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Is There Any Valid Reason to Split the Ninth Circuit?

By Ninth Circuit Chief Judge Mary M. Schroeder

No members of the legal profession should understand more fully than your members the folly of recent efforts to split the Ninth Circuit. The Federal Bar Association, its chapters in Orange County and Los Angeles, and elsewhere in California, have all expressed opposition to this effort, as has the American Bar Association.

Chief Judge Mary M. Schroeder

A major problem with any restructuring proposal is that there is no sensible way to divide the Circuit because of the size of California. Currently pending are bills containing no fewer than five different configurations of new Circuits that would split the existing Circuit into either two or three parts, all at great cost to lawyers, clients and taxpayers.

There can be no equitable division of the case load of the Circuit without division of California into different Circuits, because California has more than 70% of the current case load. There has never been a regional circuit with fewer than three states (and 6 Senators). None of the other eight states want to be left in a divided Circuit with California, and California certainly does not want to be left alone. We owe a debt of thanks to California's member of the Senate Judiciary

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I Can Copy, Right? Oh No, Copyright! A Copyright Law Primer

By Robert S. Gerber, Esq. of Sheppard Mullin

Thanks to recent technological innovations such as Napster, iPods, DVD burners, and TiVo, stories infused with the law of copyright have peppered the news over the last five years. Necessarily overlooking many of the complexities and nuances of copyright law, this brief primer is intended to help you better comprehend potential copyright issues that may arise in your practice, or at least help you understand some of those articles in your morning newspaper.

Robert S. Gerber

What is a copyright?

It is a common misconception that copyright law protects ideas, or sometimes even novel or new facts. It doesn't. *Baker v. Selden*, 101

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Inside

President's Column

By Maureen F. Hallahan

As I write this letter, it is hard to believe that we are almost halfway through the year. It has already been a year of growth and change. I am proud to say that we are at an all time high in membership. Our membership now exceeds 700 members and we are the second largest ABTL Chapter in California, only exceeded in membership by the Northern California Chapter.

Maureen F. Hallahan

The five California chapters, despite having friendly competition on membership, work together in many ways in support of ethics, civility and the courts. In April, a Joint Board Retreat was held in Yosemite, lead by the San Joaquin Chapter. At the Joint Board Retreat, the officers and members of the Board of Governors of the five chapters met and discussed matters of statewide interest and collaborated on projects for the benefit of all of our members. This year was remarkably productive and many projects that have been in the works were accomplished. In summary they are: 1) A form Case Management Conference Order for Business/Commercial cases, 2) Court Funding Committee, and 3) Effective ABTL website integration.

Judge Victoria Chaney, who is assigned to a Complex Case Department in the Los Angeles Superior Court, and other ABTL members saw a need for more guidance and structure in handling complex commercial and business cases. Judge Chaney spearheaded the creation of a document entitled, "Case Management Order for Commercial/Business Cases" ("CMO"). She was assisted by lawyer representatives from the ABTL Chapters. Together they have created a document which covers every aspect of general complex business and commercial cases. As far as we know, this is the first comprehensive document of its type and will be extremely useful for lawyers in thinking through their cases and for judges in managing the cases. It covers everything from mediation/early settlement, initial disclosures, discovery (written, electronic, and depositions), dispute resolution, protective orders, joint prosecution/joint defense privilege issues and periodic status conferences. This proposed CMO is now being reviewed by the judges and lawyers on our Board of Governors. The goal is to have it available for use in the fall of 2006. Many thanks to Judge Chaney and her committee who have invested tremendous time and effort in this project.

Issues of state and federal court funding were also addressed at the Joint Board Retreat. The discussion involved court access, independence of the judiciary and the role of lawyers in raising the importance of these issues. We discussed the important role of lawyers at the state and federal legislative levels advocating sufficient funding to assure there are enough judicial officers and structurally safe courthouses to handle the important issues brought to the courts. ABTL has a group of representatives working on these issues. I will keep you posted on our progress and what you can do to assist.

ABTL is catching the technology wave. As most of you know, San Diego is now part of the ABTL website, www.abtl.org. This is a statewide website containing information from all the chapters, including all of the ABTL Reports. The ABTL Reports contain excellent articles of interest on various topics germane to our practices. You can now search the reports from all of the chapters and find articles on point for your particular research, educational or case need. Currently ABTL Reports back to the year 2000 are searchable and we are working on having all of the ABTL Reports in existence searchable. ABTL San Diego also has a video library of our past dinner programs presentations. The index of programs can be accessed at http://abtl.org/sd_videotapes.htm. If you find something of interest, please contact Susan Christison to check out the videotape. Many thanks to Alan Mansfield, our ABTL Reports editor, and to Katy Bacal, our website chair, for their work on making the ABTL site user friendly and the information accessible.

We have a number of great events coming up. The first is our regularly scheduled dinner program on June 12, 2006, featuring prominent

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"Demythifying" Arbitration: Why You or Your Client Shouldn't Be Afraid to Arbitrate Disputes

By Prof. Jan Stiglitz, California Western School of Law

Many attorneys who are used to practicing in state or federal court are somewhat wary of handling cases in arbitration because they have heard horror stories about what happens in arbitration. This article addresses some of those perceived concerns by discussing four common myths about arbitration. After my efforts at "demythtification," I provide some reasons why arbitration may actually be preferable to traditional litigation, so that those who have not been involved in arbitration might give it a try and realize it may not be as bad as they've been led to believe.

Let me first confess to having some strong preferences for arbitration based on my own experience as a litigator, 25 years of teaching Civil Procedure to eager young law students, and 15 years serving as an arbitrator in a wide variety of cases. I vividly remember the moment I decided I no longer wanted to be a practicing lawyer. I was working as an Assistant Attorney General for the State of New York defending the state in a multi-million dollar construction dispute involving six or seven other entities. One of the state's engineers was being deposed and the room was full of lawyers, cigarette smoke, and testosterone. As was common back then, the beginning

Prof. Jan Stiglitz

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What Constitutes A "Trade Secret?"

