

Message From The Chair



John A. DeMaro

We are pleased to present this edition of the Intellectual Property Update as a courtesy to our clients and friends. In this issue, we address recent decisions in the fields of copyright infringement jurisdiction, the fair use of trademarks and domain name liability.

We also highlight an often-ignored section of the New York General Obligations Law that may have a significant impact on whether an automatic renewal provision in a software maintenance agreement governed by New York law will be enforced.

Items covered are carefully selected with a view toward delivering timely updates regarding significant changes in the intellectual property field. RMF's Intellectual Property Group delivers sophisticated advice regarding all manner of issues involving trademarks, copyrights, technology transfers, licensing, trade secret issues, Internet and domain name concerns and surrounding litigation.

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SPLIT IN SDNY OVER FEDERAL COURT JURISDICTION IN COPYRIGHT INFRINGEMENT CLAIMS

By John A. DeMaro

Federal courts lack subject matter jurisdiction over copyright infringement claims until the U.S. Copyright Office has either approved or refused the application for registration of the subject work, the U.S. District Court for the Southern District of New York held in a recent decision, *Corbis Corporation v. UGO Networks, Inc.*, 322 F.Supp.2d 520 (S.D.N.Y. 2004). The court found that the mere filing of a copyright application, including deposit materials and fee is not sufficient to confer federal court jurisdiction. It also acknowledged that there is a split of authority within the Southern District of New York on this issue.

In its decision, the court focused on sections 410 and 411(a) of the Copyright Act. It noted that section 410 provides that the Copyright Act gives the Copyright Office the authority to examine applications for registration and either register the copyright (and issue a registration certificate) or refuse to do so. 17 U.S.C. §410. Regarding the jurisdictional prerequisites for a copyright infringement claim, the court quoted the following portion of section 411(a): "[N]o action for infringement of the copyright in any United States work shall be instituted until registration of the copyright claim has been made in accordance with this title. In any case, however, where the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute an action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights." 17 U.S.C. §411(a) (emphasis supplied by Court). The court opined that the combination of the two sections makes it clear that federal courts do not have jurisdiction over a copyright infringement claim unless and until the copyright application has been approved or rejected by the Copyright Office.

With regard to the courts within the district that have found that the filing of the required materials with the Copyright Office alone is sufficient, the court stated that "their holdings to this effect are entirely conclusory and thus fail to provide any reason for ignoring the plain language of sections 410 and 411."

John A. DeMaro is chair of the firm's Intellectual Property Group and a member of the Litigation Department. He can be reached at 516-663-6505 or jdemaro@rmfpc.com.

DISSATISFIED CLIENT NOT LIABLE FOR CYBERSQUATTING

By Molly M. Rush



Molly M. Rush

A Federal District Court in New Jersey has found that a dissatisfied customer who registered domain names that included a moving company's trademark and then posted critical comments regarding the moving company on the Web sites did not violate the Anticybersquatting Consumer Protection Act (ACPA). *Mayflower Transit, LLC v. Prince*, 314 F.Supp.2d 362 (D.N.J. 2004).

Plaintiff Mayflower Transit, LLC (Mayflower Transit) is an entity that provides interstate moving, shipping and storage services nationwide. MAYFLOWER is the

registered trademark of Mayflower Transit. The defendant contacted Mayflower Transit in connection with a moving job. The contract for the move was ultimately made with Mayflower Transit's agent. The agent is allowed, but is not required, to use Mayflower Transit's trucks, boxes and uniforms. During the move, the van bearing the MAYFLOWER mark and containing defendant's possessions was parked overnight. At that time thieves broke in and stole most of defendant's property. The defendant then registered the domain names "mayflowervanline.com," "mayflowervanlinebeware.com," "newjerseymoving-company.com" and others. Defendant posted Web sites describing his moving incident, voicing his dissatisfaction and encouraging others to

discuss their "bad experience moving with" Mayflower Transit. Mayflower Transit commenced an action claiming, among other things, a violation of the ACPA.

