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Cases of Note -- Piling on Ebay via Patent Litigation

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tutional. Since the NSL process is not subject to court supervision as a search warrant would be, the New York court ruled that **National Security Letters** were unconstitutional as a violation of the Fourth Amendment prohibition on issuing a search warrant without probable cause.¹⁹ According to the court's opinion:

While the Fourth Amendment reasonableness standard is permissive in the context of administrative subpoenas, the constitutionality of the administrative subpoena is predicated on the availability of a neutral tribunal to determine, after a subpoena is issued, whether the subpoena actually complies with the Fourth Amendment's demands. In contrast to an actual physical search, which must be justified by the warrant and probable cause requirements occurring before the search, an administrative subpoena "is regulated by, and its justification derives from, [judicial] process" available after the subpoena is issued.²⁰

It was this lack of subsequent judicial review that the **District Court** criticized. According to the opinion, the language of the statute "has the effect of authorizing coercive searches effectively immune from any judicial process, in violation of the Fourth Amendment."²¹ The judge also ruled that the nondisclosure provisions were unconstitutional because they constituted both a prior restraint on speech and a restraint on speech because of the content.²²

The government appealed *John Doe I* to the 2nd Circuit, where it was consolidated with *John Doe II*.²³ While the appeal was pending, the **PATRIOT Act** was amended, so the **Court of Appeals** requested that the parties provide supplemental briefs addressing the impact of the changes on their cases.²⁴

According to the **Court of Appeals**, because the **PATRIOT Act** amendments allow judicial review of NSLs, and because these provisions are retroactive, the Fourth Amendment claims in *John Doe I* are now moot. However, there are still issues related to the gag order and the First Amendment. These issues have been remanded back to the **District Court** to "have the opportunity to receive amended pleadings, request new briefs, conduct oral arguments, and, in due course, furnish its views on the constitutionality of the revised version. . . ."²⁵

The government requested that the **Court of Appeals** vacate the judgment from Connecticut in *John Doe II*. This would have had the effect of causing the decision to be moot. However, the 2nd Circuit did not grant this request. According to the opinion, "[g]iven the concession of the Government . . . that *John Doe II* can disclose its identity, the Government no longer opposes the relief granted by the District of Connecticut in its preliminary injunction ruling. Thus, the Government has effectively rendered this appeal moot by its own voluntary actions. This voluntary forfeiture of review means that the Government has failed to meet its burden of demonstrating that it is

entitled to vacatur of the District of Connecticut's preliminary injunction ruling."²⁶ [Citations omitted.]

The importance of the **Court of Appeals** ruling in *John Doe II* is that the **District Court's** ruling of unconstitutionality still stands and is the law in the District of Connecticut. Rather than overturn this ruling, the 2nd Circuit simply dismissed the appeal. Thus, future litigants now have persuasive authority to cite.

The PATRIOT Act Standard for Challenge

The renewed **PATRIOT Act**²⁷ has been revised to clarify that recipients of **National Security Letters** will be able to request judicial review and may challenge the non-disclosure provisions of the NSL.²⁸ In addition, the new language does allow the type of consultation that occurred, where **George** informed the executive committee of his Board of Directors,²⁹ as well as speaking with an attorney.³⁰ (Although the individual recipient must disclose to the **FBI** the names of the individuals consulted, he or she does not have to disclose the name of the attorney.)

Many types of library functions are now exempt from the NSL provisions in Section 505 of the **PATRIOT Act** because of a better definition of when an NSL may be issued. However, libraries are not entirely out of the woods, as some library functions may still be subject to an NSL.³¹ (For more information, see my "Legally Speaking" column in the June 2006 issue of *Against the Grain*.)

One issue involving **National Security Letters** that still needs to be addressed is the standard for challenge. According to **George Christian**, "The revised language makes it almost impossible for anyone to do what we did."³² This is because the new provisions of the **PATRIOT Act** allow the government to certify that disclosure of the name of the NSL recipient will endanger national security. "If, at the time of the petition, the Attorney General, Deputy Attorney General, an Assistant Attorney General, or the Director of the **Federal Bureau of In-**

vestigation, or in the case of a request by a department, agency, or instrumentality of the Federal Government other than the **Department of Justice**, the head or deputy head of such department, agency, or instrumentality, certifies that disclosure may endanger the national security of the United States or interfere with diplomatic relations, such certification shall be treated as conclusive unless the court finds that the certification was made in bad faith."³³

In the Connecticut *John Doe* case, the government asserted that "national security" required that the gag order be enforced. However, the **FBI** later dropped the case and allowed **George, Peter, Barbara, and Jan** to identify themselves as being *John Doe*. The concurring opinion in the 2nd Circuit noticed the irony of the **FBI** seeking to maintain a permanent ban, even after the names had been revealed in the press. The concurring opinion also noted the problematic request of the **FBI** to expunge the court records.³⁴

According to **George and Peter**, a future NSL recipient can use this case as a specific precedent of an instance where the **FBI** has used the "national security" argument in bad faith.³⁵ Perhaps this may assist those who receive NSLs in the future.