By Randall E. Kay, Esq.

Questions about "what is a trade secret" raise unique disputes. Unlike in most other issues in civil litigation, the exact nature of the disputed property is mysterious. Unlike in real property litigation, there are no publicly recorded deeds containing a legal description of the property. Unlike in patent or trademark disputes, there are no government registrations identifying the claimed invention or mark. The fundamental question remains: What exactly is a "trade secret"?

Randall E. Kay

Trade Secret Practice in California

Under California law, the California Civil Code defines a "trade secret". If litigation is filed over an allegedly misappropriated trade secret the plaintiff must identify with it "reasonable particularity" pursuant to section 2019.210 of the California Code of Civil Procedure. This statute requires that plaintiffs identify their trade secrets before they can commence discovery relating to their trade secrets.

Defining a Trade Secret in Civil Litigation

A trade secret holder must establish three elements in order to have a protectable trade secret:

- **Information.** That the trade secret is information that can be described with sufficient particularity to separate it from matters of general knowledge in the trade.
- **Value from being unknown.** That it derives independent economic value from not being generally known.
- **Secret.** That the efforts to maintain its secrecy are reasonable under the circumstances.

See Cal. Civ. Code § 3426.1(d).

What Information Qualifies as a Trade Secret?

Many different types of information can constitute protectable trade secrets. Trade secret information can include all kinds of knowledge, facts, data, communications, and intelligence. Trade secrets range from customer lists to software programs to recipes.

Types of information that can constitute trade secrets under California law (or at a minimum have survived pretrial challenges by demurrer, motion to dismiss, or motion for summary judgment) include advertising strategies; business strategies and methods; cost information; customer lists; data; databases; engineering drawings and blueprints; insurance premiums and renewal dates; manufacturing processes; marketing research; methods of production; negative research; pricing information; product plans and designs; profit margins; promotional discounts; software; strategic plans; technical know-how; and technical specifications.

Some information, such as patented inventions, can never have trade secret status due to the public disclosure of the patent. Other types of information may or may not have trade secret protection, depending on all the facts and circumstances. For example, some customer lists qualify for trade secret protection while other customer lists do not. Trade secret rights depend upon the nature of a particular customer list and whether the trade secret holder can demonstrate all of the criteria for protection (information, value, unknown, and secret).

"Value" — When Is Information Valuable?

For information to constitute a trade secret, the information must derive "independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use" Cal. Civ. Code § 3426.1(d). The statute expressly provides that value can be either actual or potential. In other words, a trade secret must have current or future value. If the economic value to information was solely

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in the past, for example, because the information has become public, then it does not currently have value from a trade secret perspective. Furthermore, the value must be economic. Thus, noneconomic value such as spiritual, sentimental, or historical value is insufficient.

"Unknown" — When Is Information "Not Generally Known to the Public or to Other Persons Who Can Obtain Economic Value From its Disclosure or Use?"

By definition, trade secret information must not be generally known. This part of the definition recognizes two audiences: (1) the public; or (2) other persons who can obtain economic value from its disclosure or use. Cal. Civ. Code § 3426.1(d). The Uniform Trade Secrets Act ("UTSA") requires that trade secret information have value to others who are unaware of the information and who could put that information, if known, to beneficial use. *ABBA Rubber Co. v. Seaquist*, 235 Cal. App. 3d 1, 19 (1991).

How Do You Determine If Information Is Secret?

Courts require that trade secret holders take "reasonable" steps to maintain the secrecy of their trade secrets. California law does not require "absolute secrecy" or that companies take all measures conceivable to maintain the secrecy. For example, misappropriation usually only occurs because of a breach of secrecy. Therefore, it is no defense for the defendant to argue that the misappropriation itself shows that secrecy measures were inadequate. The measures simply must be reasonable under the circumstances.

Facts that may support a secrecy finding in one case may not support such a finding in another

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Ninth Circuit

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Committee, Senator Feinstein, for spearheading the opposition and providing thoughtful analysis raising these important points.

Thoughtful consideration of this issue, however, is sometimes lacking. Last fall a bill was pushed through the House, as part of a budget reconciliation package, whichthat would have left Hawaii and California in a Circuit by themselves. The budget reconciliation bill was, in essence, an attempt by the then House leadership and Chairman Sensenbrenner of the House Judiciary Committee to bypass the Senate Judiciary Committee. The provision was taken out in Conference, but only after both the Chairman and the Ranking Member of the Senate Judiciary jointly protested.

None of the proposals to divide the Circuit has seriously considered dividing California since the Hruska Commission Report did so in the 1970s. It is not difficult to foresee the costs, stresses and potential delays that would result from having different Circuit law in San Diego, San Francisco, Los Angeles or Orange County. Forum shopping and confusion in the interpretation of California state law are the dismal probabilities I need not elaborate on here.

Our judges don't want a division either. Only three of our 24 active judges have advocated any split, and recently 34 of our total of 47 active and senior judges, including all of our past and present chief judges, authored an article explaining why. Entitled "Federalism and Separation of Powers – a Court United," (*published in Vol. 7, Issue 1* of *Engage,* at *p. 63*) it responded to the arguments of split proponents, including the contentions that division is inevitable. Our jJudges said that argument ignores "the ability of people and institutions to adapt to inevitable changes in a complex world."

The Ninth Circuit has indeed led the way in innovation and change. We pioneered the Bankruptcy Appellate Panel, now used in many Circuits. We began a system of issue identification and key word searches before computers were widely available. We have the capacity to handle large volumes of cases by spotting key issues early, getting them decided with precedential decisions, and then quickly and efficiently handling all of the cases raising the same issue.