To succeed on its ACPA claim, Mayflower Transit was required to show that (i) its trademarks are distinctive or famous, (ii) defendant's domain names are identical or confusingly similar to Mayflower Transit's marks, and (iii) defendant registered its domain name with the bad faith intent to profit from them. The Court found that Mayflower Transit satisfied the first two prongs. In connection with the third factor, "bad faith intent to profit," the Court was guided by the nine statutory factors listed in the ACPA. The Court found that one of the factors, whether defendant had a *bona fide* noncommercial or fair use of the mark, "speaks to the ultimate disposition of the case, and demonstrates why [d]efendant cannot be held liable under the ACPA." The court held that this factor protects activities such as critical commentary. The Court stated that this factor should be "examined in tandem with the 'safe harbor' in the ACPA which provides that bad faith intent shall 'not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.'"

Molly M. Rush is a member of the firm's Corporate & Securities Department and Intellectual Property and Technology Groups. She can be reached at 516-663-6693 or mrush@rmfp.com.

IP-RELATED FAQs

QUESTION May I use a superscripted™ trademark notice symbol next to a term that I use as a trademark even though the term is not registered with the United States Patent and Trademark Office (USPTO)?

Answer Yes. You are not permitted to use the ® trademark notice symbol unless the mark is registered with the USPTO.

QUESTION Do I need to file a copyright application with the U.S. Copyright Office and obtain a registration certificate in order to have a copyright ownership interest in a work?

Answer No. You own the copyright in a work at the moment of creation. However, for works created before 1978 registration, publication and/or other actions may have been required to secure a federal copyright.

QUESTION May I reprint a newspaper article about my company on my company's Internet Web site even though I have not obtained the newspaper's approval?

Answer Generally, the answer is no. The use of the article without approval would constitute copyright infringement. You must first obtain a license to use the work. However, there are some limited instances where such use may be permissible as a "fair use." Proceed with caution in this area.

QUESTION May I use someone else's trademark in my marketing literature even though I do not have the trademark owner's permission?

Answer Under some limited circumstances the answer is yes. Consumer comparison surveys (Coke v. Pepsi), product references (We service Maytag . . .), compatibility assurances (IBM-compatible), and other settings justify the "fair use" of another business' trademark – without express authorization. However, it is essential to know the parameters within which such a use is permissible before any materials are published. Caution is advisable.



THE EFFECT OF NY GENERAL OBLIGATIONS LAW §5-903 ON AUTOMATIC RENEWAL PROVISIONS

By Adam P. Silvers

New York General Obligations Law section 5-903 may have a significant impact on whether an automatic renewal provision in a software maintenance or repair agreement governed by New York law will be enforced.

Section 5-903(2) focuses on contracts for the service, maintenance or repair to or for any real or personal property, specifically contracts that provide that the term shall be deemed renewed for a specific additional period unless the person receiving the services (Receiving Party) gives notice to the person furnishing the services (Furnishing Party) of his (Receiving Party's) intention to terminate the contract at the expiration of the term. In short, the statute provides that unless the Furnishing Party calls the renewal provision to the attention of the Receiving Party the contract will not be renewed automatically. In particular, the Furnishing Party, at least fifteen and not more than thirty days prior to the time specified for serving such notice upon him (Furnishing Party), must give to the Receiving Party written notice, served personally or by certified mail, informing the Receiving Party of the existence of that provision in the contract.

New York GOL section 5-903 was discussed in *Roslyn Savings Bank v. Fiserv Solutions, Inc.*, N.Y.L.J., April 24, 2001, at 28, col. 6 (E.D.N.Y.). In that case the District Court concluded that (i) a "Data Processing Agreement" between the parties whereby Fiserv agreed to install and maintain its own data processing programs on computers owned by Roslyn, to process data sent to it by Roslyn, and to store information provided by Roslyn on its own mainframe computer to which Roslyn has access, and (ii) an "Electronic Fund Transfer

Services Agreement" whereby Fiserv agreed to supply and install programs on Roslyn's computers and ATM machines that would enable Roslyn to communicate information to Fiserv to generate reports and information about transactions, were governed by New York GOL section 5-903. The contracts were for a term of three years with successive one-year terms renewing automatically until Roslyn terminated the agreements. Roslyn had the right to terminate the agreements at the end of any term if written notice was provided at least 182 days prior to the expiration of a term. The court concluded, based upon existing case law holding that section 5-903 should be given a broad and expansive interpretation, that the agreements at issue were "contracts for service, maintenance, or repair [of] real or personal property" within the meaning of section 5-903 because they required Fiserv to "use its computers to process, manipulate and organize Roslyn's data." The court stated that this involved Fiserv performing services to Roslyn's intangible personal property. Accordingly, the court granted Roslyn's motion for summary judgment for declaratory relief that the agreements did not renew upon the expiration of their terms because Fiserv failed to give the required notice under section 5-903.

