. The court deemed it unnecessary to do so and left it to the district court to consider the issue when determining damages, while affirming the district court's holding of copyright infringement.

The court of appeals further rejected Fung's defense of protection under the safe harbor provisions of the Digital Millennium Protection Act. The court held that Fung's trackers were not service providers as defined for the purposes of the 17 U.S.C. Section

⁸ *Columbia Pictures Industries v. Fung*, *supra* note 3, internal page 23.

⁹ *Columbia Pictures Industries v. Fung*, *supra* note 3, internal page 34.

512 (a) and hence could not avail of its protection. Similarly, Fung could not avail of the protection of 17 U.S.C. sections 512 (c) and (d) because (i) Fung was aware of facts that should have forewarned him of infringing uses, and (ii) Fung benefitted financially from infringing activity that he was entitled and able to control.

Finally, Fung questioned the propriety of the scope of the permanent injunction granted by the District court. The Court of Appeals found two of the grounds urged by him to be meritorious: vagueness and unduly burdensome. The court of appeals clarified the vague aspects of the injunction and directed the district court to amend the part that imposed an undue burden on Fung. Thereby, the Court of Appeals affirmed the district court judgment regarding Fung's liability for copyright infringement, and modified the scope of the permanent injunction.

3. *Versata Software v. SAP America* (United States Court of Appeals for the Federal Circuit, May 1, 2013):¹⁰

Plaintiff Versata Software sued SAP America for infringement of its patents relating to software for the hierarchical pricing of products. A special feature of the patented software at issue was that it required the use of a large central database for organizing customized hierarchical pricing. The jury found in favor of Versata in respect of one of the patents at issue and later awarded damages of \$260 million for lost profits, and \$85 million in royalties. The trial court entered a JMOL of noninfringement in respect of one of the patents. The trial court also entered a permanent injunction against the defendants. SAP America appealed in respect of the damages award, the denial of JMOL in respect of its other patent, and the permanent injunction. Versata cross-appealed in respect of the JMOL in favor of SAP, and a ruling by the trial court relating to evidence. The U.S. Court of Appeals for the Federal Circuit affirmed the jury verdict and damages award, but vacated a part of the permanent injunction as being overbroad and remanded for further proceedings. Versata did not press its cross-appeal.¹¹

4. *Ultramercial, Inc. v. Hulu, LLC* (United States Court of Appeals for the Federal Circuit, June 21, 2013):¹²

¹⁰ *Versata Software v. SAP America* (2013). Available at: <http://www.cafc.uscourts.gov/images/stories/opinions-orders/12-1029.Opinion.4-26-2013.1.PDF>.

The case concerned the patent eligibility of a method for distribution of products over the Internet.

The Patent Act of the United States is embodied in Title 35 of the United States Code. Title 35, Section 101 of the U.S. Code sets out the ambit of patentable subject matter. It states: "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." Title 35, Section 100 (b) of the U.S. Code defines process as "process, art, or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material."

Title 35, Section 101 of the U.S. Code sets out the threshold requirements of patent eligibility. Further conditions for patentability are set out in 35 U.S.C. 102 (Novelty); 35 U.S.C. 103 (non-obviousness); and 35 U.S.C. 112 (specification of the manner and process of making and using the invention).

The case first came up in appeal before the United States Court of Appeals for the Federal Circuit in 2011, and was decided by the court on September 15, 2011. Ultramercial sued Hulu and others alleging that Hulu had infringed Ultramercial's patent for a method of distributing copyrighted products over the Internet which required the consumer to view the advertisements. Upon Hulu's motion, the U.S. District Court for the Central District of California dismissed Ultramercial's suit on the ground that the patent at issue covered an abstract idea and hence did not cover

¹¹ Although this case does not mention the use of the internet, it is significant for a ruling by the USPTO's Patent and Trademark Appeal Board (PTAB) that was subsequently entered in June 2013. Before the judgment of the Federal Court of Appeals, SAP filed a petition for Post Grant Review under "Covered Business Methods" of the America Invents Act, on the ground, inter alia, that it was not patent eligible under Section 101. After granting the petition for Post Grant Review in January 2013, the PTAB issued its final ruling in June 2013 holding that the patent claims at issue are not patent-eligible under 35 U.S.C. Section 101 as being too abstract. Versata has filed a motion for rehearing. The PTAB ruling could have an important bearing on the question of the patentability of software, which will also have consequences for issues relating to cyberspace. An appeal lies from the PTAB to the U.S. Court of Appeals for the Federal Circuit.