The most recent comprehensive study of Circuit alignment was the Commission on Structural Alternatives, commonly known as the White Commission, after its Chairman, the late Justice Byron White. Its 1998 report recommended against dividing the Ninth Circuit, although it did propose dividing the Court of Appeals into a series of rotating divisions so complex that no one seriously wanted to adopt them (which I suspect was the aim all along.)

So why, if there is no feasible, equitable way to divide it, and if the bar and the judges don't want a division, and the experts have recommended against it, do efforts to divide the Circuit persist? I suggest there are three principal reasons, none of which is valid, and at least one of which is a threat to the essential Constitutional underpinning of an independent judiciary.

First and foremost, efforts to split the Circuit have been driven by particular decisions of the Court of Appeals that were unpopular in some quarters. The nature of those controversial decisions has changed over the years, but there is a common thread — all have involved cutting-edge issues that came first to the Ninth Circuit. In the l960's and 70's these related to Native American rights and, more specifically, to fishing in the Pacific Northwest. In the 80's and 90's the unpopular cases related to the environment and the Endangered Species Act, and more specifically, the spotted owl. Most recently, religion in the schools, most notably the *Newdow* Pledge of Allegiance case, as well as several immigration decisions issued by our Court of Appeals, have been the newest areas of controversy. There can be little doubt that the current efforts to split the Ninth Circuit, led by a number of Congressmen outside of the Circuit, is fueled by these particular decisions.

We don't make up these issues, but we do have to decide them. Every civil litigant who loses a case in the District Court has a right to appeal to the Ninth Circuit. In the more than five years that I have been Chief Judge, the Court of Appeals has decided more than 28,000

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President's Column

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members of the federal bench. Hon. Margaret McKeown will moderate the program with panelists Chief Judge Irma Gonzalez, Judge Jeffrey Miller and Judge Dana Sabraw. You will hear what these judges think and how they react to attacks on the judiciary, taking controversial positions as a federal judge and of course "pet peeves"—theirs and yours. We will be trying out a new location for this dinner, the Westin Horton Plaza, 910 Broadway Circle. You will receive several reminders of the new location. This is a program not to miss!

One of the goals for ABTL this year is to inspire younger, more junior lawyers to get involved in ABTL. Often times young lawyers feel that the only relevant facets of their professional lives is the case they are currently working on and their timesheets. Through involvement in ABTL, younger lawyers are able to interact with judges and senior lawyers and watch the best of the best in action. They can see a case dissected, evidence presented, witnesses examined and the "art of persuasion" in practice. This year, on September 18, 2006, ABTL will present its bi-annual seminar entitled, "Masters of the Art: Building to the Close." If you are a more junior lawyer, sign up and attend. If you are a more senior lawyer, encourage those in your firm who could benefit from this program to attend. My career as a lawyer has been greatly enhanced through communicating with and watching excellent lawyers and judges. I believe everyone should have that opportunity.

Of course I cannot let this letter end with out a plug for our Statewide Annual Program at the Grand Wailea in Maui, October 18-22, 2006 entitled, "When Things go Wrong." It is approved for 11.25 hours of MCLE credit. Watch for more information on this great program.

Thank you all for making the first part of my year as president very productive and memorable. I hope to see you on June 12, 2006. Have a great summer and mark your calendars for our dinner program on September 18, 2006. ▲

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cases. Of these, approximately six have fueled the most recent efforts for division. As an Article III judge who has sworn an oath to support and uphold the Constitution, to me the threat of division as punishment for such unpopular decisions carries an even deeper concern.

It is ironic that attacks on these decisions are all attacks on the Court of Appeals, yet the actual proposals for division would dismantle the entire Circuit structure, leaving at least one or possibly two orphan Circuits with no staff or headquarters. It would leave the "California Circuit" with our super staff, perhaps, but without the available assistance we have now from dozens of district and Circuit judges outside of California, familiar with the same Circuit law, who can assist with the case load. As Chief Judge of the Circuit responsible for the administration, this possibility presents an administrative nightmare.

One of my heroes is the late, great Circuit Judge John Minor Wisdom of the Fifth Circuit. He opposed division of the Fifth Circuit. It eventually happened in the late 70's, but it had its roots in Congressional opposition to the Fifth Circuit's desegregation decisions in the 50's and 60's, in which Judge Wisdom was a leading voice. He believed that Circuits should be large, so that the Circuit Court of Appeals could reflect diverse interests. He decried efforts to divide Circuits in order to create smaller courts that reflected only local interests. In an article after division of the Fifth Circuit entitled "*Requiem for a Great Court*," 26 Loyola Law Review 788 (1980), Judge Wisdom said: "The federal courts rose to bring local policy in line with the Constitution and national policy. The federalizing role of circuit courts should not be diluted by the creation of a circuit court so narrowly based that it will be difficult for such a court to overcome the influence of local prides and prejudices."

Those who have wanted to divide the Ninth Circuit in order to create a Pacific Northwest Circuit that would be more friendly, for illustration, to timber or fishing interests would deny the Ninth Circuit this federalizing role. That is another salient reason why the Circuit should not be divided.

There are some secondary reasons given for dividing the Circuit, but they also serve to highlight important reasons why the Circuit should remain intact. There is, for example, the misguided notion that the Circuits should all look alike; that the map of federal Circuits west of the Mississippi should look like the map of Circuits on the East Coast.

But the western states don't look like the Eeastern states. The Circuits in the East were formed from the original 13 colonies, while the West has its roots in the Louisiana Purchase. This pro-split argument is most frequently phrased as "it's too big." But the truth is that any Circuit containing Alaska is going to be larger than any other Circuit geographically, and any Circuit containing California is going to be larger than any other Circuit in terms of case load and population. As Judge Shirley Hufstedler once said, "you can't legislate geography." And in the U.S.A. you can't legislate demographics either.