Adam P. Silvers is a member of the firm's Corporate & Securities Department and Intellectual Property Group, as well as chair of the Technology Group. He can be reached at 516-663-6519 or asilvers@rmfp.com.



Adam P. Silvers

TUNA SALAD MANUFACTURER MAY STATE ON LABEL THAT ITS PRODUCT IS MADE WITH BUMBLE BEE TUNA

By Mark S. Mulholland

The manufacturer of a composite product may use the trademark of a component product on its labels to advertise the presence of the component in the finished work, provided that the use is untainted by deception as to source or endorsement, according to the U.S. District Court for the Southern District Court (Stein, J.) in *Bumble Bee Seafoods LLC v. UFS Industries, Inc.*, 2004 WL 1637017 (S.D.N.Y. July 20, 2004).

Bumble Bee commenced an action alleging claims for, among other things, trademark infringement and Lanham Act violations and moved to preliminarily enjoin defendant, a

maker of tuna salad, from stating on the lids of its five-pound tuna salad containers that its salad is "Made With Bumble Bee Tuna." Defendant argued that its use of Bumble Bee's trademark without permission constituted a fair use.

The district court denied Bumble Bee's injunction application, finding that defendant's use was not deceptive as to source or endorsement. It stated that the product is sold in five pound tubs to super-



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TUNA SALAD MANUFACTURER MAY STATE ON LABEL THAT ITS PRODUCT IS MADE WITH BUMBLE BEE TUNA

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markets and delicatessens that resell to retail customers in sandwiches or by weight and the workers in those establishments are sufficiently sophisticated and not likely to be deceived by the use of the "BUMBLE BEE" mark on the packaging. The court also concluded that Bumble Bee had no right to supervise or control downstream quality. According to the court, this case is unlike those where a manufacturer purchases a component part and basically repackages it in a new container and the end user may attribute poor quality to the original manufacturer, even though the fault lies with the repackager who ignores the manufacturer's quality control standards. The court stated that such inferences are not present in this case where a component ingredient of a composite product is involved and any adverse inference of poor quality would be directed toward defendant, not Bumble Bee.

Mark S. Mulholland is co-chair of the firm's Litigation Department and a member of the Intellectual Property Group. He can be reached at 516-663-6528 or mmulholland@rmfp.com.



ABOUT THE FIRM

Founded in 1968, Ruskin Moscou Faltishek, P.C. is one of the most respected and largest multi-practice law firms in the New York metropolitan area and is headquartered in Uniondale, New York. With 65 attorneys in 20 practice areas, the firm offers innovative legal services, keeping focus on the client's goals, in the areas of corporate & securities, corporate governance, employment, energy, environmental, financial services, banking & bankruptcy, business reorganization, commercial lending, health law, healthcare professionals, intellectual property, life sciences, litigation, municipal & regulatory affairs, real estate, construction, seniors' housing, technology, trusts & estates, and white collar crime & investigations. Clients include large and mid-sized corporations, privately held businesses, institutions and individuals.

The statements made herein are for informational purposes only and do not constitute legal advice. Readers should consult with experienced intellectual property counsel for individualized and ongoing guidance regarding specific intellectual property issues and concerns.

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RUSKIN MOSCOU FALTISCHEK, P.C.

East Tower, 15th Floor
190 EAB Plaza
Uniondale, New York 11556-0190
(516) 663-6600 www.rmfp.com

Department Chair

John A. DeMaro

Intellectual Property Department Members

Mark S. Mulholland
Christine McInerney
Adam P. Silvers
Molly M. Rush

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