¹² *Ultramercial, Inc. v. Hulu, LLC* (2013). Available at:

<http://www.cafc.uscourts.gov/images/stories/opinions-orders/10-1544.Opinion.6-19-2013.1.PDF>. The case was remanded for reconsideration in the light of the U.S. Supreme Court's opinion in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.* 566 U.S._____(2012).

patent-eligible subject matter. Ultramercial's patent claimed "[a] method for distribution of products over the Internet via a facilitator,"¹³ which comprised eleven steps. The U.S. Court of Appeals for the Federal Circuit ruled that the patent at issue claimed a process that required the use of complex computer programming to implement a specific practical application of an abstract idea. It therefore constituted patent-eligible subject matter within the meaning of 35 U.S.C. 101. On that footing, the USFC reversed and remanded the case to the District Court for further proceedings.

Upon petition to the U.S. Supreme Court, the Court granted a writ of Certiorari, vacated the Federal Circuit's judgment, and remanded for consideration in light of the Supreme Court judgment in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.* (*WildTangent v. Ultramercial*, Supreme Court 2012, Docket No. 11-962).

Upon remand, the U.S. Court of Appeals for the Federal Circuit once again held that the patent at issue was a process within the meaning of 35 U.S.C. 101 and once again reversed and remanded to the district court for further proceedings.

At the outset, noting the District Court's upholding of Hulu's contention regarding non-patentable subject matter without a construction of the claims or without requiring Hulu to file an answer, the Federal Circuit of Appeals made a few preliminary observations.

First, unless there is contrary evidence – which has to be clear and convincing – there is a presumption that a patent has been properly issued. Second, a determination of patent eligibility of subject matter inevitably requires a factual inquiry. Third, the inextricable factual aspect of the inquiry necessarily entails claim construction. Fourth, the issue of subject matter eligibility required a case-by-case analysis which could be inefficient.

The court then proceeded to examine the propriety of the district court's dismissal of Ultramercial's suit.

Based on a historical review of legislative and judicial developments, the court noted that the concept of patent eligibility under Section 101 was intended to have a broad ambit. It merely set out the threshold requirements of patentability. The further requirements of novelty, non-obviousness, and adequate disclosure also needed to be satisfied for a claim to be patentable. The only specific exceptions to patentable subject matter under Section 101 as recognized by the U.S. Supreme Court are laws of nature, physical phenomena, and abstract ideas.¹⁴ The Patent Office considers these

¹³ *Id.*, internal page 3 of the opinion.

factors when evaluating a patent claim. Therefore, an issued patent should carry a presumption of validity. This presumption can only be impugned on the basis of clear and convincing evidence to the contrary.¹⁵

The court then expatiated on the intractable nature of the concept of abstractness in the patent law context, given the essential purpose of the law. The essential inquiry when dealing with an abstract idea is whether the claim read in its entirety covers an application of an abstract idea or whether it encompasses the abstract idea per se.¹⁶ Gleaned from the precedents of the U.S. Supreme Court, the principles for determining this distinction are: (1). The claim must not be merely a description of the abstract idea with an appended directive to apply it; (2). The claim must not encompass all conceivable practical applications of the abstract idea; (3). The actions enumerated in the claim must be non-trivial; (4). The steps enumerated in the claim must not be overly generalized.¹⁷ Determining patentability in the light of at least some of these principles may require factual inquiry and claim construction. Equally, the following factors would weigh in favor of patent eligibility: (1) If the claimed process requires the use of a machine for implementation or it entails a transformation of matter (the machine-or-transformation test); (2) If the claim covers clearly defined steps which are non-trivial and essential for the implementation of the claimed process.¹⁸ The Court of Appeals for the Federal Circuit then noted the Supreme Court's repeated admonitions not to conflate the issues of patent eligibility under Section 101 and patentability under Sections 102, 103, and 112.