An argument related to size relates to our *en banc* process. For many years we operated quite happily with an *en banc* court of eleven, and recently began an experiment with fifteen judges on an *en banc* court. Congress by statute has authorized any court with more than 15 judges to use a limited *en banc* court, and we like it. We could adopt a rule that all of our active judges sit on each *en banc* court, but we haven't done so because we think the limited *en banc* is a better use of resources. We have encouraged other Circuits to try it. If there were to be a Circuit division additional judgeships would have to be created for California, and the California Circuit would be required to use the limited *en banc* process. Nothing would be gained by splitting the Circuit except cost and confusion.

Finally, there is a lack of understanding of the real costs for lawyers and their clients inherent in Circuit division. The fact is that while the ire of a few in Congress is focused on a handful of the decisions from our Court of Appeals, all of the proposals are to dismantle the entire Circuit, including its staff, all of its District Courts and the bankruptcy courts. The

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Circuit law for California would be different from that of its neighbors. Yet California does a lot of business with its neighbors. Lawyers should not be forced to track new and different Circuit law in bankruptcy or commercial litigation. The Ninth Circuit has become the home of intellectual property and technology, with Microsoft, Intel and the Silicon Valley. Division makes the practice of law and litigation more complicated and more expensive, with no commensurate gain in administrative efficiency. As the United States looks toward the Pacific for increasing foreign trade, and our major law firms are opening offices in Asia daily, the nation can benefit from the Ninth Circuit as an unfragmented source of federal law. Sure, the East Coast has been fragmented from the l8th Century, but why, in the 21st Century, should we set out to create a similar system?

Technology and communication have made the business of court administration easier, not more difficult. In fact, Senior Circuit Judge J. Clifford Wallace of San Diego, who served with distinction as our Chief Judge a few years back, has outspokenly opposed division and has repeatedly suggested that the smaller Circuits ought to think about merging. As our judges said resoundingly in the recent *Engage* article: "yes, we are big and our territory is wide, but we have shown that we can function effectively and efficiently despite – indeed because of – our size … we have made size our friend rather than our enemy."

Thus, while there are numerous announced reasons for splitting the Ninth Circuit, none of them appear to be valid, widely supported, or empirically accurate. ▲

Copyright

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U.S. 99 (1879). Copyright protection is founded in our nation's Constitution (Article I, §8, cl. 8). The Copyright Act – Congress' statutory implementation of that Constitutional provision, comprehensively revised thirty years ago – protects only the *original expression* of ideas or facts, defined as "original works of authorship." See 17 U.S.C. §101 *et seq*.

Furthermore, the Act only protects works that are "fixed in a tangible medium,"[1] which broadly means embodied, written down or recorded in some non-transitory fashion. In addition to literary works, motion pictures, photographs, and music, many other items such as Web sites, architectural designs, paintings, and even sculpture and pantomime can be protected by copyright if fixed in a tangible medium. 17 U.S.C. § 101. Copyright law does not protect procedures, methods, systems, processes, concepts, principles, discoveries, devices, titles, names, short phrases, slogans, symbols, designs, ornamentation, lettering, or coloring (although some of these may be protected by other intellectual property laws such as patent, trademark, trade secret, or trade dress). See generally 17 U.S.C. § 102(b).

It is also a common misconception (based on old versions of the Copyright Act) that copyright rights are contingent upon publication or registration with the U.S. Copyright Office, or are somehow only effective if a copyright "notice" is placed on the work (with or without the © symbol). Instead, since 1978, copyright protection automatically begins immediately with the work's creation. 17 U.S.C. §§ 302(a) and 408(a). Indeed, since 1989, even use of a copyright notice is no longer required to maintain protection. Thus, there is no need to place a special notation on a particular piece of work in order to copyright it – the copyright already is in existence.

Who owns the rights protected by copyright law?

The author of a work is always the original owner of all exclusive rights under a copyright grant. 17 U.S.C § 201(a). But who is the author? Identifying "author" and, in turn, the "owner" can be tricky in many situations, such as in cases involving (a) allegedly "jointly" authored or created works, (b) "specially commissioned" works or works made "for hire," (c) works made by employees, (d) works purportedly derived or created exclusively from other works, and (e) works that are created under an express or implied license or assignment. In these situations, who constitutes the "author" and/or "owner" often requires intense statutory, common law, contractual, and factual analysis. One should not assume that the nominal or officially named "author" is the guaranteed "owner" of every copyrightable work. In addition, except for certain transfers accomplished by operation of law, exclusive rights under copyright may only be transferred in a written document. Finally, virtually any copyright interest may be modified by contract. Accordingly, an intended or claimed owner of a particular copyrighted work should always create a document signed by all relevant parties specifically identifying who the author is and what rights are to be owned by whom.

What are the rights to a work protected by copyright law?

There are five basic rights afforded exclusively to the copyright owner. They are: (1) the right to reproduce (*i.e.*, copy) the work; (2) the right to prepare derivative works;[2] (3) the right to distribute copies of the work and the terms by which copies are distributed and used; (4) the right to perform the work publicly; and (5) the right to display the work publicly. 17 U.S.C § 106. Each of these rights can be transferred and owned separately, usually by way of contract such as a license or assignment, although sometimes by operation of law. 17 U.S.C. § 201(d).

How and why is federal copyright registration accomplished?

