



Paul | Weiss



Intellectual Property & Technology

n e x t

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- **Liberté, Egalité, Interoperabilité**
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The incredible speed and growing bandwidth of today's communications networks makes it possible for intellectual property rights to be exploited almost instantaneously around the world. The "global economy" creates, markets and consumes more and more intellectual property every day and copyrights, trademarks, patents and other IP assets created in one jurisdiction are increasingly being exploited in many others. Differences in the ways intellectual property is protected and enforced in various jurisdictions were bound to emerge and indeed they have, much to the chagrin of intellectual property owners around the world who now must face questions about where and when to market their products in an uncertain legal environment.

This issue of **next** highlights some of these international IP issues by bringing you news from France, China and Russia. Of course, there's always plenty of interesting "local" news as well. We've covered one of Google's recent US copyright victories as well as the State of Utah's latest contributions to the growing body of privacy/data security law.

Please let us know what you think about the issues raised in the stories we've covered in **next**. If there are other issues you would like to see covered in these pages in the future, please send any thoughts or ideas on topics to next@paulweiss.com.

If you would like further information on the topics discussed here or any other intellectual property matters, please contact one of the Paul, Weiss partners identified on the back cover.

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Proposed French law threatens to upset the Apple cart

A proposed new French law is poised to have significant effects on Apple Computer and other owners of copy-protection technologies. On March 21, the National Assembly, France's lower house of Parliament, approved a bill that would require complete interoperability between all online music stores and all digital music devices. Based on its market share, Apple has more to lose immediately than perhaps any other company, but there will be repercussions throughout the technology industry. If adopted, the law would require Apple to divulge its proprietary copyright protection technology so that music can be downloaded from iTunes onto devices other than the iPod and consumers can download songs onto their iPods from online sources other than iTunes.

If this bill becomes law, it will represent a vast departure from traditional concepts of intellectual property protection and the right of companies to maintain their own trade secrets. The proposed bill has already sparked a deluge of debate. Those backing the law claim that it is intended to discourage online piracy by offering increased legal compatibility between music players and online stores. Those criticizing the proposed law, including Apple, argue that the law will result in "state-sponsored piracy" by legalizing the creation of software that circumvents digital rights management technology. That type of technology currently sets the parameters on what consumers can do with the music they download, by limiting the number of copies that can be made as well as the number of devices to which users can transfer their music. U.S. Commerce Secretary Carlos Gutierrez is among those who have criticized the bill and has publicly announced his support for Apple's position, stressing the importance of protecting each company's intellectual property rights.

The legislation will now go to the French Senate which is expected to pass it into law sometime in May. If it is passed, Apple will be faced with a conundrum – should it continue to operate in France and attempt to comply with the new law, risking the breach of its digital rights management technology outside of France, or should it simply withdraw from France entirely, forfeiting one of its largest markets in Europe?

Reference: *BusinessWeek Online*, "Apple vs. France," March 21, 2006; *Wired News*, "French Law Seeks Interoperability," March 17, 2006.

Liberté,
Egalité,
Interoperabilité

Starbucks Serves Up a Double Shot in China

Recent trademark actions may suggest a new era in Chinese IP enforcement

Is the increasing success of foreign companies' enforcement of intellectual property rights in China a sign that China is intensifying its efforts to strengthen its intellectual property laws and crackdown on piracy and infringement? In January, Starbucks won two separate lawsuits brought in Shanghai and Qingdao against Shanghai Xingbake Coffee Food and Beverages Co., a Chinese competitor that used a similar name and logo. "Xingbake" is the trademark Starbucks uses in China. The Chinese courts ordered the defendant to pay Starbucks 500,000 yuan (\$61,956) in damages and enjoined the defendant from using the infringing name and logo. The Shanghai court further determined that the Starbucks name and logo qualified as a "famous brand," allowing Starbucks to face a lower threshold in proving its ownership of intellectual property rights. Last fall, another U.S. company, General Motors, reached a settlement with Chinese auto manufacturer Chery over an alleged design infringement.

Despite these recent victories, critics note that piracy and counterfeiting of protected goods

in China remain rampant. The U.S. Trade Representative has estimated that intellectual property infringement in China costs U.S. businesses \$2.5 to \$3.8 billion each year and last year, China was elevated to the Priority Watch List for failing to effectively protect intellectual property rights and reduce infringement.

Russian Court Says "Nyet" to Squatter...

Starbucks also recently claimed victory against a trademark squatter in Russia who registered the Russian trademark "OOO Starbucks" and then tried to sell the mark to Starbucks. Last fall, after a lower court ruling temporarily enjoined the squatter from using the mark, Russia's patent and trademark office, Rospatent, agreed to annul the trademark.

Reference: *Brand Owners Cheer Starbucks Trademark Victory*, November 17, 2005 available at: www.iplaw360/Secure/ViewArticle.aspx?id=4535.

The Chinese government recently announced a new plan to amend its intellectual property laws in order to meet its obligations under the World Trade Organization, which it joined in 2001. The plan includes drafting or revising 17 laws and regulations relating to trademarks, copyrights, patents and customs. The amendments are expected to address streamlining the patent application and examination process as well as improving laws

relating to patent protection and infringement standards. According to a government official, the proposed changes are expected to be considered by the National People's Congress next year.

References: "Chinese IP Official Says Country Is Working to Protect Ideas and Brands" as reported by *BNA, Patent, Trademark & Copyright Journal*, February 24, 2006.

Cache Me, If You Can

Google cleared of copyright infringement in archiving case

A court recently held that Google's archiving and partial display of Usenet postings did not constitute copyright infringement or defamation.

