INTELLECTUAL PROPERTY FOR THE INTERNET

2001 Cumulative Supplement

Lewis C. Lee

J. Scott Davidson

Aspen Law & Business

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ABOUT THE CONTRIBUTORS

Toshiko Takenaka is a Research Assistant Professor at the University of Washington School of Law and the Executive Director of Center for Advanced Study and Research on Intellectual Property. Dr. Takenaka received her B.A. in law from Seikei University and her LL.M. and Ph.D. in Comparative Law from the University of Washington School of Law. Before moving to the United States, she was a Japanese patent attorney (benrishi), practicing in the electronics and mechanical fields. She is admitted to practice in the state of New York. She has authored several publications in the United States, Europe, and Japan, including "Interpreting Patent Claims: The United States, Europe and Japan" (17 IIC Studies, 1995) and appeared as a guest lecturer, panelist and discussant at various universities, conferences, and institutes throughout the United States, Asia, and Europe.

Pamela I. Banner is a principal shareholder in the Washington, D.C. office of Banner & Witcoff, Ltd. She has served as a law clerk to the Honorable William C. Bryson, Circuit Judge, United States Court of Appeals for the Federal Circuit, and is admitted to practice before numerous courts. She is registered to practice before the U.S. Patent and Trademark Office and is an active member of several intellectual property bar associations.

Christian Czychowski studied law and musicology at the University of Bonn. In 1997 he co-authored the *Manual of Economy and Law in Eastern Europe,* and he has specialized in copyright, press, and cyber law. Since 1997, he has worked for Boehmert & Boehmert in their Berlin office, and he lectures at the University for Music and Drama Felix Mendelssohn-Bartholdy in Leipzig.

Marion Tönhardt studied physics and computer science at the Technical University of Braunschweig. After graduation, she worked as an assistant professor in the Theoretical Physics Department. During a stay at a Chinese patent attorney's office she gained experience in the field of intellectual property rights in Southeast Asia. Dr. Tönhardt is particularly interested in protection of computer software and patent-related problems occurring in connection with the Internet.

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CHAPTER 1

INTELLECTUAL PROPERTY
AND THE INTERNET

§ 1.2　The Internet

Page 3, add footnote 9.1 to first sentence of third paragraph:

[9.1] *See* Johnson-Laird, *Commercial Web Sites and the Law: The Twain Shall Meet,* 11 J. Proprietary Rights 2 (Feb. 1999).

§ 1.3　Protecting the Internet

Page 5, add footnote 9.2 to third sentence of first paragraph:

[9.2] *See, e.g.,* Anawalt, *Control of Inventions in a Networked World,* 15 Santa Clara Comp. & High Tech. L.J. 123 (Jan. 1999); Karjala, *The Relative Roles of Patent and Copyright in the Protection of Computer Programs,* 17 John Marshall J. Comp. & Info. L. 41 (Fall 1998).

§ 1.5　—Subject Matter

Page 6, add to footnote 12:

See State St. Bank v. Signature Fin. Group, 149 F.3d 1368 (Fed. Cir. 1998), *cert. denied,* 119 S. Ct. 851 (1999). The issue in the case was whether computer software that essentially performs mathematical accounting functions and is configured to run on a general purpose (i.e., personal) computer is patentable under 35 U.S.C. § 101. The Federal Circuit ruled that a data processing system that managed the allocation of funds in an investment structure was patentable subject matter. Judge Rich summarized the court's holding as follows: "Today, we hold that the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces 'a useful, concrete and tangible result'—a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades."

　　See also Wang Labs. v. OKI Electric Indus. Inc., 15 F. Supp. 2d 166 (D. Mass. 1998). The plaintiff in this case brought a patent infringement action against a licensee regarding two patents for computer memory modules. The court found that the licensee's modules infringed on the plaintiff's patents and that the

licensee was required to pay royalties that had not been paid in the belief that the patents were invalid.

Page 7, add to footnote 13:

See also Lebowitz, *Anything Under the Sun That is Made by Man is Patentable Except . . . Application of the Printed Matter Doctrine to Computer Generated Expression,* 10 J. Proprietary Rights 2 (Nov. 1998).

