IPHORGAN
Intellectual Property Lawyers

IPHORGAN LTD.
1130 Lake Cook Road, Suite 240
Buffalo Grove, IL 60089

Phone: (847) 808-5500
Fax: (847) 808-7238/7245
www.iphorgan.com
iplaw@iphorgan.net

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Copyright Office Grants DMCA Jailbreaking Exemption

In a blow to Apple Inc. and other smartphone manufacturers, on July 26, 2010, the Copyright Office granted an exemption from the DMCA's prohibition against circumvention of digital-rights-management technologies which permits smartphone owners to jailbreak their phones to install unapproved applications or switch carriers.

The Digital Millennium Copyright Act (DMCA), per Section 1201, prohibits anyone from circumventing technological measures designed to control access to a copyrighted work. The exemption in question, specifically, allows for circumvention of "computer programs that enable wireless telephone handsets to execute software applications, where circumvention is accomplished for the sole purpose of enabling interoperability of such applications, when they have been lawfully obtained."

This affects smartphone providers' ability to control the software downloaded onto the phones. For example, on the iPhone, Apple controls what software can be downloaded on the devices by allowing installation of only those programs pre-approved by Apple and/or downloaded via the "App Store." Apple's argument is that it is necessary to maintain a "high-quality" user experience and weed out malware. If users wish to download other programs, they must jailbreak their phones. Doing so requires the user to modify the software which comes with the phone, which in turn requires utilizing a portion of the copyrighted computer program installed on the phone.

The decision came after the Electronic Frontier Foundation (EFF), a non-profit organization which advocates free speech, privacy and other consumer rights, submitted a request for the exemption. The EFF argued that circumvention of Apple's technology for the purpose of switching carriers or downloading alternative programs, when done by the owner of the phone, does not constitute copyright infringement in the first place, or in the alternative, constitutes fair use. It further argued that the primary purpose of locks on cell phones is to bind customers to existing networks, rather than to protect copyrights.

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Corporate-Veil Defense Does Not Protect Corporate Officers from Indirect-Patent-Infringement Claims

The ability to seek shelter behind a "corporate veil" is ordinarily an invaluable defense protecting corporate officers from personal liability extending from tortuous conduct occurring in regular course of their employment. The legal fiction is that the "corporate veil" can only be pierced when the corporation is merely the alter ego of its officers and in the realm of patent law protects corporate officers from patent-infringement plaintiffs asserting liability for direct infringement against them. The Federal Circuit Court of Ap-

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Google Extends Use of Trademarks as Keywords in its AdWords Policy to Most of Europe

Starting September 14, 2010, Google will be allowing advertisers to use trademarks belonging to others as keywords to trigger their own ads throughout the European Union. Google's change in policy is following favorable decisions relating to its AdWords policy by the European Court of Justice earlier this year.

Trademark owners are not without recourse from Google, which will still allow trademark holders to file a complaint under its updated European policy. Upon receipt of a complaint, Google will con-

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Progress in India towards Implementation of the Madrid Protocol

India's Trademark (Amendment) Bill of 2009 would enact the provisions of the Madrid Protocol in India, enabling both the extension of protection for a trademark to India through the International Bureau, or a basic registration in India to be extended to any of the other member countries of the Protocol. In December 2009 the bill was passed in the lower house of the Parliament of India, and recently, on August 10, 2010, the bill was passed by India's upper house of Parliament.

Although the bill has been passed, the regulations have yet to be implemented, and there is no effective date. The Indian Trademarks Registry will need to undergo changes to ensure that it can comply with the requirements for accepting and processing extensions of protection to India under the Madrid Protocol.

Madden NFL Sacked in Backfield?

Every summer, during the off season and before the college- and pro seasons even start, Electronic Arts, Inc. ("EA") provides the football fan and gamer with a shot in the arm with its highly anticipated annual release of the newest version of the "Madden NFL" video game. EA continuously refines and improves the game and new releases build upon the game with new technologies, new capabilities and more reality. The Madden NFL game accounts for approximately $400 million in annual revenue to EA and is one of its leading products.

Recently, EA released the latest version of the game, Madden NFL 11. The game allows the user to control the action on both offense and defense and pick any of the thirty NFL teams as his or her own. It essentially allows the gamer to be a virtual head coach, and allows for controlling movements of all players on the team.

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Jailbreaking (continued from page 1)

Apple argued that allowing jailbreaking would constitute infringement of its copyright, and would ruin its ability to provide a safe controlled environment for its users, free from malware, and possibly destroy a "chain of trust" the company has developed with its customers.

The Copyright Office found that when done for the purpose of enabling interoperability with other legally obtained programs, the act of jailbreaking constitutes fair use. While it does require utilization of Apple's copyrighted code without authorization, the Copyright Office reasoned that the portion of Apple's copyrighted computer program code required to be used was too small to be significant. Specifically, the modifications necessary for jailbreaking an iPhone were found to affect fewer than 50 bytes of an 8-million-byte program, or only a 160,000th of the work. Further the Copyright Office found that any adverse effects that may stem from jailbreaking an iPhone, such as harm to Apple's reputation or installation of malware, for example, are not in the nature of the type of harm that copyright law is designed to protect against.