Conclusion

The **District Courts** in *John Doe I* and *John Doe II* were both troubled by the implications of the **PATRIOT Act**. The First Amendment provisions will be reargued in New York, while the ruling of unconstitutionality still stands in Connecticut. The procedure used by **Library Connection** and the **ACLU** — filing a lawsuit under seal — is a model for how future cases should be handled. Luckily, the four Connecticut *John Does* — **George Christian, Barbara Bailey, Peter Chase, and Janet Nocek** — have taken a very courageous stand, even at the potential loss of their own freedom. The library profession and the American people certainly owe a debt of gratitude to the Connecticut *John Does*.

Cases of Note — Piling on Ebay via Patent Litigation

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EBAY INC., et al., Petitioners v. Mercexchange, LLC., Supreme Court Of The United States, 126 S. Ct. 1837; 2006 U.S. Lexis 3872 (2006).

Well, with our finger ever on the pulse of legal trends in USA, we've been chattering in *ATG* about the **Supreme Court** reining in frivolous patent suits, and here we have one. See — "The End of Automatic Injunctions in Patent Litigation," *Bet You Missed It, ATG* v.18#3, June, 2006, p.72.

Ebay of course you know

for its Internet Website where goods may be listed for sale and perused by really bored people in work cubicles. **Mercexchange** sought to license a business method patent to **Ebay** but no contract was formed. **Ebay** used the method anyhow.

Mercexchange sued and got a jury verdict of patent infringement. The **District Court** said an award of money damages would be just dandy, but declined to issue an injunction against using the method. (1) A willing-

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ness of **Mercexchange** to license the patent, and (2) lack of use of the patent by **Mercexchange** itself eliminated any irreparable harm to **Mercexchange** by **Ebay** continuing to use it.

Which is quite interesting and goes to the prior ATG discussion of patent disputes forcing an exchange of money, but allowing useful inventions to go on serving the common good. And would prevent questionable patents from ham-stringing Blackberry type businesses while the dispute was settled. See — "Chaos Theory Ripples Out of the USPTO," ATG, v.18#3, June, 2006 p.72.

The **Court of Appeals** reversed finding a "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances." 401 F.3d 1323, 1339.

And the **Supreme Court** reversed them.

How Come?

Injunctive relief lies within the equitable discretion of the **Federal District Courts** but must follow traditional principles of equity.

Disputes arising under the **Patent Act** (35 U.S.C.S. §§ 1 et seq.) are no exception. (a) 35 U.S.C.S. §283 clearly states that injunctions "may" issue "in accordance with the principles of equity. This is consistent with **Supreme Court** holdings on injunctions under the **Copyright Act** (17 U.S.C.S. §§ 101 et seq.). Which is to say an injunctions should not automatically issue following a finding of copyright infringement. "[A] major departure from the long tradition of equity practice should not be lightly implied." *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320, 102 S. Ct. 1798.

And of course there's a four factor test. Which is even worse than a three pronger.

To obtain a permanent injunction, a plaintiff must show (1) irreparable injury; (2) remedies at law, i.e., money damages, will not compensate for the injury; (3) balance of hardships tilts in favor of plaintiff; (4) public interest will not be disserved.

Brief refresher to avoid Cases of Note Lay-readers: once upon a time there were two English court systems, law and equity. Law courts had a remedy of money damages. Equity had a remedy of injunction growing out of the power of the king to order any old thing he pleased. Now the two systems are merged, but we still talk of "law" and "equity."

The only confusion arises from the **Patent Act** declaring patents to have the "attributes of personal property," § 261, including "the right to exclude others from making, using, offering for sale, or selling the invention," § 154(a)(1). The **Court of Appeals** felt this required a mandatory injunction.

And of course, that's consistent with the treatment of a copyright holder who has "the right to exclude others from using his property." *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127, 52 S. Ct. 546 (1932). But in copyright the issuance of injunction is again a "may issue" based on principles of equity. See, e.g., *New York Times*

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Co. v. Tasini, 533 U.S. 483, 505 (2001). Which is to say you have to apply the four factors.

If Tasini accomplished nothing else, he's certainly made himself into a boring footnote for future generations of law students.

And What about that Willingness to License Business?

While the **Supremes** rejected the **Appellate Court's automatic injunction**, they likewise did not care for the **District Court's** broad brush stroke of no injunction where a **Mercexchange** is willing to license and not using the invention itself.

Inventors might prefer to license their patents themselves rather than have every **Tom, Dick and Ebay** come along and grab the thing and force a fight over damages. See, *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 422-430 (1908).

The **District Court** was focusing on (4) serving the public interest. Presumably, they would have been okay if they had just applied the four factors and come down heavily on (4) to justify the result in that particular case.

The brain teaser is that both patents and
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Biz of Acq — Big Deal E-Journals Packages and Third Party Subscription Vendors: Does It Make Sense Anymore?