In the specific context of claims involving the use of computers, the court distilled the principles set out in the precedents as indicating that the likelihood of patent eligibility is enhanced where the claimed process requires the use of a specific computer or the use of a computer in a specific way.¹⁹

Viewing the District Court's judgment in the light of the aforesaid, the Federal Court of Appeals for the Federal Circuit reversed the District Court's judgment. First, the Court questioned the procedural propriety of the District Court's action requiring Ultramercial to demonstrate patent eligibility. The proper approach would have been to

¹⁴ *Id.*, internal page 10 of the opinion.

¹⁵ *Id.*, internal page 12 of the opinion.

¹⁶ *Id.*, internal pages 13 to 18 of the opinion.

¹⁷ *Id.*, internal pages 19 and 20 of the opinion.

¹⁸ *Id.*, internal page 21 of the opinion.

¹⁹ *Id.*, internal page 23 of the opinion.

place the burden of proving patent-ineligibility on Hulu.²⁰ To sustain the District Court's holding that the claimed process is abstract, Hulu would have had to show clearly that Ultramercial's claim and its complaint covered a purely abstract idea and not an implementation of the idea. In the present case, the Federal Circuit determined that that was not so. The claimed invention entailed the use of computer technology and computer programming, and its implementation was effectuated through the use of a process related to the internet and cyberspace. All computer related innovations – whether software or hardware – are entitled to patent protection.²¹ Furthermore, the claimed process involved clearly defined steps and was not overly generalized. The absence of a defined mechanism for the delivery of the content did not render the process abstract. Nor was it something evidently abstract such as a mathematical algorithm, as the claimed process involved a distinct method of collecting revenue.²² On that footing, the Federal Circuit reversed the judgment and remanded the case to the district court.²³

5. *Sony BMG Music Entertainment v. Joel Tenenbaum* (United States Court of Appeals for the First Circuit, June 25, 2013).²⁴

The United State Copyright Act is embodied in Title 17 of the United States Code. Title 17, Section 504 sets out the damages and profits that can be recovered as remedies for infringement. Title 17, Section 504 (c) specifically deals with statutory damages.²⁵ It provides that a copyright owner may seek statutory damages “in a sum of not less than \$750 or more than \$30,000 as the court considers just” for all acts of infringement of copyright. In a case of willful infringement, “the court in its discretion may increase the award of statutory damages to a sum of not more than \$150,000.”

Sony and a group of record companies sued the defendant for breach of copyright in respect of music that was downloaded and distributed – specifically, thirty violations – through the use of peer-to-peer networks over the course of about eight years. The District Court ruled in favor of the plaintiffs and the jury awarded statutory damages of \$22,500 for each violation, totaling \$675,000. On the defendant's motion, the Court

²⁰ *Id.*, internal page 25 of the opinion.

²¹ *Id.*, internal pages 26 to 31 of the opinion.

²² *Id.*, internal page 32 of the opinion.

²³ Judge Lourie filed a separate concurring opinion.

²⁴ *Sony BMG Music Entertainment v. Joel Tenenbaum* (2013). Available at: <http://media.ca1.uscourts.gov/pdf.opinions/12-2146P-01A.pdf>.

reduced the amount to \$67,500 on the ground that the award violated due process, without ruling on a plea for remittitur. Plaintiffs appealed. The U.S. Court of Appeals for the First Circuit vacated the judgment, inter alia, directing the district court to rule on the plea for remittitur, and to apply the standard of assessing constitutionality of statutory damages as laid down by the Supreme Court, and not of punitive damages as had been used by the district court. On remand, the District Court decided against remittitur, and ruled that the original award did not violate due process. Defendant appealed. The U.S. Court of Appeals for the First Circuit was required to determine the appropriate standard for adjudging the constitutionality of an award of statutory damages for breach of copyright, and whether the award of damages in this

²⁵ Title 17, Section 504 of the U.S. Code reads as follows:

(c) Statutory Damages. –

(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than \$750 or more than \$30,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work.

