

marketplace. However, Justice Middleton stated that these factors could not be considered when deciding whether the requisite reputation had been established.

Therefore, Hansen failed to prove on the balance of probabilities that it had established sufficient reputation in Australia in the mark MONSTER ENERGY, at the relevant date, in relation to energy drinks, and Hansen's claim was dismissed.

Justice Middleton also dismissed Bickfords' cross claim. He stated that, although Bickfords was in the process of commencing its direct retail sales and promotional activities, most of these activities had been confined to one state of Australia. The judge stated that these were not of sufficient quality or quantity to establish the reputation required for the purposes of establishing passing off or a cause of action under the TPA.

Justice Middleton concluded that both parties 'have only just commenced the development of a reputation in Australia, and neither has reached the stage of development such that the Court should make the orders sought in this proceeding'. Accordingly, he dismissed both claims and refused to make restraining orders. In making this decision, he acknowledged that this action admits 'the risk of confusion or possibility of blunders by some members of the public in their choice of energy drinks. . . . but such risk or possibility the law accepts'.

The decision of Justice Middleton has now been appealed to the full bench of the Federal Court, and the appeal is yet to be heard.

Practical significance

This is a concerning decision from the point of view of international trade mark owners, particularly in circumstances where lay-a-foundation use had taken place. The Australian Courts seem to favour a policy of open competition, which appears to allow Australian traders to copy the products of their competitors in overseas markets in the absence of the competitors' use and registration of their trade mark in Australia.

This case highlights that it is important that foreign traders preserve their position in the Australian market by filing and registering trade marks in Australia, as it will be very difficult to enforce common law rights in a trade mark unless direct sales and promotions have been undertaken in the Australian marketplace. The outcome of the appeal is keenly awaited.

Lisa Ritson and Melissa Preston

Blake Dawson, Sydney

Email: lisa.ritson@blakedawson.com

Email: melissa.preston@blakedawson.com

doi:10.1093/jiplp/jpn132

Advance Access Publication 10 July 2008

Copyright

■ Copying 0.03 percent of software code base not 'de minimis'

Veritas Operating Corp. v Microsoft Corp., No. 06-0703, 208 US Dist. LEXIS 8166 (W.D. Wash. Feb 4, 2008)

Copying 54 out of 160,000 lines of a software code base is not non-actionable *de minimis* copying when the code is sufficiently important to the operation of the program.

Legal context

The Latin phrase *de minimis non curat lex* is often interpreted as 'the law does not concern itself with trifles'. When used as a defence to copyright infringement, it generally means that the material copied was so trivial as to constitute an insignificant infringement of the copyright holder's exclusive rights. Defendants seeking to justify their copying as *de minimis* often emphasize the numerical percentage amount of what was copied in relation to the total size of the infringed work. In such cases, courts typically review both the amount of copying as well as the importance of what was copied.

Facts

In 1996, Microsoft Corporation and Veritas Operating Corporation entered into an agreement relating to volume management software. In its complaint in *Veritas Operating Corp. v Microsoft Corp.*, Veritas asserted that Microsoft secretly copied a part of its copyright-protected code and used it in a Microsoft product without authorization. Further, it claimed that Microsoft engaged in trade secret misappropriation, breach of contract, breach of the implied covenant of good faith and fair dealing, unfair competition, unjust enrichment, and patent infringement. Microsoft counterclaimed for breach of the agreement.

Microsoft moved for summary judgment on several grounds, including that the alleged copying of 54 lines out of 160,000 was *de minimis*. The court disagreed, stating that if the portion of the code base copied was of sufficient importance, even a small percentage could justify a finding of infringement. The court noted that the defence's own expert agreed that the copied code was 'crucial to the value of the software in an enterprise setting'.

Analysis

The term *de minimis* can refer to three slightly different concepts in copyright law. First, it can be a part of a fair use analysis, where the use was so trivial that it weighed in favour of finding fair use. It can also apply where the *type of use* makes no material impact upon the copyright holder's exclusive rights, such as the classic example of photocopying a comic strip and posting it on a refrigerator.

