



## Issue 10 April 1998

The URLs referenced in Bytes frequently link to newspapers and other current news sources. Be aware that these links may fail over time.

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### NASA, NAVY AND COLLEGES SUFFER HACKER ATTACKS

On March 2nd, NASA, the Navy, and university campuses throughout the nation were the targets of "denial of service" attacks which made computers running Windows 95 and Windows NT crash. There was no reported data loss or other permanent damage. Systems were brought back up simply by rebooting. Microsoft had posted patches to avoid these kinds of attacks in January and is working with affected institutions to locate the source of the attacks. Computers which had the January patches were unaffected by the attack. Microsoft's security bulletin describing the attacks and the fix to prevent them is located at: <http://www.microsoft.com/windows/platform/info/land.htm>

### PLAYBOY SUES INTERNET PLAYMATE

Early in March, Playboy Enterprises sued its 1981 Playmate of the Year, Terri Welles, alleging that her web site infringes its trademarks. The former playmate uses her site to sell autographed pictures, a newsletter about her life at Playboy, membership to her fan club, and nude photos. The site also displays advertising from adult Web sites. Playboy's \$5 million lawsuit against Welles charges that it owns the trademarks for "Playboy," "Playmate of the Month," "Playmate of the Year," and the initials "PMOY," all of which are used on Welles's site. The suit also charges that Welles violated trademark law by embedding the magazine title in her site's metatags. The metatags have been removed from her site, but the other elements remain. The former Playmate's site may be found at <http://www.TerriWelles.com>

### REDUCE YOUR CHANCE OF AN AUDIT: FILE ELECTONICALLY

The IRS has announced that filing federal returns electronically will significantly reduce your chance of being audited. Less than 1% of electronic returns are inaccurate vs. 18% for paper returns. Filing electronically also speeds up the refund process, by up to half. About 19.8 million taxpayers have filed their returns electronically so far this year, out of 56.1 million total filings. The IRS has an electronic filing page located at: [http://www.irs.ustreas.gov/prod/elec\\_svs/index.html](http://www.irs.ustreas.gov/prod/elec_svs/index.html)

### NSI ANNOUNCES NEW FEES

On March 16th, Network Solutions, Inc. announced that it was eliminating the Infrastructure Fees for domain name registrations, in accordance with an agreement with the National Science Foundation. Effective on April 1, 1998, registration for a new domain name will cost \$70 (as opposed to the previous \$100) for a two year registration. For further information see <http://www.netsol.com>

### KASHPUREFF PLEADS GUILTY

Eugene Kashpureff, the owner of AlterNIC, pleaded guilty in federal court in Brooklyn on March 19th to one count of computer fraud. He faces a possible maximum sentence of five years in prison and a \$250,000 fine. Kashpureff had set up an alternative (AlterNIC) to the federal government's authorized domain naming service (InterNIC) and redirected traffic from InterNIC to AlterNIC. Prosecutors filed a criminal complaint against Kashpureff in September 1997, but he fled to Canada. The U.S. government then began extradition proceedings and Canadian authorities arrested Kashpureff. He waived extradition in December 1997 and was returned to the United

States. AlterNIC may still be found at: <http://www.alternic.net/>

### **PENTAGON HACKERS ARRESTED IN ISRAEL AND U.S.**

On March 19th, the Justice Department announced the arrest of a trio of Israeli hackers suspected of breaking into U.S. and Israeli government computer networks, as well as those of businesses and educational institutions in the United States and abroad. Israel's National Police arrested Israeli citizen Ehud Tenebaum, identified by a police spokeswoman as the 18-year-old hacker "Analyzer" who claimed responsibility for February's attack on the Pentagon, as well as numerous other hacks. Israeli police also arrested two teenage accomplices. All three teens are cooperating with investigators and have been put under house arrest. A Washington state man, Levi Coffman, 20, has also been arrested by NASA's Computer Crimes Division, and is suspected of being the leader of the group "ViRii," which is believed to have targeted many computer systems for break-ins. A number of ISPs and U.S. universities are planning to file civil suits against the members of ViRii. The Justice Department press release announcing the Israeli arrest may be found at: <http://www.usdoj.gov/opa/pr/1998/March/125.htm.html>