(2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$150,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than \$200. The court shall remit statutory damages in any case where an infringer believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use under section 107, if the infringer was:

(i) an employee or agent of a nonprofit educational institution, library, or archives acting within the scope of his or her employment who, or such institution, library, or archives itself, which infringed by reproducing the work in copies or phonorecords; or (ii) a public broadcasting entity which or a person who, as a regular part of the nonprofit activities of a public broadcasting entity (as defined in section 118(f) infringed by performing a published nondramatic literary work or by reproducing a transmission program embodying a performance of such a work.

particular case was so excessive as to violate the due process provision of the U.S. Constitution.

The defendant contended that due process required that he be given fair notice of the huge sum in damages that his actions could subject him to. In support, he relied upon the U.S. Supreme Court's judgment in *BMW of North America, Inc. v. Gore*.²⁶ In that case, the Supreme Court had laid down the factors for determining whether an award of punitive damages was so high that it violated the defendant's due process. The Court held that the holding in that case was inapplicable in the present case, as the damages awarded in this case were statutory and not punitive. The Court of Appeals for the First Circuit ruled that the authority relevant in the present case was the U.S. Supreme Court's judgment in *St. Louis, I.M. & S.Ry. Co. v. Williams*,²⁷ which dealt with an award of statutory damages. In that case, the Supreme Court had held that an award of statutory damages would be violative of due process if "the penalty prescribed is so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable."²⁸ The Court of Appeals for the First Circuit noted that the purpose of statutory damages under the Copyright Act is to repair injury as well as to deter wrongful conduct.²⁹ Upon examination of the defendant's conduct in the present case, the Court concluded that the statutory damages awarded by the jury did not violate the defendant's right to due process.

6. *Authors Guild Inc. v. Google, Inc.* (United States Court of Appeals for the Second Circuit, July 1, 2013):³⁰.

Rule 23 of the Federal Rules of Civil Procedure provide for class actions.³¹ Title 17, Section 107 of the U.S. Code sets out the provisions regarding fair use as a defense against an allegation of infringement of copyright.³²

The Authors Guild, comprising numerous authors of books, sued Google alleging that through the use of its "Google Books" search tool, it had scanned, indexed, and

²⁶ *BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996).

²⁷ *St. Louis, I.M. & S.Ry.Co. v. Williams*, 251 U.S. 63 (1919).

²⁸ *Id.*, at 66-67.

²⁹ In support, the Court of Appeals cited the U.S. Supreme Court judgment in *F.W.Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 233 (1952).

³⁰ *Authors Guild Inc. v. Google, Inc.*, (2013). Available at: [http://www.ca2.uscourts.gov/decisions/\(Search for: "Authors Guild, Inc., et al. v. Google Inc." in OPN; select: Docket #12-3200-cv\).](http://www.ca2.uscourts.gov/decisions/(Search%20for:%20%22Authors%20Guild,%20Inc.,%20et%20al.%20v.%20Google%20Inc.%22%20in%20OPN;select:Docket%20#12-3200-cv))

made available for public consumption parts of over 20 million books, and had thereby committed infringement of copyright. Plaintiffs sought class certification. After an initial refusal, the District Court granted certification for a redefined class. Google appealed. Google urged two grounds for opposing the class certification: (1) Google had a fair use defense which, if upheld, would defeat the suit; (2) the plaintiffs did not fulfill the requirement of Rule 23 (a)(4) of the Federal Rules of Civil Procedure.

Upon the basis of the principles gleaned from numerous authorities of various courts, the U.S. Court of Appeals for the Second Circuit held that the validity of Google's fair use defense would need to be resolved before any questions relating to class certification could be determined. On that footing, the Court vacated the District Court's order and remanded for determination of the fair use defense.

