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## INTELLECTUAL PROPERTY LITIGATION

BY LEWIS R. CLAYTON

### *Plans Made to Deal With User-Generated Web Content*

No user of the Internet can fail to notice the wide availability of thousands of audio and video clips uploaded each day by individuals. Anyone with access to a computer can edit or create audio and video content, using material copied from purchased CDs or DVDs or generated using a camera or video recorder.

A good deal of this material derives from the public domain or was created from scratch by the individual uploader. Much of it, however, appropriates copyrighted material. It is simple to find unauthorized copies of popular music, films and television shows on the Web.

In March, Viacom and several of its affiliates sued YouTube and its owner Google, alleging that those parties are violating the Copyright Act by permitting, and profiting from, the uploading of more than 150,000 clips of copyrighted programming to YouTube's popular Web site. YouTube and Google have responded that their conduct is protected by the safe harbor provisions applicable to Internet service providers under §512 of the Digital Millennium Copyright Act (DMCA).

Last month, parties on both sides of this controversy announced plans to deal with user-generated content on the Web. Major content providers and media companies CBS, Disney, Viacom, Fox, Microsoft and others announced a set of principles for the treatment of user-generated online content. For its part, Google launched a beta version of YouTube Video Identification, also designed to identify and deal with copyrighted content included in uploaded material.

The principles call upon service providers to use "highly effective," "commercially reasonable technology" to identify "infringing content" that matches "reference data" on protected works provided by copyright



owners. If a match is made, and a copyright owner has represented in "good faith" that it possesses "appropriate rights" in the content, the service is to follow instructions by the copyright owner to block the upload before the material becomes available online.

Content owners and service providers are to cooperate to develop "reasonable procedures for promptly addressing" user claims that material was erroneously blocked. The principles contemplate that, after receipt of a counter-notice (a notice under the DMCA from the uploader claiming that the material was removed because of mistake or misidentification), material may be replaced if "authorized by applicable law." The principles also would commit service providers to search all portions of a Web site or service for pre-existing infringing material, cooperate with content owners who wish to do such a search themselves, and block access to sites "predominantly used" for infringing activity.

Google's YouTube's Video Identification procedure, which it claims goes "above and beyond" its "legal responsibilities," has some similarities to the UGC Principles. Under this procedure, copyright holders provide copies of protected works, from which YouTube extracts identifying information that is compared with uploaded files. A holder can provide instructions to block infringing material, or enter into an agreement with Google that would generate

licensing revenue for the holder based on use of the material. If an uploader objects to a block, it appears that the notice and counter-notice provisions of the DMCA would apply.

Mirroring questions considered in connection with *Napster* and other file-sharing litigations, content owners and service providers are likely to debate whether a block should be enforced before or after uploaded material is first made available online, the extent and thoroughness of the service provider's search for infringing material, and how obviously infringing materials should be identified and removed. Beyond these issues, some groups that see themselves as champions of consumer use of copyrighted materials are critical of any screening system, believing that no automated procedure can give sufficient consideration to fair use principles.

#### Patents

Two U.S. Court of Appeals for the Federal Circuit panels explored the boundaries of patentable subject matter under §101 of the Patent Act, which allows patents on "any new and useful process, machine, manufacture, or composition of matter." *In re Comiskey*, 2007 WL 2728361 (Fed. Cir. Sept. 20, 2007), analyzed a patent application covering a process for conducting arbitration. Claims that described nothing more than a series of mental steps—enrolling a contract in an arbitration program, incorporating language mandating arbitration, conducting the arbitration and ultimately reaching a binding determination—were nonpatentable because they rely "entirely on the use of mental processes." Under longstanding Supreme Court precedent, patents may not be granted on abstract ideas and mental processes. Other claims that required the use of a computer or communications facilities to implement the system were patentable, because they were tied to a specific machine. The Court determined however, that "the routine addition of modern electronics to an otherwise unpatentable invention typically creates a prima facie case of obviousness" and directed the Patent Office on remand to determine whether these claims should be rejected on that ground.

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In *In re Nuijten*, 2007 WL 2728397 (Fed. Cir. Sept. 20, 2007), a split panel considered whether an electromagnetic signal qualified as patentable. Nuijten's application concerned digital watermarking used to identify the originator of signals carrying information, such as a radio broadcast or output from a CD player. Nuijten received patent claims for his watermarking process, for machines that generated his watermarked signals and for a device that stored his signals (for example, a watermarked CD). The majority found that the signal itself was not patentable. In particular, it was not a "machine," because it lacked tangible structure: "energy embodying the claimed signal is fleeting and is devoid of any semblance of permanence during transmission." A dissent found the signal patentable, concluding that the term "manufacture" is "not limited to tangible or non-transitory inventions."