### **VIRGINIA TO APPEAL SEX FILTER RULING**

Virginia plans to appeal last week's federal court decision striking down a law which prohibited state employees from using the Internet to view sexually explicit material. On February 26th, U.S. Eastern District Court Judge Leonie Brinkema ruled in favor of the American Civil Liberties Union and six college professors, stating that the 1996 law violated the First Amendment by restricting access to online art, literature, history and philosophy. The judge also said the criminal statute was unnecessary because the state already has content-neutral laws in place that forbid using a computer for activities that are not related to work. Virginia State Attorney General Mark Earley said on February 27th that he will challenge the ACLU's victory against online restriction, stating that the decision seriously undermines the ability of the Commonwealth to supervise the conduct of its employees. The decision in *Orofky v. Allen* may be found at: <http://www.aclu.org/court/uofskyvallendec.html>

### **POWER AGENT SUES EDS FOR SABOTAGING START UP**

Internet marketing start-up PowerAgent has sued systems integrator Electronic Data Systems for \$3.5 billion in damages, alleging fraud, breach of fiduciary duty and other claims. The suit, filed in U.S. District Court in San Francisco, alleges that EDS sabotaged the company's product launch, which had been slated for October 1997, through acts of fraud and economic extortion. PowerAgent alleges that EDS committed, in July 1997, to a deal backing the start-up with an equity investment of between \$10 million and \$20 million. The funds were to be provided within one month of the agreement but PowerAgent alleges that EDS delayed its commitment while using a variety of tactics designed to gain control of the company and to prevent the acquisition of other start-up funds. Without adequate financing, Power Agent laid off most of its staff and was unable to proceed with a much ballyhooed Internet marketing plan to permit businesses to set up one-on-one marketing ties to consumers over the Net. The complaint also alleges that EDS violated U.S. anti-racketeering laws and seeks to recover triple damages, attorneys' fees and punitive damages. EDS' site may be found at: <http://www.eds.com/>

### **27 STATES FILE AMICUS BRIEF IN MICROSOFT/DOJ CASE**

On March 2nd, twenty-seven states filed a brief in federal appeals court in Washington in support of the Justice Department's antitrust case against Microsoft. The brief comes on the heels of a recent meeting between state attorneys general and Justice Department officials in San Francisco discussing the possibility of joining forces against Microsoft. The Computer and Communications Industry Association also filed a friend-of-the-court brief in support of the DOJ's case. The states represented in the brief are California, Connecticut, Delaware, Florida, Illinois, Iowa, Kansas, Maryland, Massachusetts, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Mexico, New York, Nevada, Oklahoma, Oregon, North Carolina, Rhode Island, South Carolina, South Dakota, Texas, Utah, West Virginia, and Wisconsin.

## **DOJ FILING CHARGES THAT MICROSOFT BROKE PROMISES**

The Justice Department told the U.S. Court of Appeals for the District of Columbia Circuit Court on March 2nd that Microsoft broke its promise by using its monopoly power to force its Internet Explorer browser on personal computer makers. The filing was in reply to Microsoft's request that the Court throw out a lower court's ruling. The Justice Department contends that Microsoft violated a 1995 consent decree "by conditioning Windows 95 licenses on OEMs' licensing Internet Explorer, a Web browser Microsoft undeniably treats as a distinct commercial product in every relevant sense." Oral arguments in the case are slated for April 21st. Microsoft has many of the legal documents posted in this case at: <http://www.microsoft.com/corpinfo/doj/library.htm>

