TECHNOLOGY LAW

Section Newsletter, State Bar of Georgia | Winter 2005

Technology Law Section Sponsors Tech Corps Georgia Golf Tournament

In October 2004, the Technology Section had the privilege of participating as a Bronze Level Sponsor of the 2004 "Masters of Technology Golf Tournament" benefiting Tech Corps Georgia. The mission of Tech Corps Georgia is to promote "Digital Inclusion" for the residents, teachers, students and entrepreneurs of Georgia's low-income and otherwise under-served communities, and to advocate for the use of technology in promoting self-sufficiency and economic resiliency. The mission is accomplished by providing affordable access to the technology tools and resources needed to compete in the post secondary schools, workforces and markets of today and the future.

Tech Corps Georgia raised more than $16,000 through the Tournament. Kerry L. Bass, the new Executive Director of Tech Corps Georgia, was very pleased with the results. "With help from sponsors such as the Technology Law Section, Tech Corps Georgia has expanded its programming over the past six months. For example, we began offering refurbished personal computers and training to kids and families in the English as a Second Language program in a Cobb County School District and piloting a 'Student TECH CORPS' program at Drew Charter School in Decatur."

In addition to the Golf Tournament sponsorship, the Section also contributed $690 out of the registration proceeds from the 19th Annual Technology Law Institute, held October 6, 2005, as well as another $200 donation in honor of the Section's immediate past Chair, Ann Moceyunas, whose tireless efforts to promote the mission of Tech Corps Georgia are a positive reflection on the entire Section. In all, the Technology Section donated $1490 to Tech Corps Georgia in 2004. Other sponsors of Tech Corps Georgia include Cousins Foundation, SunTrust Bank, Wachovia Foundation, CheckFree Services Corporation, John H. Harland Company, and The North Highland Company. The Technology Section is proud to be associated with this worthy charitable organization and these and other fine sponsors.

A letter of thanks from Kerry Bass in response to the Technology Section's donations is included on *page 3* in this issue of *Technology Law*.

If your firm is interested in being a sponsor for the next tournament, to be held on Friday, October 21, 2005, contact Ann Moceyunas at ***ann@moceyunas.com*** (or 404.252.0598).

Technology Section Executive Committee Member Ann Moceyunas (front row, right) celebrates Technology Section's contributions to Tech Corps Georgia with Executive Director Kerry Bass (second row, third from left) and others in attendance at 2004 Masters of Technology Golf Tournament.

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Editor's Notes *By John P. Hutchins*

Well, it's the "bleak midwinter, but the Winter 2005 of *Technology Law* is not bleak. As the new year gives us all a chance to start afresh, those of us who have the charge to publish this Newsletter every quarter are just going to keep on doing the things that others have done so well over the past number of years.

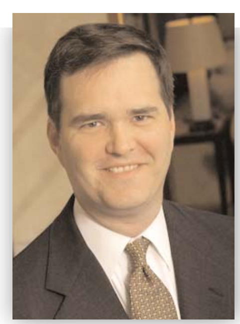
You have undoubtedly noticed, however, some "tweaking" that has been done to *Technology Law* over the past couple of years. The most obvious is, of course, our paperless publication. This new distribution method saves the Section the expense of printing and mailing the newsletter and allows us to focus our budget dollars on other things that have a broader impact and benefit, like the donations the Section made to Tech Corps Georgia and the Section Social Hour, both of which are highlighted in this issue. Another change that we made about a year and a half ago is engaging the assistance of our very talented graphic designer and "typesetter" - Jennifer Zeidwig - who deserves all the credit for making *Technology Law* look so great! Along with all the great contributors of content to the newsletter, Jennifer makes my job easy, and I want to take this opportunity to thank her for her service to the Section.

Of course, *Technology Law* would not happen without those who write the articles that make the newsletter worth your while to read. In this issue, we are "re-running" a couple of great pieces that made their first appearance at the 19th Annual Technology Law Institute on October 6, 2004. Ann Moceyunas's look back at the significant developments in technology law was just to good to pass up, so we are publishing an edited version of it again, as part of the newsletter, for those who were not able to attend the Institute. Likewise, Gail Gunnells made a great presentation at the Institute on the ever-so-hot topic of IT outsourcing, and it just seemed to me like her materials accompanying that presentation were meant for a newsletter, so I asked her permission to publish them.

In addition, Brad Slutsky and Sheila Baran have teamed up to write a great article on spyware. It could prove helpful to you not only in advising your clients but also in protecting your own computer! And our regular contributors continue to come through - Scott Petty gives us an IP update, Ron Jackson lets us in on what is likely to happen under the Gold Dome now that legislature has returned to Atlanta, and Dennis Gerschick gives us more food for thought from the world of venture capital.

So, here you have it. Don't forget to help your Section by making your own contributions to *Technology Law* in 2005. In fact, I think there is still time to make it one of your New Year's Resolutions!

Happy Reading! *JPH*



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From the Chair *By Janine Anthony Bowen*

Happy 2005! I hope your holiday season was joyous, meaningful, and a bit reflective. I am sure you have made those New Year's Resolutions and are off to an outstanding start to the year. It is my pleasure to welcome you to the 2004/2005 Winter Issue of Technology Law, our Section's acclaimed newsletter. Once again, it is packed full of information you can use to enhance your practice. As we approach the midpoint of the Bar fiscal year, the Technology Law Section has had and will continue to have interesting activities in which you can participate. Since the Fall Issue of *Technology Law*, we have been really busy:

- We had a great social at Gordon Biersch in late September. A few dozen technology lawyers got together for networking and refreshments. Thanks to Chris Chan and Bob Neufeld for planning this event. I hope that we will see you in the future at a social event.

- We held our annual Technology Law Institute in early October at Technology Square. This year we experimented with a one-day format and the response was favorable. If you were an attendee of our Institute and have input about whether you would like us to keep the one-day format or return to the two-day format, let me know by e-mail at ***jbowen@mckennalong.com.*** Thanks to those who assisted me on the planning committee (Chris Chan, Guanming Fang, David Keating, David Lilenfeld, Mari Myer, Bob Neufeld and Michael Vollmer). It was, once again, a superb event.

- We held the Winter Quarterly Meeting (discussed later in this edition) at Powell Goldstein's new Midtown offices. Thanks to David Lilenfeld for coordinating the meeting and to Powell Goldstein for opening their new and beautiful offices to us. The slides from the meeting will soon be posted on our website at ***www.computerbar.org***.

- The Section continued its charitable and civic relationship with TechCorps Georgia by becoming a Bronze Sponsor at TechCorps Georgia's recent Golf Tournament. Thanks to Ann Moceyunas for helping us continue our relationship with TechCorps Georgia.

We have a few new initiatives as well.

- Are you an in-house lawyer? If so, we are investigating the possibility of beginning a committee focused on the needs of the in-house tech lawyer. Interested in participating or want more information? Please e-mail me at ***jbowen@mckennalong.com***.

- Are you outside of Metro Atlanta? Would you like to be involved in a regional Technology Law Section working group? If so, send me e-mail at ***jbowen@mckennalong.com***.

We will be turning down the turbos just a notch for this next quarter. While we are getting our new initiatives rolling, look for information regarding our Spring Quarterly Meeting scheduled for March 2005.

We always are looking for folks to be a part of the Executive Committee of the Section. If you would like to step up your involvement and join us, you know how to reach me - ***jbowen@mckennalong.com***.

Warmest regards,

Janine Anthony Bowen

Janine Anthony Bowen

Janine Anthony Bowen practices technology and intellectual property law at McKenna Long & Aldridge, LLP. She earned her J.D. from Georgia State University Law School in 1998 and also earned degrees in Industrial Engineering from Clemson University (B.S. 1989; M.S. 1991). She may be reached at ***jbowen@mckennalong.com*** *or at 404.527.4000.*

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TECH CORPS Georgia helps bridge the digital divide in the state of Georgia by providing computers and training to children, families, and teachers in lower income communities and to the nonprofits that serve them, in an environmentally responsible manner.

Writer's Email: kerry.bass@techcorpsga.org

November 21, 2004

Ms. Janine Anthony Bowen
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Dear Ms. Bowen:

Many thanks to the Technology Law Section of the State Bar of Georgia for your steady support over the years as well as your most recent contribution of **$1,490** to TECH CORPS Georgia, including:

- $600 Bronze Sponsorship of the 2004 Masters of Technology Golf Tournament
- $690 Fundraising proceeds from registration fees for your annual seminar
- $200 Donation in honor of Ann K. Moceyunas

It was the perfect golfing day: partly sunny, cool breeze, and the leaves just beginning to show off their crimson leaves. None of the golfers hit a "hole-in-one" that day, but they all provided a "hole-in-one" for TECH CORPS Georgia! We netted over $16,000 from this event from corporate sponsorship, ticket sales, and a whole lot of "mulligan" sales.

TECH CORPS Georgia relies on corporate support to round out its funding needs (as you may know, foundation grants have dropped dramatically in the past few years).

The lawyers of the Technology Law Section of the State Bar of Georgia can become "partners" with TCGA to close the technology gap in several ways, including:

- Providing sponsorship and volunteers to a local middle or high school for the "Student TECH CORPS" Program (which provides technology help-desk training to students).
- Providing sponsorship and volunteers to students and their families in our "K-12 Student Outreach" Program, currently being provided to Fulton and Cobb County schools (which provides introductory computer classes and refurbished personal computers).
- Providing sponsorship and volunteers to hold a used PC collection drive.
- Hosting a Volunteer Day with firm employees at TCGA.

TECH CORPS Georgia has been serving children and their families in lower-income communities for over ten years through the generosity of many, such as yourself. I would be delighted to meet with any members of your Section to tell them more about our programs and opportunities. Thank you for your generous support.

Sincerely,

Kerry L. Bass /akm

Kerry L. Bass
Executive Director

Key Recent Developments in Technology Law for Georgia Practitioners *By Ann K. Moceyunas*

1. Introduction

In the past ten years, technology law has evolved from pre-Internet, pre-Y2K, pre-technology-for-the-masses, pre-privacy mindsets. In the past year, the courts have demonstrated a more savvy and practical view of technology disputes, legislation, and law. The judges (except apparently in the Federal Circuit) appear to be less restrained in rendering their real opinions. Overall, the decisions are better written and the results more commonsense when it comes to technology.

In the intellectual property arena, there are still several cases regarding domain names (and the application of the Digital Millennium Copyright Act) and the liability of ISP's for the bad things done by their customers. In Georgia, keeping a customer list a trade secret appears to be a hard thing to do. A few cases serve as reminders about watching the small things (such as carefully proofing a contract or making sure the important email address on a Web site actually forwards mail to a real person).

This survey includes cases involving computer technology (even though a technology lawyer may want to review cases about other "technologies") and is not exhaustive. The criteria for these cases was "usefulness" (some good point to learn for daily or common practice) and "entertainment value" (interesting, funny, or simply cannot believe the court would actually say that). The cases are organized by subjects, according to the most predominant feature of the case (somewhat like listing "pizza" under "entrée" even when it often shows up at breakfast).