*Paice LLC v. Toyota Motor Corp.*, 2007 WL 3024994 (Fed. Cir. Oct. 18, 2007), illustrates the impact of *eBay Inc. v. MercExchange LLC*, 126 S.Ct. 1837 (2006), where the Court held that injunctions are not mandatory after a finding of patent infringement. In *Paice*, a jury found that Toyota infringed plaintiff's patent on a hybrid electric vehicle drive train. Applying *eBay*, the district court denied an injunction, finding that plaintiff had not shown irreparable injury (Paice did not manufacture any goods of its own) and influenced by the fact that the jury had found a very small reasonable royalty on past sales (only \$25 per hybrid vehicle). Instead, the district court sua sponte imposed an ongoing royalty order, allowing Toyota to continue to practice the patent at a cost of \$25 per hybrid. While finding that an ongoing royalty may sometimes be appropriate, the Federal Circuit reversed. It found that the trial court had "provided no reasoning" to support the royalty rate, and remanded so that the district court could explain its decision and, if necessary, take evidence on the issue. The Court of Appeals also recommended that the trial court allow the parties to attempt to agree on a license before imposing a royalty.

## Trademark

In *General Motors Corp. v. Urban Gorilla, LLC*, 2007 WL 2659763 (10th Cir. Sept. 12, 2007), GM sought a preliminary injunction enjoining Urban Gorilla from selling steel body kits designed to make trucks resemble GM's Hummer vehicle, alleging that the kits infringed Hummer's trade dress. The U.S. Court of Appeals for the Tenth Circuit affirmed denial of GM's motion, finding that the differing price and quality between GM's Hummer, which retails for upwards of \$100,000, and Urban Gorilla's kit, which retails for \$12,500, mitigated against likelihood of confusion. In addition, GM had failed to present evidence of intentional infringement, either through testimony or documents indicating that Urban Gorilla actually copied the Hummer design.

The circuit also approved the district court's determination that the balance of hardships weighed against an injunction: GM effectively sought to put Urban Gorilla out of business. On that record, monetary compensation would be sufficient if GM ultimately prevailed.

The First Amendment rights of fantasy baseball operators trump baseball players' publicity rights, because the information used in fantasy baseball is in the public domain. In *CBC Distribution and Marketing, Inc. v. Major League Baseball Advanced Media*, 2007 WL 2990366 (8th Cir. 2007), the U.S. Court of Appeals for the Eighth Circuit affirmed a declaratory judgment to CBC, an operator of an online fantasy baseball game, against Advanced Media and the Major League Baseball Players Association. Until 2002, the Players Association licensed the use of its players' names and information to CBC; beginning in 2005, the license was granted to Advanced Media. Nevertheless, CBC continued to offer an online fantasy baseball game employing the names and statistics of Major League players. Although the circuit determined that baseball players' rights of publicity were being infringed by CBC through its online game (CBC was using the players' names as symbols of their identities without their consent and for the purpose of obtaining a commercial advantage) this state law right of publicity must give way to CBC's First Amendment rights. Specifically, the court held that CBC's use of public domain information about the players constituted protected speech.

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The court noted the substantial public interest in information about baseball, the national pastime. The court also observed that CBC's use of player identities did not detract from players' abilities to earn a handsome living playing baseball, so that the players could not claim economic harm. The case might have been different if the players were seeking to protect their noneconomic privacy interests, but given their participation in a sport intended to garner widespread public attention, such a claim was not viable.

*Lorillard Tobacco Co. v. A&E Oil Inc.*, 2007 WL 2736622 (7th Cir. Sept. 21, 2007), affirmed the grant of attorney's fees to Lorillard following a finding that A&E Oil, a gas station and mini-

mart, ignored evidence that it sold counterfeit Newport cigarettes. The U.S. Court of Appeals for the Seventh Circuit noted that defendants must be held liable for attorney's fees pursuant to 15 U.S.C. §1117(b) upon a finding that a defendant used a mark "knowing such mark" was counterfeit. Citing *Louis Vuitton v. Lee*, 875 F.2d 584 (7th Cir. 1989), the court reaffirmed that "knowledge" under the statute may be satisfied by a finding of "willful blindness or a failure to investigate because one 'was afraid of what the inquiry would yield.'" The contradictory testimony of A&E's owner regarding whether he checked tax stamps on cartons of cigarettes purchased for his store (stamps that were obviously counterfeit) was sufficient to show willful blindness and sustain a fee award. The *Louis Vuitton* decision is widely cited to support an award of attorney's fees in counterfeiting cases based on a finding of willful blindness, even without actual knowledge, though the majority of circuits have not addressed the issue.

## Copyright

As a matter of first impression, *Davis v. Blige*, 2007 WL 2893003 (2d Cir. Oct. 5, 2007), held that a retroactive nonexclusive license granted by a co-owner of a musical work cannot extinguish copyright infringement claims held by another co-owner that accrued during the period covered by the retroactive license. Songwriter Sharice Davis asserted copyright claims in two musical works published by Mary J. Blige on her multiplatinum album "No More Drama." The album featured two songs which, the evidence showed, were co-authored by plaintiff. Defendants claimed that, following the recording of those songs, plaintiff's coauthor granted defendants a nonexclusive license to record the songs. Overturning summary judgment in favor of defendants, the U.S. Court of Appeals for the Second Circuit held that retroactive nonexclusive licenses are unenforceable because they serve to extinguish existing copyright infringement claims that cannot be eliminated contractually without consent. The court noted that permitting retroactive licenses would introduce uncertainty to the extent that coauthors could undo infringement claims by the sort of maneuver attempted here, and that retroactive licenses would lower the cost of infringement to the extent that such licenses could be obtained by infringers at a discount from coauthors not incentivized to pursue their rights.