³¹ The Federal Rules of Civil Procedure, Rule 23, states in relevant part as follows:

- (a) PREREQUISITES. One or more members of a class may sue or be sued as representative parties on behalf of all members only if:
- (1) the class is so numerous that joinder of all members is impracticable;
 - (2) there are questions of law or fact common to the class;
 - (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class; and
 - (4) the representative parties will fairly and adequately protect the interests of the class.
- (b) TYPES OF CLASS ACTIONS. A class action may be maintained if Rule 23 (a) is satisfied and if:
- -
 -
 - (3) the court finds that the questions of law or fact common to class members predominate over any questions affecting only individual members, and that a class action is superior to other available methods for fairly and efficiently adjudicating the controversy. The matters pertinent to these findings include:
 - (A) the class members' interests in individually controlling the prosecution or defense of separate actions;
 - (B) the extent and nature of any litigation concerning the controversy already begun by or against class members;
 - (C) the desirability or undesirability of concentrating the litigation of the claims in the particular forum; and
 - (D) the likely difficulties in managing a class action.

7. *1-800 Contacts, Inc. v. Lens.Com, Inc.* (United States Court of Appeals for the Tenth Circuit, July 16, 2013):³³

The trademark law of the United States is embodied in Title 15 of the United States Code, Sections 1051 to 1127.³⁴

This case related to the use of AdWords, a program offered by Google. Through the use of the program, an advertiser can arrange to have its advertisements appear on the screen of the computer whenever specified keywords are typed for a Google search.

The plaintiff owns the registered service mark 1800CONTACTS.³⁵ Its use of this mark became incontestable in 2008. The Plaintiff noticed that when variations of its service mark were typed for a Google search, advertisements for defendant Lens.com would appear on the screen. Plaintiff sued Lens.com alleging service mark infringement, on the footing that Lens.com was wrongfully using its mark 1800CONTACTS as a keyword on the AdWords program to generate “initial-interest

³² Title 17, Section 107 of the U.S.Code, states in relevant part as follows:

Section 107. Limitations on exclusive rights: Fair use [T]he 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.

³³ *1-800 Contacts, Inc. v. Lens.Com, Inc.* Available at: <http://www.ca10.uscourts.gov/opinions/11/11-4114.pdf>.

³⁴ Title 15, Section 1052 of the U.S. Code provides for the registration of trademarks, and 15 U.S.C., Section 1053 provides for the registration of service marks. Title 15, Section 1065 of the U.S. Code provides for the conditions under which the right to use a registered mark becomes incontestable. Title 15, Section 1114 of the U.S. Code provides for remedies in cases of infringement of registered trademarks, while 15 U.S.C., Section 1125 (a) provides for remedies in cases of false advertising.

confusion”³⁶ and divert plaintiff’s business to itself. The plaintiff subsequently alleged secondary liability on the grounds of common law agency and contributory infringement for related actions by the defendant’s affiliates. The district court granted summary judgment in favor of defendant Lens.com. Plaintiff appealed the summary judgment, while defendant cross-appealed regarding sanctions imposed by the district court for discovery abuses and denial of attorney’s fees.

The Court of Appeals recapitulated the principles of law upon which the decision in the case would turn. Firstly, the points to be considered before determining a likelihood of confusion—in the words of the court—are:

- (a) the degree of similarity between the marks;
- (b) the intent of the alleged infringer in adopting the mark;
- (c) evidence of actual confusion;
- (d) the relation in use and the manner of marketing between the goods or services marketed by the competing parties;
- (e) the degree of care likely to be exercised by purchasers; and
- (f) the strength or weakness of the marks.³⁷

³⁵ A service mark is defined in 15 U.S.C. Section 1127 as follows:

Service mark. The term “service mark” means any word, name, symbol, or device, or any combination thereof –

- (1) used by a person, or
- (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

³⁶ “Initial interest confusion” is a theory of trademark infringement that the U.S. Court of Appeals for the Tenth Circuit described as that which “results when a consumer seeks a particular trademark holder’s product and instead is lured to the product of a competitor by the competitor’s use of the same or a similar mark.” *Australian Gold v. Hatfield*, 436 F.3d 1228, at 1238 (2006).

³⁷ *1-800 Contacts, Inc. v. Lens.Com, Inc.*, *supra* note 33, at internal page 15. The court cited its judgment in *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084 (10th Cir. 1999) while identifying these factors.