What it means

The decision means that Apple and other smartphone providers can no longer enforce the DMCA against any customer who circumvents their download restrictions. In reality, however, Apple has never utilized the DMCA to do so in the first place, nor has it threatened to do so. In any case, the decision eliminates, at least for now, any possibility of Apple ever getting an injunction against such acts based on the DMCA.

Apple can still seek to protect its iPhone from jailbreaking via other means. It can still enforce the terms-of-service contracts users must sign upon purchasing the phones. Should a user wish to violate the terms of service by jailbreaking his or her phone, doing so would void any warranty and constitute a breach of contract the company could enforce in court. Apple could also protect against jailbreaking by implementing new technical measures to disable the use of an unauthorized application, or by conditioning updates to firmware on proof that the product has not been tampered with.

It is important to note that the exemption is valid only for actual smartphone owners. Third parties and commercial entities are still prohibited from offering "circumvention services" even if designed for the purpose of assisting users with jailbreaking their phones to switch carriers. Further, the decision is not likely to lead to every user jailbreaking his or her phone. To do so, one has to be fairly technologically savvy. If done incorrectly, an attempt to jailbreak a smartphone can lead to an unusable phone. Once that happens, the warranty has been voided, so taking the phone to Apple's Service center is no longer an option.

Other exemptions

The exemption is one of several granted during the rulemaking, which has been considered by many to be groundbreaking, as the Copyright Office has proceeded quite cautiously in granting exemptions since passage of the DMCA in 1998. All of the exemptions, including the jailbreaking exemption, are situations in which the Copyright Office has concluded that without the exemption, users would likely be adversely affected in their ability to make non-infringing uses due to the prohibition on circumvention of access controls.

Five other classes of works have been excluded from the prohibition on circumvention:

1. Motion pictures on DVDs where the circumvention is solely for the purpose of incorporating short portions of movies for comment or criticism, for non-commercial or educational purposes, or in documentary filmmaking.

2. Computer firmware or software enabling connections with wireless telecommunications networks, where the circumvention is initiated by the owner of the copy of the program solely to connect to a wireless network which has authorized the user to connect.

3. Video games on personal computers where the circumvention is solely for the purpose of investigating or correcting security flaws.

4. Computer programs protected by dongles which prevent access due to malfunction and which are obsolete.

5. Literary works distributed in e-book format where all versions of the work contain access controls preventing the enabling of read-aloud functions. If there is any commercial alternative for purchase which allows screen-reading or text-to-speech functionality, then the circumvention is still prohibited.

Conclusion

Although the groundbreaking exemption has been granted, Apple still has a right to request the ruling be overturned by filing a lawsuit. It is not likely, however, as Apple has to date made no effort to enforce the DMCA against its users to prohibit jailbreaking of iPhones. Further, such a lawsuit would likely take years, during which a Court may, or may not, issue an injunction blocking application of the exemption. In any case, the Copyright Office's recent exemption may not last, as it is required to re-argue any exemptions every three years.

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Madden NFL (continued from page 1)

The players in the game are virtual clones of actual NFL players, from height and weight, to jersey number, position and even, in some instances, personality.

True to the reality of the game, each new edition of Madden NFL reflects the roster changes on the actual NFL teams. In order to be so realistic and allow gamers to “be” their favorite NFL players, EA has an agreement with the NFL Players Association, the union for active and retired NFL players, which allows EA to recreate the image and likeness of current players.

Prior editions of Madden NFL allowed the user to pick among not only current NFL teams and rosters, but among an extensive list of historic teams and All-Star type teams. Could the 1967 Packers beat the 1972 Dolphins? Could the 1985 Bears stop Peyton Manning and the 2009 Colts? On Madden NFL you could match the teams up and see. Since EA’s Madden NFL product relies on accurate portrayal, these historic teams were made up of historic players—or were they? Player profiles on historic teams listed players that had similar physical characteristics, age and skills as the real players from those real teams but were nameless and had different jersey numbers than their real-world counterparts.

Tony Davis, a retired running back who played in the NFL for six years during the 1970s and 1980s, filed suit in California against EA in July 2010, claiming that EA misappropriated his likeness by using a player with similar attributes as he had, in a similar position, on the teams he played for in these “historic” teams. Mr. Davis sued not only on his behalf, but also on behalf of over 6,000 other retired NFL players who, like Mr. Davis, allegedly appear on Madden NFL historic teams true in all respects to their selves but for minor changes in such things as jersey numbers.

The suit is based on rights of publicity. All persons have a right to control use and re-creation of their likeness. A third party cannot simply take a person’s likeness—whether it be a photograph, a film, a voiceover or even a digitization in a video game—and use it for its own benefit without the authorization of that person. Though the players on historic teams in the Madden NFL game are nameless and have different jersey numbers than their real-life counterparts, a recreation even in this way might implicate the right of publicity and a requirement for authorization to use likeness.