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Column Editor's Note: *Third party subscription vendors are active in the e-resources field. Chad Hutchens questions the extent of useful services a vendor can provide in this area. For example, should vendors negotiate licenses? Is it a good option for libraries of all sizes to use vendors' services in managing electronic resources? — AF*

Subscription Vendor Services

Subscriptions to both large and small e-journal bundles from publishers have become commonplace in academic libraries during the past few years. It is not the purpose of this article to debate the pros and cons of these e-journal bundles, also known as "big deal" packages; they are a reality. The terms and conditions of these subscriptions are as varied as the titles and publishers themselves; managing the various and complex terms, title lists, contracts, and conditions has been challenging for libraries and subscription vendors alike. Most academic libraries in the United States contract with a third party subscription vendor to handle their e-journal and print subscriptions, whether they are individual titles or large, comprehensive bundles. In return for a fee that is usually based in part on the total cost of a library's serials subscrip-

tions, subscription vendors provide a variety of services to libraries. The utility of these services is important without a doubt, especially to libraries with limited staffing. While subscription vendors have played a central role in managing library subscriptions in the past, the time has come to investigate the usefulness of their services in the "big deal" world.

New Realities and a Hypothetical Scenario

For better or worse, publishers offer comprehensive e-bundle packages where a library pays an annual fee to access all titles that a publisher may offer. This is especially true of the larger publishers in the disciplines of science, technology, and medicine, also known as STM.¹ The price basis of these "big deal" packages varies greatly. In consortial deals, some publishers use a pooled historical (print) title list gathered from multiple institutions while others base the price on FTE, **Carnegie** Classification, or other usage data.² The complexity of pricing models, consortial deals, and even direct-to-publisher deals has created an enormous amount of data that a library needs to have readily available. A library needs ready access to title lists, coverage dates, license details, renewal dates, contact information, access URLs,

and the list goes on and on. In addition, while **ERM (Electronic Resource Management)** systems are alleviating some of the information management burden, we are far from a comprehensive solution. It really is not necessary to describe how completely different managing e-resources is from managing print resources. We all know that it is an enormous and never-ending task. So where does the subscription vendor fit in with "big deal" packages?

Let us consider a hypothetical but completely realistic scenario. A library has existing electronic subscriptions to approximately 100 titles from Publisher X and is interested in licensing access to all of Publisher X's titles for an annual subscription fee. This is the quintessential "big deal" package. Since some subscription vendors are now offering negotiation services,³ the library now considers whether to have their subscription vendor negotiate the deal.

Negotiation: Who Handles It?

The art of negotiation is a skill that is perfected with experience. It is not a skill that is routinely taught in library schools although some, including myself, would argue that it should be.⁴ Some librarians are very astute at negotiating and some are not. As a group, however, librarians are not business-oriented people and we lack negotiation skills. In fact, many of us abhor corporate culture and identify the academy as the culture with which we feel most at home, both personally and politically. It is a simple fact that librarians tend to be poor negotiators by nature. It is my opinion that librarianship could use an injection of the business mentality when it comes to negotiating subscription contracts. That does not mean being unethical, but we should all "go to bat" for our institutions; it is what we are paid to do. Furthermore, it has been my experience that vendor and publisher representatives respect good negotiation and that they are genuinely good people. They are not the prophetic boogey-men that some of us make them out to be. Ask your representative questions, ask for deeper discounts and price caps, be creative, and remember that the answer is always "no" if you never ask.

As much as I would love to see librarians "go to bat" for themselves, we need to ask the question, "Should we ask third party subscription vendors to do our negotiating for us?" Is negotiating contracts a new service for which libraries should pay vendors a percentage fee?

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copyright are personal property. If a curmudgeonly author can refuse to publish his genius work, then a curmudgeonly inventor should likewise be able to deprive the American public of his invention. Or is this always the case using the four factor test? Could either one be forced to license if factor (4) was strong enough?

And of course in the infuriating way of the **Supreme Court**, they don't rule on whether permanent injunctive relief is applicable, but send the thing back to the **District Court** to apply the four factor test.

And There's Concurrence

In a concurring opinion by **Roberts, Scalia** and **Ginsburg**, factor (4) is discussed. These three note that "[a]n industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing

fees. See **FTC, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy**, Ch. 3, pp 38-39 (Oct. 2003), available at <http://ftc.gov/os/2003/10/innovationrpt.pdf>.

For these firms the bargaining leverage of shutting down an industry is an enormous edge leading to exorbitant licensing fees. See *ibid*. This seems doubly unfair when the patented method is a very small component of the finished product to be marketed. And then there are the growing number of patents on **business methods** that heretofore did not exist. Vagueness and suspect validity of these patents may force a rethinking of the weights of the four factors. See — "**Chaos Theory Ripples Out of the USPTO**," **ATG**, v.18#3, June, 2006 p.72, noting the famous patents for making a peanut butter and jelly sandwich and the method of swinging on a swing.

So now we can have a fifth factor — shaking down a company through dubious patents.