2. Copyrights

2.1. DMCA does not create a new property right, only a new cause of action for liability.

The Chamberlain Group, Inc. v. Skylink Technologies, Inc., No. 04-1118, 2004 U.S. App. LEXIS 18513 (Fed. Cir. Aug. 31, 2004). Chamberlain, a manufacturer of a garage door opener, sued its competitor for, among other claims, violation of the Digital Millennium Copyright Act (DMCA). Skylink made a transmitter that would open Chamberlain's garage door opener. The appellate court affirmed summary judgment in favor of Skylink, holding that the transmitter did not infringe Chamberlain's copyright in the software that ran the garage door opener. The DMCA does not prohibit the use of devices that access copyrighted works, so long as the use is legitimate under the copyright law.

2.2. Distributors of software that enables peer-to-peer file sharing not liable for copyright infringement of copyright-protected works distributed via the software.

Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd., No. 03-55894, No. 03-55901, No. 03-56236, 2004 U.S.App. LEXIS 17471 (9th Cir. August 19, 2004). Grokster and StreamCast Networks distributes software that allows users to share computer files with each other, including digitized music and movies. The plaintiffs, movie and music companies, sued for copyright infringement on the basis that more than 50% of the files being shared on the networks enabled by the software included copyright-protected works owned by the plaintiffs. The appellate court held there was neither contributory nor vicarious infringement, contrasting the *Napster* case. The StreamCast software created a decentralized network, where indices for each node was stored on each node. The Grokster software created a partially decentralized network, where the indices were stored on "super-nodes". The evidence supported the conclusion that the software was capable of substantial non-infringing uses, and therefore, was prima facie acceptable under the *Sony-Betamax* doctrine. Because neither StreamCast nor Grokster owned or operated the networks created by their software, they could not have any control over the files transferred or stored through the network. Without that control, they could not be contributorily or vicariously liable for copyright infringement.

2.3. AOL's failure to maintain email forwarding address raised question of fact as to safe harbor limitation of liability to copyright claim.

Ellison v. Robertson and America Online Inc., 357 F.3d 1072 (9th Cir. 2004). Ellison, an author of short stories, sued Robertson who posted Ellison's works to a Usenet group and AOL. AOL contended that it was entitled to a limitation of liability for any alleged copyright infringement by the safe harbour provision of the DMCA (17 USC§512). The Ninth Circuit reversed the district court's summary judgment in favor of AOL, holding that there was an issue of fact as to whether AOL complied with the requirements of the safe harbor. DMCA requires the ISP to "reasonably implement" a policy that provides for the termination of subscribers who are repeat infringers. "AOL changed its contact e-mail address from 'copyright@aol.com' to 'aolcopyright@aol.com' in the fall of 1999, but waited until April 2000 to register the change with the U.S. Copyright Office. Moreover, AOL failed to configure the old e-mail address so that it would either forward messages to the new address or return new messages to their senders. In the meantime, complaints such as Ellison's went unheeded, and complainants were not notified that their messages had not been delivered."

2.4. ISP not a direct infringer when hosting Web site to which customer's were posting copyright protected photographs.

Costar Group, Inc. v. Loopnet, Inc., 373 F.3d 544 (4th Cir. 2004). Loopnet operates an online commercial real estate listing service. Loopnet allows subscribing brokers to upload information and photographs of commercial properties. Loopnet reviews each photograph to confirm that it is a photo of commercial property and that it does not have any obvious marks indicating copyright protection. Costar, a competitor, sued Loopnet for allowing Loopnet's subscribers to upload photographs owned by Costar. The parties agreed to dismiss all but the direct copyright infringement claim. The Fourth Circuit affirmed summary judgment in favor of Loopnet, holding that "ISP's when passively storing material at the direction of users in order to make that material available to other users upon their request, do not 'copy' the material in direct violation of §106 of the Copyright Act." The court analogized the ISP to photocopy machines and video-tape recorders. Accordingly there was no direct copyright infringement. Further, DMCA does not supersede any other defenses that the ISP has otherwise under copyright law, including the holding in *Religious Technology Center v. Netcom On-Line Communications Services, Inc.*, 907 F. Sup. 1361 (ND Cal. 1995).

2.5. ISP not required to produce name of customer in response to subpoena under DMCA where ISP provides only a transitory digital network and does not store files on behalf of customer.

Recording Industry Association of America, Inc. v. Verizon Internet Services, Inc., 351 F.3d 1229 (DC Cir. 2003). RIAA sought the identity of two customers of an ISP who had email accounts and requested subpoenas from the district court under the DMCA. The appellate court reversed the subpoenas on the basis that the DMCA did not authorize subpoenas where the ISP was providing only transitory digital network services (17 USC§512(a)) to the customer and not system caching (§512(b)), file storage (§512(c)), or information location tools (§512(d)). The court sympathized with RIAA's plight, but deferred to Congress to address "new and unforeseen Internet architecture."

2.6. Simultaneous web-cast of AM/FM radio broadcast is not exempt from copyright protection under the DMCA.

Bonneville International Corp. v. Peters, 347 F.3d 485 (3rd Cir. 2003). The U.S. Copyright Office issued a rule that simultaneous web-casting of an AM/FM radio broadcast was not exempt from copyright protection under the Digital Millennium Copyright Act of 1998. Under the act, copyright holders of an audio recording have the exclusive right to perform the copyrighted work publicly by means of a digital audio transmission, but there is an exception for non-interactive, non-subscription broadcast transmissions. The appellants, a group of radio broadcasters, challenged the ruling, arguing that a simultaneous web-cast fell under the exception. The Third Circuit affirmed the Copyright Office's ruling, holding that "broadcast transmission" referred to a radio-transmission, not an Internet transmission.

2.7. Conversion claim not pre-empted by Copyright Act.

Dunlap v. G&L Holdings, Case No. 03-14189, 2004 U.S. App. LEXIS 19258 (11th Cir. Aug. 27, 2004). Dunlap developed an idea for an Internet-based bank that would cater to the gay and lesbian community and he and others founded the G&L Bank, a federally chartered financial institution. Dunlap was terminated from his employment by the bank prior to the end of his employment contract. Among other claims, he sued for "conversion" of his business plan. Interestingly, the Court held among other things that "a plaintiff's claim for conversion of his ideas - even original ideas expressed in a tangible medium - is not preempted by the Copyright Act."

2.8. Literal infringement requires showing a side-by-side analysis of the infringed and allegedly infringing software code.

General Universal Systems, Inc. v. Lee, 379 F.3d 131 (5th Cir. 2004). Software developer sued customer who licensed code (in a long and tortured lawsuit) for copyright infringement arising out of a competitive product developed by the customer. The developer claimed infringement of non-literal elements as well as literal copying. The appellate court affirmed summary judgment in favor of the defendant on the copyright issues based on the developer's failure to provide sufficient evidence. On the issue of literal copying, the developer produced only a handful of documents, none of which were all or a portion of source code from its product. An expert's affidavit without the underlying code was insufficient.

2.9. Downloading pirated software from a Web site is not "fair use".

U.S. v. Slater, 348 F.3d 666 (7th Cir. 2003). Criminal defendants who belonged to an organization called the "Pirates with Attitude" were convicted of copyright infringement for making large numbers of pirated versions of commercial software available over the Internet. They challenged the jury instruction on their defense of "fair use". They asserted that the Web site was "noncommercial - merely for educational and entertainment purposes . . . because members did not have to pay to download the software; it was 'educational' because defendants learned something from using the software..." The Seventh Circuit was not amused: "It is preposterous to think that Internet piracy is authorized by virtue of the fair use doctrine."

3. Domain Names

3.1. Domain name not registrable as mark if descriptive or generic.

In re Oppedahl & Larson LLP, 373 F.3d 1171 (Fed. Cir. 2004). Court affirmed PTO's refusal to register mark "patents.com" to law firm that marketed software for tracking trademark and patent applications. ".com" has no source-identifying significance and does not make an otherwise descriptive or generic term registrable as a mark. "The simple fact that domain names can only be owned by one entity does not of itself make them distinctive or source identifying." Furthermore, "patents" is descriptive of the petitioner's goods and services.

3.2. Generic trademark cannot be basis for dilution or anticybersquatting claim arising out of domain name.

Retail Services, Inc. v. Freebies Publishing, 364 F. 3d 535 (4th Cir. 2004). Retail Services sued for declaratory relief regarding its domain name "freebie.com" after threats from Freebies Publishing that the domain name infringed FP's registered trademark "Freebies" and its domain name "freebies.com". Circuit Court affirmed summary judgment in favor of plaintiff, holding that even though FP held the trademark registration, the mark was generic and unenforceable.

3.3. Consumer complaint Web site is a "non-commercial use" protected from claims under the Anticybersquatting Consumer Protection Act.

Lucas Nursery and Landscaping, Inc. v. Grosse, 359 F.3d 806 (6th Cir. 2004). Individual posted a Web site with the domain name "lucasnursery.com" to detail her complaints against Lucas Nursery for allegedly bad service in landscaping her front lawn. Sixth Circuit affirmed summary judgment dismissing the ACPA claims because there was insufficient evidence of "bad faith." There was only one domain name filing (contrasting with multiple filings in other cases, e.g. *Toronto-Dominion Bank v. Karpachev*, 188 Supp. 2d 110 (D. Mass. 2002)). The individual was not trying to pressure the mark owner into negotiation to settle other claims (e.g. *PETA v. Doughney*, 263 F.3d 359 (4th Cir. 2001)).

TMI Inc. v. Maxwell, 368 F.3d 433 (5th Cir. 2004). Maxwell posted a Web site that complained about his dealings with a home builder (TMI) that did business under the name "TrendMaker Homes". Maxwell first published the Web site under the domain "trendmakerhome.com". The first domain registration lapsed and he registered "trendmakerhome.info." TMI sued for trademark infringement. The court held that because Maxwell's Web site was "non-commercial (he did not offer to sell anything)," TMI could not show one of the essential elements (commercial use) of either a dilution claim or anticybersquatting claim.

3.4. However, "profit" under the Anticybersquatting Consumer Protection Act can include solicitation for donations on a consumer complaint Web site.

Coca-Cola Company v. Purdy, No. 02-2894, No. 03-1795, and No. 03-1929, 2004 U.S. App. LEXIS 18414 (8th Cir. September 1, 2004). Web site operator registered domain names which incorporated distinctive, famous, and protected marks owned by the plaintiffs, including "drinkcoke.org", "mycoca-cola.com", and my-washingtonpost.com" among others. He linked the domain names to the Web site "abortionismurder.com". The district court entered an injunction against his registering and maintaining domain names related to the names of the plaintiffs. In violation of the order, Purdy registered an additional 60 domain names. The Eighth Circuit held that, under the Anticybersquatting Consumer Protection Act of 1999, the preliminary injunctions were proper: the domains were identical or confusingly similar to the plaintiffs' marks and Purdy had the bad faith intent to "profit" from the marks by confusing or "tricking" the public to go to his Web site or others that solicit monetary contributions and sell antiabortion merchandise. (Court distinguished the *TMI* and *Lucas Nursery, supra*).