Page 7, add at end of section:

Methods of doing business were not generally thought to be patentable subject matter. However, in *State Street Bank & Trust Co. v. Signature Financial Group Inc.,*[13.1] the Federal Circuit Court of Appeals ruled that business methods are patentable subject matter. As stated by the court: "Since the 1952 Patent Act, business methods have been, and should have been, subject to the same legal requirements for patentability as applied to any other process or method."[13.2]

On November 12, 1999, Double Click, Inc., filed suit alleging that L90's advertisement serving and tracking software infringed on its patented method of delivering advertising. In October 1999, Priceline.com Inc. filed suit against Microsoft Corporation alleging that Microsoft's reverse auctions of hotel rooms on its travel Web page infringed on its patented method of auctioning goods and services on the Internet.[13.3]

[13.1] 149 F.2d 1368 (Fed. Cir. 1998).

[13.2] *Id.* at 1375.

[13.3] *See* John T. Aquino, *Patently Permissive: PTO Filings Up After Ruling Expands Protection for Business and Net Software,* A.B.A. J. 30 (May 1999).

§ 1.6 —Patent Requirements

Page 9, add at end of section:

In 1999, the Patent Act was amended and new procedures were implemented. Before the amendment of the Patent Act, a patent owner could only recover damages for infringement during the term of the patent. Under the 1999 amendments, patent applications are published 18 months after they are filed and any third party who has actual notice of the published application can be liable to the patent owner for a reasonable royalty for the use of the invention after the date of publication, but before the patent issues.[18.1] The 1999 Amendments to the Patent Act were enacted, in part, to conform U.S. patent practice more closely to international patent practice.

[18.1] 35 U.S.C. § 154.

§ 1.8   —Subject Matter

Page 10, add to footnote 22:

Mitel, Inc. v. Iqtel, Inc., 124 F.3d 1366, 1372 (10th Cir. 1997). The court denied copyright protection because the command codes used in Mitel's program had become standards in the industry and in addition did not contain copyrightable expression because the command codes lacked the minimum degree of creativity necessary for them to be copyrighted. *See also* Bateman v. Mnemonics, Inc., 79 F.3d 1532 (11th Cir. 1996) (the court distinguished between portions of computer programs that may be copyright protected and those that should be protected by patent).

§ 1.12   —Trademark Requirements

Page 13, add footnote 32.1 to second sentence of third paragraph:

[32.1] *See* Bazerman, *Applying to Register Unconventional Trademarks,* 11 J. Proprietary Rights 2 (Mar. 1999).

CHAPTER 2

PROTECTING COMMUNICATIONS TECHNOLOGIES

§ 2.6 Protecting Communications Switching Technology

Page 36, add footnote 7.1 at end of section:

[7.1] *See* Alcatel USA Inc. v. DGI Technologies Inc., 166 F.3d 772 (5th Cir. 1999). In this case a manufacturer of telephone switching devices filed suit against a competitor for both copyright infringement and misappropriation of trade secrets. The court held that the competitor misappropriated trade secrets and that the software was protected by copyright. The competitor infringed on that copyright by operating the software.

§ 2.10 —Patent Protection

Page 42, add footnote 12.1 to third sentence of first paragraph:

[12.1] *See, e.g.,* State St. Bank v. Signature Fin. Group, 149 F.3d 1368 (Fed. Cir. 1998), *cert. denied,* 119 S. Ct. 851 (1999). The issue in the case was whether computer software that essentially performs mathematical accounting functions and is configured to run on a general purpose (i.e., personal) computer is patentable under 35 U.S.C. § 101. The Federal Circuit ruled that a data processing system that managed the allocation of funds in an investment structure was patentable subject matter. Judge Rich summarized the court's holding as follows: "Today, we hold that the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces 'a useful, concrete and tangible result'—a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades."

See also In re Alappat, 33 F.3d 1526 (Fed. Cir. 1994) (*see* discussion in § **5.33**); Chin, *Computational Complexity and the Scope of Software Patents,* 39 Jurimetrics J. 17 (Fall 1998).

§ 2.11   —Communications Protocols Claimed as Algorithms

Page 44, add footnote 18.1 at end of section:

[18.1] *See also* Wagner, *Patenting Computer Science: Are Computer Instruction Writings Patentable,* 17 John Marshall J. Computer & Info. L. 5 (Fall 1998).