## **MICROSOFT AND ADVERSARIES SQUARE OFF IN CONGRESS**

On March 3rd, Microsoft head Bill Gates and his adversaries, including chief executives Jim Barksdale of Netscape Communications and Scott McNealy of Sun Microsystems told the Senate Judiciary Committee very different stories. Barksdale and McNealy argued that Microsoft must be held to a different standard because it is a monopolist, whose operating system is on more than 85% of all personal computers. Gates argued that Microsoft is not a monopoly and has less dominance in the PC business than IBM once had. McNealy countered that information technology plays a more crucial role than it ever has and that Microsoft's monopoly is far more dangerous than IBM's ever was. According to Gates, "Microsoft does not have monopoly power in the business of developing and licensing computer operating software . . . a monopolist by definition is a company that has the ability to restrict entry by new firms and unilaterally control price. Microsoft can do neither." Gates also said it is preposterous to think that a single company, even one as dominant as Microsoft, could control access to the Internet. A copy of Scott McNealy's statement to the Committee may be found at: <http://www.sun.com/980224/testimony/>

## **HATCH ASKS GATES FOR CLARIFYING LETTER**

On March 26th, Sen. Orrin Hatch (R-Utah), and three other Senators asked Microsoft and rivals Sun Microsystems and Netscape Communications for cooperation. In letters to the three companies, the Senators asked each company to waive confidentiality agreements that would bar OEMs from turning over information on pacts with the software firms. The letters assured the companies that appropriate steps would be taken to protect its confidential information. A copy of the letter sent to Gates may be found at: <http://www.news.com/News/Item/0,4,20534,00.html?st.ne.4.head>

## **MICROSOFT ORDERED TO REMOVE JAVA LOGO**

On March 24th, U.S. District Judge Ronald Whyte of San Jose, California, required Microsoft to remove the Java Compatible logo from its Internet Explorer browser and Software Developer Kit for Java, pending a final outcome in the case. Microsoft had used the logo to indicate that both products were Java compatible, but Sun alleged that the products did not pass the compatibility tests it requires of all licensees. Microsoft indicated that it would comply with the court order but vowed that the legal battle would continue. Microsoft's press release following the court order may be found at: <http://www.microsoft.com/corpinfo/press/1998/Mar98/JHearPr.htm>. The court order itself may be found at: <http://www.sun.com/announcement/injunction/>

## **MICROSOFT REQUESTS GERMAN MAGAZINE RECALL**

Microsoft Deutschland announced on March 6th that it has brought charges against German computer magazine PC Welt for allegedly telling consumers how to use certain Microsoft products illegally. PC Welt was asked to recall its March issue. PC Welt denied the accusations. Microsoft claimed that the magazine detailed a manner of bypassing the protective mechanism of the Windows operating system . The Munich-based IDG magazine publishing house which produces PC Welt announced that it would abstain voluntarily from publishing certain other Windows tips. Microsoft Deutschland's site may be found at <http://www.microsoft.com/germany/default.asp>. PC Welt's site may be found at: <http://www.pcwelt.de/index.asp>

## **PALM PILOT TAKES ON PALM PC**

Microsoft, which chose to name its new personal data assistant "Palm PC", has now been sued by Palm Computing, which also manufactures Personal Digital Assistants. Palm Computing has filed lawsuits in Germany and Italy against Microsoft, asserting that the Palm PC name can be too easily confused with its trademarked products, including the PalmPilot. Palm Computing, a subsidiary of 3Com, has also filed suit against Casio in Germany. The Palm PCs are scheduled to be released in March or April from Casio, Philips and others, but the release date may be delayed by the latest legal actions. PalmPilots have emerged as the most popular device in the handheld computer market. Over 1.6 million PalmPilots have been sold to date. Microsoft says that the terms "palm," "palm computer" and "palmtop" are generic terms rendering Palm Computing's claims invalid. The official "Palm Pilot" site may be found at: <http://palmpilot.3com.com/>

