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PACA Legal Update

FREENY UPDATE-Case Against Getty Images Dismissed

May 23, 2005-Federal Court In Washington state grants Getty Images motion to dismiss E-Data's claim against it for violating its rights in the "Freeny" patent.

As previously reported, E-data Corporation (E-Data) brought a claim against both Corbis Corporation and Getty Images based on its alleged violation of a patent entitled "system of reproducing information in material objects at a point of sale location". This patent has been referred to as the Freeny Patent, the name of the person who initially filed the application in 1985. The patent is a business method patent, rather than an invention that is intended to eliminate the inefficiencies of storing information on material objects, such as CD-ROM's and distributing those objects to retail stores for sale. The process described eliminates the inefficiencies by using a central control system (information control machine/ICM) that communicates electronically with a number of information manufacturing stations (IMM's). The IMM's are located at point of sale locations and the consumer goes to a point of sale location and selects the information to be purchased. The IMM contains authorization from the ICM to copy the selected information on a material object, which is provided to a customer.

An hypothetical example would be a "book kiosk" where a consumer would go to the kiosk, decide to purchase the latest Grisham novel, permission would go to a central computer with a database of books, authorize the purchase, deliver the data to the kiosk and the consumer would receive the novel, stored on a CD-ROM.

In contrast, Getty Images, similar to other stock photo libraries, licenses images to media customers through its Web sites that permits users to download images after obtaining a license. The images are then incorporated into the customers' media, either for use in advertising or for editorial use.

Getty Images asked the court to dismiss the action, on summary judgment without a trial, based on the fact that the patent claim did not govern its licensing activities. In other words,

even if the facts stated by E-Data were true, as a matter of law, it does not have a valid claim and the court can dismiss the case without a need for a trial on the facts.

Patents are described in the form of "claims". In this action, a prior decision by a federal circuit in *Gift Express Inc. v. CompuServe* construed the construction of the Freeny patent claims and was binding on the court. The term "material object" was construed as a tangible device that is offered for sale or purchased at a point of sale location. A "Material Object" is distinct from the hard drive of a personal computer. The court in *Gift Express* also construed "point of sale location" as a location where a consumer goes to purchase the material object that contains the pre-selected material. The court noted that while a "point of sale location" could be a home, it was unlikely that it would be a home.

To prove infringement of its patent, E-data was required to show that Getty Images' system of licensing contained each of the limitations described in E-Data's patent claim. E-Data theorized that Getty Images system converts the customer's personal computer into a "point of sale location".

The court disagreed that Getty Images system of licensing and the system described in the patent were similar. It noted that Getty Images sells images (information) through its Web site but does not sell a material object. Even though the images may ultimately be stored on a "material object" it would be after the sale. Second, since Getty Images does not sell a material object, the licensing and downloading of images does not convert a consumers' personal computer into a "point of sale location."

The second argument E-Data made was based on "the doctrine of equivalents" or a product that does not literally infringe the express terms of a patent claim may nonetheless be found to infringe if there is an "equivalence" between the elements of the accused product or process and the claimed elements of the patented invention.

The court denied E-data's claim under this theory as well. Because Getty Images system of licensing does not require the sale of a material object, its system does not contain any equivalent system. To rule otherwise, the court observed, would eliminate the "material object" limitation in the patent claim.

Lastly, E-Data alleged that Getty Images induced others to infringe its Freeny patent. This argument too was flawed according to the court. E-Data was required to show that some third party committed direct infringement to assert that Getty Images contributed to the infringement. This it failed to do. It attempted to assert that Getty Images customers infringed the patent when it downloaded images and when it extolled the convenience of using its images in a user's PC. However, the court noted that neither Getty Images nor its customers infringed the patent because the patent requires the sale of a material object, not merely the licensing of an image.

E-Data attempted to avoid dismissal at this early stage of litigation by asserting that it did not have an opportunity for adequate "discovery". Discovery is the method of obtaining information and evidence in litigation and includes the taking of depositions and the gathering of documents in support of its infringement claim. The court was not impressed with E-Data's argument that it required additional information and stated that "no amount of additional discovery will alter the undisputed fact that the accused system used by Getty only conveys information, not information copies onto a material object, to purchasers.

The only open issue was a request by Getty Images for costs and attorney's fees in defending the patent violation claim. Although an award of fees and costs is limited to exceptional cases, the court requested additional briefing to determine if fees were warranted in this situation.

Implications: This court's decision is good news for those libraries who operate in a similar manner as Getty Images, licensing images via a Web site and making the images available for download. Corbis Corporation, who was sued along with Getty Images but did not join in this motion to dismiss, has requested that E-Data voluntarily withdraw its case against it. Corbis Corporation could ask for attorney's fees if E-Data does not withdraw it and forced to defend, the court finds that it similarly has no claim. Corbis Corporation has not received a reply to its request yet.

The only companies that might have an ongoing issue are companies that actually sell a material object, such as a CD-ROM, where the products do not exist but are made to order for the consumer at the point of sale and who purchase the CD-ROM at a point of sale location. I do not believe that manufactured CD-ROM's that are sold on-line from the stock house would violate the Freeny patent.

E-Data may no longer view the stock photo industry as a target for collecting royalties. E-Data's patent in the US expired in 2003, so it would only be a potential threat to companies who operated using a method that employs its business method for a period of six years before 2003. A similar patent in Europe expired at the end of 2004.

There is a similar case pending against Getty Images and Corbis Corporation in the UK. Getty Images and Corbis Corporation feel confident that they will have a positive result.