Interestingly, the just released Madden NFL 11 does not have historic teams. In 2008, a group of retired NFL players brought suit against the NFL Players Association claiming a right to compensation for licensing deals entered into by the NFLPA that included rights to likenesses of retired players. Among the licenses at issue was a license from the NFLPA to EA. A jury awarded the retired players $28 million. Though this was strictly a contract matter between retired players and their Players Association, EA apparently thought enough of it to stop including historic teams in Madden NFL. Now, the players are claiming compensation for violations of their right of publicity directly from EA.

How this matter plays out may ultimately provide greater direction regarding the scope of publicity rights and possible liability in situations where a persona is not immediately recognized because it has been altered or changed. This suit may have implications to situations where an altered persona is the basis for a marketing campaign and, as such, should be an interesting case to watch.

Corporate Veil (continued from page 1)

peals has, however, reminded us in a recent decision that corporate officers can be liable for indirect infringement, namely, inducement of others to infringe and contributory infringement, even when the corporate veil has not been successfully pierced. *Wordtech Systems, Inc. v. Integrated Network Solutions, Inc.* stands as reminder of the metes and bounds of the corporate veil for purposes of corporate officer insurance policies and indemnifications as well as preparing patent-infringement complaints.

Under U.S. patent law, a patent claim can be infringed either directly or indirectly. Section 271(a) of the Patent Act addresses direct infringement, i.e. where the accused has allegedly taken actions to infringe the asserted patent claims. Sections 271(b) and 271(c) of the Patent Act cover circumstances of indirect infringement, i.e. inducement to infringe and contributory infringement, respectively. Inducement requires that alleged infringer knowingly induced infringement by another and possessed the specific intent to encourage another’s infringement. Contributory infringement requires that a party sells a component designed for use in a patented invention, where that component is not a staple article of commerce suitable for substantial non-infringing purposes. The key difference between claims of direct- and indirect infringement is the subjective intent or knowledge of the alleged infringer. Direct infringement can occur without any subjective intent or knowledge on the part of the alleged infringer. In contrast, indirect infringement requires intent or knowledge of the situation.

While the Federal Circuit’s decision in *Wordtech* concerning the indirect-infringement claims ultimately hinged on flawed jury instructions at the trial-court level, the Court provided interesting com-

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Google (continued from page 1)

duct a limited investigation. If Google determines that the keyword in combination with particular ad text is confusing users as to the origin of the advertised goods and services, Google will remove the ad. However, Google's criterion for determining confusion is not detailed.

Under new policy, Google's Sponsored Links section will allow a variety of ads to be triggered by third-party trademarks purchased as keywords, including ones for websites that: 1) use a trademarked term in a descriptive or generic way; 2) contain ads for competing products or services; 3) include ads for informational sites about a product or service corresponding to the trademark; 4) show ads for resale of the trademarked goods or services; and 5) reveal ads for the sale of components, replacement parts, or compatible products corresponding to a trademark.

This change in policy relates solely to the use of trademarked terms as keywords, and does not affect the current policy dealing with references to trademarks in ad text, which Google will continue to block in most of Europe.

On September 14, 2010, Google will also sync its trademark policy for the United Kingdom, Ireland and Canada with the trademark policy it has implemented in the United States last year. Trademark references in ad text will be allowed for ads which use the term in a descriptive or generic way, and not in reference to the trademark owner or the goods or services corresponding to the trademark term. Nominative use of the trademark in ads by resellers, complimentary product sellers and information sites will also be allowed.

In determining whether the trademark is being used in a nominative manner, a reseller's website must sell (or clearly facilitate the sale of) the goods or services corresponding to the trademarked term, while the landing page of the ad must clearly demonstrate that a user is able to purchase the goods or services corresponding to a trademark from the advertiser. Similarly, advertisers of component or replacement parts must clearly demonstrate on their landing page that the components, parts, or compatible products corresponding to the trademarked term are available for purchase from the advertiser. Lastly, information sites must be able to provide non-competitive and informative details about the goods or services corresponding to the trademark, while not selling or facilitating the sale of the goods or services of a competitor of the trademark owner.

Based on the earlier ECJ decisions, along with Google's revised policies relating to trademarks, the burden is on brand owners to vigilantly monitor and protect their marks on the internet. Although Google's AdWords program has avoided infringement liability by favorable decisions in Europe, a trademark owner still has the opportunity to proceed with direct-infringement claims against the individual advertisers for improper use of the owner's trademarks.

Corporate Veil (continued from page 3)

mentary on the applicability of the corporate veil to indirect-infringement claims. In discussing the individual employee defendants' post-trial motions the Court held that the plaintiff had provided substantial evidence to pierce the corporate veil. In denying these motions as they applied to the indirect-infringement claims, the Court noted that "corporate officers who actively assist with their corporation's infringement may be personally liable for inducing infringement regardless of whether circumstances are such that a court should disregard the corporate entity and pierce the corporate veil." The same reasoning was applied to the contributory-infringement claims where the Court stated that "a corporation does not shield officers from liability for personally participating in contributory infringement."

The *Wordtech* case did not necessarily present new issues for the Court to opine on, but certainly stands as a reminder on the limitations of the corporate-veil defense.

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