## **AOL SPOTLIGHTS TOP TEN SPAMMERS, NOW NINE**

On March 5th, AOL announced the publication of "AOL's Ten Most Wanted Spammer List," listing the ten most frequent spammers on spam-inundated AOL. Although AOL has vigorously pursued spammers and won all its spam cases in court, the spammers keep coming, attracted by the large AOL numbers and the ease of obtaining subscriber lists. On March 2nd, AOL filed suit in the U.S. District Court for the Eastern District of Virginia charging Eddie Davidson and his two firms, Web Communications and Sex Web Incorporated, with violations of the federal copyright statute, the Computer Fraud and Abuse Act, and the Virginia Computer Crimes Act. AOL's top ten spammers, in order, are: The "Notoriously Nasty" Spammer, The LoseWeight Center, Lovetoys Productions, CN Productions, Internext, AMV Incorporated, Softcell Marketing, Incorporated, Paragon Marketing, American Eagle/PMA and Springdale Publications. Just a week after AOL published its list, Springdale Publications agreed to end its practice of sending junk e-mail to AOL members and agreed to pay AOL an undisclosed sum to avoid a lawsuit. AOL's press release regarding its settlement with Springdale may be found at: <http://www-db.aol.com/corp/news/press/view?release=318&>

## **SPAMMER TAKEN TO COURT BY FTC**

In a suit filed on March 4, 1998 in the Northern District of Maryland, the FTC asked the court to prohibit the seller of an alleged bogus business opportunity from spamming the Net with his scheme. The civil suit calls for the defendant to pay fines and restitution to victims. It names a company based in Southern California, alternatively known as Internet Business Broadcasting, Internet Business Bureau, and Interactive Consulting Systems. It also names individuals Audrey Reed and Dorian Reed. The suit alleges that the defendants used e-mail, the company's now-defunct Web page, and telemarketing to make fraudulent claims about promised advertising return rates that customers could get by advertising in the company's Internet newspapers. The FTC says that both their spam and their Internet Web site offered a 'guaranteed' return on investment or a full refund to investors. Consumers' investments ranged from \$5,000 to \$7,500. The complaint in FTC v. Maher et al may be found at: <http://www.ftc.gov/os/1998/9803/complain.htm>

## **CRYPTO BILL WATERED DOWN**

On March 4th, Sen. John McCain (R-Arizona) and Sen. Robert Kerrey (D-Nebraska) announced that they are revising their controversial Secure Public Networks Act. The revision would forbid U.S. investigators from accessing the keys that unlock encrypted messages without a court order. The Act creates a program for the government to hand out digital certificates, which establish and verify the identity of the sender of an encrypted communication. Under the original bill, users couldn't get a government certificate without storing their encryption keys with a third party that would allow authorities to unlock their identity. The revised legislation removes that requirement, but opponents argue that it does not address the most pressing issue, that only weak encryption products can be exported, making U.S. encryption products vulnerable to foreign competition. The text of the bill may be found at: <ftp://ftp.loc.gov/pub/thomas/c105/s909.is.txt>

In related news, the FBI surprised many people on March 17th when it announced that it would no

longer insist that manufacturers of strong encryption equipment build in secret access to encoded messages for law enforcement as long as the industry continues to negotiate toward an encryption solution.

### **FIRST INTERNET SPORTS BETTING OPERATORS CHARGED**

In the first federal prosecutions for gambling on the Internet, 14 operators of sports betting Web sites were charged on March 4th with conspiring to illegally transmit bets over the Internet and telephone. The defendants are all owners or managers of six companies based in the Caribbean and Central America that advertise their sports books over the Net. The complaint was filed by the U.S. Attorney's Office in New York City. Only two of the companies accept wagers over the Internet, while the others use their Web sites to promote their operation but actually accept bets over toll-free phone lines. Each defendant faces a maximum punishment of five years in prison and a \$250,000 fine if convicted. On March 26th, federal prosecutors filed charges against seven more online sports betting operators. Of the 14 people charged earlier this month, 11 have been arrested or have turned themselves in. All 21 defendants are U.S. citizens who located their operations in countries where gambling is legal.

### **CALIFORNIA BILL TO GIVE ISPS RECOURSE AGAINST SPAMMERS**

State Assembly members Gary Miller (R-Diamond Bar) and Jim Cunneen (R-San Jose) have reworked AB 1629 to give ISPs stronger legal recourse against spammers that trespass on their networks or send spam to customers within the state. Under the legislation, ISPs must post an "unsolicited commercial e-mail" policy on their sites and within their terms of service agreements. If spammers ignore warnings prohibiting spam, they can be taken to court and fined \$50 per email, up to \$15,000 for 300 messages, or more. The law doesn't apply to bulk emailers having existing business relationships with recipients.