The benefits of federal copyright registration are significant. First, registration provides a public record of the work that is searchable online (see, e.g., http://www.copyright.gov/records/#locis), which may deter other good faith authors from infringing upon the copyrighted work. Second, registration is a prerequisite to sue for infringement and, if done within three months of publication (or at least before the infringement commences or suit is brought), allows the owner to seek injunctive relief, statutory (not just actual)

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damages, as well as attorneys' fees, for infringement. 17 U.S.C. § 411(a) and 412. Third, if the work is registered within five years of original publication, it will establish *prima facie* evidence of the validity of the copyright and of the facts stated in the Certificate of Registration regarding such issues as ownership and date of creation. 17 U.S.C. § 410(c). Fourth, registration allows the owner to register the work with U.S. Customs, to help protect against importation of infringing copies. *See* 19 C.F.R. Part 133.

The burdens of completing a copyright registration are minimal. Basically, copyrights are registered with the U.S. Copyright Office by sending the required form, submitting a $30 registration fee, and depositing a copy of the work (special rules apply to certain works such as computer source code, which may contain trade secrets). *See* 37 C.F.R. Part 202. Fairly good instructions and the necessary forms are available at http://www.copyright.gov/pubs.html. However, while the forms appear easy to complete, any erroneous entries of facts concerning "authorship" and "ownership," as well as answers to other material questions on the form (such as dates of authorship and publication) can confound later efforts to enforce the owner's copyright rights.

How long does copyright protection last?

As with many answers to questions in the law, the answer is: it depends. There are three factors to consider: (1) when the work was created, (2) when it was published and/or registered, and (3) what Congress may do in the future. At present, copyright rights in a work originally created on or after January 1, 1978 (regardless of publication or registration) last for 70 years after the author's death (anonymous and pseudonymous works last longer). Works originally created before January 1, 1978, but *not* published or registered before that date, have the same protection, except that for such pre-1978 works published on or before December 31, 2002, in no case does the term of the copyright expire before December 31, 2047. As for works originally created *and* published with a copyright notice or registered before January 1, 1978, the works, if renewed under various Copyright Act provisions and amendments, could last for as long as 95 years.

Finally, as terms of copyright protection have neared their end, Congress has repeatedly lengthened the term of copyright protection through statutory amendment. Its last foray into this area, the Sonny Bono Copyright Term Extension Act of 1998 (Public Law 105-298), was the subject of extensive litigation. *Eldred v. Ashcroft*, 537 U.S. 186, 211 (2003). In that case, the U.S. Supreme Court gave great deference to Congress' Constitutional authority to implement the powers conveyed to it by the Copyright Clause. Thus, further copyright term extensions are not out of the question ("[I]t is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause's objectives." *Id.* at 211.)

So how long will a copyright last? As a very rough rule of thumb, if the work was published on or after 1923 or if the author has been dead for fewer than 70 years, the work is likely protected somewhere (even if not in the United States).

How are copyright disputes litigated and what are the remedies for infringement?

The federal district courts have exclusive jurisdiction over copyright *infringement* actions. 28 U.S.C. § 1338(a). One common misconception is that mere disputes over copyright *ownership* "arise under" the Copyright Act and must be litigated in federal court. To the contrary, disputes *solely* over copyright *ownership* may not be litigated in federal court. Copyright ownership issues arise under state law as they are typically matters of contract, and must generally be litigated in state court. *See Scholastic Entertainment, Inc. v. Fox Entertainment, Inc.*, 336 F.3d 982 (9th Cir. 2003).

Civil remedies for infringement (criminal penalties are also available under certain circumstances) can include: (a) injunctions, (b) impoundment and disposition of infringing articles, (c) actual damages and disgorgement of profits; and (d) statutory damages of up to $30,000 for each non-intentional infringement, and up to $150,000 for each willful infringement. *See* 17 U.S.C. § 502-505.

What are the limitations and defenses to alleged copyright infringement?

There are a whole host of statutory and common law limitations and defenses to copyright infringement claims. *See generally* 17 U.S.C. §§ 107-122. By far the most common of these raised in litigation is the "fair use" exception, codified at 17 U.S.C. § 107.

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A "fair use" of another's copyrighted work (that is, an excused but otherwise infringing use without permission) is generally for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research. *Id.* Courts are instructed to use four factors in determining whether the use is a "fair" one: (a) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes; (b) the nature of the copyrighted work; (c) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (d) the effect of the use upon the potential market for or value of the copyrighted work. *Id.*

Whole bodies of case law have been developed on each of these four prongs of the "fair use" test. One of the most comprehensive, newsworthy, and interesting recent "fair use" decisions that help explain this doctrine from the Ninth Circuit is *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2002). In that case, the infamous file-sharing service "Napster" was sued for direct and vicarious copyright infringement by a host of music labels because of its software's users trading copyrighted music tracks and entire CDs over the Internet. The district court had entered a preliminary injunction against Napster's services, rejecting, among others, Napster's fair use defense. The Ninth Circuit engaged in an exhaustive review of Napster's fair use defense, agreeing with the district court's analysis. The case is a good primer on this defense, touching upon many of the key arguments often made in a wide variety of copyright infringement cases. Remember, "fair use" is not a positive statutory right to be exercised. Instead, it is an affirmative defense that an alleged infringer will have the burden of proving should an owner make a copyright infringement claim.

What about the rest of the world?

This article, by necessity, has focused only on U.S. copyright law. Works of any value are almost always exploited everywhere, including the 160 countries that are members of the Berne Copyright Convention. Don't assume that other copyright laws are like our own. Although they have many similarities, the duration of copyright is often different and may even provide for such unusual exceptions as "wartime extensions" of copyright covering disruptions from World Wars I and II and "moral rights" of individual authors, to require authorship credit and to object to offensive changes (which can last *forever*). U.S. law does not generally recognize "moral rights." In addition, most countries have no "work for hire" doctrine, which means that employers may never be considered the legal authors of copyrightable works by their employees within the scope of their employment. Finally, since use of works on the Internet may subject you to jurisdiction in any of these countries, you may wish to consult with counsel before uploading significant works to the Internet.