Further, regarding secondary liability, the court observed that the tenth circuit recognized that “a principal may be held vicariously liable for the infringing acts of an agent.”³⁸ The court also noted that the U.S. Supreme Court had recognized contributory infringement relating to trademarks in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.* (1982).³⁹

After a detailed consideration of the evidence offered by plaintiff 1-800, and the authorities cited, the court of appeals concluded that they did not support a finding of likelihood of confusion, and therefore affirmed the district court’s summary judgment regarding direct infringement. The Court of Appeals also affirmed the District Court’s summary judgment on the point of vicarious liability because the evidence in this case indicated that the defendants’ affiliates did not have actual authority to commit the impugned act; namely, to publish an advertisement containing a variation of the plaintiff’s service mark therein. Regarding contributory infringement, however, the court of appeals reversed the district court’s summary judgment because in the view of the court, the record indicated sufficient grounds for a jury to conclude that the defendant had knowledge of at least one affiliate wrongfully using plaintiff’s service mark in its advertisements but did not take reasonable action to stop the impugned conduct. Regarding defendant’s cross-appeal relating to sanctions, the court of appeals affirmed the district court’s finding as it was based on the defendant’s obstructive

³⁸ *1-800 Contacts, Inc. v. Lens.Com, Inc.*, *supra* note 33, at internal page 16. The court cited *Procter & Gambl Co. v. Haugen*, 317 F.3d 1121 (10th Cir. 2003) and *AT & T Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421 (3rd Circuit 1994).

³⁹ *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 853-54 (1982). The Court of Appeals quoted the following passage from *Inwood*:

[L]iability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another. Even if a manufacturer does not directly control others in the chain of distribution, it can be held responsible for their infringing activities under certain circumstances. Thus, if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially responsible for any harm done as a result of the deceit. (*Inwood*, at 853-854).

Quoted by the Tenth Circuit Court of Appeals in *1-800 Contacts, Inc. v. Lens.Com, Inc.*, *supra* note 33, at internal pages 16-17.

actions in response to discovery requests and also affirmed the denial of attorney's fees to the defendant.

8. *Metropolitan Regional Information Systems, Inc. v. American Home Realty Network, Inc.* (United States Court of Appeals for the Fourth Circuit, July 17, 2013);⁴⁰

The copyright law of the United States is embodied in Title 17 of the United States Code. Initial ownership of copyright vests under 17 U.S.C. Section 201 in the author of the work but the ownership can be transferred by conveyance or by operation of law. Title 17 Section 204 of the U.S. Code requires that a transfer by conveyance be in writing signed by the owner or the owner's agent. Title 17, Section 103 of the U.S. Code provides copyright protection for compilations. A compilation is defined in Section 101 as "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. A compilation includes collective works." Title 17, Section 201 (c) of the U.S. Code states that the copyright in each contribution of a collective work vests in the author of the contribution unless it has been expressly transferred to the owner of the compilation. Title 17, Section 411 of the U.S. Code sets out registration of the copyright claim as a pre-requisite for instituting most civil actions in respect of copyright infringement. Title 17, Section 409 (9) of the U.S. Code sets out the provisions for copyright registration in the case of a compilation. It requires "an identification of any preexisting work or works that it is based on or incorporates, and a brief, general statement of the additional material covered by the copyright claim being registered.

American Home Realty Network, Inc. (AHRN) and Metropolitan Regional Information Systems, Inc. (MRIS) engaged in the real estate listing business. MRIS offered an online listing service to real estate brokers and agents. AHRN collected data from online databases such as those of MRIS and publicized it on its website for the use of consumers. MRIS sued AHRN for copyright infringement alleging unauthorized use of its copyrighted material. Pending the final decision in the suit, the district court granted a preliminary injunction enjoining AHRN's use of photographs listed on MRIS's database. AHRN appealed. AHRN contended that MRIS had not fulfilled the statutory registration requirement in respect of the individual photographs and that the electronic

⁴⁰ *Metropolitan Regional Information Systems, Inc. v. American Home Realty Network, Inc.* (2013). Available at: <http://www.ca4.uscourts.gov/opinions/Published/122102.p.pdf>.

agreement between MRIS and its subscribers did not effectuate a transfer of the copyright to MRIS.