### **NEW YORK LEVELS NET PYRAMIDS**

New York Attorney General Dennis Vacco, a legendary Internet sheriff, has now targeted get-rich-quick schemes. Vacco announced on March 10th that his office has settled cases with 12 sites accused of running fraudulent online pyramid schemes. Collectively, the individuals were charged about \$20,000 in fines. Pyramids promise members more money for each new person they bring into the plan. But those on the bottom often lose their money when the new recruit pool dries up. Vacco's web site may be found at: <http://www.oag.state.ny.us/>

### **THE SPAM KING TAKES TWO MORE HITS**

Once the undisputed king of spam, Sanford Wallace announced in mid-March that he will pay \$2 million to EarthLink to settle the last outstanding lawsuit against his company, Cyber Promotions. He has also agreed to refrain from sending junk e-mail to EarthLink's network. In the same dismal week for Sanford, free e-mail provider Bigfoot won an injunction prohibiting Wallace and his company from sending, or aiding its customers in sending unsolicited e-mail to either Bigfoot's customers or its partners. The settlement of the lawsuit also calls for the removal of Bigfoot-related addresses from mailing lists used or sold by Cyber Promotions or any of its customers. It also prohibits Wallace and his company from using the Bigfoot domain in the headers of any of its messages. It imposes a \$10,000 per day fine for noncompliance. Sanford, who says this closes every pending lawsuit against his company, is back to his pre-spam occupation, promoting restaurants in Philadelphia. Nonetheless, he is still working with fellow spammer Walt Rines to build a backbone network from which clients could safely send junk e-mail. The company, called Global Technology Marketing Inc., has not yet launched and its future is uncertain.

### **SON OF CDA AND NET FILTER BILLS MOVE FORWARD IN SENATE**

On March 12th, the Senate Commerce Committee passed legislation dubbed the son of the Communications Decency Act - the original CDA, which made it a felony to send indecent material to minors over the Net, was struck down as unconstitutional by the Supreme Court last June. CDA II

now goes to the Senate floor for a full vote. The Act prohibits commercial Web sites from allowing underage surfers to view adult-oriented material deemed "harmful to minors"--defined as any communication, image, or writing that contains nudity or actual or simulated sex or that "lacks serious literary, artistic, political, or scientific" value. Bill author Sen. Coats says that his bill is more narrowly tailored than the original CDA and targets Web sites that don't verify the age of surfers who receive "Adults Only" content.

Also advanced on March 12th was Sen. McCain's bill to require public schools and libraries that get federal discounts on Net access to install software on their computers to filter out material that is "inappropriate for minors." The Federal Communications Commission, under the nation's universal service fund, will distribute the up to \$2.25 billion in annual discounts, also known as "e-rates." The text of both bills may be found at: <ftp://ftp.loc.gov/pub/thomas/c105/s1482.is.txt>  
<ftp://ftp.loc.gov/pub/thomas/c105/s1619.is.txt>

## **U.S. AND EUROPE STRUGGLE OVER DOMAINS**

The recent U.S. proposal regarding the revision of the domain name system has sparked anger in Europe where the European Commission has charged that the U.S. is not sufficiently involving other countries in the process. The U.S. government manages central parts of the system, but has recently proposed handing management over to the private sector. The EC has asked the 15 European Union countries to adopt a statement in reply to the U.S. proposal, which calls for a more international approach. The U.S. proposal may be found at: <http://www.ntia.doc.gov>

## **COMMENT PERIOD ON DOMAIN NAME ENDS**

The public comment period on the Commerce Department's controversial plan to end government rule over the domain name system ended earlier this month and the comments remain to be evaluated by the Department, which has set no deadline on its evaluation period. The comments may be found at: <http://www.ntia.doc.gov/ntiahome/domainname/130dftmail/>