What is the Digital Millennium Copyright Act?

Another issue that occasionally appears in the news is discussion of and questions under the Digital Millennium Copyright Act of 1998 [Pub. L. No. 105-304, 112 Stat. 2860 (Oct. 28, 1988)]. While not an affirmative grant of, or limitation on, copyright rights, this Act does provide a measure of comfort thought necessary for establishing an online marketplace in copyrighted works by prohibiting (a) the circumvention of technological measures designed to limit access to such works, and (b) the trafficking in devices that enable such circumvention. It also prohibits removal of Copyright Management Information ("CMI"), such as digital "watermarking," which is often embedded in digital works to identify the owner and to discourage any unauthorized dissemination.

Conclusion: Why is copyright law important?

The Internet has changed the way we do business, and computer technology has changed the way we experience and distribute works of artistic expression. The digital world empowers people to take copies of original, copyrighted works of authorship, break them into billions of electronic bits, and distribute them instantaneously around the world – with or without permission of the author or owner. Thus, the threat of copy-

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of each deposition was focused on marking the documents that the witness had brought. The first question asked of my witness was, "Can you identify this document?" That prompted an objection by an attorney representing one of the co-defendants, which in turn prompted a 15 minute argument. At that point, I decided that life was too short and that there had to be a better way to use my legal education.

FOUR COMMON ARBITRATION MYTHS

Myth #1
The Rules of Evidence Don't Matter

As with most urban legends, this one has some basis in truth. In most arbitrations, the governing rules will say something like the strict rules of evidence don't apply. But that doesn't mean that arbitrators do not follow the rules of evidence or that anything goes.

In most arbitrations, I rule on standard trial objections (leading, argumentative, compound, lack of foundation, vague and ambiguous, and irrelevant) in the way I would expect those objections to be ruled upon in state or federal court. I might be a little more relaxed about some rulings because there is no jury to be influenced. But I expect the parties to follow these rules, and the parties expect me to enforce these rules. My role is to conduct an orderly hearing designed to elicit relevant evidence. I'm not there to watch some legal food fight.

Hearsay is the area where there is some difference. In most of my cases, hearsay is admissible if it is the kind of hearsay that people in the real world consider when making decisions. But admissibility is only the first step. Ultimately, the question is which party can persuade me that its version of the facts is correct. A party who builds a case on hearsay is not likely to be successful in that endeavor. And in many fora, there are rules that prohibit arbitrators from supporting findings based solely on uncorroborated hearsay.

Myth #2
There's No Discovery in Arbitration

Again, the accuracy of this depends on the particular arbitration forum. In traditional labor arbitration, there is no discovery. At best, the parties have a right to issue a subpoena *duces tecum*, and I've allowed that to be issued in advance of the hearing in order to promote efficiency.

By contrast, in the commercial and employment cases I handle, discovery is routine. In a typical case, I will conduct a case management conference once I've been appointed. The first issue I'll deal with is discovery. In a typical case, there will be some document exchange, a few subpoenas and depositions, and, occasionally, interrogatories.

Sadly, in many cases, there are even discovery disputes. So for those of you who love discovery (and discovery disputes), don't worry, it may well be allowed in arbitration. For those who dislike extensive discovery, the arbitrators are likely to be inclined to limit discovery to that which is reasonably necessary rather than a general fishing expedition.

Myth #3
Arbitrators Just Like to Split the Baby

This is perhaps the most enduring myth about arbitration and, depending on your perspective, there might be a grain of truth in it. When I discuss settlement with my Civil Procedure students, I explain why most cases settle by asking the rhetorical question, "Who is in a better position to come up with a fair solution: advocates who are intimately familiar with the facts and the law or twelve citizens who couldn't figure out how to get out of jury duty?"

If it is true that good advocates will settle the cases that can and should be settled, the ones that come before me are the difficult cases. Some of these difficult cases are all or nothing decisions and an arbitrator has no business coming up with a compromise. But in many cases, there is some legitimacy to each position and neither side is all right or all wrong. When that happens, the correct decision might fall somewhere between the positions being advocated. The result may be a split decision, but it is arrived at through reason.

Myth #4
Arbitrators Ignore the Substantive Law

This one probably got started because there is generally no appellate review allowed of an arbitration award for legal error, and legal error is not a basis upon which to object to the confirmation of

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an award. But the possibility that the law won't be followed doesn't mean that arbitrators ignore the law. After all, appellate judges routinely find that trial judges failed to follow the law. But that doesn't mean that they ignored the law.

The arbitrator's goal is to come up with the correct decision in any case presented to them. From my perspective, the correct decision is one that is accordance with the facts and the law. Far from ignoring the substantive law, I need to know the substantive law in order to reach the correct result. I look to the parties to provide it in the form of a brief that gives specific cites to applicable statutory law and case law. Trust me, arbitrators have no desire to make it up. I am happiest when I have a statute or case directly on point that helps resolve the dispute.

THE BENEFITS OF ARBITRATION

One Size Doesn't Have to Fit All

One of the benefits of arbitration is that there are a wide variety of fora that can be used to fit the nature of the particular dispute. So just as a litigator will choose between federal court and state court or between a state court of general jurisdiction and an administrative agency, those thinking about arbitration may be able to choose from very informal expedited arbitration systems to systems that provide for more formalities or are heard by a panel of three arbitrators.

You Don't Have to Reinvent the Wheel

A large percentage of my work as an arbitrator occurs in the labor or civil service context. In many if not most of those cases, neither side is represented by counsel. I also see the same advocates over and over again. This greatly adds to the efficiency of the process. I know their business and their collective bargaining agreement so they don't have to educate me in the way in which a typical lawyer has to educate jurors or a judge who has never dealt with a similar case.