§ 2.13   —Creative Patent Protection Signal Interaction Claims

Page 48, add footnote 22.1 at end of section:

[22.1] *See also* State St. Bank v. Signature Fin. Group, 149 F.3d 1368 (Fed. Cir. 1998), *cert. denied,* 119 S. Ct. 851 (1999) (transforming data through a machine by using mathematical calculations is patentable); Kuester, *A New Frontier in Patents: Patent Claims to Propagated Signals,* 17 John Marshall J. Computer & Info. L. 15 (Fall 1998).

§ 2.15   —Copyright Protection

Page 49, add to footnote 25:

See Stenograph LLC v. Bossard Assoc. Inc., 144 F.3d 96 (D.C. Cir. 1998). In *Stenograph,* the court held that the defendant infringed on Stenograph's copyright by impermissibly copying Stenograph's software. Even though copying of unprotected portions of a computer program is not copyright infringement, the court found that wholesale copying of the entire program results in copying the protected elements of the program as well. In this case, the impermissible copying could have occurred either by installing the program and using it for the principal purpose for which it was intended, or by loading the program into RAM.

See also Micro Star v. Formgen Inc., 154 F.3d 1107 (9th Cir. 1998). This case involved copyright infringement of a computer game. Formgen created and marketed Duke Nukem 3D. The game included a feature that encouraged players to create more difficult levels and post them on the Internet where others could download them. Micro Star downloaded these user-created levels, stamped them on a CD, and sold it commercially. The court granted a preliminary injunction on the grounds that Formgen was likely to succeed in showing that the upgrade was infringing derivative work because they were substantially similar to the original work and incorporated the copyright owner's protected expression. Furthermore, the use was not fair because it was done purely for financial gain and infringed on Formgen's ability to market a new version of the game.

See also NFLC Inc. v. Devcom Mid-America Inc., 45 F.3d 231 (7th Cir. 1995) (loading software onto computer constitutes copying, but plaintiff failed to prove that such copying took place in violation of existing agreement); Applied Information Management Inc. v. Icart, 976 F. Supp. 149 (E.D.N.Y. 1997) (issue was whether the defendant owned the copy of the software in question. If the defendant in fact owned the software rather than having only a license to use it, then under § 117 of the Copyright Act, the defendant had the right to use or modify the software as well as transmit it to others without infringing on the copyright. The court was required to interpret the licensing agreement to determine ownership of the copy separately from ownership of the copyright. Since the ownership of the software was a question of fact, it could not be decided on summary judgment.).

Page 50, footnote 28, add to cite for Computer Associates:

982 F.2d 693

SECURITY TECHNOLOGIES

§ 3.9 —Cryptography

Page 58, add footnote 0.1 at end of first paragraph:

See Bernstein v. U.S. Department of State, 974 F. Supp. 1288 (N.D. Cal. 1997). This case challenged Commerce Department regulations that restricted the export of encryption technology. In *Bernstein,* the court found that the regulations violated the First Amendment by treating encryption software differently from other software and by infringing on the right of the plaintiff to send materials over the Internet. In Junger v. Daley, 8 F. Supp. 2d 708 (N.D. Ohio 1998), the court disagreed with *Bernstein* and found that the encryption code was merely functional speech and not expressive enough to merit First Amendment protection. *See also Secret Messages,* 4 A.B.A. J. 78 (Jan. 1999).

§ 3.18   —Patenting Nonpatentable Algorithms

Page 64, add footnote 8.1 to last sentence of third paragraph:

See, e.g., State St. Bank v. Signature Fin. Group, 149 F.3d 1368 (Fed. Cir. 1998). The issue in the case was whether computer software that essentially performs mathematical accounting functions and is configured to run on a general purpose (i.e., personal) computer is patentable under 35 U.S.C. § 101. The Federal Circuit ruled that a data processing system that managed the allocation of funds in an investment structure was patentable subject matter. Judge Rich summarized the court's holding as follows: "Today, we hold that the transformation of data, representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price, constitutes a practical application of a mathematical algorithm, formula, or calculation, because it produces 'a useful, concrete and tangible result'—a final share price momentarily fixed for recording and reporting purposes and even accepted and relied upon by regulatory authorities and in subsequent trades." *See also In re* Alappat, 33 F.3d 1526 (Fed. Cir. 1994) (*see* § 5.33); Chin, *Computational Complexity and the Scope of Software Patents,* 39 Jurimetrics J. 17 (Fall 1998).

Page 64, add to footnote 7:

See also § 5.25.