Gordon Roy Parker, an author of e-books, posted "Reason Number 6" from his book, *29 Reasons Not To Be A Nice Guy*, on Usenet. Usenet is a worldwide system of bulletin boards with thousands of forums. Google's search engine system automatically scanned and archived Parker's posting in a cache (a temporary storage tool).

Parker claimed a breach of his copyright based on the automatic scanning and archiving of his Usenet posting. The court disagreed. It held that the automatic activities of Google's search engine lacked the volitional element necessary to constitute a direct copyright infringement.

Parker also alleged that Google's archiving activities amounted to contributory copyright infringement when Google's search engine returned postings containing copyrighted material. Contributory infringement requires that the person contributing to the infringement have knowledge of the infringing activity. The court rejected the contributory infringement claim because Parker submitted no evidence that Google had any knowledge of the alleged infringing activity.

In addition to his copyright claims, Parker argued that Google was liable for defamation, invasion of privacy and negligence. These claims were based on the allegation that Google archived defamatory messages about Parker posted to Usenet by other users.

The court found Google wholly immune from such claims based on the protections afforded by the Communications Decency Act (CDA). The CDA provides that interactive computer services are not publishers and are therefore immune from liability for publishing false or defamatory material "so long as the information was provided by another party." Because the court held that Google is an "interactive computer service" and only archived and provided access to content provided by third parties, it qualified for the CDA's immunity.

Reference: *Parker v. Google, Inc.*, No. 04-CV-3918 (E. D. Pa., Mar. 10, 2006).

Utah Steps Into the Breach

State leads charge to put ID thieves on ice

While various congressional committees work on developing federal legislation on data security, including the House Energy and Commerce Committee's March 29 unanimous approval of the Data Accountability and Trust Act (DATA), Utah recently added to the patchwork of laws by enacting a number of new statutes that go beyond current state laws and what is being considered in Washington.

Unique among the states that have security breach notification laws, Utah now allows companies that have experienced security breaches to notify consumers either by telephone, mail, email or just by publishing a notice in a newspaper of general circulation; though some other states permit notification through the media, it is only in limited circumstances. Utah also passed a new law preventing a person accused of fraudulent use of another person's information from using the defense that he or she did not know that the identifying information belonged to someone else. Utah's breach notification law, as well as those of the other 24 states that have passed similar legislation, may become irrelevant: some of the bills working their way through Congress – including DATA – expressly preempt state law.

Utah also enacted legislation allowing consumers to freeze their credit accounts to prevent identity theft, effective September 1, 2008. While more than a dozen other states have passed similar legislation, unlike those states, where unlocking the account could take three days, Utah requires that upon presentation of the correct username and password, credit bureaus will have to provide access to the accounts in 15 minutes. This would allow consumers, for example, to apply for department store credit cards while waiting, without having to give advanced notice. Credit bureaus are allowed to charge a "reasonable fee" for placing and temporarily removing the freeze, except in cases where the freeze is applied for a consumer who is a victim of identity fraud and the bureau is provided with a police report or police case number as evidence.

Utah also expanded its no-spam "Child Protection Registry" requirements, by allowing the addition of cellular phone numbers. Utah is the only state other than Michigan with a child protection registry – requiring all companies that send pornographic emails to first "scrub" their lists so no children will receive the content – and is the first to expand the registry to cover text messages. Although the original registry law is currently being challenged, in January the state issued its first citation under the law – to a Canadian pornography site.

References: Data Accountability and Trust Act (DATA) (H.R. 4127); Protection of Information in Consumer Credit Databases (Utah S.B. 69); Criminal Identity Fraud Amendments (Utah S.B. 184); Consumer Credit Protection (Utah S.B. 71); Amendments to Child Protection Registry (Utah H.B. 417)

what's next?

If It Talks Like a Duck...

Certain provisions of insurance policies by the American Family Life Insurance Company of Columbus (Aflac) have sufficient originality for copyright protection, according to a recent decision in the U.S. District Court for the Northern District of Georgia. The court, granting summary judgment of infringement and a preliminary injunction in favor of Aflac regarding two of the four policies at issue, rejected defendant Assurant, Inc.'s argument that the provisions were not protected by copyright because the language used in the policies was necessary in order to express the underlying idea. Instead, the court concluded that while certain sections of the policies, such as definitions, contained commonly used language that was unprotectible, other provisions written by Aflac in a "narrative style" met the low threshold of originality necessary to merit copyright protection and were copied nearly verbatim by Assurant.

Reference: *Am. Family Life Ins. Co. v. Assurant, Inc.*, Case No. 1:05-CV-1462-BBM, 2006 U.S. Dist. LEXIS 8781 (N.D. Ga. Jan. 11, 2006).

From the Runway to the Beltway

The Council of Fashion Designers of America (CFDA) is seeking copyright protection for clothing designs. Clothes are considered "useful articles" and as such clothing designs are not currently protected by U.S. copyright law. The CFDA is encouraging Congress to adopt a bill that would protect clothing designs for three years to prohibit copying designs. Such protections would bring U.S. law more in line with protections available in Europe, although it is unclear whether such protections might subject the American fashion industry to an onslaught of infringement claims.

Reference: H.R. 5055, 109th Cong. (2006).

WIPO Adopts a New Trademark Treaty

On March 28, the World Intellectual Property Organization adopted the Singapore Treaty on the Law of Trademarks, which updates the 1994 Trademark Treaty to provide, among other things, for a streamlined application process and lower transaction costs. The new treaty is aimed at making it easier for companies to file and maintain trademark applications internationally with the hopes of boosting international trade.

Reference: Singapore Treaty on the Law of Trademarks, adopted March 28, 2006.

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French Senate

Waters Down “iPod Law”

only upon payment of an appropriate license fee. The amendments remain subject to further discussion and a vote.