My familiarity with the advocates and understanding of the legal and factual background of the disputes also enables me to guide the advocates in their presentation. In court, juries can't ask questions or give feedback. As an arbitrator, I feel able in many situations to ask "why are you spending time on this issue, I can't see where it's going to help me decide what I'm going to have to decide." Equally important, I can say move on, I got it the first, second and third time.

Finally, knowledge of the players and the problems sometimes enables me to help the parties resolve the dispute during the hearing. On a number of occasions I've called counsel aside during a hearing to suggest how a case might be resolved to the satisfaction of all parties. Jurors don't have that option.

You May Get to Select the Decision Maker

One of the great advantages of arbitration is that the parties may get to select the decision maker. Thus, the parties can select an arbitrator they know and trust and not be subject to the luck of the draw in getting assigned a trial judge, or the great crap shoot involved in jury selection. While I know many of you have a sixth sense about picking jurors, I personally wouldn't want to put my client's case in the hands of twelve strangers who may in all likelihood not want to be in the jury box to begin with.

Arbitrators are not all the same. Some are retired judges. Some are practicing attorneys. Some are law school professors. In many arbitration fora (including a variety of AAA panels and NASD matters), some arbitrators will have no legal background, but will have expertise in the subject matter of the dispute. For example, it is common to have construction professionals serve as arbitrators in construction disputes.

Arbitrators also differ in terms of style. Some arbitrators are extremely formal. In the labor world, one well-known arbitrator would refuse to ride in an elevator with an advocate for fear of giving the appearance of favoritism. Others are more relaxed and see familiarity with the advocates as an advantage in promoting greater communication. Normally arbitrators will (or in some circumstances have to) give a list of prior actions they have been involved with as an arbitrator so that counsel can conduct appropriate due diligence before deciding who they would prefer to select.

So next time someone suggests arbitration or you find that your client has agreed to arbitration, relax. It's not so bad. ▲

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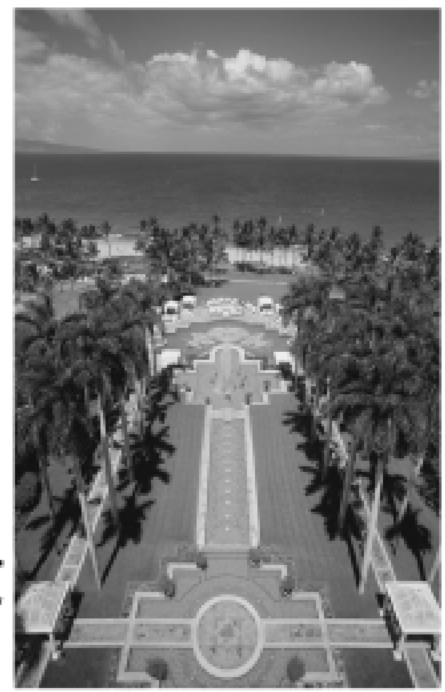

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case. What is necessary to show secrecy for computer software may be insufficient for secrecy of computer hardware. Similarly, reasonable efforts to keep a customer list secret may not suffice to keep source code secret. Although no single measure of protection will demonstrate that a trade secret has been kept secret, a single knowing or deliberate public disclosure of a trade secret by the trade secret holder into the public domain can destroy trade secret status.

Some of the most obvious secrecy measures include limiting access to the trade secrets, internally marking documents as confidential, and obtaining signed employment agreements, confidentiality agreements, and nondisclosure agreements that confirm protection for trade secrets. Yet, no single measure controls in any given case. California courts have found that the following measures supported a finding of reasonable efforts to maintain secrecy under the circumstances of the particular cases:

- Attaching electronic sensors to trade secret documents.
- Communicating expectations of secrecy to employees who have access to the trade secret.
- Having a written trade secret protection plan and following the plan.
- Keeping hard copies of secret materials in a locked vault, safe, or cabinet.
- Limiting and monitoring the number of copies of a trade secret to the extent necessary to accomplish work projects.
- Maintaining logs identifying trade secrets.
- Protecting against physical access to trade secrets, including the use of security systems and personnel, escorts, and visitor badges.
- Separating sensitive departments or processes from the central facility.
- Transporting trade secret materials under lock.

How Long Is Something A Trade Secret

Trade secret protection is the "marathon" of intellectual property protection. Unlike patents and copyrights, trade secret protection lasts however long the protectable information remains secret. With sufficient planning and effort, trade secret holders can maintain trade secrets for more than a century.

However, a finding of one or more of the following disclosures could bar continuing trade secret protection:

- Disclosing trade secrets through marketing and sales efforts.
- Displaying the trade secret at a trade show.
- Failing to designate information as a trade secret in governmental filings.
- Failing to investigate or bring suit when suspicious or aware of misappropriation.
- Failing to obtain signed nondisclosure agreements or confidentiality agreements.
- Having domestic or international patent applications published that disclose the trade secret.
- Leaving documents disclosing a trade secret in garbage cans at the street curb without shredding.
- Posting trade secret information on the Internet or websites.
- Publishing professional journal articles, technical literature, or service manuals that disclose a trade secret.
- Relying on a hidden or undisclosed intention for secrecy.
- Selling a product that discloses the trade secret or enables reverse engineering.
- Showing a trade secret to professional colleagues who have not signed NDAs or confidentiality agreements.

Identifying Trade Secrets in Litigation

Some parties designate trade secrets as vaguely as "customer information," "software programs," "processes for etching wafers," or "manufacturing expertise for semiconductors." Where descriptions merely identify the *topic* of the trade secrets, but do not give notice of the scope of the trade secret, they should not be deemed sufficient to meet the particularity required by section 2019.210 of the California Code of Civil Procedure. The specificity required, though, depends on the circumstances of the individual matter.

