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Judiciary Debates Software that Monitors Employee Internet Access

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Putting the words “Internet” and “privacy” in the same sentence is almost certain to generate controversy. For proof, one need look no farther than an extraordinary dispute that has erupted within the federal judiciary itself, over the use of software that monitors Internet access by court employees, including judges and clerks.

According to news reports, beginning in December 2000, the Administrative Office of the U.S. Courts began to monitor Internet use by the federal court employees, in order to improve security and reduce personal computer use that was slowing the system. The Administrative Office later sent letters to Chief Judges of certain courts complaining about the use of computers to access radio and video broadcasts, stock trading, gambling and pornography, and certain employees reportedly were disciplined.

In May, believing that the monitoring program was inappropriate and possibly illegal, a committee of Ninth Circuit judges ordered its technology staff to disable the monitoring software for a week. Doing so also disabled the software in the Eighth and Tenth Circuits, which share the same Internet gateway. That action sparked a debate between the Ninth Circuit and the Administrative Office concerning whether turning off the software had compromised system security.

The issue was studied by a special committee of 14 judges from different Circuits across the country, who ultimately proposed that monitoring for certain uses continue, and that all employees be given prior notice that office computer use is monitored. The Judicial Conference of the United States, the governing administrative body of the federal courts, will vote on that proposal on Sept. 11.

Obscure Statute Becomes Focal Point

This controversy shines a spotlight on an obscure federal criminal statute, the Electronic Communications Privacy Act of 1986 (ECPA), 18 U.S.C. § 2510 *et seq.*, which prohibits the intentional interception of any “electronic communication.” “Electronic communication” is defined to include “any transfer of ... signals, ... data or intelligence of any nature transmitted ... by a wire, radio, [or] electromagnetic system that affects interstate or foreign commerce ... .” 18 U.S.C. § 2510(12). That definition appears broad enough to encompass commands entered for the purpose of accessing a particular Web site.

The ECPA has several exceptions, however, including one for interceptions made with the consent of one of the parties to the communication. 18 U.S.C. §2511(2)(d). Case law indicates that the courts are reluctant to infer consent without some explicit communication with the affected party. See, *Konop* v. *Hawaiian Airlines, Inc.*, 236 F.3d 1035,1047 (9th Cir. 2001).

While discord within the federal judiciary has understandably attracted attention, similar issues are raised for thousands of employers whose computer systems routinely track Internet use, for any number of reasons. Those employers are well advised to consider their monitoring activities carefully and take steps to get consent where necessary.

Trademarks. In the absence of Supreme Court guidance, the Circuit Courts continue to choose sides on the issue of whether the Federal Trademark Dilution Act requires a plaintiff to show actual, as opposed to merely threatened, dilution. In *V Secret Catalogue, Inc.*, v. *Moseley*, 2001 WL 848586 (6th Cir., July 30, 2001), the Sixth Circuit adopted what has become the majority position, holding that the threat of dilution is sufficient. It joins the Second, Third and Seventh Circuits in this view, disagreeing with the Fourth and Fifth. On that basis the Court of Appeals upheld an injunction prohibiting use of defendant's VICTOR'S SECRET mark, used for a store marketing adult videos and sex toys, because this mark diluted the famous VICTORIA'S SECRET mark used for women's lingerie. As the Sixth Circuit recognized, requiring actual injury will often deprive a dilution plaintiff of an effective remedy, because proof of injury is usually difficult to obtain. Now that at least six Circuits have spoken and there is a clear split of authority, Supreme Court action should not be far behind.

Does a State trademark registration provide statewide rights? Not necessarily, held *Nat'l Ass'n for Healthcare Communications, Inc.* v. *Central Arkansas Area Agency on Aging, Inc.*, 2001 WL 770796 (8th Cir., July 11, 2001). Heathcare Communications (Healthcom) began to use the mark CARELINK for health care services in 1991, ultimately employing it in 25 states, but not to any significant extent in Arkansas. Healthcom applied for, but at the time of decision had not received, a federal registration. In 1995, unaware of Healthcom's use, Central Arkansas (Central) began using the same mark in six Arkansas counties and obtained a State registration. The court found that Central was entitled to an injunction prohibiting Healthcom from using the mark, but only in the six counties it served. Construing Arkansas law, the court looked for guidance to the federal rule, which, the court held, provides that the holder of a federal registration may obtain an injunction only in a geographic area in which it does business, or has "concrete plans" to expand. The court's exceedingly narrow ruling may reflect its view that these parties operate in locally-confined markets.

Estate of Bishop v. *Equinox Int'l Corp.*, 2001 WL 826810 (10th Cir., July 20, 2001), illustrates the reluctance of some courts to award plaintiffs a share of an infringer's profits in a trademark suit, even on a compelling record of willfulness. The district court found that defendant Equinox willfully infringed Bishop's ESSENCE OF LIFE mark, used on dietary supplements. Indeed, Equinox used the mark after its counsel, in response to a cease and desist letter, promised that it would stop, and continued use even after the district court issued a preliminary injunction. A divided Tenth Circuit panel upheld the trial court's decision to award plaintiff attorney's fees, but no part of Equinox's profits. Noting that plaintiff did not lose any sales because of the infringement, the panel majority characterized the claim for disgorgement of profits as a request for a "windfall." The dissent believed that failure to award profits "may have" been an "abuse of discretion," given Equinox's willful activity.