3.5. "Fame of mark" measured from alleged trademark diluter's first use of trademark in commerce, not date of subsequent use of domain name.

Nissan Motor Co. v. Nissan Computer Corporation, 378 F. 3d 1002 (9th Cir. 2004). Computer company started using mark "Nissan Computers" in 1991 and registered the domain name "Nissan.com" in 1994. Nissan Motor Co. registered the mark "Nissan" in 1959. Nissan Motor sued the computer company for trademark dilution. The appellate court reversed the trial court's decision that 1994 was the date to determine fame of the mark "Nissan", holding that the "fame date" was 1991, when the defendant started using the mark, even if such use was with another modifier.

3.6. Domain name which was Spanish translation of English word not de facto trademark infringement.

Scholastic, Inc. v. Escolastica.com, 71 U.S.P.Q.2d (BNA) 1542 (4th Cir. 2004). U.S. company brought *in rem* proceeding against use of domain name by Mexican company. Scholastic, Inc. which sells educational materials for children in the U.S. maintains a Web site at "scholastic.com." Corporacion Mexico Escolastica, SA is a Mexican corporation that provides a web-based service to schools owns the rights to the Internet domain names "escolastica.com" and "escolastica.net." "Escolástico" is the literal translation from English to Spanish of "scholastic." The court held that Scholastic had failed to submit proof of actual confusion, that the words were dissimilar to make confusion unlikely, and that there were significant differences between the Web sites.

3.7. User of "Who-Is" bound by vendor's limitations on use of information.

Register.com, Inc. v. Verio, Inc., 356 F.3d 393 (2nd Cir. 2004). Register.com, Inc. (one of fifty companies serving as registrars for domain names) brought action to enjoin Web design firm from using its mark "Register.com" and using data auto-retrieved from the WHOIS data to solicit newly registered domain name owners. The response to the WHOIS data inquiry included a statement that the recipient agreed not to use the information for solicitation purposes. The Web developer argued that there was no contractual obligation to refrain from using the information for solicitation as it appeared as a "term" after it received the information. The court disagreed, stating that such argument would hold only for the first WHOIS inquiry, but thereafter the recipient was on notice of the "term".

4. Torts - Georgia Law

4.1. Claim for libel must be brought within one year from first date of publication.

McCandliss v. Cox Enterprises, Inc., 265 Ga. App. 377, 593 S.E.2d 856 (2004). Club owner sued newspaper publisher for libel relating to an article covering a lawsuit over the publication of a photo from an event at the club: "The Hipster party in metro Atlanta was noted on the cover [of 'Plumpers and Big Women']: '5,000 Pounds of Sex-Starved Fatties.'" The article was subsequently posted in the archive section of the newspaper's Internet Web site. The court rejected the club owner's argument that the limitation for a new libel claim accrued each time the article was accessed from the Web site, holding the "single publication rule" governs actions for libel.

4.2. Messages on Internet message board protected from libel claim.

Atlanta Humane Society v. Mills, 264 Ga. App. 597, 591 S.E.2d 423 (2003). Atlanta Humane Society and its director sued an individual, alleging she had posted defamatory messages about them on an Internet message board. Her messages were in response to a series of television investigative programs criticizing the AHS. The court had concluded in a related case that the controversy at issue was "an issue of public concern" under O.C.G.A.§9-11-11.1. Comments posted on the message board were an exercise of constitutional right of free speech regarding a matter of public concern. The court reversed the trial court and directed dismissal of the case.

4.3. Web hosting services not liable under ECPA for distribution of videos of male college athletes undressing.

John Doe v. DTE Corporation and Genuity Inc., 347 F.3d 655 (7th Cir. 2003). Football team members from various colleges sued sellers of videotapes secretly made of the athletes undressing, as well as suing the colleges and Web hosting services. The Seventh Circuit affirmed dismissal of claims against the Web hosting services: 1) the Communications and Decency Act of 1996 (47 U.S.C.§230(c)) pre-empts any state law claim; and 2) the Web hosting services did not "intercept" and "distribute" the videos under the Electronic Privacy and Communications Act of 1986.

5. Trade Secrets - Georgia Law

5.1. Customer List is not trade secret unless subject to efforts to keep secret.

Bacon v. Volvo Service Center, Inc., 266 Ga. App. 543, 597 S.E.2d 440 (2004). Auto service company sued former employees for using its customer list to solicit business for competitor. Court held that original employer failed to prove that it taken reasonable efforts to maintain the secrecy of the list. The list was available on computers to all employees, without password protection, the lists were not marked "confidential", the employees had not signed confidentiality agreements, nor had the company told the employees the list was confidential.

5.2. Customer Information found to be a trade secret where sufficient efforts to keep secret.

Stone v. Williams General Corporation, 266 Ga. App. 608, 597 S.E.2d 456 (2004). Williams sued former employees for misappropriation of trade secrets, for their alleged taking of customer information sheets. The court held that Williams took sufficient steps to protect the secrecy of the customer information to qualify for trade secret protection: customer lists maintained on pass-word protected computer to which salespeople did not have access; salespeople used color-coded sheets to take customer notes and were not allowed to take the sheets home; salespeople signed restrictive covenants.

5.3. Non-party has standing to appeal interlocutory injunction which purports to restrain non-party as well as defendant.

Bea Systems, Inc. v. Webmethods, Inc. 265 Ga. App. 503, 595 S.E.2d 87, (2004). Former employer (Webmethods) sued former employee for theft of trade secrets; counsel for the new employer (Bea Systems) was present at the TRO hearing as an observer only. The trial court entered an interlocutory injunction enjoining Bea Systems and all its employees from using or disclosing the documents alleged to contain Webmethod trade secrets which were emailed by the former employee to Bea employees. Court of Appeals held that Bea Systems had standing to appeal order even though it was not a party and that the order was overly broad and an abuse of discretion for including Bea Systems where evidence failed to support a claim for conspiracy to misappropriate trade secrets.

6. Trademarks

6.1. Use of keywords that include trademarks to generate Web ads can be trademark infringement by "initial interest confusion."

Playboy Enterprises sued Netscape and Excite for trademark infringement of "Playboy" and "Playmate". Netscape was using these terms in a list of 400 words to generate Web banner advertisements for adult-oriented companies. The appellate court reversed summary judgment in favor of the defendants, holding that there were genuine issues of fact as to evidence of actual confusion. "Initial interest confusion is customer confusion that creates initial interest in a competitor's product. Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement."

6.2. Descriptive mark that has not acquired secondary meaning not eligible for trademark protection.

Degidio v. West Group Corporation, 355 F.3d 506 (6th Cir. 2004). Lawyer who owned domain "lawoffices.net" and operated Web site that included an attorney directory sued West Group for its use of the domain name "lawoffice.com" in violation of federal and state trademark laws. The court affirmed summary judgment in favor of West on the basis that the alleged mark "lawoffices" was descriptive and had not acquired any secondary meaning. The court also noted that if it found the plaintiff owned the mark "lawoffices", it would preclude other lawyers from using "Law Offices of" in their tradenames.

6.3. Injunction against use of trademark under Federal Trademark Dilution Act requires evidence of actual dilution (not just likely dilution).

Visa International Service Association v. JSL Corporation, No. 02-1733, No. 02-15420, 2003 U.S. App. LEXIS 26129 (9th Cir. Dec. 22, 2003). Injunction vacated against defendant for using the domain name evisa.com and the mark eVisa, with remand for further proceedings to determine whether the mark actually, rather than probably, diluted plaintiff's VISA financial services mark, following *Moseley v. V Secret Catalogue, Inc.*, 537 US. 418, 123 S. Ct. 1115, 155 L. Ed. 2d 1 (2003).

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IT Outsourcing- The Ins and Outs of IT *By E. Gail Gunnells*

I. Introduction

Information technology outsourcing has been widespread in corporate America for a long time and not just for companies whose core competencies are outside the technology realm. Even pure technology companies like Microsoft outsource many of their information technology functions. Outsourcing allows companies to concentrate on their primary business and leave the routine computer support and maintenance operations to others. In the mid-1990's when Microsoft awarded a multi-year contract to Entex Information Services, Inc. to oversee the worldwide management and operation of Microsoft's computers and computer networks, Microsoft's chief information officer at the time was quoted in the Microsoft press release as saying that "Microsoft is outsourcing non-strategic, standard and generic network support...while keeping in-house the strategic skills that support emerging technologies within our network. We are in the business of developing and marketing great software, services and new technologies rather than day-to-day management of networks." More and more companies have chosen to go the Microsoft way and outsource day-to-day management of networks in order to concentrate on their core competencies. Outsourcing has clearly become very widely accepted, in spite of the current controversy over increased outsourcing by companies in the United States to firms located outside of the United States. Companies entering into outsourcing arrangements, however, should do so carefully. Once the decision is made that outsourcing makes sense from a business perspective, there are a number of factors that should be considered in formalizing an outsourcing relationship. This paper presents a broad overview of questions to be asked and issues to be considered in deciding whether or not to outsource, in negotiating the framework and scope of the outsourcing and in contracting with the entity that will provide the outsourced services.

II. To Outsource Or Not To Outsource

A. Why Outsource? - Outsourcing is the use of outside resources to handle tasks that ordinarily would have been done in-house. Outsourced services in the information technology realm cover everything from web hosting services to application hosting services to general computer support and maintenance. Companies choose to outsource for a variety of reasons. Some of the more popular reasons include:

1. Maintain focus on the company's core competencies
2. Access expertise and resources that are not available internally
3. Improve overall service efficiency and performance
4. Make capital funds available
5. Gain strategic advantages that may not be available internally
6. Personnel cost savings
7. Technology cost savings
8. Re-engineer process
9. Help with legacy systems
10. Implement new architecture

B. Is Outsourcing Possible? - In deciding whether outsourcing is right for a particular company, the company should consider its business objectives, think through the business processes necessary to run the company and then consider what information technology services are involved in implementing those business processes and what service management is needed for those technology services. Using this information the company can evaluate its information technology needs and make plans as to how it might fill those needs through outsourcing. During this evaluation and planning phase, the company will define its objectives for outsourcing, decide the scope of the outsourcing and make sure that the right people from management and the technical operation are involved in the evaluation and planning. Part of this evaluation should include a review of any third party contracts with the company that might be affected by outsourcing. The company's ability to transfer, assign or terminate any affected contracts may impact whether outsourcing of certain functions is achievable within the company's desired time frame.