The issues before the court were:

1. In its registration, MRIS did not identify the names and titles of the individual works constituting the database. Does that restrict MRIS' s copyright to the database as a whole, and invalidate its claim to copyright in respect of the individual photographs?

2. The individual owners of the photographs transferred their rights to MRIS by means of an electronic agreement. Does an electronic agreement satisfy the writing and signature requirements of the Copyright Act for effective assignment of copyright.

The court' s holdings on the issues were:

1. No. MRIS' s copyright claim is not restricted to the database as a whole. It covers the individual components of the database including the photographs. The court noted the ambiguity in the text of the Copyright Act and rules promulgated pursuant to its provisions regarding registration of collective works. The court further noted the resultant conflict in court rulings regarding the statutory requirement. The court reasoned that a comprehensive view of the statutory and regulatory scheme of the Copyright Act indicated that in such cases, registration of the collective works was sufficient to extend the copyright claim in respect of the component parts. The court did not consider an amendment to the regulations relating to automated databases as it came into effect after MRIS' s registration, and its applicability to the present case was not clear.

2. Yes. An electronic agreement satisfies the writing and signature requirements of the Copyright Act for an effective assignment of copyright. Therefore, the rights in respect of the individual photographs had been properly transferred to MRIS. Noting that the Copyright Act did not define a writing or signature, the court relied upon the provisions of the Electronic Signatures in Global and National Commerce Act to hold that the electronic agreement fulfilled the writing and signature requirements of the Copyright Act.

This judgment is significant for its clear recognition of the validity of e-signatures for conveying copyrights.

III . Conclusion:

The foregoing cases are not exhaustive, but merely representative of the myriad legal disputes relating to intellectual property rights in the realm of cyberspace that have arisen lately. Entrepreneurship and innovation continue to expand the technological possibilities of cyberspace. As a growing volume of business transactions and personal interactions come to be conducted in the realm of cyberspace, new intellectual property and other legal issues tend to arise. The developing regulatory regime is being shaped in courts of law and also in the legislative and executive spheres. The law has to evolve in order to fulfill its traditional rationale and purposes as adapted to the necessities and contingencies of the interconnected world. This process of refinement is proceeding apace with increasing sophistication and appreciation of the technology and its possibilities.⁴¹

⁴¹ A particularly prominent case in point is the judgment of Judge Alsup of the United States District Court for the Northern District of California in the case of *Oracle America, Inc. v. Google, Inc.*, delivered on May 31, 2012. The case involved copyright and patent law issues. Judge Alsup's opinion has garnered widespread praise for the clarity of its exposition and the sophisticated knowledge of the technology that it manifests. *Oracle America, Inc. v. Google, Inc.* (2012). Available at: https://www.eff.org/sites/default/files/Alsup_api_ruling.pdf.

サイバースペースに関する知的財産法問題の進展

ダタール ニティン

九州女子大学共通教育機構、北九州市八幡西区自由ヶ丘1-1 (〒807-8586)

(2013年11月1日受付、2013年12月19日受理)

要約

サイバースペースの領域が急速に広がるにつれて、ビジネスや個人取引の場所として選ぶ人が増えてきている。当然のことながら、それらの問題に関する訴訟がアメリカ合衆国の法廷で激増し、サイバースペースに関する法律問題についての解決も断続的に洗練されてきている。この新しい領域に合うものとして再定義されたのは、知的財産法の領域である。知的財産法の下位のカテゴリーのすべて、つまり、特許法、著作権法、商標法、営業秘密法は、サイバースペースの領域が広がるにつれて、改変されてきた。テクノロジーとサイバースペースが市場と個人の生活の中に闊歩していくにつれて、知的財産権の範囲と保護されているものの明細が、その時々々の必要性や不慮の事変や法律によって、改変され続けていく。この論文では、2013年10月までアメリカ合衆国の高等裁判所によって判決を下されたサイバースペースに関する知的財産法の中から出た、判例のいくつかを概観している。判例は広がったサイバースペースの領域によって数多く生まれてきた、多様な範囲の知的財産法の問題を例証している。