Copyright

Time and again, the emergence of new communications technologies — such as CDs and videocassettes — has engendered litigation about rights to redistribute copyrighted material using those technologies. *The New York Times Co., Inc.* v. *Tasini*, 121 S. Ct. 2381 (U.S. June 25, 2001), is such a case. The *Tasini* Court held that republication of the work of freelance writers in. computer data bases such as LEXIS/NEXIS by publishers including *The New York Times* infringed the writers' copyrights. The Court held that the publishers were not entitled to invoke a "privilege" under § 201(c) of the Copyright Act to reproduce copyrighted portions of a collective work as part of a "revision" of that work, finding that the data bases were not "revisions" under the Act. The data bases "present articles to users clear of the context provided either by the original periodical editions or by any revision of those editions." Thus, such a data base is "no more constitutes a 'revision' of each constituent edition than a 400-page novel quoting a sonnet in passing would represent a 'revision' of that poem." While it has received a great deal of attention, *Tasini* will have little impact going forward, because publishers now typically require that writers assign away electronic rights when the work is first published.

Wrench LLC v. *Taco Bell Corp.*, 256 F.3d 446 (6th Cir. 2001) resolved an issue of first impression in that Circuit — whether implied-in-fact contract claims are preempted under § 301 of the Copyright Act. Plaintiffs developed and presented to Taco Bell a cartoon character named "Psycho Chihuahua," an "edgy," "spicy" dog with an "insatiable craving" for Taco Bell food. After Taco Bell launched its now-famous Chihuahua commercial, plaintiffs brought suit alleging, among other claims, an implied contract to compensate them for use of the character. Reversing the district court, the Sixth Circuit held that this claim was not preempted, because it requires an "extra element" — breach of an actual promise to pay for creative work — that is not required under the Copyright Act. Such a claim, which requires proof of an enforceable promise to pay, is not "equivalent" to any of the exclusive rights granted by § 106 of the Act.

Hundreds of radio stations worldwide are engaged in "Web casting" — streaming their broadcasts in real time over the Internet. On Aug. 1, a Pennsylvania district court upheld a Rulemaking determination by the Copyright Office finding that the exemption from paying royalties to record producers and recording artists that applies to traditional radio broadcasts will not apply to Web casting. *Bonneville Int'l Corp.* v. *Peters*, 2001 WL 869625 (E.D. Pa., Aug. 1, 2001). On Dec. 18, 2000, the Copyright Office determined that Web casting is not a "non-subscription broadcast" exempt from license fees under § 114(d)(1)(A) of the Copyright Act, finding that the exemption applies only to traditional broadcasts. As a result, Web casters are entitled to a statutory license, under § 114(d)(2) of the Act, which is set by agreement, or in a proceeding before a Copyright Office arbitration panel (which is now under way). Applying a deferential standard of review, the district court found the Copyright Office's reasoning consistent with the overall statutory scheme, which limits the exemption to a station's local service area. While this ruling undoubtedly will be appealed, it is quite likely the Third Circuit will affirm, given the deference accorded Copyright Office interpretations of the Act.

Reversed Injuction

Addressing the Copyright Act's requirement of a "minimal degree of creativity," the Third Circuit Court of Appeals reversed a district court's preliminary injunction forbidding use of copyrighted part numbers for "captive screw fasteners," devices used for assembling panels of computers and telecommunications equipment. *Southco, Inc.* v. *Kanebridge Corp.*, 2001 WL 821438 (3d Cir., July 20, 2001). The Court of Appeals found that the numbers — described as part of a "shorthand system" to describe particular physical characteristics of the fasteners — was "utterly lacking" in any "creative spark." The court distinguished *American Dental Ass'n* v. *Delta Dental Plans Ass'n*, 126 F.3d 977 (7th Cir. 1997), which had recognized a copyright in a "taxonomy" used to classify dental procedures, on the ground that the dental codes reflected subjective judgments about the "prevalence" of each procedure and its relationship to other classified procedures.

Damages in a patent case are limited to acts of infringement occurring after the defendant received "notice of infringement." In giving notice, however, the patentee need not make an explicit threat of suit sufficient to allow the defendant to file a declaratory judgment suit. These rules were quite liberally applied in *Gart* v. *Logitech, Inc.*, 254 F.3d 1334 (Fed. Cir. 2001). Gart held that a letter to Logitech that identified one of plaintiff's patents and a particular Logitech product and stated that Logitech may "wish to have [its] patent counsel examine" the patent "to determine whether a nonexclusive license is needed" supplied sufficient notice. In addition, a later letter that identified a different product and simply said Logitech "may find the patent particularly interesting" also was sufficient, read together with the earlier correspondence.

In *Dickinson* v. *Zurko*, 527 U.S. 150 (1999), the Supreme Court reversed the Federal Circuit and held that factual findings of the Board of Patent Appeals and Interferences must be reviewed under one of the standards of the Administrative Procedure Act (APA). Subsequently, in *In re Gartside*, 203 F.3d 1305 (Fed. Cir. 2000), the Federal Circuit determined that "substantial evidence" is the proper APA standard. Thus, on Aug. 2, on remand from the Supreme Court, in *In Re Zurko*, the Federal Circuit applied the "substantial evidence" standard of review and adhered to its prior decision reversing the board's finding of obviousness, *In re Zurko*, 2001 WL 869324 (Fed. Cir., Aug. 2, 2001). In so doing, the Court of Appeals criticized the board for relying on its own judgment about what is "basic knowledge" for persons skilled in the art. The court wrote that, as to "core factual findings" on patentability, the board must rely on record evidence, not merely "its own understanding or experience." In *Zurko* and succeeding opinions, the Federal Circuit will continue to sketch out how the substantial evidence standard will be applied in practice.

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