C. Scope and Relationship - Once the decision is made that outsourcing makes sense from a business perspective, then the company must decide the scope of the outsourcing. This is the time to make the hard decisions. Does the company really want to focus on one function or take a wider view that may offer more value from the final solution? Total outsourcing transfers equipment, staff and responsibility for delivery of services to a selected service provider. Selective outsourcing transfers only a few selected information technology functions to a service provider. Once the decision on scope is made, the relationship decision must be made. Will the company have one primary service provider or multiple service providers who collaborate to deliver the final solution? A lead service provider could be selected with the responsibility of managing all other technology service providers. This is perhaps the simplest method for the company from a contract management standpoint, but it requires the company to secure appropriate protections in its contract to ensure that the service provider is responsible for the performance of its subcontractors and that the company stays fully informed of all issues relating to the provision of services, including the roles of each subcontractor.

III. Selection of Service Provider

A. Requests for Proposal - Once a decision is made to outsource and the scope of outsourced services has been finalized, the company may want to issue a request for proposal (RFP) to seek written responses from prospective service providers. For an outsourcing project of any size, the RFP is critical. This allows the company to describe its objectives, the scope of the work involved, the service levels and performance standards that the service provider will be required to meet, delivery timelines and any financial considerations that should be taken into account by the prospective service providers. Ideally, the RFP will form the framework for the contractual relationship between the company and the service provider. The responses received by the company to the RFP should be evaluated in regard to whether the responses adequately meet the company's needs as stated in the RFP, whether there are significant differences in the response and the RFP, and what, if any, exceptions the prospective service providers have taken to any of the RFP requirements.

B. Due Diligence - After the responses are received to the RFP, the company should perform standard due diligence on those service providers that it has high interest in considering for the outsourced work. In addition to the standard business inquiries relating to whether or not the service provider is financially sound, has a good reputation and has the requisite experience and skills to perform the work, the company should conduct appropriate due diligence on whether or not the provider has the necessary rights and licenses in the technology, software, systems and/or networks that it has committed to use in providing services to the company. Information should also be sought relating to the service provider's legal and regulatory compliance. Has there been a history of complaints, litigation or regulatory actions involving the service provider? If so, how do they potentially impact the service provider's ability to perform the outsourced services?

IV. Key Provisions Of Outsourcing Agreements

In the outsourcing arena, a reasonable and well-negotiated contractual agreement is critical. All outsourcing arrangements will have their ups and downs. Each time a potential dispute arises the parties will return to the contract for guidance. This means that in addition to including as many contingencies as possible in the contract, the parties should also make sure the contract contains very specific dispute resolution provisions and clauses designed to allow changes to the contract for unforeseen circumstances that may impact the provision of services as originally envisioned. A solid outsourcing agreement will also include the clauses listed below.

A. Scope of Services - Any outsourcing contract should first and foremost clearly describe the rights and responsibilities of all parties to the contract. All services to be provided by the service provider should be specifically stated, such as software support and maintenance, training of employees, customer service, etc. Language should be included addressing the parties' rights to modify the existing services under the contract and spelling out circumstances under which new or different services can be added or under which the contract can be re-negotiated.

B. Term - Consideration should be given to the type of technology and state of the industry when negotiating the length of the agreement and any renewal periods. The last thing a company wants is to be bound to a long term agreement for a particular set of technology services while technological advances make those services obsolete at a rapid rate. In cases where there is only selective outsourcing of information technology services, consideration should also be given to the expiration dates of any other contracts covering related services with other service providers. Coordination of expiration dates of all such related contracts can often save the company from problems that might otherwise result if some services were to expire before others.

C. Ownership and Licensing Issues - The agreement should specify who retains ownership of any intellectual property developed in the course of performance of the services. The company should clearly spell out that it retains ownership of all mission critical intellectual property and, for any intellectual property that is not mission critical, the company will want to secure appropriate licenses from the service provider, so that the company will have the right to use the intellectual property as needed to make use of the services. Particular attention should be paid to situations involving joint development of intellectual property by the company and the service provider, so that appropriate rights are secured for each party. Another critically important consideration is whether third party intellectual property or equipment is needed to provide the services. If the company has pre-existing third party contracts, can these be assigned to the service provider? If they cannot be assigned, can the service provider enter into separate contracts with the third party? If not, can the services be effectively delivered without the third party's cooperation? If the third party can and will contract with the service provider, make sure that the contract between the service provider and the third party allows for the service provider to use the intellectual property or equipment on behalf of the company and that use by or assignment to the company is allowed in the event that the service provider and the company part ways. The bottom line is that ownership and other rights with respect to software, equipment, data, contract deliverables and work in progress should be clearly defined. Provisions should be included requiring the immediate delivery of such items to the company upon bankruptcy or insolvency of the service provider or termination of the outsourcing agreement. The company's right to continue using items supplied or owned by the service provider that are critical to the company's business should also be clearly defined.

D. Service and Performance Levels - Minimum service and/or performance levels should be established. These will form the baseline for managing the outsourcing relationship and will reflect those elements most critical to the success of the outsourcing arrangement. The specific performance criteria will be different in each outsourcing arrangement depending upon the types of services being provided, the company's requirements, and the level of service. At a minimum such performance and service requirements should be objective, quantifiable, and measurable. Common service level requirements include: deadlines for completing implementation of certain functions, help desk support issues, security standards compliance, including vulnerability and penetration management, and business continuity compliance, including percentage of system uptime, backup and data protection. Remedies and penalties for failure to meet these standards should be clearly outlined in the agreement, including dispute resolution applicable to these criteria, escalation procedures and termination, if appropriate.

E. Termination and Transition Assistance - All possible circumstances under which the company might want to terminate the outsourcing arrangement should be spelled out in the agreement. Termination rights may be provided for failures to meet certain performance standards or service levels, a change in control (such as in the case of acquisitions and mergers), convenience, bankruptcy, insolvency, a substantial increase in costs, a default by the service provider under a related contract, and breach of the agreement. Notification and timeframes for termination should be clearly stated. Provisions should also be included requiring the timely return of company's intellectual property, equipment, confidential information and any other items in the service provider's possession that the company would not want the service provider to retain upon termination.

There should be specific transition assistance clauses in the agreement that apply to the period between the termination of the agreement and the assumption of obligations by another service provider or by the company itself, if the services are to be handled in-house again. A good transition assistance clause will provide for the service provider to continue providing services for a defined period of time after termination of the agreement (assuming termination was not for a reason such as breach of security or confidentiality by the provider). During this transition period, the company pays the service provider to continue providing services while transitioning all aspects of the services to the new service provider. The parties would be required to jointly develop a transition plan with specific deadlines for accomplishing certain tasks designed to effect the orderly transition and migration of services to the new service provider.

F. Fees and Pricing - All costs should be specifically detailed in the agreement starting with the base cost and including all costs for any specialized services, such as development, conversion, training, etc. Responsibility for costs associated with purchasing and maintaining hardware and software utilized in the outsourcing should be addressed. Many different types of pricing are possible, and depending on the exact services to be provided, the parties might choose to use one of the following: cost plus (with profit margin or markup over predetermined cost); fixed price; unit pricing (a particular rate for a particular level of service with total price based on usage); variable pricing (different levels of pricing corresponding to different levels of service - the company then pays based on the level of service that was provided); or incentive-based pricing (bonus for excellent performance - may also include a price at a lower price point for service that falls below the performance standards). To the extent possible, payment should be tied to meeting specific deadlines for deliverables, milestones or performance levels. Financial penalties, termination or other negative consequences should be tied to failure to meet these deadlines, milestones or performance levels. Language should also be included capping the percentage of any anticipated price increase from one year to the next. If possible, the company should include language capping the total percentage increase that will be allowed over the term of the agreement.

G. Project Management Teams - If the scope of the outsourcing is large enough, joint project management teams should be established with responsibility for managing the outsourcing relationship between the company and the service provider on a day-to-day and strategic basis. Each team should have clearly defined responsibilities, frequent, regular meetings and authority to manage issues within their defined responsibilities as they arise. The focus of the teams should be early identification and resolution of problems with quick escalation for problems that are not easily resolved.

H. Confidentiality and Security - Standard confidentiality provisions should be included in the agreement ensuring that the service provider will not disclose the company's proprietary information and trade secrets. Depending on the company's industry and the type of data and records it retains, it may be appropriate to include language requiring that the service provider not disclose or use (except as necessary to perform its services under the agreement) any personally-identifiable information, personal financial information, medical information, etc. relating to company's customers. The company should also require the service provider to report to it any security breaches or unauthorized intrusions relating to service provider's hardware and/or networks that impact on the information technology services being delivered to company.

I. Warranty - The service provider should warrant that it has all rights and authority necessary to perform its obligations under the agreement, that it will comply with all laws, regulations and requirements of governmental and regulatory agencies relating to the services, that it will perform the services as defined in the agreement and that any intellectual property licensed or assigned under the agreement to the company will not infringe any third party rights.

J. Indemnification - Indemnity language should be included holding the company harmless from liability for the negligence of the service provider, indemnifying the company for any claims, actions, or judgments resulting from the acts or omissions of the service provider in performing the services and for any intellectual property infringement resulting from the acts or omissions of the service provider.

K. Limitation of Liability and Disclaimers - If the service provider insists on a limitation of liability and disclaimers, the company should make sure that the limitation of damages is appropriate in relation to the losses that the company would suffer in the event of the service provider's failure to perform its obligations. Be careful to ensure that the limitation of liability and disclaimers do not void the warranty and indemnity provisions.

L. Bankruptcy - Provisions should be included in the outsourcing agreement providing the company with ongoing reports and audit rights related to the service provider's financial condition. The purpose of these reports is to provide the company with as much advance notice as possible if a service provider is in a deteriorating financial position. Since the bankruptcy laws provide special protection for licensed technology, the company should be sure to include language in the agreement that will allow the company to make use of these protections. The agreement should:

1. Grant perpetual licenses for critical technology that needs to survive any termination of the underlying agreement;

1. Grant immediate license rights rather than rights that only take effect after a bankruptcy filing;

1. Provide for any license fees to be paid over a payment schedule rather than a single, upfront license fee payment, so as to create an executory contract; and

1. Split payments for license rights and maintenance/support fees, since license rights can survive bankruptcy, but maintenance/support services may be terminated by the bankruptcy trustee.

M. Escrow - The outsourcing agreement should include provisions requiring the service provider to deposit mission critical source code and technical documentation into escrow, provide for prompt release of such code and documentation under specific circumstances, such as bankruptcy, and grant such licenses to the code and documentation as are necessary for the company to continue with uninterrupted service.

N. Disaster Recovery and Contingency Plans - A disaster recovery plan and business interruption contingency plan should be reduced to writing and incorporated into the agreement by reference. The service provider's responsibilities for backup, data protection, equipment, program and data files should be defined. Care should be taken to make sure that the agreement does not allow the service provider to be excused under any circumstances from implementing its disaster recovery and contingency plans. The plans should include specific timeframes, which are tailored to the company's needs, for restoring disrupted service and, if necessary, the service provider's obligations to establish and maintain redundant systems.

O. Insurance - The specific insurance coverage that the company wants the service provider to have in place should be listed in the agreement as required coverage. The agreement should also require that the company be listed as an additional insured under the policy and that the company receive notice directly of any changes to the policy.