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Trade Secrets

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A trade secret designation should contain detailed but concise identification of all trade secrets in dispute. Identify what information was not publicly known and only became known through misappropriation. Describe the subject matter of the trade secrets with sufficient particularity to separate them from matters of general knowledge in the trade or of special knowledge of those persons who are skilled in the trade, but avoid being painted into corner with an unnecessarily narrow identification of trade secrets. Be sure to provide enough information so that a court would determine that the designated information can constitute protectable trade secrets, that the plaintiff has provided a meaningful road map for discovery, or that the defendant can ascertain how to prepare its defense. Be mindful that too narrow or too broad an identification can make summary judgment more attainable for the defendant. Do not simply refer to attached materials that describe the trade secrets. Be sure that a court-approved protective order is in place prior to disclosure of the specific trade secrets to counsel.

Parties who believe they were not provided an adequate trade secret designation have many options: moving to compel a more particular identification of trade secrets; moving for a protective order based on plaintiff's failure to identify trade secrets properly; serving interrogatories and taking depositions on the identification of trade secrets; and filing for summary judgment asserting that the claimed trade secrets fail to meet the statutory definition for a protectable trade secret.

Conclusion

Although the identification of trade secrets in litigation is an art and not a science, it should not be a mystery or a game. Defining trade secrets requires serious attention at the earliest stages of the litigation so the parties can get past the rhetoric and instead focus on evaluating the validity of the trade secret claim itself.

For those who desire more information on this topic, the State Bar of California recently published a comprehensive practice guide on trade secret law entitled "Trade Secret Litigation and Protection in California". This treatise is available at www.ipsection.org. ▲

Randall E. Kay is a partner in the Intellectual Property group of DLA Piper Rudnick Gray Cary US LLP in San Diego. His practice focuses on intellectual property litigation.

New Resources Available to ABTL Members

We have been working with the web designer for www.abtl.org, and are pleased to report that we have almost all of the post-2000 San Diego ABTL Reports available on-line. We intend to have the majority of all our past issues also available for on-line review over the next several months.

All of these ABTL Reports are saved in a searchable format. If you visit www.abtl.org, there is a built-in Google search engine located at the "Search This Site" link. Simply type in your search inquiry, and you can search for relevant articles in the on-line back issues from San Diego, Northern California and Orange County. The Los Angeles ABTL Reports currently do not have this capability, but hopefully by our next issue these reports will be searchable as well.

In addition to the high quality articles that are published in these issues discussing a wide variety of subjects of interest to business trial lawyers and judges, in virtually every issue there are articles written either by or about a number of state and federal judges at both the trial and appellate court levels. We urge you to try out this resource, and contact us if you have any comments or feedback.

Another resource available to our members are the videotapes of a number of our past ABTL dinner programs. If anyone wants to review a past lecture, simply contact abtlsandiego@cox.net. Our Executive Director Susan Christison can arrange to check out a copy of the videotape to you free of charge (note that at the present time you cannot obtain MCLE credit by viewing these videotaped lectures). We have a list of available videotaped programs for you to review on-line at the San Diego section of the ABTL website. Check out the ABTL website for further updates on these resources. ▲

Articles of Interest from Current ABTL Newsletters

Northern California

Bettering Your Chances For Ninth Circuit Rehearing En Banc, by the Hon. Carlos T. Bea
Judicial Reference: The Better ADR Alternative? By Michael P. Carbone
Drafting and Challenging Section 2019.210 Statements In Trade Secret Litigation, by Ina Stangenes

Orange County

Q & A with the Honorable David C. Velasquez, by Linda B. Sampson
P*reserving The Record for Appeal: A Checklist For Trial Lawyers*, by Rick Derevan and Mike McIntosh
Insurance Disputes Arising Out Of Complex Business Litigation: the Ten Stages of Coverage, by Edward Susolik
Remove and Remand: Real or "Sham" Defendants, by Michele A. Reinglass
Intellectual Property and the Challenge of Protecting It, by the Hon. James E. Rogan

Los Angeles County

Revisiting Prop. 64: the Current Debate, by Laurence Jackson and Henry Rossbacher
A New Defense For Insurers In "Bad Faith" Insurance Coverage Actions, by Patrick Cathcart
Arbitration in California Courts: The Year In Review, by the Hon. L.C. Waddington
Judicial Advice from the Hon. Michael L. Stern
Gun Industry Shield Law: Closes A Door But Opens A Window, by Greg A. Farley

To review or download any of these these articles, or to search for articles on similar subjects, please visit www.abtl.org.

Copyright

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right infringement – and the economic damage and deterrence it causes to creative minds around the world – has increased exponentially. While many people, including lawyers, don't understand and appreciate copyright law, they should. It's here, it's hot, and it's affecting the pocketbooks of everyone from artists, to consumers, to entire industries who profit from the creation and distribution of such works. So read this article, learn from it, but please – don't copy it or send it to anyone for commercial or other unauthorized use without my permission! ▲

Mr. Gerber is a trial lawyer and partner of the Del Mar Heights office of Sheppard Mullin, where his practice focuses on copyright and trademark litigation. His copyright clients have included, among others, Sony Online Entertainment, the Motion Picture Association of America, and the World Poker Tour. He expresses his appreciation to his partner in Washington, D.C., Edwin Komen, who provided helpful comments and additions to this article.

1. In an effort to protect authors, actors, script writers, musicians, producers, and other artists, the California Legislature adopted Cal. Civ. Code § 980, which uses state law to protect works of expression that are *not* yet fixed in any tangible medium of expression.
2. "A 'derivative work' is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, compilation, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications, which, as a whole, represent an original work of authorship, is a 'derivative work.'" 17 U.S.C. § 101.

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