Similarly, it can apply where *the part* of the copyright work used is so trivial that it does not materially impact the owner's exclusive rights. See William F. Patry, *Patry on Copyright*, § 9:60 (Thomson/West, Rel. 1, 3/2008). It is the latter concept that was at issue in *Veritas*.

In a case similar to *Veritas*, Court of Appeals for the Third Circuit held that the defendant's copying of 27 lines of code out of a code base of 525,000 lines was not *de minimis* in *Dun & Bradstreet Software Services, Inc. v Grace Consulting, Inc.*, 307 F.3d 197 (3d Cir. 2002), *cert. denied*, 538 US 1032, 123 S. Ct. 2075 (2003). In this case, as in *Veritas*, experts for both sides agreed that the code in question was crucial and the incorporating software would not function without it. The *Dun & Bradstreet* court also cited *Harper & Row, Publishers, Inc. v Nation Enterprises*, 471 US 539 (1985), in which the US Supreme Court held that copying 300–400 words of a copyrighted book was not insubstantial. The Supreme Court explained that the analysis should be of the 'qualitative value of the copied material, both to the originator and to the plagiarist' (emphasis added), and referred to the taking of 'the heart of the book'. Applying this well-established principle to copyrighted works of software code, the *Veritas* and *Dun & Bradstreet* courts both found the copying was not *de minimis*.

In a different context, the Court of Appeals for the Fifth Circuit held that copying of a small amount of code was not an infringement in *Vault Corp. v Quaid Software, Ltd.*, 847 F.2d 255 (5th Cir. 1988). *Vault* manufactured software designed to prevent users from running programs without the original diskette. The defendant sold a program that circumvented *Vault*'s software. After concluding that the defendant's program did not constitute contributory infringement, the appeals court affirmed the lower court's conclusion that defendant's program was not an infringing derivative work. Although the defendant's program copied 30 characters out of 50 pages of source code, and the plaintiff contended the copied code was crucial to the operation of its program, the court held that the copying was 'not significant' because the programs 'serve opposing functions' in that defendant's program allowed use of the copied software.

Practical significance

In *Veritas*, the court made clear that even a little bit of copying, so long as it is material, may constitute copyright infringement. The distinction between *de minimis* copying and copying that is quantitatively *minimal* is thus an important one for litigants. As a result, the parties in a *de minimis* argument should focus on the importance or triviality of what was allegedly copied. Defendants may argue that, in addition to the relatively small portion of material that was copied, the material was not important and, therefore, nothing of value was copied. On the other

hand, a copyright holder may argue that the copied portion provided significant qualitative value to the infringing work.

Daniel Shockley, a summer associate at the firm, assisted in the preparation of the article.

Nancy J. Mertz

Thelen Reid Brown Raysman & Steiner LLP, New York

Email: nmertz@thelen.com

doi:10.1093/jiplp/jpn130

Advance Access Publication 11 July 2008

■ Copyright violations in caching of website content and online contract formation

Ticketmaster LLC v RMG Technologies, Inc., 507 F. Supp. 2d 1096 (C.D. Cal. 2007), October 16 2007

Copying of Ticketmaster website content beyond limits permitted by terms of use and circumvention of access control features constituted violations of the Copyright Act and the Digital Millennium Copyright Act; the terms of use constituted an enforceable agreement when the website displayed a notice on the home page and subsequent pages; RMG breached the terms of use by accessing Ticketmaster website for commercial purposes, and by marketing software designed to enable users to access Ticketmaster site with great frequency and purchase large volumes of tickets.

Legal context

In its motion for a preliminary injunction, Ticketmaster argued that RMG violated provisions of the Copyright Act, the Digital Millennium Copyright Act (DMCA), and the Computer Fraud and Abuse Act (CFAA). It also contended that RMG's actions breached the agreement created by the site's terms of use.

The court granted a preliminary injunction to Ticketmaster, ordering RMG to cease its copyright infringing activities and to cease distributing and marketing its copyright infringing software.

Facts

Ticketmaster sells tickets to various entertainment and sporting events through its website. It owns registered copyrights in its website content.

Users purchasing tickets from the site have to agree to the terms of use, which state that the website is for personal use, prohibit commercial use, and the use of automatic devices in accessing the website, and impose