P. Assignment - Provisions prohibiting assignment of the agreement to any other entity without the company's consent should be included in the agreement. The company should also consider including a provision requiring the service provider to notify it and secure its permission prior to replacing any material subcontractors.

Q. Dispute Resolution - The dispute resolution provision ideally should include a framework under which attempts to resolve problems start at the project manager level and then escalate to the executive level and then mediation. In any event it should be clearly stated that the provision of services must continue uninterrupted while the dispute is being resolved.

R. Exhibits - In any outsourcing agreement there will be a large number of exhibits detailing specifics with regard to items such as disaster recovery, contingency planning, specific deliverables or services to be provided. These should be carefully reviewed and revised as appropriate, since they will be incorporated into the agreement by reference. Most exhibits of this type are drafted by technical or business people and usually need to be tightened up a bit with regard to loose language that tends to create confusion as to the exact obligations or responsibilities to be undertaken.

S. Force Majeure and Other Miscellaneous Provisions - The usual standard provisions such as force majeure, cumulative remedies, entire agreement clauses, etc. should be included. They should all be carefully drafted to make sure that they do not conflict with or negate other provisions of the agreement (i.e. force majeure should not be able to excuse the service provider from implementing disaster recovery and contingency plans)

T. Special Considerations for Foreign-Based Service Providers - There are several considerations the company should take into account when outsourcing services to foreign-based service providers or U.S.-based service providers, who subcontract to foreign-based firms. Ongoing monitoring and oversight procedures should be put in place to ensure that unanticipated problems do not catch the company by surprise. Questions relating to choice of law and jurisdictional issues should be raised. How will the services be impacted if the foreign-based provider does not fall under the jurisdiction of U.S. laws and regulations? How might the company's compliance with U.S. laws be affected? Specific provisions should be included that indicate which country's law will govern and that establish jurisdictional choices. Since some foreign countries do not recognize choice of law provisions in contracts, due diligence should be conducted to determine whether such provisions would be enforceable in the country in which the foreign service provider resides.

Export issues and privacy/data protection issues should also be considered. Will use of a particular foreign service provider make the company subject to foreign data privacy laws or regulatory requirements? What about export control? The company must take into account whether the arrangement will comply with U.S. export laws and whether the arrangement will subject the company to export requirements of the country in which the service provider is based. Provisions should be included in the agreement requiring that data and organizational records be protected in compliance with U.S. laws and regulations, that all information transferred to the foreign service provider will remain the property of the company under all circumstances, and that the service provider will at all times comply with applicable export laws and regulations.

V. Transition

In outsourcing projects of any size there may be a transfer of employees from the company to the service provider. Because the objective of most outsourcing includes cost savings, the company will often lay off employees whose functions will be handled by the service provider. In turn the service provider may hire many of those same employees to help it perform the services. For every outsourcing arrangement there will be a transition period after execution of the outsourcing agreement during which the outsourced functions will gradually be moved from the company to the service provider. As the service provider brings its employees up to speed on the scope and details of the outsourcing and the selected company employees become official employees of the service provider, the functions being outsourced will be transitioned from the company to the service provider. If all goes well, the company's deadlines will be met for accomplishing the entire transition from in-house provision of information technology services to complete outsourcing of the selected services.

VI. Exit Strategy

When the term of the outsourcing agreement is coming to a close, the company will need to decide whether to continue with the outsourcing under the current service provider, change service providers or bring the outsourced services back in-house. Many veterans of outsourcing believe that once a function is outsourced it is too costly to bring such a function back in-house. Companies often lose critical skills and resources when the original outsourcing is put in place. Employees whose functions are outsourced leave the company along with hardware and software that is either transferred to the service provider or otherwise released by the company. There is also the concern that a company will become tied to a service provider's proprietary software or hardware. All of these factors can contribute to increased costs for the company if decides to bring the outsourced functions back in-house. Therefore, it is important for a company to consider its exit strategy when negotiating an outsourcing arrangement. If the company has any reason at all to believe that it might want to bring the functions back in-house one day, it can insist on key personnel provisions requiring the service provider to keep certain individuals on the project. It can also address concerns related to reliance on proprietary software or hardware in the intellectual property, licensing and escrow provisions. With a little careful thought ahead of time, the company can lay the groundwork for bringing the outsourced functions back in-house without an overwhelming increase in costs. With such protections in place the company will truly have a choice at the end of the outsourcing agreement as to whether it wants to keep outsourcing or bring the functions back inside the company.

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Spyware And The Internet: A Cyberspace Odyssey *By Brad Slutsky and Sheila Baran*

In 1968, the late Stanley Kubrick brought us the movie *2001: A Space Odyssey*. In the movie, the infallible HAL 9000 computer malfunctions and tries to kill the astronauts on the space ship Discovery. As the astronauts attempt to return to the ship to disconnect HAL, HAL reveals what he knows:

> ***Dave Bowman:*** *Hello, HAL do you read me, HAL?*
>
> ***HAL:*** *Affirmative, Dave, I read you.*
>
> ***Dave:*** *Open the pod bay doors, HAL.*
>
> ***HAL:*** *I'm sorry Dave, I'm afraid I can't do that.*
>
> ***Dave:*** *What's the problem?*
>
> ***HAL:*** *I think you know what the problem is just as well as I do.*
>
> ***Dave:*** *What are you talking about, HAL?*
>
> ***HAL:*** *This mission is too important for me to allow you to jeopardize it.*
>
> ***Dave:*** *I don't know what you're talking about, HAL?*
>
> ***HAL:*** *I know you and Frank were planning to disconnect me, and I'm afraid that's something I cannot allow to happen.*
>
> ***Dave:*** *Where the [heck did] you get that idea, HAL?*
>
> ***HAL:*** *Dave, although you took thorough precautions in the pod against my hearing you, I could see your lips move.*

Stanley Kubrick died on March 7, 1999 - just as some of the country's largest purveyors of spyware/adware were beginning operations. He probably never saw spyware that tracks your every move on the Internet, gathers personal information about you, changes the search results that you see when you conduct searches at popular Internet search engines, and re-installs itself if you try to uninstall it. What would Mr. Kubrick think if he could see our computers today tracking our every move? Has HAL 9000 come back to life?

Of course, you don't have spyware on your computer. Only careless users mistakenly click those installation boxes and get spyware, right?

In October, 2004 America Online and the National Cyber Security Alliance conducted a survey (the "AOL/NCSA Survey") regarding security perceptions and risks. The survey found that:

- 91% of the respondents had heard of spyware;
- 53% thought they had spyware/adware on their computers; and
- 85% of those who thought they had spyware/adware on their computers could not name any spyware or adware program on their computer.

These users' computers were then scanned for spyware, and the scan indicated that:

- 80% of them had known spyware/adware; and
- The average infected computer had 93 spyware components.

The users were then shown the results of the scans and:

- 89% of the users did not know that all of the scanned spyware was on their computer;
- 90% of them did not know what the spyware found on their computer did;
- 95% of them said that they did not give permission for all of the spyware to be loaded on their computer; and
- 86% of them responded that they would like the spyware removed.

So, the odds are good that you do have spyware on your computer. "Dave, although you took thorough precautions in the pod ..." your computer is still spying on you.

How can you tell if you have spyware? What can you do about it? What does the law say about it? Read on and your questions will be answered.

What Is Spyware?

Spyware comes in many forms. Some spyware logs a user's keystrokes to gain access to personal information such as passwords, social security numbers, drivers' license numbers, credit card numbers, and other financial or personal data, which could lead to identity theft. Some spyware can take over a user's Internet connection for its own unlawful use - such as sending SPAM. Spyware also can take over a user's Internet browser - resetting the user's homepage or inserting toolbars into the user's browser that link the user to products or services. Spyware can even make a query that is entered into a search engine report results that link only to products and services approved by the spyware developer.

Spyware can cause a host of other problems as well. The multitude of spyware that can infiltrate a user's computer can limit the processing time, memory, and bandwidth available for other programs and can cause a user's computer to slow down and in some cases become nearly unusable. Further, spyware can be difficult or impossible to uninstall. It can entwine itself with critical system files, and some spyware, if deleted, regenerates the next time you are online. It can be like kudzu for your computer.

The most prevalent form of spyware is "adware." While there is some disagreement about whether adware should be considered spyware, most of the legislation that has been enacted or that is currently being reviewed by state and federal legislators contain broad definitions of spyware that encompass adware. Adware frequently tracks the websites a user visits, or the searches the user enters into a search engine (sometimes sending this information back to the adware's author), and then generates advertisements based on the websites visited or search terms entered. In the AOL/NCSA Survey, users without spyware/adware on their computers reported receiving 15 pop-up ads per week, on average. Users with spyware/adware reported receiving about 31. Of those who used a pop-up blocker, 63% reported that they still received pop-up ads even while running the pop-up blocker.

Where Does Spyware Come From?

Spyware makes its way onto computers in several ways. Spyware can be installed automatically by viewing an unsolicited e-mail message containing a virus or worm. Spyware also can be installed as a result of visiting certain websites. The most common way that adware is installed on a user's computer is by "piggybacking" on the installation of other unrelated applications. This often is the case when users download free programs, such as programs providing weather information or programs that facilitate the swapping of recorded music. The author is able to offer the program without charge because they have agreed to bundle the free program with a spyware program which may provide a source of revenue (such as advertising). While some free software will inform the user that adware is included as part of the installation process, frequently this information is buried in lengthy user agreements which are difficult to read online.

Legislative Response

Just as they addressed telemarketing and spam, state and federal legislatures now are trying to take on the task of creating anti-spyware legislation to resolve the ever growing spyware epidemic. On March 23, 2004, Utah enacted the first anti-spyware legislation. However, the Utah law was enjoined in July, 2004 on the grounds that it impermissibly burdened interstate commerce. Following Utah's lead, on September 28, 2004, California enacted its version of anti-spyware legislation, which will go into effect January 1, 2005. Iowa, Maryland, Michigan, New York, Pennsylvania, and Virginia have been considering anti-spyware legislation as well.

In addition, anti-spyware bills have been proposed in both the United States Senate and the United States House of Representatives, with the good possibility of one being enacted in early 2005. In October, 2004, the House has passed House Bill 2929 - the Securely Protect Yourself Against Cyber Trespass Act ("SPY ACT") - and House Bill 4661 - the Internet Spyware (I-SPY) Prevention Act of 2004. In addition, the Senate has been reviewing its own spyware bill - Senate Bill 2145, Software Principles Yielding Better Levels of Consumer Knowledge ("SPY BLOCK"). SPY BLOCK is still being reviewed by Senate Committees, but its future looks promising. On December 7, 2004, SPY BLOCK received a favorable report from the Senate Committee on Commerce, Science, and Transportation.

Obstacles to Anti-Spyware Legislation

One of the obstacles to anti-spyware legislation has been the difficulty of adequately defining "spyware" to separate legitimate from illegitimate software. Legitimate software that is similar to spyware comes in several forms. One such form that frequently is legitimate is the "cookie." A cookie is a file that is downloaded to a user's computer by a website to remember the user's preferences each time the user returns to the site. Another arguably legitimate form of data collection stems from software used by security companies to collect information from users' computers to analyze and prevent virus attacks. Additionally, programs such as error reporting applications, troubleshooting and maintenance programs, security protocols, and Internet browsers also may gather information about users.