## **COMPROMISE ON NET TAX BILL**

Although President Clinton endorsed the Internet Tax Freedom Act (H.R. 1054), Rep. Chris Cox (R-California) announced he will alter his bill to appease local leaders who have strongly opposed the proposal. As introduced in the House and Senate, the act would have placed a six-year ban on states and localities passing new taxes specifically aimed at online access, e-commerce, and other Net services. The moratorium will be shortened to three years in the amended bill. The National Governors Association and the National League of Cities are now backing the legislation after working out the agreement. The amended Net Tax Freedom Act will also contain a so-called grandfather clause so that any taxes already imposed before March 1st will still be valid. The bill will create a commission to study whether the Net transactions or services should be taxed and, if so, how to avoid double taxation and damping the growth of e-commerce. The House is expected to vote on the act this month, but the Senate version (S. 442) still contains the six-year moratorium. The Senate version may be found at: <ftp://ftp.loc.gov/pub/thomas/c105/s442.is.txt>

## **FRANCE EMBRACES THE WEB**

France has been legendary in its reluctance to embrace the Internet, but on March 20th, France officially launched a nationwide Internet Festival to demonstrate how enthusiastically it has embraced the global network. Flashy new governmental web sites have appeared and the festival showed off the recent technical advancements undertaken by the government. The two-day Internet Festival was a joint effort of the private sector and the government. Currently, only 2% of French households have a computer and modem, but French businesses are beginning to develop web sites at an accelerating rate.

## **TEENS HACK GERMAN ISP**

Still staggering from recent teenage hacks on government, military and university networks, the online world was rocked again when two teenagers hacked T-Online, the online service run by Germany's national telephone company, and stole information about hundreds of bank accounts. The two 16-year-olds boasted about their misdeeds to the German magazine CT, calling Deutsche Telekom's security for the onlineservice absolutely primitive. The boys said they broke in to play online games for free, but later hacked into subscribers' financial information, which they destroyed without using. T-Online is, to no one's surprise, planning on shoring up its security. T-Online's site may be found at: <http://www.t-online.de/>

### **IMATEC SUES APPLE FOR PATENT INFRINGEMENT**

Image technology corporation Imatec announced on March 25th that it filed suit in federal court in the Southern District of New York against Apple Computer alleging infringement of three of its patents and requesting an award of \$1.1 billion in damages. The suit alleges that Apple infringed Imatec patents by making, using, and/or selling its 'Color Sync' color management systems and inducing others to do so. Imatec is seeking preliminary and permanent injunctions against Apple.

### **BRITAIN LOOKS TO SQUASH Y2K BUG WITH \$\$\$\$\$**

British Prime Minister Tony Blair announced on March 30th a \$163 million package to conquer the Year 2000 problem, which he described as a "technical time bomb" that could cause major disruption in Britain. The Prime Minister plans to mobilize an army of 20,000 bug busters -- young people, unemployed, or even retired people, who will receive government training to deal with the millennium bug. Blair said his plan, called Action 2000, will solve a serious problem while giving a lot of people technical training.

### **DECISION IN THE "JEWS FOR JESUS" TRADEMARK CASE**

Judge Alfred J. Lechner, Jr. of the U.S. District Court for N.J., held early this month that Steven Brodsky violated the trademark rights of Jews for Jesus, a religious group, by operating a web site with a domain name confusingly similar to the group's name and federal trademark. Brodsky's web site, which encouraged wavering Jews to remain with or return to Judaism used the domain name "[www.jewsforjesus.org](http://www.jewsforjesus.org)" and appears to have been removed from the net. The religious groups' web site uses the domain name "[www.jews-for-jesus.org](http://www.jews-for-jesus.org)"

### **NETSCAPE RELEASES COMMUNICATOR 5.0 SOURCE CODE**

On March 31st, Netscape Communications Corporation announced that the first developer release of its Communicator 5.0 source code was available for download from <http://www.mozilla.org/download.html>. By making the source code for its browser software freely available to developers, Netscape hopes to generate enthusiasm for creating a wide spectrum of products based on the code. Additionally, Netscape hopes that the new product innovations created will help advance the underlying technology and allow the refinement and expansion of the browser's capabilities. Further information is available at <http://home.netscape.com/communicator>

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