Most of the proposed federal and state legislation defines spyware broadly, possibly including such legitimate software. Some commentators argue that, instead of attempting to define spyware and outlaw certain types of technology, effective anti-spyware legislation should focus on the illegal actions spyware allows, such as the secret collection of consumer data.

Spyware Lawsuits

Separate from these legislative efforts to address spyware, businesses have filed lawsuits seeking to curtail the activities of spyware developers. These lawsuits allege that using trademarks to generate ads that then cover (or appear under) the plaintiff's website infringes the trademarks and copyrights of the plaintiff, and violates state laws prohibiting trespass to chattels and tortious interference. The results of these suits have been inconsistent, however. *Compare U-Haul International, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003) and *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E. D. Mi. 2003) with *1-800 Contacts, Inc. v. WhenU.com and Vision Direct, Inc.*, 309 F. Supp. 2d 467 (S.D. N.Y. 2003).

In a twist on these lawsuits, businesses that have been targeted by pop-up ads also have started to file suits directly against the competitor who hired the spyware/adware vendor to generate ads. Weight Watchers has filed at least two such suits against companies advertising with The Gator Corporation (now Claria Corporation), and L.L. Bean filed similar suits against Claria clients Nordstrom, Inc., J.C.Penney, Gevalia Kaffe, and Atkins Nutritionals.

The Federal Trade Commission ("FTC") also has sought to address the issue. In October, 2004, the FTC announced plans to begin working with law enforcement officials to target spyware. In the first spyware case brought by the FTC, the court enjoined the defendant because he caused spyware to be installed on users' computers and then tried to sell them the software needed to remove the spyware. See *Federal Trade Commission v. Seismic Entertainment Productions Inc., et al.*, 2004 WL 2403124 (D. N.H. October 21, 2004).

In another interesting turn of events, some spyware developers have begun to turn on each other. Having a multitude of spyware programs running on a computer can drain the computer's resources. One spyware developer - Direct Revenue - programmed its spyware to delete other companies' spyware. In November, 2004, one alleged victim of this practice - Avenue Media - brought suit against Direct Revenue seeking to put an end to such tactics.

Legal Advice In An Uncertain Legal Environment

Software developers whose products may fall under the broad category of spyware need to take into account the likely enactment of federal and/or additional state legislation placing restrictions on the activities of such software. Distribution methods that require no user consent or that fool users into downloading software likely already violate the law, or will soon. Misleading and confusing advertising already is regulated by the FTC and is likely to be even more heavily regulated through spyware legislation. Advertisements that are triggered by trademarks and that confuse users into visiting competitors' websites are likely to be the subject of continued lawsuits.

Companies adversely affected by spyware/adware also can learn much from the suits that have been brought to date. If your client is receiving complaints about competitors' ads appearing on your client's website, they should save records of those complaints and investigate them. Evidence of actual confusion often can be the best evidence of trademark infringement. Has your client registered its copyright in its website? Registration (or attempted registration) generally is a prerequisite to bringing a copyright infringement claim.

Antispyware Software

Businesses also can program their websites to "know" when a user has spyware on their computer and to take different actions for such users. Users also can protect themselves by using spyware detection and removal utilities. Only use security software from trusted vendors, though, as some spyware solutions have been found to introduce the adware components they purport to eradicate. Spy Sweeper (http://www.webroot.com), SpyBot Search & Destroy (http://www.spybot.info), and Ad-Aware (http://www.lavasoftusa.com) are antispyware programs that have been favorably reviewed by PC Magazine. A growing number of antivirus providers also are starting to make anti-spyware software available as part of their offerings (e.g., Norton Internet Security and McAfee Internet Security Suite).

Conclusion

Spyware is everywhere. The odds are good that you have spyware on your computer right now. Run the free Spybot Search & Destroy program and see if you are not surprised by what it finds.

One of the biggest problems presented by spyware is that, whether or not the underlying software may be characterized as "useful," spyware frequently does not announce itself and inform the user that they are being spied on. Thus, even spyware with arguably legitimate purposes is objectionable to many people because most people are not aware that the software is on their computer.

You can act now to protect yourself against spyware, or you can sit back and wait for legislators and businesses to shape the law to protect your rights. In the meantime, the spyware companies will be watching you, and offering you goods and services that match your observed interests. Like HAL 9000, they have great enthusiasm and confidence in their mission, and they want to help you.

*Brad Slutsky is a partner on the Intellectual Property Team at King & Spalding. Mr. Slutsky's practice focuses on intellectual property and technology litigation, including Internet disputes, privacy and security litigation, and patent, copyright, trademark, and trade secret litigation. Mr. Slutsky can be reached at 404.572.3536 or **bslutsky@kslaw.com**.*

*Sheila Baran is an associate with King & Spalding's Construction and Procurement Practice Group. Ms. Baran has experience reviewing, structuring, drafting and negotiating a wide variety of commercial agreements including various types of construction, professional services, transportation, procurement and licensing agreements. Ms. Baran also has experience with construction litigation and advising clients on issues relating to e-commerce, privacy, and marketing. Ms. Baran can be reached at 404.572.2707 or **sbaran@kslaw.com**.*

Interested in contributing an article? Comments or suggestions?

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Important Note

The Technology Section's Executive Committee nominates one article from each issue of *Technology Law* for submission to the Georgia Bar Journal for publication. Thus, contributing an article to *Technology Law* is not only a great opportunity to increase exposure of your practice to other members of the Technology Law Section, but also it may result in your article being read by lawyers throughout the State of Georgia and beyond.

Attention All Section Members!!!

The State Bar needs your email address!

We want to be able to send you section-related information such as ***Technology Law*** and meeting notices as fast as possible. Please keep your e-mail address up-to-date by logging onto ***www.gabar.org*** and clicking on "Membership Resources" or by e-mailing ***membership@gabar.org***.

Legislative Update *By Ronald V. Jackson*

Introduction

As the General Assembly convenes beginning on January 10, 2005, Republicans will assume the majority in the House of Representatives - and elect a Republican Speaker of the House (Representative Glenn Richardson) - for the first time since Reconstruction. Also, 65 new legislators (44 in the House and 21 in the Senate) will take their place along side veterans in each chamber.

Likewise, both "old" and "new" issues will show their faces during the upcoming General Assembly. For instance, tort reform will again be before the legislature. Senate Bills 3 *(www.legis.state.ga.us/legis/2005_06/fulltext/sb3.htm)* and 19 *(www.legis.state.ga.us/legis/2005_06/fulltext/sb19.htm)* respectively address tort and class action reform and have already been "pre-filed" with the Secretary of the Senate. Although tort reform has generally been viewed as a long-running battle between lawyers and doctors, SB 3, as filed, would also eliminate joint and several liability in non-medical malpractice cases. As of this writing (December 22, 2004), the following technology or telecommunications-related bills (and perhaps others) will be introduced in 2005.

Public/Private Infrastructure Projects

SB 5 *(www.legis.state.ga.us/legis/2005_06/fulltext/sb5.htm)* would establish a framework under which state and local governments could issue requests for proposals to, or consider unsolicited proposals from, private entities for the development and operation of "qualifying projects" (i.e., the public-private development and operation of facilities and infrastructure). While much of the discussion regarding such initiatives has centered upon transportation infrastructure, this bill would permit public entities to enter into "public-private agreements" not only for the development and operation and lease of transportation infrastructure ("and facilities needed to operate such facilities") but also for a wide-variety of other facilities.

As drafted, "facility" is defined to also include the following non-transportation facilities (or any combination thereof): (a) "any education facility" including "any depreciable property provided for use in a school facility"; (b) buildings or facilities for use by public entities including "equipment necessary to enhance public safety and security" of such buildings; (c) "telecommunications and other communications infrastructure"; and (d) any

Social Hour Successfully Revived

By Christopher J. Chan

On Sept. 29, 2004, the Technology Section revived its social hour tradition with a happy hour event at the Gordon Biersch Brewery in vibrant Midtown Atlanta. Section Chair Janine Bowen welcomed approximately 20 Section members and their guests to the event. The Section enjoyed various brewery drinks (the seasonal Pale Ale was a winner), delicious hors' douvres, and lively conversation. Promotional materials about the Technology Section and its upcoming events were distributed to everyone in attendance. Thanks to everyone who attended. The Section looks forward to seeing other Technology Section members at future events. We will continue our social hour tradition in the future with similar events, and if you have any ideas for alternative social hour events, please let the Executive Committee know your ideas!

Litigation Committee Is Open To All Section Members

The Litigation Committee of the Technology Law Section of the State Bar of Georgia focuses on litigation of technology disputes, including disputes involving computers and the Internet. The Committee provides litigation focused newsletter articles, CLE Luncheons and a module at the Section's annual Technology Law Institute. The Committee is open to all section members, litigators and non-litigators alike. If you would like to participate in the Committee or for more information, please contact its Chair, David M. Lilenfeld at *dml@slclaw.com*.

"project" which a public entity is authorized to own, operate or manage under the Georgia Constitution and other provisions of state law. If enacted, it would appear that many technology services, systems, and equipment could potentially be included in qualifying projects.

Notably, SB 5 would permit private operators to "own, lease, or acquire any other right to use or operate" such qualifying projects, utilize "any and all funding resources", and request that the public entity exercise its powers of eminent domain. Moreover, local governments could extend the term of such public-private agreements notwithstanding otherwise applicable limitations under Georgia law. See O.C.G.A. § 36-30-3 (generally providing that one council may not bind itself or successors so as to prevent "free legislation in matters of municipal government" and limiting the term of various municipal contracts); See also O.C.G.A. §36-60-13 (generally requiring that multi-year lease or purchase contracts entered into by municipalities and counties must provide for the automatic termination at the end of each calendar year). Perhaps of particular interest to members of the communications industry, this bill expressly provides that any qualifying project operated pursuant to a public-private agreement would generally not be subject to regulation "as to user fees, toll amounts, or any other matters by the Public Service Commission, or the Department of Transportation".

Outsourcing/Off-Shoring

Last year, (then Representative) Curt Thompson introduced HB 1281 which would have prohibited state agencies from outsourcing services to out of state service providers. (HB 1281, which did not pass, was subsequently amended to only prohibit out of state outsourcing if an in-state provider submitted a lower bid.) As noted in the last column, Thompson won election to the Georgia Senate and indicated that he would introduce outsourcing/off-shoring legislation in 2005.

True to his word, Senator-elect Thompson has pre-filed SB 12 (*www.legis.state.ga.us/legis/2005_06/fulltext/sb12.htm*) to address the offshoring of call center operations used in connection with state agencies provision of services and benefits. SB 12 would require such "telephone call centers" to be physically located within the United States. As drafted, this bill would expressly exempt any contracts entered into prior to the effective date of the law. Given the continuing controversy over call center and technology operations being moved overseas, this bill may attract the attention of not only call center providers but also other parties involved in the outsourcing/offshoring debate -- and serve as a "vehicle" for broader legislation.

Voice over Internet Protocol ("VoIP") and Broadband Services

In April 2004, the Georgia Attorney General issued an opinion finding that the Georgia Public Service Commission has jurisdiction over providers of "mobile and wireless telecommunications services", "cable-based broadband services", and so-called ""phone-to-phone internet protocol ('IP') telephony" to the extent these services are not excluded from the definition of "telecommunications services" under Georgia law. 2004 Op. Att'y Gen. No. 2004-5. (The opinion did not generally address provisions of the Communications Act of 1934, as amended, regarding federal jurisdiction over interstate communications.

Broadband and VoIP services continue to revolutionize the way we work and communicate while also challenging the existing regulatory framework. The proper jurisdictional and regulatory classification of VoIP and cable-based broadband services is the subject of multiple proceedings before the Federal Communications Commission ("FCC") and the federal courts. Finding that Vonage's VoIP services are interstate services, the FCC recently preempted the Minnesota Public Utilities Commission's imposition of traditional state telecommunications regulations upon Vonage and indicated that state regulation of similar cable-based VoIP services would be subject to federal preemption as well. *In Re: Vonage Holdings Corporation*, WC Docket No. 03-211, Memorandum Opinion and Order (rel. Nov. 12, 2004). The FCC, however, is still considering whether (or which) IP-enabled services should be classified as (generally heavily regulated) telecommunications services or lightly regulated information services. See also *In Re: IP Enabled Services*, WC Docket No. 4-36 Notice of Proposed Rulemaking, FCC 04-28 (rel. Mar. 10, 2004). Meanwhile, the Supreme Court will review the 9th Circuit Court of Appeals' decision finding that cable-modem services are in part "telecommunications services" (instead of entirely consisting of interstate "information services"). *FCC et al. v. Brand X Internet Services, et al.*, 543 U.S. Order No. 04-281 (Dec. 3, 2004).

These issues will continue to percolate at the federal level, but given the Attorney General's opinion it appears likely that legislation addressing Georgia's regulation of some or all of these services will be brewing at the Georgia General Assembly as well. We'll see.

In the next issue, we'll review what transpired during the 2005 session.

Ronald V. Jackson is Of Counsel with Gerry & Sapronov, LLP where he advises clients on telecommunications matters and regulations as well as administrative law. Mr. Jackson also served as the Aide to the Senate Judiciary Committee during the 2004 Session of the Georgia General Assembly. Mr. Jackson earned his law degree from the Emory University School of Law in 1996 and he earned a B.A. in History from Millsaps College in 1992. Mr. Jackson can be reached at 770.399.9100 or at ***rvjackson@gstelecomlaw.com.***

Doing the Little Things Right ©

By Dennis J. Gerschick, CPA, Attorney, CFA

Many companies seek venture capital. However, many of those companies take action, or fail to do things, that hurt their chances of obtaining venture capital. In short, many hurt themselves. There are a number of "little things" that companies can easily do to increase the odds of attracting venture capital. This article will highlight several of the easy steps. **First**, stock options and, in many cases, stock itself should be issued with a vesting schedule. The vesting schedule is beneficial because it forces the recipients to acquire ownership interest over time. The vest schedule also provides an incentive to remain with the company and provide stability.

Second, the "key people" in the company should be bound by properly drafted restrictive covenants. A disproportionate amount of attention is given to covenants not to compete. Companies can also help themselves by having key employees sign covenants not to solicit customers, covenants not to solicit company employees, and covenants not to disclose. A company can increase its salability and value by having enforceable restrictive covenants.

Third, the corporate minute book should be kept up-to-date. Also corporate filings and tax filings should be done in a timely manner. Checking accounts should be reconciled promptly. These steps create a positive subliminal message. Conversely, if a company cannot handle the "little things" the obvious subliminal concern is that it will not be able to handle the more difficult things.

Fourth, while it is certainly not required, in many cases it is beneficial to have audited financial statements. Again, having audited financial statements has psychological benefits as well. Investors may find a certain level of "comfort" in knowing that an independent CPA audited the financial statements. For companies hoping to "go public", audited financial statements are a necessity.

Fifth, ownership of the company's intellectual property should be well documented and protected. Patents, trademarks, and copyrights should be issued in the name of the company. Having the founder of the company own the "crown jewels" and licensing them to the company is often an impediment to venture capital financing.

Sixth, a company should not have "too many" shareholders or members. The old adage "too many cooks spoil the pot" should be considered. I advise companies to do what they have to do, but try to keep the shareholders and members to a minimum, if possible. I suggest requiring a meaningful minimum amount in order to become a shareholder/member. The "meaningful amount" may vary depending upon the type of business and the capital requirements. However, I have seen companies raise $200, $300, and $400 from a large number of individuals. I view this as a sign of weakness, and a potential problem, that should be avoided.

In short, companies should have a well thought out business plan, competent management team and employees, and adequate capital to allow the team to achieve the plan. Companies can also take action to help themselves to attract the capital they need. Doing the "little things" correctly is a step in the right direction, but one that many companies fail to take.

Dennis Gerschick is an attorney, CPA, and chartered financial analyst. Gerschick practiced law for 16 years before starting a VC fund; Gerschick is President of VenCap Advisory Group, Inc., which is the general partner of VenCap Opportunities Fund, L.P., a venture capital fund in Atlanta, Georgia. He can be reached at 770.792.7444 or at ***DGerschick@aol.com****.*

In-House Tech Lawyer? Interested In Participating On
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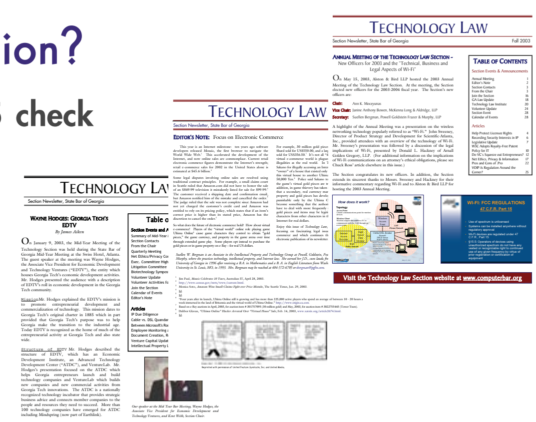


In Pursuit of Business Model Patent Protection *By W. Scott Petty*

Companies that use computers to conduct business and to deliver services to their customers -- banks, insurance companies, investment fund companies, real estate companies, and on-line retailers -- are aggressively procuring patent protection for their innovative methods for doing business. Since the late 90's, the Patent Office has issued granted numerous "business method" patents, including patents for Amazon.com's one-click purchasing, Doubleclick's method for delivering advertising over the Internet, and American International Group's technique for reducing an interest rate and insurance premium associated with a mortgage loan.

Why Seek Patent Protection for a Business Method?

Abraham Lincoln, a patent holder himself, called the introduction of patent laws one of the three most important developments in the world's history. The importance of patent protection has been intensified under the "new economy," where a company's intellectual property, including methods for doing business, may be one of the company's most significant assets. E-Bay, Amazon.com, and Priceline.com are just a few examples of dot-com era survivors whose success is directly linked to how they do business with their customers.

Defensive patent portfolios. One reason a company seeks patent protection for their innovation is to develop a defensive patent portfolio. By patenting an inventive concept that makes-up the core aspects of a company's business, that company can carve out a niche in a marketplace with the patents defining the extent of the boundaries of that niche. This portfolio helps to protect a company's investment in research and development. Also, this patent portfolio can serve as a bargaining chip to resolve a dispute when the company's competitor threatens them with a patent infringement lawsuit.

Offensive patent portfolios. Alternatively, a company can build a patent portfolio to serve as a source of revenue, either to augment other revenue streams or, in the extreme case, to serve as the company's sole revenue source. Under this model, a company would license a patented innovation to other companies, either on an exclusive or non-exclusive basis. For entities that eschew a license yet practice the invention covered by a patent, the patent owner can sue those entities for patent infringement, recovering money damages and enjoining further infringing activities without a license. The company can use its patent portfolio to exclude competitors from operating within that niche, giving the company a competitive advantage over those competitors and protecting market share.

Attract capital investments from financial community. A patent portfolio can attract investment in a company by translating an intangible business method into a tangible asset. A patent offers an assurance to venture capitalists that other companies may be reluctant to enter a business niche carved out by the patent, which otherwise could dilute the financier's return on investment. A patent portfolio also may result in an increased valuation of a company by a financier because patents create a barrier to a competitor's entry into a market and may generate potential patent license revenues.

Answering the Critics of Business Method Patents

Business method patents, especially for software and e-commerce applications, have been criticized as a barrier to innovation on the Internet. A major theme expounded by critics is that the Patent Office's issuance of software and business method patents is out of control. If left unchecked, critics have asserted that innovation in the on-line marketplace will come to a screeching halt. The Patent Office has responded to this criticism by applying a heightened scrutiny of patent applications claiming business process innovations. In addition, the Patent Office has increased the number of Examiners handling patent applications for business models and has expanded the scope of prior art search activities conducted by Examiners during the examination of these applications. Also, in the event that an Examiner concludes that a business method patent application is patentable over the prior art, the Patent Office typically initiates a second-level review of this "allowed" application to insure compliance with our patent laws.

Predictably, critics focus on the restrictive power of the patent grant but ignore the other half of the social bargain of the patent system. Through the patent process, a business discloses its innovations, including methods for doing business, to the public. Other companies can come along and build on these disclosed innovations. In this way, patents for business methods are no different than patents for technical innovation. A company may own the patent for a mouse trap and monopolize its sale. However, by disclosing how to make and use the mouse trap, others can come along and build a better mouse trap. After all, there is more than one way to catch a mouse.

Litigating Patents to Exclude Competitors from a Market

As business method patent applications work their way through the Patent Office and become patent grants, one can expect that business method-related patent lawsuits will be in the news as companies attempt to protect their niche or extract revenue from their growing portfolios. For example, Priceline.com sued Microsoft over technology associated with travel ticket auctions. Amazon.com sued Barnesandnoble.com over Amazon.com's "one-click" technology, which enabled Amazon.com's website to identify a user and allow that user to order a product with one click of a mouse. A jury determined that e-Bay and its "Buy it Now" feature infringed two patents owned by MercExchange. eSpeed, Inc., a leader in developing and deploying electronic marketplaces and related trading technology, recently enforced a patent protecting its proprietary electronic trading processes.

Patent litigation is notoriously complex and, consequently, expensive -- and there are no guarantees to a successful outcome in the court room. Despite the uncertainty, the adage "the best defense is a good offense" applies to patent litigation. Much of the expense and uncertainty of patent litigation may be avoided by an accused infringer if that organization has a strong patent portfolio themselves. Cross-licensing possibilities may allow two companies to achieve synergy in exploiting their combined innovations. On the other side of the fence, a strong patent portfolio can bring a quick end to infringing activities by another company - which does not want to risk the costs of patent litigation and an adverse decision - thus protecting the patent owner's competitive advantage or establishing a licensing opportunity.

Using Patents to Secure a Competitive Stake in the Market

By building a patent portfolio that encompasses how a company conducts business, the company can help secure a competitive advantage over other players in the market. A patent portfolio can be used to generate revenue outside of a company's normal revenue sources, through licensing and monetary awards from patent litigation. Finally, an investment in patents can be used as a defensive shield against patent litigation targeted at the company's core business model.

W. Scott Petty, a Patent Attorney with King & Spalding LLP, focuses on intellectual property issues in the fields of computer software, telecommunications, and financial services. Scott can be contacted by telephone at 404.572.2888 or via electronic mail at ***spetty@kslaw.com.***

Highlights from the Executive Committee *By Michael K. Stewart*

Meeting Dates: August 25, 2004 & October 20, 2004

The Executive Committee skipped its September meeting and has met just twice since the last issue of *Technology Law*, on October 20, 2004 and again on November 17, 2004. The August 25 meeting minutes were approved at the October meeting and the October 29 meeting minutes were approved at the November meeting. What follows is a summary of the August 25 and October 20 meetings. The minutes from the November 17, 2004 meeting will be reviewed at the January 20 meeting, and a report on the November 17 meeting will appear in the Spring issue of *Technology Law*.

August 25, 2004

Janine Bowen chaired the meeting.

Summer Section Meeting: John Hutchins reported that the Summer 2004 Quarterly Section Meeting was held August 12, 2004. This event, at which John Hutchins and Larry Kunin spoke on document retention and related discovery issues, was a success, with approximately 20 attendees.

Winter Quarterly Section Meeting: David Lilenfeld provided a status update on the Winter 2004 Quarterly Section Meeting, to be held December 9, 2004 at the offices of Powell Goldstein LLP, with Robert Mercer of Powell Goldstein as a speaker on issues bankruptcy affecting intellectual property and technology.

Newsletter Update: John Hutchins (Editor) provided a status report on the Fall 2004 issue, expected to be distributed to Section members in mid-September 2004. John welcomed submissions for the Winter 2004 issue. The Executive Committee discussed abandoning the idea of focus topics for the foreseeable future. Finally, the Executive Committee discussed ways to better integrate the Newsletter and the Section's website; ideas included links on the website to a searchable database of Newsletter articles, along with potentially replacing email with the website as the preferred method of Newsletter delivery.

Website Update: Stephen Combs (Webmaster) outlined future plans for the Section website, including not only additions and enhancements, but also an analysis of traffic to the website to help the Executive Committee increase the usability of the website for Section members. Once this traffic analysis is done, the Executive Committee will investigate additional ways to drive traffic to the Section website.

Technology Law Institute: Janine Bowen provided a status report on the 2004 Technology Law Institute, with roughly six weeks to go before the program date. With respect to staffing of open positions for audio-visual assistance, the Executive Committee considered delegating these duties to a person supplied by the seminar facility, given that person's likely familiarity with the facility's equipment, layout and capabilities.

Volunteer Updates: Ann Moceyunas reported that she is currently investigating the feasibility and desirability of the Section providing volunteer support to the Georgia Center for Nonprofits.

Fall Social for New Associates: Chris Chan and Robert Neufeld gave an update on the organization for this event, scheduled for September 29, 2004 at the Gordon Biersch Brewery. Plans for publicizing the event were underway. Inasmuch as the event was designed to increase membership in the Section, the Executive Committee discussed possibilities for cross-marketing the event to other sections of the Georgia Bar. In addition, the Executive Committee opted not to charge any fee for admission to this event.

Litigation Committee Update: David Lilenfeld (Litigation Committee Chair) informed the Executive Committee that the Litigation Committee members will next meet in September 2004 to formulate plans for the coming year.

Spring Section Quarterly Meeting: Ann Moceyunas volunteered to coordinate the Spring 2005 Quarterly Section Meeting, with a date and program topic still to be determined.

Members in Attendance: Executive Committee members in attendance were Janine Bowen, Michael Stewart, Chris Chan, Ann Moceyunas, Stephen Combs, James Aiken, Ron Jackson, David Lilenfeld, John Hutchins, Mari Myer, Robert Neufeld and Guanming Fang.

Thanks for Hosting! Thanks to the law firm of Arnall Golden & Gregory, LLP for hosting the August 25, 2004 Executive Committee meeting.

October 20, 2004

Janine Bowen chaired the meeting.

Technology Law Institute Recap/Section Status: Janine Bowen informed the Executive Committee that the Technology Law Institute, held October 6, 2004, was a success, with 66 registered attendees. The Institute was generally rated very favorably by attendees, scoring in all respects at least a 4 or higher on a scale on 1 to 5 on ICLE evaluations. The Executive Committee discussed ways in which the Institute could be improved in future years, including consideration of (i) whether the Institute should feature more advanced topics, and (ii) whether the Institute should be a 1-day or 2-day event on a going-forward basis. In addition, the Executive Committee resolved to put a much greater emphasis on marketing the Institute in future years. Janine Bowen reports that the Section now has over 500 members, the highest enrollment the Section has had since 2001.

TechCorps Georgia: Janine Bowen reported that the Section donated $690 from the proceeds of the Technology Law Institute to TechCorps Georgia. In addition, in October, the Section sponsored TechCorps Georgia in a golf tournament via a $600 contribution. This contribution made the Section a Bronze Level Sponsor of the tournament. Also, the Section made a $200 contribution in honor of Ann Moceyunas.

Website: Stephen Combs reported that he has finished his latest revisions to the Website at ***www.computerbar.org***. Recent enhancements include a historical record of past Section events, along with links to presenters' material related thereto. Future planned enhancements include a better search tool and the integration of past *Technology Law* articles.

Litigation Committee: David Lilenfeld reported that the Litigation Committee met in early October to discuss activities for 2004 and 2005, including increased contributions by Litigation Committee members to *Technology Law*.

Quarterly Section Meetings: David Lilenfeld provided a status update on the Winter 2004 Quarterly Section Meeting, to be held December 9, 2004 at the offices of Powell Goldstein LLP, with Robert Mercer of Powell Goldstein as a speaker on bankruptcy issues affecting intellectual property and technology. Topics and Speakers for the Spring Meeting (to be spearheaded by Ann Moceyunas) are still to be determined.

Fall Social for New Associates: Chris Chan and Bob Neufeld gave a recap of this Section event, which was held September 29, 2004 at the Gordon Biersch Brewery in Midtown. The event was well attended, and so the Executive Committee has begun considering the possibility of hosting similar events on a regular basis (e.g., twice per year).

Volunteer Activities: In addition to the Section's work with TechCorps Georgia, the Section is still considering directing its volunteer activities toward the Georgia Center for Nonprofits, as well as investigating other potential charitable organizations with which the Section might work. Chris Chan and Ron Jackson will assist Ann Moceyunas in this selection process.

In-House Committee In-House Committee: The Executive Committee considered creating a specific Section Committee made up of and devoted to issues concerning in-house corporate counsel. The idea was approved by the Executive Committee.

Marketing Committee: The Executive Committee resolved to make special efforts in regard to marketing not only specific events, but promoting the Section generally, in order to increase membership and participation. Chris Chan, James Aiken and Mike Vollmer will work together to develop an appropriate marketing strategy. Special areas of emphasis include: (i) marketing to law students, (ii) enhanced marketing of Section events, and (iii) investigating other avenues of recruiting new Section members.

Members in Attendance: Executive Committee members in attendance were Janine Bowen, Michael Stewart, David Lilenfeld, Ron Jackson, James Aiken, Chris Chan, Robert Neufeld; Stephen Combs and Mike Vollmer.

Thanks for Hosting! Thanks to the law firm of Womble Carlyle Sandridge & Rice, PLLC for hosting the October 20, 2004 Executive Committee meeting.

Minutes: The official Minutes of each Executive Committee meeting are reviewed, amended or corrected if needed, and approved at each subsequent meeting. The full Minutes are available from the Section Secretary, Michael K. Stewart. He may be reached at ***mstewart@fh2.com*** or 770.399.9500.

Next Meeting: The next meeting of the Executive Committee will be held on Thursday, January 20, 2005 at 7:30 a.m. at the new offices of Arnall Golden & Gregory LLP, 171 17th Street, Suite 2100, Atlanta, Georgia 30363. The minutes of the November 17, 2004 meeting will be approved at that time, and a report on the November 17 and January 20 meetings will appear in *Technology Law*, Spring 2005.

The Executive Committee Membership: The Executive Committee is comprised of Section members who are interested in volunteering their time to plan events for the Section. If you are interested in joining the Executive Committee, please attend the next meeting or contact the Section Chair, Janine Anthony Bowen, at ***jbowen@mckennalong.com*** or 404.527.4000.

Michael K. Stewart is an Associate with Friend, Hudak & Harris, LLP, where he advises clients on technology, intellectual property and E-commerce-related issues. Mr. Stewart earned his J.D., magna cum laude, from the University of Georgia in 1998, and he earned a B.A. in History from Emory University in 1990. Mr. Stewart may be reached at 770.399.9500 or via e-mail at ***mstewart@fh2.com****.*

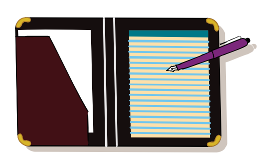
Winter Quarterly Luncheon *- Update By David M. Lilenfeld*

On December 9, 2004 the Technology Law Section held its Winter Quarterly luncheon at the new offices of Powell Goldstein LLP. Robert M.D. Mercer, Esq. of Powell Goldstein LLP presented a program entitled *The Seven Things All Lawyers Should Know About Technology and IP in Bankruptcy*.

The program began with an introduction of the differences between bankruptcy filings under Chapters 7, 9, 11, 12 and 13. Next, Mr. Mercer discussed the impact of a bankruptcy filing on IP license obligations, including how the automatic stay impacts a party's rights under a license. Mr. Mercer gave a great explanation of a party's options in the event a license is rejected, assumed or assigned during the bankruptcy. Mr. Mercer also discussed the perfection of security interests in patents, copyrights and other intellectual property rights, as well as the impact of revised Article 9 of the UCC.

Excellent seminar materials were prepared by Mr. Mercer and J. Cleve Hill, Esq., also of Powell Goldstein LLP. (A copy of the program materials will soon be available on the Section's website under the heading "Events.") These materials, Mr. Mercer's helpful presentation and energetic audience participation made this a successful event. There were 46 people in attendance. The Section thanks Mr. Mercer and Mr. Hill for their participation and Powell Goldstein LLP for providing a conference room.

Calendar of Upcoming Events



Executive Committee Meeting — **January 20, 2005**
Arnall Golden & Gregory — 7:30 am
171 17th Street, Suite 2100, Atlanta, Georgia 30363

Spring Quarterly Luncheon — **March 2005**
Time, Day and location TBD